

Registered No: 09408979

HP Inc UK Limited

Report and Financial Statements

31 October 2016



Corporate information

Directors

G Brasher
C Morin

Secretary

M Ben-Touval

Auditors

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1YE
United Kingdom

Bankers

HSBC Bank plc
City of London Corporate Office
62-76 Park Street
London
SE1 9WP
United Kingdom

Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

Registered Office

Amen Corner
Cain Road
Bracknell
Berkshire
RG12 1HN
United Kingdom

Strategic report

The directors present their strategic report for the year ended 31st October 2016.

Review of the business

The financial statements are for the year from 01st November 2015 until 31st October 2016. The financials for the previous year are for the period from incorporation on 27th January 2015 until 31st October 2015 but only comprise of the printing and personal systems business operations from 1st August 2015 to 31st 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 year ended 31st October 2016, after taxation, amounted to £18,670,605 (PY: £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:

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|-------------------|---------------------------------|-----------------------------------|
| | £m | £m |
| Turnover | 1,230.8 | 339.1 |
| Gross Profit | 97.0 | 22.6 |
| Profit before Tax | 23.5 | 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.

The results for 2015 are representative of 3 months of activity versus 12 months in 2016. The turnover has dropped on a run rate basis compared to 2015 due to the seasonality of business wherein the last quarter records high sales.

The gross profit margin increased from 6.7% in the previous year to 7.9% in the current year on account of better efficiency in sourcing of products. The profit before tax margin increased from 1.7% in the previous year to 1.9% in the current year. In 2016 the company continued with several cost reduction programs, that the directors believe will benefit the company in future and the directors recognise that achieving the balance of long term and short term objectives is key to future profitability.

Market share

As at 31st October 2016, 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)

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 Inc. products and the profitability of the company. Through developing a greater understanding of partner and consumer needs, HP Inc. 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. HP Inc. 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 HP Inc. to provide more advanced end-to-end personalised and unique solutions.

Reliance on parent company

HP Inc UK Limited is a subsidiary of HP Inc. 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.

HP Inc., 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 HP Inc. can be found in the HP Inc. group financial statements.

Strategic report (continued)

The environment

HP Inc.'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, HP Inc.:

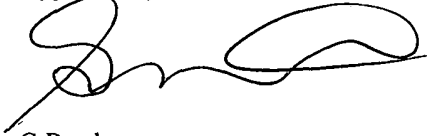
- pursue pollution prevention, energy conservation and waste reduction in operations;
- design and manufacture products to be safe to use and to minimise their environmental impact;
- offer customers environmentally responsible end-of-life management services for products; and
- require suppliers to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

<http://www8.hp.com/us/en/hp-information/global-citizenship/index.html>

Approved by the board



G Brasher
Director

Date: 26 May 2017

Directors' report

The directors present their report for the year ended 31st October 2016.

Directors

The directors during the year ended 31st October 2016, and to date, were as follows:

George Walter Brasher
Caroline Morin

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.

Dividends

The directors do not recommend a final ordinary dividend, making the total of ordinary dividends paid for the year ended 31st October 2016 £ Nil (PY:£ Nil).

Developments during the year

From 01st 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 01st November, 2015 the ultimate holding company for HP Inc UK Limited is HP Inc.

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

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 HP Inc.

HP Inc.'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 HP Inc. operates, also provides a competitive advantage and helps acquire new business.

