

Registered No: 9408979

HP Inc UK Limited

Report and Financial Statements

For the year ended 31 October 2022

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Corporate information

Directors

D Prezzano

C Morin

Independent Auditors

Ernst & Young

Chartered Accountants & Statutory Audit Firm

First Floor

Hibernian House

45 Eyre Square

Galway, Ireland

Bankers

Citibank Europe Plc UK

Citigroup Centre

Canada Square

Canary Wharf

London

E14 5LB

United Kingdom

BNP Paribas S.A The Netherlands Branch

Herengracht 595 1017CE

Amsterdam

The Netherlands

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 31 October 2022.

Review of the business

HP Inc UK Limited 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 31 October 2022, after taxation, amounted to £46,870,000 (2021: £20,068,000).

Key performance indicators (KPI's)

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 31 October 2022	Year ended 31 October 2021
	£m	£m
Turnover	1,742	1,877
Gross Profit	161	126
Profit before Tax	58.90	25.56

Demand for Consumer PC continued to increase during first half of FY22, leading to higher revenue. Revenue however reduced in second half of FY22, due to high inflation and lower demand. The Company is continuing to launch certain initiatives that aim to continue to drive the turnover growth in future years, improving the service delivery for higher quality and lower cost. Due to a favourable foreign exchange impact, the gross profit margin increased from 6.71% in the previous year to 9.24% in the current year, and the profit before tax margin increased from 1.36% in the previous year to 3.38% in the current year.

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 UK Limited 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.

There was no disruption on the company's activities due to COVID-19. Operations returned to normalcy during the year.

During the year 2022, HP Inc UK Limited acquired Choose Water Limited, a packaging development company. In Q2 2023, a review was performed of Choose Packaging and it was determined that HP Inc. will now consolidate all sustainable packaging development efforts in other centralized locations aligned with its infrastructure, strategy and resource capabilities. There will be no future revenue to HP Inc UK Limited. Hence the investment in Choose Water Limited will be fully impaired during FY23. HP Inc. is continuing to work to develop Sustainable Packaging solutions to meet customer and application requirements.

Strategic report (continued)

Market share

As at 31 October 2022, the Company is in leading positions 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 uses independent industry analyst reports for market share data which is publicly available at www.uk.idc.com. These should be referred to for up to date market share positions.

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.

The Company's business activities, together with its principal risks and uncertainties are described in the Directors' report and Strategic report. The Company has considerable financial resources and has projected positive cashflows for a period of 12 months from the date of signing the financial statements. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

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, the United Kingdom left the EU on 31 January 2020 with a transition period for a trade deal negotiation until 31 December 2020. Since 1 January 2021, the UK is treated as a non-EU country from an export/import perspective. We have observed Brexit has not impacted the revenues and profitability of the Company. In addition, we have also updated our import procedures to ensure compliance with requirements.

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.

Strategic report (continued)

Reliance on parent company (continued)

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 Inc. Group. Cash generated by the Company is deposited with the group treasury company Regor Holding B.V. 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.

A full description of the risks and uncertainties impacting HP Inc. can be found in the HP Inc. group financial statements. Those can be obtained through the website: <https://investor.hp.com/financials/sec-filings/default.aspx>.

Section 172(1) Statement and Statement of Engagement with Employees and other Stakeholders

In accordance with the Companies Act 2006 as amended by the Companies (Miscellaneous Reporting) Regulations 2018 (the "Act"), the Directors provide this statement as set out in this document ("Statement") for HP Inc UK Limited's ("HP" or "HP UK") financial year commencing on 1 November 2021 and ending on 31 October 2022 ("FY22"), describing how they had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company.

Our Shareholders	
Why they matter to us	<ul style="list-style-type: none"> They are our providers of capital without whom we could not grow and invest for future success. Our sole shareholder is our immediate parent company Alpha Holding One B.V. (incorporated under the laws of The Netherlands) and our ultimate parent company is HP Inc. (incorporated under the laws of the State of Delaware, United States).
What matters to them	<ul style="list-style-type: none"> Our investors are concerned with a broad range of issues, such as HP UK's financial and operational performance, execution of strategy, investment plans and capital allocation.
Ways of engagement	<ul style="list-style-type: none"> Regular cadence with the management of the parent company regarding the business & financial performance.
Engagement Outcome	<ul style="list-style-type: none"> Investors are assured of desired operational performance, including implementation of short-term and long-term strategies within the framework of applicable laws and regulations in the UK. We conduct our business according to HP Inc.'s Integrity at HP program (https://investor.hp.com/governance/integrity-at-hp/default.aspx) The Integrity at HP program embodies the fundamental principles that govern our ethical and legal standards as members of the HP group. The program pertains not only to our conduct within the company but also to conduct involving our customers, channel partners, suppliers and competitors.

