

Registered No: 9408979

HP Inc UK Limited
Report and Financial Statements

31 October 2019

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COMPANIES HOUSE

Corporate information

Directors

G Brasher

J McDougall (resigned date 14th Feb 2020)

C Morin (appointed date 14th Feb 2020)

Auditors

Ernst & Young LLP

Apex Plaza

Forbury Road

Reading

Berkshire

RG1 1YE

United Kingdom

Bankers

Citigroup Centre

Canada Square

Canary Wharf

London

E14 5LB

United Kingdom

BNP Paribas The Netherlands

Herengracht 595 1017CE

Amsterdam

Registered Office

Earley West

300 Thames Valley Park Drive

Reading, RG6 1PT

United Kingdom

Strategic report

The directors present their strategic report for the year ended 31st October 2019.

Review of the business

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, through research and development, continue to be of an excellent standard providing a strong base for future growth prospects.

The profit for the year ended 31st October 2019, after taxation, amounted to £14,978,625 (PY18: £ 13,914,947).

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 2019 £m	Year ended 31st October 2018 £m
Turnover	1,644.61	1,532.84
Gross Profit	128.00	118.20
Profit before Tax	21.39	23.25

The results were in line with company expectations. The higher sales during FY19 was in Commercial PC business due to new product launches. The company is continuing to launch certain initiatives that aim to continue to drive the turnover growth in future years, improving our service delivery for higher quality and lower cost.

The gross profit margin increased from 7.7% in the previous year to 7.8% in the current year on account of decrease in the cost of purchases of products for reselling. The profit before tax margin decreased from 1.52% in the previous year to 1.30% in the current year due to higher restructuring costs.

Market share

As at 31st October 2019, the company aimed to be positioned as number 1 or 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. Following the referendum in 2016, we have been assessing the potential impact of Brexit on HP Inc UK Limited. While there is still uncertainty as to the timing and nature of the UK's exit from the EU, the impact due to Brexit depends on the macro economic environment and the company has strategic and operational plans in place to minimise such impact. 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.

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The actions by governments and communities in response to the pandemic have impacted the operations of our business as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the pandemic. While we expect this to be temporary, there is uncertainty around its duration and its broader impact. It is not possible to estimate the impact of the pandemic's effect on our business, including any impact on company's assets, at this time and no adjustments have been made to the financial statements as of 31 October 2019 for the impacts of COVID-19.

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.

HP Inc UK Limited participates in a cash pooling arrangement within HP Group. Cash generated by the company is deposited with the group treasury company Regor Holding B.V. Considering the letter of support provided by HP Inc, the directors are satisfied that cash will be available as and when required through the cash pooling arrangement in the foreseeable future and the Company will have sufficient liquidity to manage through the impact on the Company's ability to meet its financial commitments.

Strategic report (continued)

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.

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

George Brasher

G Brasher
Director

Date: 17th July 2020

Directors' report

The directors present their report for the year ended 31st October 2019.

Directors

The directors during the year ended 31st October 2019, and to date, were as follows:

George Walter Brasher

Jo McDougall (resigned date 14th Feb 2020)

Caroline Morin (appointed date 14th Feb 2020)

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 2019 £ Nil (PY18: £ Nil).

Principal Activities

We are a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses ("SMBs") and large enterprises, including customers in the government, health and education sectors.

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.

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The actions by governments and communities in response to the pandemic have impacted the operations of our business as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the pandemic. While we expect this to be temporary, there is uncertainty around its duration and its broader impact. It is not possible to estimate the impact of the pandemic's effect on our business, including any impact on company's assets, at this time and no adjustments have been made to the financial statements as of 31 October 2019 for the impacts of COVID-19.

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.

Directors' report (continued)

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.

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

COVID-19 is expected to have an impact on the cashflows and operations of the Company and the Group and the Company have taken immediate steps to reorganise its operations to continue to serve its customers and to take action to reduce its cost base and protect the financial resources of the Group and the Company.

The Company is a trading company and it has received a letter of support from HP Inc, ultimate parent, that it will provide financial support to the Company, if needed, for a period of at least twelve months from date of approval of the financial statements. As such in assessing the going concern conclusion of the Company the directors have to consider the outlook and financial situation of its parent undertaking and therefore the Group. In reaching this conclusion the Directors considered the strategies that HP Inc. has put in place to strengthen its liquidity position in response to the COVID-19. The Directors are satisfied that the parent undertaking, HP Inc, has the ability to provide the support considering cash balances of \$4 billion as of 30th April 2020 and cash funds secured through issuance of the New Senior Notes in June 2020, and therefore they deem it appropriate to prepare the financial statements on the going concern basis.