Directors' report (continued)

Employee involvement (continued)

HP Inc. 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

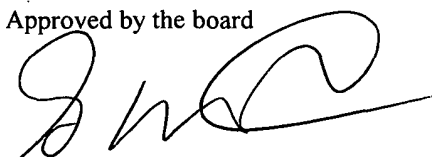
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- 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: 26 May 2017

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 year ended 31st October 2016 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 31st October 2016 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: 26 May 2017

Statement of Comprehensive Income

for the year ended 31 October 2016

| | | Year ended 31 st October 2016 | Period ended 31 st October 2015 |
|--|-------|---|---|
| | Notes | £'000 | £'000 |
| Turnover | 2 | 1,230,774 | 339,133 |
| Cost of Sales | | (1,133,789) | (316,548) |
| Gross Profit | | 96,985 | 22,585 |
| Distribution costs | | (57,452) | (13,084) |
| Administrative expenses | | (10,505) | (2,560) |
| Other operating income | | 341 | - |
| Operating profit | 3 | 29,369 | 6,941 |
| Loss on disposal of tangible fixed assets | | (27) | - |
| Profit on ordinary activities before investment income, interest and taxation | | 29,342 | 6,941 |
| Income from investments | | - | - |
| Interest receivable and similar income | 8 | 1,164 | 645 |
| Interest payable and similar charges | 9 | (6,987) | (1,797) |
| Other finance costs | | - | - |
| Profit on ordinary activities before taxation | | 23,519 | 5,789 |
| Tax on profit on ordinary activities | 10 | (4,848) | (1,191) |
| Profit for the financial year | | 18,671 | 4,598 |

All activities of the company are classed as continuing.

There are no recognised gains or losses other than those passing through the profit and loss account.

Statement of Changes in Equity

for the period ended 31 October, 2016

| | Notes | Called-up share capital £000 | Merger Reserve £000 | Profit and loss account £000 | Total Equity £000 |
|---|-------|------------------------------------|---------------------------|------------------------------------|-------------------------|
| Profit for the period ended 31st October 2015 | | - | - | 4,598 | 4,598 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | 4,598 | 4,598 |
| New shares issued | | - | - | - | - |
| Merger reserve | 18 | - | (60,716) | - | (60,716) |
| Share based payment transactions | | - | - | 167 | 167 |
| At 31 October 2015 | | - | (60,716) | 4,765 | (55,951) |
| Profit for the year | | - | - | 18,671 | 18,671 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | 18,671 | 18,671 |
| Share based payment transactions | | - | - | 1,326 | 1,326 |
| At 31 October 2016 | | - | (60,716) | 24,762 | (35,954) |

At 27 January 2015 the company issued 1 ordinary share in amount of £1.

Statement of financial position

for the period ended 31 October, 2016

| | | Year ended 31st October 2016 | Period ended 31st October 2015 |
|---|-------|---------------------------------|-----------------------------------|
| | Notes | £'000 | £'000 |
| Fixed assets | | | |
| Tangible assets | 11 | 6,797 | 226 |
| | | 6,797 | 226 |
| Current assets | | | |
| Stocks | 12 | 39,272 | 33,474 |
| Debtors: | 13 | | |
| Amounts falling due within one year | | 219,600 | 249,629 |
| Amounts falling due after one year | | 14,276 | 21,097 |
| | | 233,876 | 270,726 |
| Cash at bank and in hand | | 7,044 | 935 |
| | | 280,192 | 305,135 |
| Creditors: amounts falling due within one year | 14 | (277,844) | (313,576) |
| Net current assets/(liabilities) | | 2,348 | (8,441) |
| Total assets less current liabilities | | 9,145 | (8,215) |
| Creditors: amounts falling after more than one year | 14 | (37,595) | (40,123) |
| Provisions for liabilities and charges | 16 | (7,503) | (7,613) |
| Net Liability | | (35,954) | (55,951) |
| Capital and reserves | | | |
| Called up share capital | 17 | (0) | (0) |
| Merger reserve | 18 | (60,716) | (60,716) |
| Non-distributable reserve | | | |
| Profit and loss account | | 24,762 | 4,765 |
| Equity shareholders' funds | | (35,954) | (55,951) |



Director
G Brasher

Date: 26 May 2017

Notes to the financial statements

at 31 October 2016

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 year ended 31st October 2016.