Strategic report (continued)

Our Customers	
Why they matter to us	<ul style="list-style-type: none"> As a Technology & Services provider we understand that long-term success is only possible with a detailed understanding of our customers' technology, services & security requirements as they evolve from time to time, and having a portfolio of a breadth capable of meeting those needs.
What matters to them	<ul style="list-style-type: none"> Being at the forefront of technology & security in order to create differentiation with their own customers' needs and to maximise employee productivity & drive efficiency. Many customers are adapting to fast-changing trends of digital acceleration and hybrid and remote working. Customers expect service-related technology, such as proactive alerts to manage their IT environments in an efficient way or the ability to manage security threats. Customers also rely on technology to communicate, purchase and learn about products and services. Customers expect their suppliers to fulfill their legal obligations under applicable law, such as with regard to corporate governance and data protection. Many organizations have social and sustainability goals which reflect their corporate values.
Ways of engagement	<ul style="list-style-type: none"> We engage with our customers (consumers & commercial B2B) directly or indirectly through our channel partners, or HP/other events. HP engages with corporate customers through meetings, both in person or virtually. Webinars and workshops are used to discuss HP value propositions/ products, services and solutions and to gather customer feedback. We leverage the services of consulting organizations to gain market insights to help shape our Go-To-Market strategies.
Engagement Outcome	<ul style="list-style-type: none"> Through ongoing engagement with existing and prospective customers, HP gains insights and understanding of the needs and requirements of the customers. These insights enable us to formulate Go-to-Market strategies, to promote the long-term success of the Company.
Our Channel Partners	
Why they matter to us	<ul style="list-style-type: none"> HP's channel partner community matters to us because our channel partners amplify HP's market reach as well as the technical, design, services and solutions delivery expertise. Our HP authorised partners share insights and feedback on what customers are looking for that may help HP to define HP's future technology and solutions roadmap and sales strategies.
What matters to them	<ul style="list-style-type: none"> Our partners wish to be a part of HP's exciting journey in the personal systems and print technology markets. They may develop a value proposition for their customers by including HP's IT systems portfolio as part of their own in-house services, consultancy and solutions capabilities. Our partners expect continuous engagement with HP to achieve clarity on HP's strategy and execution plans including partner compensation plans.
Ways of engagement	<ul style="list-style-type: none"> Our global partner programme "HP Amplify" defines the expectations of responsible business behaviour that underline HP's strategic focus on customer needs and compliance. Regular interaction through account management and joint customer engagement. Comprehensive programme of annual Global and Local conferences and trainings to update our partner community. Structured Board level executive engagement and advisory councils to establish and develop our business practices and customer project capabilities.
Engagement Outcome	<ul style="list-style-type: none"> Clear definition of our core strategy that provides insight into our current and future technology strategy. Support and activation of HP's business and sustainable impact values across the UK and global geographies. Ensuring our Go-to-Market plan is progressive and takes into account the needs of our customers and partners and the market trends.

Strategic report (continued)

Our Suppliers	
Why they matter to us	<ul style="list-style-type: none"> Suppliers are important to deliver the necessary goods and services for HP's customers and for HP's internal business operations, and thus they help the Company to achieve its strategic objectives and corporate goals and values.
What matters to them	<ul style="list-style-type: none"> Suppliers appreciate the HP corporate policies and commitment to be an industry leader with its Sustainability, Social and Environmental Responsibility, Diversity and Inclusion, Human Rights and Corporate Culture goals. Ability to compete fairly for HP's business and meet HP's commercial terms. Understanding of HP's payment terms and process. Transparency in the manner in which their performance is evaluated by HP.
Ways of engagement	<ul style="list-style-type: none"> HP's Global Indirect Procurement function has established Supplier Lifecycle Program (SLP) to enhance Supplier procurement activities, interactions, and experience. Suppliers are measured by their performance, service quality, spend trends, and developed under a Supplier Segmentation program. Supplier engagement is done via sourcing, RFP, RFI or RFQ and contract negotiation using standard HP templates which apply consistently across our supplier community.
Engagement Outcome	<ul style="list-style-type: none"> Ensure business continuity and help the company to achieve its strategic objectives and corporate goals. Working closely with suppliers allows us to have successful mutual relationships based on appropriate contractual framework and controls, achieving efficiencies and supporting the right values. According to the Reporting on Payment Practices and Performance Regulations 2017, HP publishes information about its payment performance applied during each reporting period. As a global company, HP Inc. and its consolidated subsidiaries share the same core business operations and supply chains as well as the modern slavery policies and processes. HP's Modern Slavery Statement is available on HP UK's website https://store.hp.com/UKStore/Merch/Default.asp
Our Employees	
Why they matter to us	<ul style="list-style-type: none"> Our employees are an integral part of the business, dedicated to creating, selling and supporting solutions that allow our customers to thrive. Our people's safety and wellbeing is a core value. The Company believes that a diverse workforce encourages creativity and innovation and helps build an exciting, inclusive and stimulating work environment.
What matters to them	<ul style="list-style-type: none"> Employees seek opportunities for personal development and career progression, and the ability to make a difference within HP and beyond. Employees value a culture of diversity, equity and inclusion, and desire to work for companies who strive to create a positive, sustainable impact on the planet and the communities in which we live, work, or do business.

