Registered No: 09408979

HP Inc UK Limited

Report and Financial Statements

31 October 2015

Corporate information

Directors
G Brasher
C Morin

Secretary
M Ben-Touval

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Strategic Report

The directors present their strategic report for the period ended 31 October 2015.

Review of the business

On 6 October 2014, Hewlett-Packard Company announced that the company would separate into two new public companies Hewlett Packard Enterprise and HP Inc.

In the UK a new legal entity, HP Inc UK Limited was created to separate the Hewlett Packard Enterprise and the HP Inc business operations of Hewlett-Packard Limited. HP Inc UK Limited was incorporated on 27 January 2015 and commenced trading on 1 August 2016 following the purchase of the printing and personal systems business operations from Hewlett-Packard Limited.

The financial statements are for the period from incorporation on 27 January 2015 until 31 October 2015 but only comprise of the printing and personal systems business operations from 1 August 2015 to 31 October 2015.

The company is a leading provider of computing and imaging solutions for business and home, and continues to capitalise on the opportunities of the internet and the proliferation of electronic services.

Over the period under review, the company has continued to build an integrated, cross-company strategy to fully exploit the intersection of its various product offerings focused on creating solutions that deliver total customer experience. The company also maintained its reputation for customer service, support and satisfaction. New product offerings continue to be of an excellent standard providing a strong base for future growth prospects.

The profit for the period ended 31 October 2015, after taxation, amounted to £4,598,000.

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:

	Period ended 31 October 2015
	£m
Turnover	339.1
Gross profit	22.6
Profit before tax	5.8

The results were in line with company expectations. The company is continuing to launch certain initiatives that aim continue to drive the turnover growth in future years, improving our service delivery for higher quality and lower cost.

Market share

As at 31 October 2015, 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 HP Inc technologies, competencies and customer interests.

Market share data is extremely dynamic and based on diverse areas of the business. HP Inc UK Limited use 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 defined contribution pension scheme as benefit to employees. All new individual employees joining the company are invited to join the defined contribution scheme.

Principal risks and uncertainties

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 HP Inc UK Limited operates, but ultimately this is dependent on factors such as economic cycles, consumer confidence and growth of the economy. A weak economy could affect the level of customer spending on HP products and the profitability of the company. Through developing a greater understanding of partner and consumer needs, HP have 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 as a group has reacted to this by increasing their commitment to partners and consumers through targeting their individual requirements and creating innovations that align these needs with their business strategy. Targeting their individual requirements has enabled Hewlett-Packard to provide more advanced end-to-end personalised and unique solutions.

Reliance on parent company

HP Inc UK Limited is a subsidiary of Hewlett-Packard Company and is dependent on this parent company for the supply of products and for its brand strength. 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 Company, the ultimate parent company, has a centralised treasury function which manages the overall group's Treasury policy, risks and requirements, including HP Inc UK 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 HP Inc UK Limited. A full description of the risks and uncertainties impacting Hewlett-Packard Company can be found in the Hewlett-Packard Company group financial statements.

Strategic report (continued)

The environment

Hewlett-Packard'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 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.

HP Inc UK Limited's ultimate parent company, publishes an annual corporate responsibility report where detailed companywide environmental commitments, initiatives and key performance indicators can be found. A copy of the report is available from

www.hp.com/hpinfo/globalcitizenship/.

Approved by the board

G Brasher

Director

Date: 10 August 2016

Directors' report

The Directors present their report for the period ended 31 October 2015.

Directors

The directors during the period ended 31 October 2015, and to date, were as follows:

George Walter Brasher	(appointed 19 June 2015)
Caroline Morin	(appointed 19 June 2015)
Sergio Erik Letelier	(resigned 19 June 2015)
Bas Van Der Goorbergh	(resigned 19 June 2015)

During the period, 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.

Dividends

The directors do not recommend a final ordinary dividend, making the total of ordinary dividends paid for the period ended 31 October 2015 £nil.