Basis of preparation

The financial statements of HP Inc UK Limited were authorised for issue by the Board of Directors on 26th May 2017. The financial statements have been prepared in accordance with Financial Reporting Standard 102. 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 financials for the previous year are for the period from incorporation on 27th January 2015 until 31st October 2015 but only comprise of the printing and personal systems business operations from 1st August 2015 to 31st October 2015. The financials are prepared under going concern basis

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

Based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies, management estimates an amount of £318,285 to be the value of deferred tax assets on 31 October 2016.

Going concern

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

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, HP Inc. which is incorporated in the United States of America, has published consolidated financial statements in which the cash flows of the Company are included.

Share Based Payment

In accordance with paragraph 1.12 (d) of FRS 102, the Company has chosen to take advantage of disclosure exemptions relating to Share based payments.

Notes to the financial statements

at 31 October 2016

1. Accounting policies (continued)

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 delivery 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

- 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.

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.

Notes to the financial statements

at 31 October 2016

1. Accounting policies (continued)

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.

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.

Notes to the financial statements

at 31 October 2016

1. Accounting policies (continued)

Equity-settled transactions (continued)

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 HP Inc. 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.

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 at 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.

Notes to the financial statements

at 31 October 2016

1. Accounting policies (continued)

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.

3. Operating profit

Operating profit is stated after charging:

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|--|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Depreciation of owned assets | 979 | 35 |
| Operating lease rentals | | |
| - Land and buildings | 1,764 | 449 |
| - Other | 355 | 66 |
| Auditors' remuneration | 129 | 49 |
| (Gain)/Loss on disposal of fixed assets | 27 | 0 |
| Other Operating Income | (341) | 0 |
| Foreign exchange gain | (828) | (636) |
| *Restructuring costs | 5,056 | 1,241 |
| Research and development expenditure | 2,484 | 441 |
| Amounts recharged to other group companies | (2,922) | (337) |
| Total research and development | (438) | 104 |

* The restructuring costs include amounts expensed in relation to workforce reduction costs of £4,450,272 and separation costs of £605,733.

Notes to the financial statements

at 31 October 2016

4. Auditor's remuneration

Included in auditor's remuneration is audit fee of £83,337 (PY:£49,000) relating to this company.

5. Staff costs

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|-------------------------------------|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Wages and salaries | 56,199 | 10,675 |
| Social security costs | 6,316 | 1,366 |
| Defined contribution pension costs | 6,053 | 1,519 |
| Equity-settled share-based payments | 1,501 | 262 |
| Other employee benefits | (1) | 4 |
| | 70,068 | 13,826 |

The above aggregate payroll costs include amounts expensed in relation to workforce reduction costs of £4,450,272.

| | Average head count for Year ended 31st October 2016 | Average head count for Period ended 31st October 2015 |
|--------------------------|--|--|
| Sales and services | 760 | 747 |
| Research and development | 27 | 24 |
| | 787 | 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, HP Inc. ("HP"), the ultimate parent company, sponsors the HP Inc. 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

For purchases made on or after 01st November 2010, 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.

Notes to the financial statements

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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

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 awards have dividend equivalent rights equal to the cash dividend paid on restricted stock. Restricted stock awards do not have the voting rights of common stock, and the shares underlying the restricted stock awards 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.

7. Directors' remuneration

The aggregate remuneration for directors who have performed qualifying services for this company amounted to £516,590 (PY: £160,783) with pension contributions of £19,023 (PY: £7,642).

Two directors participated in the company's defined contribution pension scheme during the period ended 31 October 2016.