Strategic report (continued)

Ways of engagement	<ul style="list-style-type: none"> • HP 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 annual and ad-hoc surveys. • 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.
Engagement Outcome	<ul style="list-style-type: none"> • We focus on creating work environments that enable the health and safety of our employees. This is accomplished by continually reducing occupational injury and illness risks while promoting employee health and wellbeing. • We continue to foster a culture of diversity, equity and inclusion. We are committed to doing the hard work needed to help stamp out systemic racism and discrimination in all its forms. • We continued supporting our employees through the COVID-19 pandemic in a variety of ways, including regular reviews of the Company protocols while prioritising the safety of our employees, providing regular communications and supporting employees working from home in various ways.
Our Environment	
Why it matters to us	<ul style="list-style-type: none"> • Sustainable Impact is HP's commitment to create positive, lasting change for the planet, its people, and our communities. This serves as a guiding principle for delivering on our corporate vision to invest in a digital transformation that creates positive, lasting change for the planet & people everywhere. • Through our focus on Sustainable Impact, we are able to capitalise on what we do best, and anticipate and prepare for the next wave of global challenges to deliver lasting value through the power of technology. • Sustainable Impact is a business imperative and key differentiator for HP. The businesses that will thrive over the long term are those that can decouple growth from consumption, grow through an inclusive culture, and offer solutions to some of the greatest challenges that face business and society.
What impacts the environment	<ul style="list-style-type: none"> • Climate change is one of the most significant and urgent issues facing business and society today. The science is clear, the impacts are serious, and action is essential. We are working to reduce climate impacts across our entire value chain, investing in renewable electricity, setting science-based Green House Gasses (GHG) emissions reduction goals, and transparently reporting on our progress. • Education is a fundamental human right. HP's global education programs and technology solutions emphasize access for people everywhere (digital equity) with a focus on educational opportunities for girls, women, people with disabilities and aging populations and some of the world's most excluded and marginalized communities.

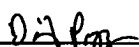
Strategic Report (Continued)

Ways of engagement	<p>As a global company, we aspire to create a positive, sustainable impact focused on people, the planet and the communities in which we operate:</p> <ul style="list-style-type: none"> • Climate Action: Drive toward a net zero carbon, fully regenerative economy while engineering the industry's most sustainable portfolio of products and solutions. • Human Rights: Create a powerful culture of diversity, equity and inclusion. Advanced human rights, social justice, and racial and gender equality across our ecosystem, raising the bar for all. • Digital Equity: Lead in activating and innovating holistic solutions that break down the digital divide that prevents many from accessing the education, jobs, and healthcare needed to thrive. Drive digital inclusion to transform lives and communities. • Governance: We embed Sustainable Impact at all levels of the Company. Our executive leadership team led by our CEO, retains overall responsibility for Sustainable Impact as part of our business strategy.
Engagement Outcome	<ul style="list-style-type: none"> • We have used 1,298 tonnes of ocean-bound plastic in our products, and we are on track with our goal to increase recycled content in our print and personal systems products to 30% by 2025. We also intend to eliminate majority of single-use plastic from our packaging. https://www.hp.com/us-en/hp-information/sustainable-impact/planet.html • We have already achieved our goal to reduce HP product-use GHG emissions intensity by 30% by 2025 for two years in a row. And we were the only technology company to receive a Triple-A rating from Carbon Disclosure Project (CDP) across their climate, forests, and water lists, and supplier engagement leaderboard, for the third year in a row. • We continue to move toward a sustainable future for printing that strives to be forest positive, and supportive of a circular and net zero carbon economy. • We continue to support students, teachers, and adult learners through our global educational programs and partnerships. • HP Inc UK Limited's ultimate parent company publishes an annual Sustainable Impact Report where detailed company-wide environmental commitments, initiatives and key performance indicators can be found. A copy of the report is available from from: http://www8.hp.com/h20195/v2/GetPDF.aspx/c08228880.pdf
The Government	
Why they matter to us	<ul style="list-style-type: none"> • Our policy engagement with UK government typically includes interactions with the Department of International Trade (DIT), the previous Department of Digital, Culture, Media and Sport (DCMS), Cabinet Office, and the previous Department for Business, Energy and Industrial Strategies (BEIS), Her Majesty's Revenue and Customs (HMRC), Companies House and Office for National Statistics (ONS).
What matters to them	<ul style="list-style-type: none"> • Following COP26 sustainability remains a strategic area for the UK and in 2022 we have engaged with stakeholders to raise issues such as environmental criteria and actions to achieve Net Zero GHG net zero emission across the HP value chain by 2040. • In addition, we have continued our engagement with DCMS and trade organisations on cyber security, for example on the Product Security and Telecommunications Infrastructure Act. • We have continued to raise the importance of environmental and cyber security criteria in public procurement. • Since 2021, HP UK's Directors' Report includes the Streamlined Energy and Carbon Reporting (SECR) in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Strategic Report (Continued)