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

George Brasher

G Brasher
Director

Date: 17th July 2020

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 auditor's report to members of HP Inc UK Limited

Opinion

We have audited the financial statements of HP Inc. UK Limited for the year ended 31 October 2019 which comprise Statement of Comprehensive Income, the Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of Matter – Effect of COVID-19

We draw attention to Note 1 and 24 of the Financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting the wider UK and global economies as well as the company's ability to operate normally. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

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

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Ernst & Young LLP.

San Gunapala (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
20 July 2020

Statement of Comprehensive Income

for the year ended 31 October 2019

		Year ended 31 st October 2019	Year ended 31 st October 2018
	Notes	£'000	£'000
Turnover	2	1,644,615	1,532,842
Cost of Sales		(1,516,596)	(1,414,643)
Gross Profit		128,019	118,199
Distribution costs		(77,609)	(72,870)
Administrative expenses		(24,679)	(18,108)
Operating profit	3	25,731	27,221
Loss on disposal of tangible fixed assets		(49)	(12)
Other Income		-	-
Profit on ordinary activities before investment income, interest and taxation		25,682	27,209
Interest receivable and similar income	8	2,450	1,882
Interest payable and similar charges	9	(6,743)	(5,836)
Profit on ordinary activities before taxation		21,389	23,255
Tax on profit on ordinary activities	10	(6,410)	(9,340)
Profit for the financial year		14,979	13,915

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, 2019

	Notes	Called-up share capital £000	Merger Reserve £000	Profit and loss account £000	Total Equity £000
At 31 October 2017		-	(60,716)	27,570	(33,146)
Profit for the year		-	-	13,915	13,915
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	13,915	13,915
Share based payment transactions		-	-	124	124
At 31 October 2018		-	(60,716)	41,609	(19,107)
Profit for the year		-	-	14,979	14,979
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	14,979	14,979
Share based payment transactions		-	-	(255)	(255)
At 31 October 2019		-	(60,716)	56,333	(4,383)

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

Statement of financial position

for the period ended 31 October, 2019

		Year ended 31st October 2019	Year ended 31st October 2018
	Notes	£'000	£'000
Non-Current Assets			
Tangible assets	11	24,344	14,868
Intangible assets	11	9,862	2,216
Investment in Subsidiary	12	811	-
		35,017	17,084
Current assets			
Stocks	13	51,793	42,964
Debtors:	14		
Amounts falling due within one year		398,947	338,498
Amounts falling due after one year		6,787	6,603
		405,734	345,101
Cash at bank and in hand		819	305
		458,346	388,370
Creditors: amounts falling due within one year	15	(431,649)	(370,979)
Net current assets		26,697	17,391
Total assets less current liabilities		61,714	34,475
Creditors: amounts falling after more than one year	15	(55,792)	(44,200)
Provisions for liabilities and charges	17	(10,305)	(9,382)
Net Liability		(4,383)	(19,107)
Capital and reserves			
Called up share capital	18	(0)	(0)
Merger reserve	19	(60,716)	(60,716)
Profit and loss account		56,333	41,609
Equity shareholders' deficit		(4,383)	(19,107)

*George Brasher*Director
G BrasherDate: 17th July 2020

Notes to the financial statements

at 31 October 2019

1. Accounting policies

Statement of compliance

HP Inc UK Limited is a limited liability company incorporated in England. The Registered Office is Earley West, 300 Thames Valley Park Drive, Reading, RG6 1PT

The ultimate parent company and controlling party, and the smallest and largest group 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.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare and deliver group accounts. Accordingly the financial statements present information about the Company as an individual undertaking and not about its group.

Basis of preparation

The financial statements of HP Inc UK Limited were authorised for issue by the Board of Directors on 17th July 2020. 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 company is a qualifying entity as defined by FRS 102 and has taken advantage of certain exemptions available to qualifying entities which are relevant to its financial statements:

- the requirement to prepare a cash flow statement;
- the requirement to disclose information about key management personnel compensation;
- the disclosure requirements of Section 11(financial instruments) paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) in respect of financial instruments of the parent (as equivalent disclosures are included in respect of the consolidated financial statements); and
- the disclosure requirements of Section 26 (share based payments) paragraphs 26.18 (b), 26.19 to 26.21 and 26.23 (as equivalent disclosures are included in respect of the consolidated financial statements).