Future developments

It is the intention of the directors to continue the company's principal activities. The business has been able to diagnose those areas in which efficiencies and improvements can be made and implement plans to reduce costs. HP Inc 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

Events since the balance sheet date

From 1 November, 2015, Hewlett-Packard Company, which is incorporated in the United States of America, has been separated into two independent publicly-traded companies: one comprising enterprise technology infrastructure, software, services and financing businesses, which will conduct business as Hewlett-Packard Enterprise and one that will comprise printing and personal systems businesses, which will conduct business as HP Inc.

In connection with the Separation, Hewlett-Packard Company changed its name to HP Inc. From 1 November, 2015 the ultimate holding company for HP Inc UK Limited is HP Inc.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Employee involvement

The company continues to place importance upon the education and development of its people. There is a well-developed employee involvement programme within the company. Employee representatives are consulted regularly on a wide range of matters affecting their interests. Employees receive regular newsletters and have the opportunity to provide feedback to senior management by participating in an annual Voice, Insight, Action survey.

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

Hewlett-Packard'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

Directors' report (continued)

Employee involvement (continued)

different markets where Hewlett-Packard operates, also provides a competitive advantage and helps acquire new business.

Hewlett-Packard Company, for which HP Inc UK 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.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the report and the financial statements.

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:

Paragraph 6 – 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; and
Paragraph 7 – Future developments of the company and activities of the company in the field of research and development.

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

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.

Approved by the board

G Brasher

Director
Date: 10 August 2016

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 auditors' report to the members of HP Inc UK Limited

We have audited the financial statements of HP Inc UK Limited for the period ended 31 October 2015 which comprise the Income Statement, the Statement of Changes in Equity and the Statement of Financial Position and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to members of HP Inc UK Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Ernst & Young LLP

Marcus Butler (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Reading

Date: 10/08/16

Income Statement

for the period ended 31 October 2015

	Notes	*Period ended 31 October 2015 £'000*
Turnover	2	**339,133**
Cost of Sales		(316,548)
Gross Profit		**22,585**
Distribution costs		(13,084)
Administrative expenses		(2,560)
Operating profit	3	**6,941**
Profit on ordinary activities before investment income, interest and taxation		**6,941**
Interest receivable and similar income	8	645
Interest payable and similar charges	9	(1,797)
Profit on ordinary activities before taxation		**5,789**
Tax on profit on ordinary activities	10	(1,191)
Profit for the financial period		**4,598**

All activities of the company are classed as continuing.

Statement of changes in equity

for the period ended 31 October 2015

	Notes	*Called-up share capital*	*Merger Reserve*	*Profit and loss account*	*Total Equity*
		£000	***£000***	***£000***	***£000***
Profit for the period		-	-	4,598	4,598
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	4,598	4,598
New shares issued*	17	-	-	-	-
Merger reserve	18	-	(60,716)	-	(60,716)
Share based payment transactions		-	-	167	167
At 31 October 2015		-	(60,716)	4,765	(55,951)

*On 27 January 2015 the company issued 1 ordinary share with nominal value of £1.

Registered No: 09408979

Statement of financial position

at 31 October 2015

	Notes	*2015* *£'000*
Fixed assets		
Tangible assets	11	226
		226
Current assets		
Stocks	12	33,474
Debtors:		
amounts falling due within one year	13	249,629
amounts falling due after one year	13	21,097
		270,726
Cash at bank and in hand		935
		305,135
Creditors: amounts falling due within one year	14	(313,576)
Net current liabilities		**(8,441)**
Total assets less current liabilities		**(8,215)**
Creditors: amounts falling after more than one year	14	(40,123)
Provisions for liabilities	16	(7,613)
Net liabilities		**(55,951)**
Capital and reserves		
Called up share capital	17	-
Merger reserve	18	(60,716)
Profit and loss account		4,765
Equity shareholders' funds		**(55,951)**

G Brasher

Director

Date: 10 August 2016

Notes to the financial statements

at 31 October 2015

1. Accounting policies

Statement of compliance

HP Inc UK Limited is a limited liability company incorporated in England. The Registered Office is Amen Corner, Cain Road, Bracknell, Berkshire, RG12 1HN

The HP Inc UK Limited financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the HP Inc UK Limited for the period ended 31 October 2015.

