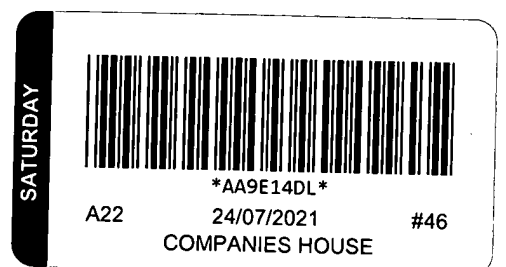


Registered No: 9408979

HP Inc UK Limited
Report and Financial Statements

31 October 2020



Corporate information

Directors

D Prezzano (appointed 1 May 2021)
G Brasher (resigned 1 May 2021)
J McDougall (resigned 14 February 2020)
C Morin (appointed 14 February 2020)

Independent Auditors

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

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

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 2020.

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 31 October 2020, after taxation, amounted to £12,260,111 (PY19: £ 14,978,625).

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 2020 £m	Year ended 31 October 2019 £m
Turnover	1,756.70	1,644.62
Gross Profit	126.77	128.02
Profit before Tax	19.99	21.39

The results were in line with company expectations. The higher sales during FY20 was in consumer PC business due to huge demand. 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 decrease from 7.8% in the previous year to 7.2% in the current year on account of increase in the cost of purchases of products for reselling. The profit before tax margin decreased from 1.30% in the previous year to 1.14% in the current year due to higher restructuring costs.

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.

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. 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. The Company continues to evaluate its business model and activities in the light of the ongoing pandemic and does not see any near term negative impact on its business operations and no adjustments have been made to the financial statements as of 31 October 2020 for the impacts of COVID-19.

Strategic report (continued)

Market share

As at 31 October 2020, the company is at 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 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.

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, 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 UK is treated as a non-EU country from an export/import perspective. We have been assessing the potential impact of Brexit on HP Inc UK Limited and the impact 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 environment the company can maintain its underlying profitability.

Competitive pressures

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

Reliance on parent company

HP Inc UK Limited is a subsidiary of HP Inc. and is dependent on this parent company for the supply of products and for its brand strength. The financing-structure of the company gives rise to interest rate and foreign currency risks. Interest rate risk is the risk of exposure to fluctuations in interest rates that will increase the cost of debt on the financial borrowings of the company. Foreign currency risk is the risk of exposure to fluctuations in the value of specific currencies that are used to value the financial assets and liabilities of the company.

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

Strategic report (continued)

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.

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. 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 2019 and ending on 31 October 2020 ("FY20"), 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 obligations 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.
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. 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.

Strategic report (continued)

	<ul style="list-style-type: none"> 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.

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.aspx
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 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.
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.

Strategic report (continued)

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. ▪ During FY20 we supported 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 they matter 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 create technology that makes life better for everyone, 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 matters to them	<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—with a focus on educational opportunities for girls, women, and some of the world's most vulnerable and marginalized communities.
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"> ▪ Planet: Transform our entire business to advance a more efficient, circular, and low-carbon economy. Enable our customers to invent the future through our most sustainable portfolio of products and services. ▪ People: Enable all people who help bring our products to market to thrive at work, at home, and in their communities. Champion dignity, respect and empowerment for the people with whom we work, respect human rights and embed diversity, equity and inclusion in everything we do. ▪ Community: Contribute our technology, time and resources to catalyze positive change in communities where we live, work and do business. Unlock educational and economic opportunity through the power of technology. Improve the vitality and resilience of our local 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 sourced more than 1.7 million pounds of ocean-bound plastic for use 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.

Strategic report (continued)

- We are more than halfway to achieving our science-based goal of reducing product use greenhouse gas emissions intensity by 30% by 2025. And we were the only technology company globally to receive a Triple-A rating from Carbon Disclosure Project (CDP) for climate, forests, and water, and the only North American company to receive a Triple A rating two years in a row.
- We continue to move toward a sustainable future for printing that strives to be forest positive, carbon neutral, and supportive of a circular 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 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>

The Government

Why they matter to us	<ul style="list-style-type: none"> ▪ Our policy engagement with UK government includes interactions with the Department of International Trade (DIT), Department of Digital, Culture, Media and Sports (DCMS), 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"> ▪ Sustainability is a strategic area for the UK government and in 2020 we have provided policy responses to various public consultations, such as BEIS 'future of industry' and 'green recovery' consultations responding to COVID-19 impact, the Labour Party's 'green recovery' policy report, DCMS's cyber security policy for consumer IoT products, and evidence to the Environmental Audit Committee's enquiry into electronic waste.
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), Imaging Consumables Coalition of Europe (ICCE) and The Anti-Counterfeiting Group (ACG). ▪ In addition, we engage with think tanks to support policy roundtables. For example, in 2020 we supported virtual panel discussions organised by Bright Blue on 'A new world of work?' and 'Reforming Whitehall'.
Engagement Outcome	<ul style="list-style-type: none"> ▪ Throughout FY20 HP has operated a dedicated internal Brexit Task Force coordinating contingency planning across different functions – including supply chain, sales operations and customer support. The aim of the Brexit Task Force was to ensure smooth business continuity for all our customers and partners in the UK and Ireland within updated legal requirements after the end of the transition period at the end of 2020. ▪ We continue to monitor all regulatory requirements and we are confident in our ability to continue delivering for our customers and partners.