Ways of engagement	<ul style="list-style-type: none">• We play an active role in various trade organisations, such as the Confederation of British Industries, for example as a member of the Public Sector Policy Committee (PSPC) on embedding social value in public contracts, techUK, the British Services Association (BSA) and The Anti-Counterfeiting Group (ACG).• HP engages with Government and Parliament through submissions to consultations.• In addition, we support policy roundtables. For example, in 2022 we organised a roundtable with policy makers and experts on cyber security hosted by the US Embassy.
Engagement Outcome	<ul style="list-style-type: none">• HP continues to monitor any developments following Brexit, such as in relation to Northern Ireland. We continue to monitor all regulatory requirements and any developments in the UK-EU relationship and we are confident in our ability to continue delivering for our customers and partners.• We welcome the adoption of the National Procurement Policy Statement setting out national strategic priorities for public procurement, including need to tackle climate change and reduce waste.

Approved by the board


David Prezzano (June 21, 2023 11:45 MDT)

D Prezzano
Director
Date: 21 June 2023

Directors' report

The directors present their report for the year ended 31 October 2022.

Directors

The directors during the year ended 31 October 2022, and up to the date of approval of these financial statements, were as follows:

D Prezzano

C 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 the payment of a dividend for the year ended 31 October 2022 £Nil (2021: £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.

Engagement with employees and other stakeholders

The Directors have determined who the key stakeholders in the business are and documented how they engage with each of these groups including employees, noting any key decisions made during the year. Details are included within the Section 172 Statement in the Strategic Report.

Going concern

The Company's business activities, together with its principal risks and uncertainties are described in the Strategic Report. The Company has considerable financial resources and has projected positive cashflows for a period of 12 months from the date of signing the financial statements. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

Management has evaluated the potential impact on the Company from the conflict between Russia and Ukraine and determined that the operations remain unaffected because the Company does not have a trading relationship with entities based in Ukraine and Russia.

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 7 – Future developments of the company and activities of the company in the field of research and development; and
- Paragraph 11 – 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

Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR)

In the period covered by the report HP implemented several energy efficiency programs, including an energy curtailment programme arising from COVID-19 lockdown work-from-home contingency plans. HP also implemented green building changes to reduce emissions, including new in-progress site BREEAM (Building Research Establishment Environmental Assessment Methodology) excellent award at the Cambridge office. Due to COVID-19 HP implemented a travel embargo and promoted e-meeting and networking, which reduced travel related emissions.

Our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR, we have included the energy and emissions for the buildings within our operational control, which includes HP owned sites as well as leased facilities. We have used the latest Defra emissions factors, and our gross emissions total in the table, applies the 'location based' accounting methodology for grid emissions. We have chosen the intensity measure gross scope 1 and 2 emissions in TCO₂e per Gross Internal Area in Sqm to ensure a similar metric across the estate.

Particulars	November 1st, 2021 - October 31st, 2022	November 1st, 2020 - October 31st, 2021
Energy consumption used to calculate emissions (kWh)		
Natural Gas	197,800	152,900
Electric Power**	562,200	539,500
Green Electric Power**	68,900	63,300
Scope 1 emissions in CO ₂ e (metric tons)	40	30
Emissions from combustion of fuel for transport purposes for HP provided employee owned vehicles (Scope 1)*	100	130
Emissions from purchased electricity (Scope 2 location-based) CO ₂ e (metric tons)	110	110
Total gross CO ₂ e based on above (metric tons)	250	270
UK Corporate Real Estate square meters	6,996	7,800
Intensity ratio: mtons CO ₂ e/sq meter.	0.036	0.035
Methodology (HP's Carbon Accounting Manual) https://h20195.www2.hp.com/V2/getpdf.aspx/c05179524.pdf		
<i>*Employee owned fleet vehicles are included in scope 1 emissions consistent with HP's Carbon Account Manual</i>		
<i>**The kWh for Electric Power and Green Electric Power should not be additive, the calculations are designed to net out for emissions purposes. It may be better to net the GEP out of the EP for a more accurate representation of kWh</i>		

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 3. 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.