Basis of preparation

The financial statements of HP Inc UK Limited were authorised for issue by the Board of Directors on 10 August 2016. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the HP Inc UK Limited and rounded to the nearest £'000.

The financial statements are for the period from incorporation on 27 January 2015 until 31 October 2015 but only comprise of the printing and personal systems business operations from 1 August 2015 to 31 October 2015.

Judgements and key sources of estimation uncertainty

The preparation of the 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 period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the HP Inc UK Limited key sources of estimation uncertainty:

- Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Cash flow statement

In accordance with Section 7 ("Statement of Cash Flows"), HP Inc UK Limited has not published a cash flow statement as its ultimate parent company, Hewlett-Packard Company, which is incorporated in the United States of America, has published consolidated financial statements in which the cash flows of the Company are included.

Turnover

Turnover is recognised to the extent that the company obtains the right consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

- Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. Revenue on products is recognised net of expected rebates. The amount of the rebate is recorded at the later of the date of revenue recognition or the date the rebate is offered to the customer.

Notes to the financial statements

at 31 October 2015

1. Accounting policies (continued)

Turnover (continued)

- Rendering of services

Turnover from fixed-price or maintenance contracts, including extended warranty contracts and software post-contract customer support agreements is recognised rateably over the contract period.

- Software

Turnover from perpetual software licenses is recognised at the inception of the license term with term-based software license revenue recognised on a subscription basis over the term of the license entitlement.
In accordance with Section 23 ("Revenue"), when a contract consists of more than one element, the total contract revenue is allocated to each separate element, such as licences, and post contract support, based on the fair value of each element.

Revenue generated from maintenance and unspecified upgrades or updates on a when-and-if-available basis is recognised over the period during which such items are delivered. Revenue for software hosting or software-as-a-service (SaaS) arrangements is recognised as delivered, generally on a straight-line basis, over the contractual period of performance. In software hosting arrangements where software licenses are sold, the associated software revenue is recognised according to whether perpetual licenses or term licenses are sold, subject to the above guidance. In SaaS arrangements where software licenses are not sold, the entire arrangement is recognised on a subscription basis over the term of the arrangement.

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.

Research and development

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the cost of tangible fixed assets in accordance with the methods and estimated useful lives set out below:

Machinery and equipment - straight line over a period of 3 - 10 years

The carrying value of tangible fixed assets is reviewed annually for impairment to determine whether there is any indication that the carrying value may not be recoverable.

Merger accounting and merger reserve

The purchase of the printing and personal systems businesses has been accounted for as a group reconstruction using merger accounting. Consequently, the assets and liabilities have been reflected at the predecessor carrying amounts. The results of the business have been reflected from the date of the purchase. The difference between the net liabilities of £46,553,000 assumed and the purchase price of £14,163,000, which was based on the fair market value of the business taking into account the assets and liabilities transferred, has been recognised as a merger reserve within equity.

Notes to the financial statements

at 31 October 2015

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and if it is probable that an outflow of economic benefits will be required to settle 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.

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 profit and loss account, with a corresponding entry in equity.

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 profit and loss account 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 profit and loss account.

In accordance with Section 21 ("Provision and Contingencies"), the anticipated National Insurance charge on gains made by employees over the period from date of grant of the option to the end of the performance period has been provided for.

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

Notes to the financial statements

at 31 October 2015

1. Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses are recognised only to the extent that the directors consider it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of fair value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable on operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pensions

The company operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the company.

Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Interest bearing borrowings

All interest bearing borrowings which are basic financial instruments are initially recognised at the present value of cash payable. After initial recognition they are measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in the income statement.

2. Turnover

The segmental analysis for turnover 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. The company operates within one industry segment; provision of computing and imaging solutions and services for business and home.

Notes to the financial statements
at 31 October 2015

3. Operating profit

Operating profit is stated after charging:

		Period ended 31 October 2015 £'000
Depreciation of owned assets		35
Operating lease rentals	- Land and buildings	449
	- Other	66
Auditors' remuneration		49
Foreign exchange (gain)/loss		(636)
Restructuring costs*		1,241
Research and development expenditure		441
Amounts recharged to other group companies		(337)
Total research and development		104

*The restructuring costs include amounts expensed in relation to workforce reduction costs of £623,000 and separation costs of £618,000.