In preparing the financial statements, management determined COVID-19 is a non-adjusting post balance sheet event. Further information on this is given in the Note 24. The impact of COVID-19 on the going concern basis of the financial statements and management's assessment is disclosed in this note below. No other adjustments have been made to the financial statements as of 31 October 2019.

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:

- Corporate 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 £154,031 to be the value of deferred tax liabilities on 31 October 2019.

Going concern

COVID-19 is expected to have an impact on the cashflows and operations of the Company and the Group and the Company have taken immediate steps to reorganise its operations to continue to serve its customers and to take action to reduce its cost base and protect the financial resources of the Group and the Company.

The Company is a trading company and it has received a letter of support from HP Inc, ultimate parent, that it will provide financial support to the Company, if needed, for a period of at least twelve months from date of approval of the financials. As such in assessing the going concern conclusion of the Company the directors have to consider the outlook and financial situation of its parent undertaking and therefore the Group. In reaching this conclusion the Directors considered the strategies that HP Inc. has put in place to strengthen its liquidity position in response

Notes to the financial statements

at 31 October 2019

to the COVID-19. The Directors are satisfied that the parent undertaking, HP Inc, has the ability to provide the support considering cash balances of \$4 billion as of 30th April 2020 and cash funds secured through issuance of the New Senior Notes in June 2020, and therefore they deem it appropriate to prepare the financial statements on the going concern basis.

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; and the amount of revenue can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue on products is recognised net of expected rebates. Until 31 Oct 2018, 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. Starting 1 Nov 2018, the rebate is recorded at the date of revenue recognition. The new policy more accurately captures the potential rebate over the period of revenue recognition based on factors like historical experience, expected consumer behavior and market conditions. The rebate tracking methodology and databases were changed to incorporate the new policy. The costs involved in maintaining additional tracking per earlier policy outweigh the benefits for the users of the financial statements.

- **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

Notes to the financial statements

at 31 October 2019

1. Accounting policies (continued)

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.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight-line basis over its useful life

Intangible assets acquired as part of an acquisition of a business are recognised separately from goodwill if:

- (a) it was probable that the expected future economic benefits that are attributable to the asset will flow to the group; and the fair value can be measured reliably; and either
- (b) the intangible asset arises from contractual or legal rights; or
- (c) the intangible asset is separable.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

The useful economic lives of intangible assets are as follows:

Goodwill- 10 years

Intellectual properties- 5 years

Investments

Investments in subsidiary company is held at cost less accumulated impairment losses.

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 for liabilities

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.

Notes to the financial statements

at 31 October 2019

1. Accounting policies (continued)

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 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.

Notes to the financial statements

at 31 October 2019

1. Accounting policies (continued)

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.

3. Operating profit

Operating profit is stated after charging and (crediting):

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Depreciation of owned assets	6,230	4908
Amortisation of intangibles	345	247
Operating lease rentals		
- Land and buildings	3,338	1,808
- Other	198	397
Auditors' remuneration	121	170
Loss on disposal of fixed assets	48	12
Foreign exchange (gain)/loss	557	35
*Restructuring costs	4,866	2,254
Research and development expenditure	2,924	3,708
Amounts recharged to other group companies	(3,158)	(3,870)
Total research and development	234	162

* The restructuring costs include amounts expensed in relation to workforce reduction costs £4,605,299 (PY: £2,154,851) and separation costs of £260,535 (PY: 99,344).

Notes to the financial statements

at 31 October 2019

4. Auditor's remuneration

Included in auditor's remuneration is audit fee of £126,788 (PY18: £169,614) relating to this company.

5. Staff costs

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Wages and salaries	66,658	64,627
Social security costs	8,682	8,090
Defined contribution pension costs	2,930	5,352
Equity-settled share-based payments	2,702	2,714
Other employee benefits	-	-
	80,972	80,783

The above aggregate payroll costs include amounts expended in relation to workforce reduction costs of £4,605,299 (PY: £2,154,851).

	Average head count for Year ended 31st October 2019	Average head count for Year ended 31st October 2018
Sales and services	707	743
Research and development	27	28
	734	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

at 31 October 2019

6. Share based payments (Continued)

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 £615,495 (PY: £767,148) with pension contributions of £42,508 (PY: £30,292).