Directors' report (continued)

Subsequent Events

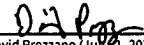
On 1 November 2022, HP Inc acquired Plantronics, Inc ("Poly"). Poly is the leader in video conferencing solutions, cameras, headsets, voice and software. With the acquisition, the Company aims to deliver a complete ecosystem of devices, software, and digital services to create premium employee experiences, improve workforce productivity, and provide enterprise customers with better visibility, insights, security, and manageability across their hybrid IT environments. The process of integration of Poly UK into HP Inc UK Limited is currently underway and is expected to conclude in FY24. Poly employees looking after UK sales were transferred to the Company during FY23.

In Q2 2023, a review was performed of Choose Packaging and it was determined that HP Inc. will now consolidate all sustainable packaging development efforts in other centralized locations aligned with its infrastructure, strategy and resource capabilities. There will be no future revenue to HP Inc UK Limited. Hence the investment in Choose Water Limited will be fully impaired during FY23. HP Inc. is continuing to work to develop Sustainable Packaging solutions to meet customer and application requirements.

Auditors

The auditor, Ernst & Young, Chartered Accountants, will continue in office in accordance with section 485 of the Companies Act 2006.

Approved by the board


David Prezzano (Jul 21, 2023 11:45 MDT)

D Prezzano
Director
Date: 21 June 2023

Directors' responsibilities statement

For the year ended 31 October 2022

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) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HP Inc UK Limited

Opinion

We have audited the financial statements of HP Inc UK Limited for the year ended 31 October 2022 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 25, 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 2022 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

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

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

We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HP Inc UK Limited
(continued)**

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 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HP Inc UK Limited
(continued)

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (FRS102 and Companies Act 2006) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements which include those laws and regulations relating to health and safety, employee matters, General Data Protection Regulation (GDPR) and bribery and corruption practices.
- We understood how HP Inc UK Limited is complying with those frameworks by reviewing the procedures, controls and fraud prevention measures put in place by the company. We made enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We made enquiries of management, those charged with governance and the company's in-house legal team around actual and potential litigation and claims. We made enquiries of management to identify any instances of non-compliance with laws and regulations, including communications with regulators.
- We specifically considered the potential for override of controls and other inappropriate influence over the financial reporting process. We performed audit procedures including, walkthrough procedures of the financial close process and specific transaction and manual journal entry testing on accounts subject to inappropriate influence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiries of management, those charged with governance and others within the company, as to whether they have knowledge of any actual or suspected fraud. Where this risk was considered higher, we performed audit procedures to address the fraud risk. Where required, we performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the company's business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved discussions with in-house legal, analytical reviews, and the examination of legal expense accounts.

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.



**Building a better
working world**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HP Inc UK Limited
(continued)**

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.

A handwritten signature in black ink, appearing to read 'Cathal McDonagh'.

Cathal McDonagh (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Galway

Date: 28 June 2023

Statement of Comprehensive Income

for the year ended 31 October 2022

	Notes	Year ended 31 October 2022 £'000	Year ended 31 October 2021 £'000
Turnover	2	1,741,815	1,877,118
Cost of sales		(1,581,114)	(1,751,286)
Gross profit		<u>160,701</u>	<u>125,832</u>
Distribution costs		(78,190)	(73,997)
Administrative expenses		(18,116)	(20,525)
Operating profit	3	<u>64,395</u>	<u>31,310</u>
Interest receivable and similar income	8	1,929	1,101
Interest payable and similar charges	9	(7,428)	(6,847)
Profit on ordinary activities before taxation		<u>58,896</u>	<u>25,564</u>
Tax on profit on ordinary activities	10	(12,026)	(5,496)
Profit for the financial year		<u>46,870</u>	<u>20,068</u>

All activities of the Company are classed as continuing.

There are no recognised gains or losses other than those passing through the statement of comprehensive income in the current or previous financial year.

Statement of Changes in Equity


for the year ended 31 October 2022

	Called-up share capital £'000	Merger Reserve £'000	Profit and loss reserve £'000	Total Shareholders' Equity £'000
At 1 November 2020	—	(60,716)	68,515	7,799
Profit for the year	—	—	20,068	20,068
Total comprehensive income for the year	—	—	20,068	20,068
Share based payment recharge	—	—	(2,867)	(2,867)
Share based payment charge	—	—	2,450	2,450
At 31 October 2021	—	(60,716)	88,167	27,451
Profit for the year	—	—	46,870	46,870
Total comprehensive income for the year	—	—	46,870	46,870
Share based payment recharge	—	—	(3,772)	(3,772)
Share based payment charge	—	—	3,105	3,105
At 31 October 2022	—	(60,716)	134,370	73,654