No directors exercised share options during the year ended 31 October 2016. No directors received shares under the group's long term incentive scheme. During the previous year the total of directors emoluments did not exceed £200,000 and hence the details of highest paid director are not disclosed.

| | Year ended 31st October 2016 |
|--|---------------------------------|
| Highest paid director | |
| Aggregate remuneration in respect of qualifying services | £366,841 |
| Aggregate value of company pension contributions | £16,812 |
| Accrued defined benefit pension at the end of the year | N/A |

8. Interest receivable and similar income

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|--|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Interest receivable from group undertakings | 67 | 32 |
| Interest receivables in respect of finance leases and hire purchase contracts | 1,097 | 613 |
| | <u>1,164</u> | <u>645</u> |

Notes to the financial statements

at 31 October 2016

9. Interest payable and Similar Charges

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|---|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Interest payable in respect of finance leases and hire purchase contracts | 1,097 | 613 |
| Other interest payable | 5,890 | 1,184 |
| | 6,987 | 1,797 |

Included within Other Interest payable at 31 October 2016 is interest payable associated with debt financing arrangements of £4,536,301 (PY:£1,122,000)

10. Tax

(a) Tax on profit on ordinary activities

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|---|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Current tax: | | |
| United Kingdom corporation tax at 20% | 5,094 | 1,223 |
| Adjustment in respect of previous periods | (110) | |
| Total current tax | 4,984 | 1,223 |
| Total current tax | | |
| Deferred tax: | | |
| Deferred tax asset on acquisition | - | (150) |
| Origination and reversal of timing differences | (194) | (42) |
| Effect of changes in tax rates | 46 | 10 |
| Adjustment in respect of previous periods | 12 | - |
| Total deferred tax | (136) | (182) |
| | | |
| Tax on profit on ordinary activities (note 10(b)) | 4,848 | 1,041 |

Notes to the financial statements

at 31 October 2016

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:

| | <i>Year ended 31st October 2016</i> | <i>Period ended 31st October 2015</i> |
|---|---|---|
| | <i>£'000</i> | <i>£'000</i> |
| Profit on ordinary activities before tax | 23,519 | 5,788 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% | 4,734 | 1,158 |
| Expenses not deductible for tax purposes | 156 | (127) |
| Tax rate changes | 46 | 10 |
| Prior year tax adjustments and others | (88) | - |
| Total tax expense (note 10(a)) | 4,848 | 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. Following this, the Finance Bill 2016 included a further reduction in the corporation tax rate to 17% effective from 1 April 2020. This rate was substantively enacted on 15 September 2016. The deferred tax assets and liabilities have been stated at the rate at which it is anticipated the Company's deferred tax assets and liabilities will unwind.

(d) Deferred tax

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

| | <i>Year ended 31st October 2016</i> | <i>Period ended 31st October 2015</i> |
|--|---|---|
| | <i>£'000</i> | <i>£'000</i> |
| Included in debtors (note 13) | 318 | 182 |
| Excess of depreciation over tax allowances | 58 | 46 |
| Other timing differences | 260 | 136 |
| Deferred tax assets | 318 | 182 |
| Brought Forward from previous years | 182 | - |
| Deferred tax asset on acquisition | - | 150 |
| Deferred tax credit in income statement | 148 | 32 |
| Adjustment in respect of previous periods | (12) | - |
| At 31 October | 318 | 182 |

The company expects deferred tax assets of £7,000 to reverse in 2017

Notes to the financial statements

at 31 October 2016

11. Tangible assets

| | Machinery and equipment |
|--------------------------|------------------------------------|
| | £'000 |
| Cost : | |
| At 31 October 2015 | 261 |
| Increase during the year | 7,627 |
| Transfers | (77) |
| Disposals | (37) |
| At 31 October 2016 | <u>7,774</u> |
| Depreciation: | |
| At 31 October 2015 | 35 |
| Charge for the year | 979 |
| Transfers | - |
| Disposals | (37) |
| At 31 October 2016 | <u>977</u> |
| Net book value: | |
| At 31 October 2016 | <u>6,797</u> |
| At 31 October 2015 | <u>226</u> |

12. Stocks

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|---------------------------|---|---|
| | £'000 | £'000 |
| Finished goods for resale | <u>39,272</u> | <u>33,474</u> |