Two directors participated in the company's defined contribution pension scheme during the period ended 31 October 2019.

The directors exercised share options during the year ended 31 October 2019. No directors received shares under the group's long term incentive scheme.

	Year ended 31st October 2019	Year ended 31st October 2018
Highest paid director		
Aggregate remuneration in respect of qualifying services	£477,729	£586,491
Aggregate value of company pension contributions	£25,185	£21,961

8. Interest receivable and similar income

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Interest receivable from group undertakings	1,393	933
Interest receivables in respect of finance leases and hire purchase contracts	1,057	949
	<u>2,450</u>	<u>1,882</u>

Notes to the financial statements

at 31 October 2019

9. Interest payable and Similar Charges

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Interest payable in respect of finance leases and hire purchase contracts	1,057	949
Other interest payable	5,686	4,887
	6,743	5,836

Included within Other Interest payable at 31 October 2019 is interest payable associated with debt financing arrangements of £5,594,521 (PY:£ 4,898,421)

10. Tax

(a) Tax on profit on ordinary activities

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Current tax:		
United Kingdom corporation tax at 19.00% (2018:19.00%)	6,125	8,312
Adjustment in respect of previous periods	64	780
Total current tax	6,189	9,092
Total current tax		
Deferred tax:		
Deferred tax asset on acquisition	-	-
Origination and reversal of timing differences	228	249
Effect of changes in tax rates	(24)	(26)
Adjustment in respect of previous periods	17	25
Total deferred tax	221	248
Tax on profit on ordinary activities (note 10(b))	6,410	9,340

Notes to the financial statements

at 31 October 2019

(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:

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Profit on ordinary activities before tax	21,389	23,255
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%)	4,064	4,418
Expenses not deductible for tax purposes	378	3,478
Tax rate changes	(24)	(26)
Prior year tax adjustments share options and others	1,992	1,470
Total tax expense (note 10(a))	6,410	9,340

(c) Factors that may affect future tax charges

The Finance bill 2020, it was announced that the corporation tax rate for years starting from April 2020 and 2021 would remain at 19%. The change was not substantively enacted on the date of the balance sheet, therefore the deferred tax assets and liabilities are continued to be recognised at 17%. Since the change is announced before the signing of the financial statements are signed, the effect of the change in the rate of tax has been disclosed below:

Timing difference	Deferred tax (asset)/liability recognised at 17%	Deferred tax (asset)/liability recognised at 19%	Effect of change in the rate (Dr)/Cr in income statement
Fixed Assets	133,363	149,053	(15,690)
Short term timing differences	20,668	23,099	(2,431)
Total	154,031	172,152	(18,121)

Notes to the financial statements

at 31 October 2019

(d) Deferred tax

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

	Year ended 31st October 2019 £'000	Year ended 31st October 2018 £'000
Included in debtors (note 14)	-	67
Included in creditors (note 15)	(154)	-
Excess of depreciation over tax allowances	(133)	45
Other timing differences	(21)	22
Deferred tax assets/ (liabilities)	(154)	67
Brought Forward from previous years	67	314
Deferred tax credit in income statement	(204)	(223)
Adjustment in respect of previous periods	(17)	(24)
At 31 October	(154)	67

11. Intangible/Tangible assets

	Intangible Assets £'000	Leasehold Property £'000	Machinery and equipment £'000	Total £'000
Cost:				
At 31 October 2018	2,462	1,255	22,637	26,354
Increase during the year	7,991	5,803	10,157	23,951
Transfers	-	-	-	-
Disposals	-	-	(972)	(972)
At 31 October 2019	10,453	7,058	31,822	49,333
Depreciation:				
At 31 October 2018	246	580	8,444	9,270
Charge for the year	345	424	5,805	6,575
Transfers	-	-	-	-
Disposals	-	-	(717)	(717)
At 31 October 2019	591	1,004	13,532	15,128
Net book value:				
At 31 October 2019	9,862	6,054	18,290	34,206
At 31 October 2018	2,216	675	14,193	17,084

Increase in Intangible assets are due to acquisition of intangible assets from Oneflow Systems Limited.

Notes to the financial statements

at 31 October 2019

12. Investments

The fixed asset investments comprise of interest in subsidiary.