Statement of financial position

at 31 October 2022

	Notes	31 October 2022 £'000	31 October 2021 £'000
Non-current assets			
Tangible assets	11	9,185	12,698
Intangible assets	11	4,802	6,459
Investment in subsidiary	12	31,292	—
		45,279	19,157
Current assets			
Stocks	13	85,153	81,897
Debtors:	14		
Amounts falling due within one year		353,679	400,465
Amounts falling due after one year		10,538	10,468
		364,217	410,933
Cash at bank		97	537
		449,467	493,367
Creditors: amounts falling due within one year	15	(350,994)	(412,235)
Net current assets		98,473	81,132
Total assets less current liabilities		143,752	100,289
Creditors: amounts falling due after more than one year	15	(59,731)	(63,569)
Provisions for liabilities and charges	17	(10,367)	(9,269)
Net assets		73,654	27,451
Capital and reserves			
Called up share capital	18	—	—
Merger reserve	19	(60,716)	(60,716)
Profit and loss reserve		134,370	88,167
Equity shareholders' funds		73,654	27,451


David Prezzano [Jun 21, 2023 11:45 MDT]

Director
D Prezzano
Date: 21 June 2023

Notes to the financial statements

For the year ended 31 October 2022

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 21 June 2023. 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 except where stated.

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 of Section 7 to prepare a cash flow statement;
- 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);
- 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); and
- the disclosure requirements of Section 33 (related party disclosure) paragraph 33.7.

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:

- Deferred 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 £1,684,648 (2021: £1,685,511) to be the value of deferred tax assets on 31 October 2022.

- Warranty

Estimated warranty obligation is based on current installed base, 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 statement of financial position date in accordance with the respective contractual obligations.

Notes to the financial statements

For the year ended 31 October 2022

1 Accounting policies (continued)

Going concern

Given that the Company has considerable financial resources and the fact that the Company has projected positive cashflows for a period of 12 months from the date of signing the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

Management has evaluated the potential impact on the Company from the conflict between Russia and Ukraine and determined that the operations remain unaffected because the Company does not have a trading relationship with entities based in Ukraine and Russia.

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.

- **Rendering of services**

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

Until 31 October 2019, the hardware lease income from customers and related costs were deferred over the period of the lease. Starting 1 November 2019, the hardware lease income and costs are recognised when the services to customers begin. Further the interest income is accounted in 'Interest receivable and similar income' over the contract period. The new policy more accurately represents the arrangement of the Company with its customers. The lease tracking methodology and databases were changed to incorporate the new policy.

Interest income

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that 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 statement of comprehensive income in the period in which it is incurred.

Notes to the financial statements

For the year ended 31 October 2022

1 Accounting policies (continued)

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

Leasehold property – straight line over a period of 3 – 10 years or period of the lease

The carrying value of tangible fixed assets is reviewed annually for impairment indicators 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 company 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

Investment 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 accumulation of 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

For the year ended 31 October 2022

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 statement of financial position 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 statement of financial position 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 statement of comprehensive income.

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 statement of financial position 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 statement of financial position 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 statement of financial position. Until 31 October 2019, the hardware lease income from customers and related costs were deferred over the period of lease. Starting 1 November 2019, the hardware lease income and costs are recognised when the services to customers begin. 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.

Notes to the financial statements

For the year ended 31 October 2022

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 statement of comprehensive income 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 statement of financial position. 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 Statement of comprehensive income.

Financial Instruments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and cash equivalents and amounts owed by group undertakings, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, amounts owed by group undertakings and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in the statement of comprehensive income. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial assets are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements

For the year ended 31 October 2022

1 Accounting policies (continued)

Financial Instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due to group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at present value of the future payments discounted at market rate of interest for a similar debt instrument.

Trade and other creditors, amounts due to group companies and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payments is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debt Factoring

The Company uses debt factoring which involves the sale of trade receivables (at a discount) to a factoring company in exchange for the rights to cash collected from those receivables. This is accounted for in line with the requirements under FRS 102 Section 11.

2 Turnover

The segmental analysis for turnover by geographical split has not been provided as it is the opinion of the directors that any disclosure would be seriously prejudicial to the interests of the company and therefore has not been disclosed. The company operates within one industry segment; provision of computing and imaging solutions and services for business and home.

Notes to the financial statements

For the year ended 31 October 2022

3 Operating profit

Operating profit is stated after charging and (crediting):

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Depreciation of owned assets	4,405	5,772
Amortisation of intangibles	1,657	1,657
Operating lease rentals		
- Land and buildings	2,226	2,498
- Other	510	271
Auditors' remuneration	129	129
Loss on disposal of fixed assets	16	20
Foreign exchange (gain)/loss	(3,138)	482
Restructuring costs	5,300	3,842
Research and development expenditure	160	727
Amounts recharged to other group companies	(173)	(785)

4 Auditor's remuneration

Included in auditor's remuneration is an audit fee of £129,028 (2021: £129,028) relating to this company.