4. Auditor's remuneration
Included in auditor's remuneration is audit fee of £49,000 relating to this company.

Notes to the financial statements

at 31 October 2015

5. Staff costs

	Period ended 31 October 2015 £'000
Wages and salaries	10,675
Social security costs	1,366
Defined contribution pension costs	1,519
Equity settled share based payments	262
Other employee benefits	4
	13,826

The above aggregate payroll costs include amounts expensed in relation to workforce reduction costs of £623,034.

The average monthly number of employees during the period was made up as follows:

	2015 No.
Sales and services	747
Research and development	24
	771

6. 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

From 1 November 2010, Hewlett-Packard Company ("HP"), the ultimate parent company, sponsors the Hewlett-Packard Company 2011 Employee Stock Purchase Plan (the "2011 ESPP"), pursuant to which eligible employees of HP Inc UK Limited could contribute up to 10% of base compensation, subject to certain income limits, to purchase shares of HP's common stock. Purchases made prior to fiscal year 2011 were made under the Hewlett-Packard Company 2000 Employee Stock Purchase Plan which expired on 1 November 2010.

Notes to the financial statements

at 31 October 2015

6. Share-based payments (continued)

For purchases made on or after 31 October 2011, employees purchased stock at a price equal to 95% of HP's closing stock price on the purchase date. An expense is recorded in the profit and loss account in connection with those purchases which equals to the cross charge from the parent company for the 5% discount employees received on the purchases.

Incentive compensation plans

HP's stock-based incentive compensation plans include equity plans adopted in 2004, 2000 and 1995, as amended ("principle equity plans") as well as various equity plans assumed through acquisitions under which stock-based awards are outstanding. Stock-based awards granted from the principal equity plans include restricted stock awards, stock options and performance-based awards. Employees meeting certain employment qualifications are eligible to receive stock-based awards.

Stock options granted under the principal equity plans 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 HP's stock on the option grant date. HP utilises the Black-Scholes-Merton option pricing model to value the service based stock options, granted under its principle equity plan.

The weighted-average fair value and the assumptions used to measure fair value were as follows:

	2015
Weighted average fair value of grants per share	$7.85
Risk-free interest rate	1.56%
Dividend yield	1.80%
Expected volatility	26.25%
Expected life in years	5.21

The risk-free interest rates for periods within the contractual life of the award are based on the U.S. Treasury yield curve in effect at the time of grant. In order to calculate expected volatility, management determined that implied volatility calculated based on actively trade options on HP common stock is a better indicator of expected volatility and future stock price trends than historical volatility. Therefore, expected volatility in fiscal year 2015 was based on a market-based implied volatility. The expected life computation is based on historical exercise patterns and post-vesting termination behaviour.

The company recognised total expenses of £8,741 in respect of stock options during the period.

Notes to the financial statements

at 31 October 2015

6. Share-based payments (continued)

The following table illustrates the number of weighted average exercise prices (WAEP) of, and movements in, share options during the period:

		2015
	Shares	*WAEP*
	No.	*$*
Granted	-	-
Forfeited or cancelled	-	-
Exercised	(350)	23.59
Transfers net	35,333	26.22
Expired	-	-
Outstanding at 31 October	**34,983**	**26.25**
Exercisable at 31 October	**28,097**	**24.48**

The weighted average share price at the date of exercise for stock options exercised during the period was $29.19.

The range of exercise prices for stock options outstanding at the end of the period and associated weighted average remaining contractual life is set out below.

	2015	
Range of Exercise Prices	*Shares outstanding*	*Weighted-average remaining life in years*
$0 - $9.99	66	2.03
$10 - $19.99	5,625	5.17
$20 - $29.99	21,542	4.78
$30 - $39.99	6,850	6.85
$40 - $49.99	900	0.48
	34,983	**5.13**

Notes to the financial statements

at 31 October 2015

6. Share-based payments (continued)

Restricted stock awards

HP granted certain employees 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 one to 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 restricted 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.