Investment in subsidiary	£'000
As at 1 Nov 2018	-
Additions during the year	811
As at 31 Oct 2019	811

HP Inc UK Limited acquired Oneflow Systems Limited, a company in the business of software, incorporated in the United Kingdom. HP Inc UK Ltd holds 100% of the ordinary shares of Oneflow Systems Ltd.

13. Stocks

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Finished goods for resale	51,793	42,964

14. Debtors

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Trade debtors	183,777	151,447
Amounts owed by group undertakings	130,215	136,650
Deferred contract costs	7,994	5,300
Finance debtors	57,418	42,188
Other debtors	12,549	5,154
Prepayments and accrued income	13,781	4,295
Deferred taxation	-	67
	405,734	345,101

Included in Finance debtors at 31 October 2019 are assets associated with debt financing arrangement of £52,755,120 (PY 18: £35,427,871) and leases of £ 3,113,370 (PY 18: £ 6,196,148).

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

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Deferred contract costs	2,728	1,977
Finance debtors	1,671	3,300
Other debtors	2,388	1,326
	6,787	6,603

Notes to the financial statements

at 31 October 2019

15. Creditors

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Trade creditors	26,655	20,693
Amounts owed to group undertakings	157,564	146,481
Other taxation and social security	47,381	55,206
Accruals and deferred income	219,786	160,226
Corporation tax	1,955	4,364
Obligation under hire and lease purchase contracts	22,406	17,263
Finance creditors	11,540	10,946
Deferred taxation	154	-
	487,441	415,179

Included within Finance creditors at 31st October 2019 are liabilities associated with debt financing arrangements of £10,098,302 (PY: £8,048,900).

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

	Year ended 31st October 2019	Year ended 31st October 2018
	£'000	£'000
Accruals and deferred income	39,705	31,395
Obligation under hire and lease purchase contracts	16,087	12,805
	55,792	44,200

16. Obligations under hire and lease purchase agreements

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

	Year ended 31st October 2019	Year ended 31st October 2018
	£000	£000
Amounts Payable:		
Within one year	1,442	2,897
In 2 to 5 years	1,671	3,299
	3,113	6,196

Notes to the financial statements

at 31 October 2019

17. Provisions for liabilities

	Year ended 31st October 2019	Year ended 31st October 2018
	Warranty	Warranty
	£000	£000
Balance brought forward	9,382	7,346
Net amounts provided/(released)	9,000	8,978
Amounts charged against the provision	(8,077)	(6,942)
At 31 October	<u>10,305</u>	<u>9,382</u>

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.

18. Share capital

	Year ended 31st October 2019	Year ended 31st October 2018
	£	£
Allotted, called-up and fully paid:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

19. 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 2019

20. Commitments under operating leases

	Year ended 31st October 2019		Year ended 31st October 2018	
	Land and buildings	Others	Land and buildings	Others
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within 1 year	2,282	207	1,283	361
Within 2 to 5 years	5,364	271	515	329
After 5 years	6,024	-	-	-
Total	13,670	478	1,798	690

21. 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 £2,930,023 (PY18: £5,351,807). There were no outstanding or prepaid contributions at the end of the financial period.

22. 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. Post the balance sheet date, on 6th March 2020, the holding company of HP Inc UK Ltd, sold its shares to its parent entity in Netherlands. As a result, the holding company of HP Inc UK Ltd changed to Alpha Holding One BV.

From 1 November 2015, the ultimate parent company and controlling party, and the smallest and largest group 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.

23. 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.

The company has formed a trust (HP Inc UK Limited Medical Trust) in 2015 to provide benefits (Medical plan) to employees and their families in the form of private medical treatment. The trust is formed and operated as per a Trust Deed, whose Trustees are nominated by the company. The company contributes a fixed amount to the trust every month and also recovers the employee portion of the amount from employees through payroll. The Trust utilizes the amount to buy a medical insurance whose beneficiaries are employees and dependents registered for the medical plan. The medical expenses incurred by the employees and their dependents are settled by insurance company.

Notes to the financial statements

at 31 October 2019

24. Events since the statement of financial position

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The actions by governments and communities in response to the pandemic have impacted the operations of our business as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the pandemic. While we expect this to be temporary, there is uncertainty around its duration and its broader impact. It is not possible to estimate the impact of the pandemic's effect on our business, including any impact on company's assets, at this time and no adjustments have been made to the financial statements as of 31 October 2019 for the impacts of COVID-19.

No other material events have occurred since the statement of financial position date which would affect the financial statements of the Company.