5 Staff costs

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Wages and salaries	65,516	68,620
Social security costs	8,718	8,415
Defined contribution pension costs	3,314	1,215
Equity-settled share-based payments	3,105	2,450
	80,653	80,700

The above aggregate payroll costs include amounts expensed in relation to restructuring costs of £4,877,093 (2021: £3,678,048).

Notes to the financial statements

For the year ended 31 October 2022

5 Staff costs (continued)

	Average head count for Year ended 31 October 2022	Average head count for Year ended 31 October 2021
Sales and services	712	640
Research and development	1	3
	713	643

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 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 Statement of comprehensive income 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

For the year ended 31 October 2022

6. Share based payments (Continued)

Incentive compensation plans

HP's stock-based incentive compensation plans include equity plans adopted in 2004 and 2000, as amended and restated, ("principal 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 £1,329,833 (2021: £848,706) with pension contributions of £65,560 (2021: £26,050).

Three directors participated in the Company's defined contribution pension scheme during the period ended 31 October 2022.

The directors exercised share options during the year ended 31 October 2022. One director received shares under the group's long term incentive scheme.

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Highest paid Director		
Aggregate remuneration in respect of qualifying services	1,019	300
Aggregate amounts receivable under long term incentive plans	—	—
Aggregate value of company pension contributions	49	13

8 Interest receivable and similar income

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Interest receivable from group undertakings	1,146	276
Interest receivables in respect of finance leases and hire purchase contracts	783	825
	<u>1,929</u>	<u>1,101</u>

Notes to the financial statements

For the year ended 31 October 2022

9 Interest payable and similar charges

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Interest payable to group undertakings	17	130
Other interest payable	7,411	6,717
	<u>7,428</u>	<u>6,847</u>

Included within other interest payable for the year ended 31 October 2022 is interest payable associated with debt financing arrangements of £6,532,972 (2021: £5,892,106).

10 Tax

(a) Tax on profit on ordinary activities

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Current Tax		
United Kingdom Corporation tax at 19% (2021: 19%)	9,377	1,320
Group relief payable	3,834	5,594
Adjustment in respect of previous periods	<u>(1,186)</u>	<u>(879)</u>
	<u>12,025</u>	<u>6,035</u>
Deferred Tax		
Origination and reversal of timing differences	(102)	(691)
Effect of changes in tax rates	(32)	(239)
Adjustment in respect of previous periods	<u>135</u>	<u>391</u>
Total Deferred tax	<u>1</u>	<u>(539)</u>
	<u>12,026</u>	<u>5,496</u>
Tax on profit and ordinary activities (note 10 (b))		

Notes to the financial statements

For the year ended 31 October 2022

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 19%. The differences are reconciled below:

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Profit and ordinary activities before tax	58,896	25,564
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2021:19%)	11,190	4,857
Expenses not deductible for tax purposes	871	650
Tax rate changes	(32)	(405)
Prior year adjustments	(1,051)	(488)
Share options Anti Hybrid and others	1,048	882
Total tax expense (note 10 (a))	12,026	5,496

(c) Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. The Directors are of the opinion that it is not anticipated that these changes will have a material impact on the company's deferred tax balances.

(d) Deferred tax

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

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Included in debtors (note 14)	1,685	1,686
Excess of depreciation over tax allowances	(589)	(321)
Other timing differences	2,274	2,007
Deferred tax assets	1,685	1,686
Brought forward from previous years	1,686	1,147
Deferred tax debit in statement of comprehensive income	(1)	539
Adjustment in respect of previous periods	—	—
At 31 October	1,685	1,686

Notes to the financial statements

For the year ended 31 October 2022

11 Intangible and tangible assets

	Intangible assets £'000	Leasehold property £'000	Machinery and equipment £'000	Total £'000
Cost:				
At October 31, 2021	10,342	6,685	23,828	40,855
Additions during the year	—	134	802	936
Transfers	—	259	(67)	192
Disposals	—	—	(6,539)	(6,539)
At October 31, 2022	10,342	7,078	18,024	35,444
Amortisation and depreciation:				
At October 31, 2021	3,883	1,368	16,447	21,698
Charge for the year	1,657	708	3,697	6,062
Transfers	—	47	(64)	(17)
Disposals	—	—	(6,286)	(6,286)
At October 31, 2022	5,540	2,123	13,794	21,457
Net book value:				
At October 31, 2022	4,802	4,955	4,230	13,987
At October 31, 2021	6,459	5,317	7,381	19,157

Intangible assets consists of Goodwill £2,762,300 (2021: £3,212,274) and Intellectual Property £2,038,927 (2021: £3,246,447) arising out of historical acquisitions.

12 Investments

The fixed asset investment comprised of an interest in subsidiary.