HP expenses the fair value of restricted stock awards, as determined on the date of grant, rateably over the period during which the restrictions lapse.

Details of the number of non-vested restricted stock units during the period are as follows:

	2015
	No.
Outstanding at 1 August	-
Granted	407
Forfeited or cancelled	-
Exercised	(41,466)
Transfers net	90,900
Outstanding at 31 October	49,841

In 2015 restricted stock units were granted with a weighted average fair value per unit of $27.52.

The company recognised total expenses of £253,039 in respect of restricted stock awards during the period.

7. Directors' remuneration

The aggregate remuneration for directors who have performed qualifying services for this company amounted to £160,783 with pension contributions of £7,642.

Two directors participated in the company's defined contribution pension scheme during the period ended 31 October 2015.

Notes to the financial statements

at 31 October 2015

8. Interest receivable and similar income

	Period ended 31 October 2015 £'000
Interest receivable from group undertakings	32
Interest receivables in respect of finance leases and hire purchase contracts	613
	645

9. Interest payable

	Period ended 31 October 2015 **£'000**
Other interest payable	1,184
Interest payable in respect of finance leases and hire purchase contracts	613
	1,797

Included within other interest payable at 31 October 2015 is interest payable associated with debt financing arrangements of £1,122,000.

10. Tax

(a) Tax on profit on ordinary activities

	Period ended 31 October 2015 £'000
Current tax:	
United Kingdom corporation tax at 20%	1,223
Total current tax	**1,223**
Deferred tax:	
Deferred tax asset on acquisition	(150)
Origination and reversal of timing differences	(42)
Effect of changes in tax rates	10
Total deferred tax	**(182)**
Tax on profit on ordinary activities (note 10(b))	**1,041**

Notes to the financial statements

at 31 October 2015

10. **Tax** (continued)

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the period is different to the standard rate of corporation tax in the United Kingdom of 20%. The differences are reconciled below:

	Period ended 31 October 2015 £'000
Profit on ordinary activities before tax	5,788
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20%	1,158
Expenses not deductible for tax purposes	(127)
Tax rate changes	10
Total tax expense (note 10(a))	**1,041**

(c) Factors that may affect future tax charges

The Finance Bill 2015 included a reduction in the United Kingdom corporation tax rate from 20% to 19% effective 1 April 2017 and from 19% to 18% effective 1 April 2020. These rates were substantively enacted on 26 October 2015.

(d) Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2015 £'000
Included in debtors (note 13)	182

	£'000
Excess of depreciation over tax allowances	46
Other timing differences	136
Deferred tax assets	182

	£'000
Deferred tax asset on acquisition	150
Deferred tax credit in income statement	32
At 31 October 2015	182

The company expects deferred tax assets of £31,000 to reverse in 2016.

Notes to the financial statements

at 31 October 2015

11. Tangible assets

Machinery and equipment

	2015
	£'000
Cost:	
Additions during the period	261
At 31 October 2015	**261**
Amortisation:	
Charge for the period	35
At 31 October 2015	**35**
Net book value:	
At 31 October 2015	**226**

12. Stocks

	2015
	£'000
Finished goods and goods for resale	**33,474**

Notes to the financial statements

at 31 October 2015

13. Debtors

	2015
	£'000
Trade debtors	111,826
Amounts owed by group undertakings	104,019
Deferred contract costs	3,616
Finance debtors	43,116
Other debtors	5,564
Prepayments and accrued income	2,403
Deferred taxation	182
	270,726

Included in Finance debtors at 31 October 2015 are assets associated with debt financing arrangement of £17,618,000 and leases of £25,498,000.

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

	2015
	£'000
Deferred contract costs	1,967
Finance debtors	19,114
Other debtors	16
	21,097

Notes to the financial statements

at 31 October 2015

14. Creditors

	2015
	£'000
Trade creditors	23,172
Amounts owed to group undertakings	128,771
Other taxation and social security	55,298
Corporation tax	1,223
Accruals and deferred income	116,146
Obligation under hire and lease purchase contracts	25,498
Finance creditors	3,591
	353,699

Included within Finance creditors at 31 October 2015 are liabilities associated with debt financing arrangements of £3,591,000.