13. Debtors

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|------------------------------------|---|---|
| | £'000 | £'000 |
| Trade debtors | 108,467 | 111,826 |
| Amounts owed by group undertakings | 56,029 | 104,019 |
| Deferred contract costs | 4,514 | 3,616 |
| Finance debtors | 56,718 | 43,116 |
| Other debtors | 5,221 | 5,564 |
| Prepayments and accrued income | 2,609 | 2,403 |
| Deferred taxation | 318 | 182 |
| | <u>233,876</u> | <u>270,726</u> |

Notes to the financial statements

at 31 October 2016

13. Debtors (continued)

Included in Finance debtors at 31 October 2016 are assets associated with debt financing arrangement of £37,728,294 (PY 15 : £17,618,000) and leases of £18,568,605 (PY 15 : £25,498,000).

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

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|-------------------------|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Deferred contract costs | 2,677 | 1,967 |
| Finance debtors | 11,572 | 19,114 |
| Other debtors | 27 | 16 |
| | 14,276 | 21,097 |

14. Creditors

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|--|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Trade creditors | 16,645 | 23,172 |
| Amounts owed to group undertakings | 100,011 | 128,771 |
| Other taxation and social security | 43,893 | 55,298 |
| Accruals and deferred income | 125,033 | 116,146 |
| Corporation tax | 2,738 | 1,223 |
| Obligation under hire and lease purchase contracts | 16,713 | 25,498 |
| Finance creditors | 10,406 | 3,591 |
| | 315,439 | 353,699 |

Included within Finance creditors at 31 October 2016 are liabilities associated with debt financing arrangements of £3,410,032 (PY: £3,591,000).

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

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|--|---------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Accruals and deferred income | 22,136 | 21,009 |
| Obligation under hire and lease purchase contracts | 15,459 | 19,114 |
| | 37,595 | 40,123 |

Notes to the financial statements

at 31 October 2016

15. Obligations under hire and lease purchase agreements

Future commitments under hire and lease purchase agreements are as follows:

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|------------------|---------------------------------|-----------------------------------|
| | £000 | £000 |
| Amounts Payable: | | |
| Within one year | 6,996 | 6,384 |
| In 2 to 5 years | 11,572 | 19,114 |
| | 18,568 | 25,498 |

16. Provisions for liabilities

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|---------------------------------------|---------------------------------|-----------------------------------|
| | Warranty | Warranty |
| | £000 | £000 |
| Balance broad forward | 7,605 | 10,280 |
| Net amounts provided/(released) | 8,071 | (627) |
| Amounts charged against the provision | (8,173) | (2,048) |
| At 31 October 2016 | 7,503 | 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.

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|------------------|---------------------------------|-----------------------------------|
| | £000 | £000 |
| Other Provisions | - | 8 |

Notes to the financial statements

at 31 October 2016

17. Share capital

| | Year ended 31st October 2016 | Period ended 31st October 2015 |
|-------------------------------------|---------------------------------|-----------------------------------|
| | £ | £ |
| Allotted, called-up and fully paid: | | |
| Ordinary shares of £1 each | 1 | 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.

19. Commitments under operating leases

| | Year ended 31st October 2016 | | Period ended 31st October 2015 | |
|--------------------------------|---------------------------------|------------|-----------------------------------|------------|
| | Land and buildings | Others | Land and buildings | Others |
| | £'000 | £'000 | £'000 | £'000 |
| Operating leases which expire: | | | | |
| Within 1 year | 1,865 | 364 | 1,786 | 258 |
| Within 2 to 5 yrs | 869 | 513 | 2,026 | 367 |
| After 5 years | - | - | - | - |
| Total | 2,734 | 877 | 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 £6,053,900 (PY:£1,519,378). There were no outstanding or prepaid contributions at the end of the financial period.

Notes to the financial statements

at 31 October 2016

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.

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.

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 HP Inc. group.