	2022 £'000	2021 £'000
Investment in subsidiary		
As at October 31, 2021	—	811
Acquisition during the year	31,292	—
On liquidation of company	—	(811)
As at October 31, 2022	31,292	—

During the year 2022, HP Inc UK Limited acquired Choose Water Limited, a packaging development company, incorporated in the United Kingdom, and having a registered office at 9, Redburn Road, Newcastle Upon Tyne, England, NE5 1NB.

Notes to the financial statements

For the year ended 31 October 2022

13 Stocks

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Finished goods for resale	85,153	81,897

14 Debtors

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Trade debtors	173,819	219,684
Amounts owed by group undertakings	121,896	135,974
Finance debtors	45,836	32,207
Prepayments and accrued income	6,671	6,676
Deferred contract costs	4,677	4,647
Deferred taxation	1,685	1,686
Other debtors	9,633	10,059
	364,217	410,933

Included in finance debtors at 31 October 2022 are assets associated with debt financing arrangement of £34,291,082 (2021: £20,671,872) and leases of £9,026,692 (2021: £8,700,550).

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

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Finance debtors	6,268	6,467
Deferred contract costs	3,564	2,686
Other debtors	706	1,315
	10,538	10,468

Notes to the financial statements

For the year ended 31 October 2022

15 Creditors: amounts falling due within one year

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Trade creditors	15,537	18,780
Accruals and deferred income	181,807	164,221
Amounts owed to group undertakings	92,375	151,403
Finance creditors	6,132	5,098
Corporation tax	5,782	—
Obligation under hire and lease purchase contracts	4,730	6,153
Other taxation and social security	44,631	66,580
	350,994	412,235

Finance creditors as at 31 October 2022 are liabilities associated with debt financing arrangements of £6,132,161 (2021: £5,097,637).

Creditors: amounts falling due after more than one year

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Accruals and deferred income	51,730	53,107
Obligation under hire and lease purchase contracts	8,001	10,462
	59,731	63,569

16 Obligations under hire and lease purchase agreements

Future commitments under hire and lease purchase agreements are as follows

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Amounts Payable:		
Within one year	4,730	6,153
In 2 to 5 years	8,001	10,462
	12,731	16,615

Notes to the financial statements

For the year ended 31 October 2022

17 Provision for liabilities and charges

	Year ended 31 October 2022	Year ended 31 October 2021
	£'000	£'000
Warranty		
Balance brought forward	9,269	10,090
Net amounts provided	9,318	8,085
Amounts utilized against the provision	(8,220)	(8,906)
At 31 October 2022	<u>10,367</u>	<u>9,269</u>

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 current installed base, 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 statement of financial position date in accordance with the respective contractual obligations.

18 Share capital

	Year ended 31 October 2022	Year ended 31 October 2021
	£	£
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 accumulation of the net liabilities has been recognised as a merger reserve of £60,716,000 within equity.

20 Commitments under operating leases

	Year ended 31 October 2022		Year ended 31 October 2021	
	Land and buildings	Others	Land and buildings	Others
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within 1 year	2,868	195	2,421	69
Within 2 to 5 yrs	8,588	404	6,942	53
After 5 years	7,016	—	7,822	—
Total	<u>18,472</u>	<u>599</u>	<u>17,185</u>	<u>122</u>

Notes to the financial statements

For the year ended 31 October 2022

21 Pensions and other post retirements 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 £3,314,445 (2021: £1,215,399). 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. On 6 March 2020, the holding company of HP Inc UK Limited, sold its shares to its parent entity in Netherlands. As a result, the holding company of HP Inc UK Limited 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 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 the insurance company.

24 Events since the statement of financial position

On 1st November 2022, HP Inc. acquired Plantronics, Inc. ("Poly"), a private corporation and a leading global provider of workplace collaboration solutions. Poly is a leader in video conferencing solutions, cameras, headsets, voice and software. With the acquisition, the Company aims to deliver a complete ecosystem of devices, software, and digital services to create premium employee experiences, improve workforce productivity, and provide enterprise customers with better visibility, insights, security, and manageability across their hybrid IT environments. The process of integration of Poly UK into HP Inc UK Limited is currently underway and is expected to conclude in FY24.

In Q2 2023, a review was performed of Choose Packaging and it was determined that HP Inc. will now consolidate all sustainable packaging development efforts in other centralized locations aligned with its infrastructure, strategy and resource capabilities. There will be no future revenue to HP Inc UK Limited. Hence the investment in Choose Water Limited will be fully impaired during FY23. HP Inc. is continuing to work to develop Sustainable Packaging solutions to meet customer and application requirements.

25 Contingencies and Commitments

At 31 October 2022, the Company had a contingent liability in respect of a bank guarantee and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to £6,000,000 (2021: £6,000,000).