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

	2015
	£'000
Accruals and deferred income	21,009
Obligation under hire and lease purchase contracts	19,114
	40,123

15. Obligations under hire and lease purchase agreements

Future commitments under hire and lease purchase agreements are as follows:	*2015*
	£000
Amounts Payable:	
Within one year	6,384
In 2 to 5 years	19,114
After 5 years	-
	25,498

Notes to the financial statements

at 31 October 2015

16. Provisions for liabilities and charges

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

Warranty	*2015*
	£'000
At 1 August 2015	10,280
Net amounts released	(627)
Amounts charged against the provision	(2,048)
At 31 October 2015	**7,605**

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.

Other Provisions

	£'000
Other provisions at 31 October 2015	8

17. Share capital

	2015
	£
Allotted, called-up and fully paid:	
Ordinary shares of £1 each	1

18. Merger reserve

On 1 August 2015, HP Inc UK Limited purchased the printing and personal systems businesses from Hewlett-Packard Limited for a total consideration of £14,163,000. At the date of the transaction, the businesses had net liabilities of £46,553,000. The difference between the purchase price and net liabilities assumed has been recognised as a merger reserve of £60,716,000 within equity. The purchase price represents the fair market value of the business taking into account the assets and liabilities transferred. The results of the business are reflected in profit and loss from the date of transfer.

Notes to the financial statements

at 31 October 2015

19. Commitments under operating leases

At 31 October 2015 the company had future minimum rentals payable under non-cancellable operating leases as set out below:

	Land and buildings	Other
	£'000	£'000
Operating leases which expire:		
Within 1 year	1,786	258
Within 2 to 5 years	2,026	367
After 5 years	-	-
Total	**3,812**	**625**

20. Pensions and other post-retirement benefits

Defined contribution schemes

HP Inc UK Limited in the United Kingdom 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 period amounted to £1,519,378. There were no outstanding or prepaid contributions at the end of the financial period.

21. Parent undertaking and controlling party

From 27 January 2015 the immediate parent company is HP Inc UK Holding Limited, a company incorporated in England and Wales.

The parent undertaking of the smallest group of undertakings for which consolidated group financial statements are drawn up, and of which the company is a member, is Perseus Holding BV, a limited company incorporated in The Netherlands; copies of the Perseus Holding BV consolidated group financial statements can be obtained from Startbaan 16, 1187 XR Amstelveen, The Netherlands.

The parent undertaking of the largest group of undertakings for which consolidated group financial statements are drawn up, and of which the company is a member, is Hewlett-Packard Company, which is incorporated in the United States of America. Copies of the consolidated financial statements of Hewlett-Packard Company can be obtained from 3000 Hanover Street, Palo Alto, California 94304, USA.

From 1 November 2015, the ultimate parent company and controlling party, and the smallest and largest undertaking which consolidates these financial statements, is HP Inc, which is incorporated in the United States of America. Copies of the consolidated financial statements of HP Inc can be obtained from 1501 Page Mill Road, Palo Alto, California 94304, USA.

Notes to the financial statements

at 31 October 2015

22. Related parties

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Section 33 ("Related Party Disclosures"), and accordingly has not provided details of its transactions with other wholly owned entities forming part of the Hewlett-Packard Company group.

Key management personnel

All directors who have authority and responsibility for planning, direct and controlling the activities of the Company are considered key management personnel. Total remuneration in respect of these individuals is £168,425.

23. Events after the reporting period

From 1 November 2015, Hewlett-Packard Company, which is incorporated in the United States of America, has been separated into two independent publicly-traded companies: one comprising enterprise technology infrastructure, software, services and financing businesses, which will conduct business as Hewlett-Packard Enterprise and one that will comprise printing and personal systems businesses, which will conduct business as HP Inc.

After 1 November 2015, Hewlett-Packard Enterprise is no longer related party to HP Inc. As at the end of financial period ended 31 October 2015, the amounts of debtors and creditors of Hewlett-Packard Enterprise companies amounted to £ 22,686,000 and £ 13,685,000 accordingly.