Approved by the board

David Prezzano

D Prezzano
Director

Date: 19 July 2021

Directors' report

The directors present their report for the year ended 31 October 2020.

Directors

The directors during the year ended 31 October 2020, and up to the date of approval of these financial statements, were as follows:

George Walter Brasher (resigned date 1 May 2021)

David Prezzano (appointed date 1 May 2021)

Caroline Morin (appointed date 14 February 2020)

Jo McDougall (resigned date 14 February 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 31 October 2020 £ Nil (PY19: £ 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 is a trading company and it has received a letter of support from HP Inc., its 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 COVID-19 and have assessed the cash flow forecasts of the Group through to 31 July 2022. The Directors are satisfied that the parent undertaking, HP Inc. has the ability to provide the support considering that it has cash balances of \$3.4 billion as of 30 April 2021 (being the latest publicly available information shared by HP Inc.), has no significant debt maturities and has an undrawn senior unsecured committed revolving credit facility of \$4.0 billion and therefore deem it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Company.

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' 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 and implemented 100% green energy procurement for Glasgow site. HP also implemented green building changes to reduce emissions, including completing an office relocation from a London office to a BREEAM (Building Research Establishment Environmental Assessment Methodology) Excellent landlord managed building in St Mary Exe. 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	FY20 (First year of reporting)
Energy consumption used to calculate emissions (kWh)	
Natural Gas	248,200
Electric Power	766,900
Green Electric Power	143,400
Scope 1 emissions in CO ₂ e (metric tons)	40
Emissions from combustion of fuel for transport purposes for HP provided employee owned vehicles (Scope 1)*	210
Emissions from purchased electricity (Scope 2 location-based) CO ₂ e (metric tons)	180
Total gross CO ₂ e based on above (metric tons)	430
UK Corporate Real Estate square meters in FY 2020	7,200
Intensity ratio: mtons CO ₂ e/sq. meter.	0.060
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>	

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 2. 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

David Prezzano

D Prezzano

Director

Date: 19 July 2021

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
- prepare the financial statements on the ongoing concern basis unless it is inappropriate to presume that the company will continue in business.
- 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 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, 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 2020 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.

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.

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 12, 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.

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

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.

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

Sandra Thompson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

22 July 2021

Statement of Comprehensive Income

for the year ended 31 October 2020

		Year ended 31 October 2020	Year ended 31 October 2019
	Notes	£'000	£'000
Turnover	2	1,756,709	1,644,615
Cost of Sales		<u>(1,629,939)</u>	<u>(1,516,596)</u>
Gross Profit		<u>126,770</u>	<u>128,019</u>
Distribution costs		(74,972)	(77,609)
Administrative expenses		<u>(25,963)</u>	<u>(24,728)</u>
Operating profit	3	<u>25,835</u>	<u>25,682</u>
Interest receivable and similar income	8	2,060	2,450
Interest payable and similar charges	9	<u>(7,909)</u>	<u>(6,743)</u>
Profit on ordinary activities before taxation		<u>19,986</u>	<u>21,389</u>
Tax on profit on ordinary activities	10	<u>(7,726)</u>	<u>(6,410)</u>
Profit for the financial year		<u><u>12,260</u></u>	<u><u>14,979</u></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 2020

	Called-up share capital	Merger reserve	Profit and loss reserve	Total Shareholders' equity
	£000	£000	£000	£000
At 31 October 2018	-	(60,716)	41,609	(19,107)
Profit for the year	-	-	14,979	14,979
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)
Profit for the year	-	-	12,260	12,260
Total comprehensive income for the year	-	-	12,260	12,260
Share based payment transactions	-	-	(78)	(78)
At 31 October 2020	-	(60,716)	68,515	7,799

Statement of financial position

at 31 October 2020

		31 October 2020	31 October 2019
	Notes	£'000	£'000
Non-Current Assets			
Tangible assets	11	19,138	24,344
Intangible assets	11	8,116	9,862
Investment in subsidiary	12	811	811
		28,065	35,017
Current assets			
Stocks	13	91,144	51,793
Debtors:	14		
Amounts falling due within one year		390,626	398,947
Amounts falling due after one year		6,213	6,787
		396,839	405,734
Cash at bank and in hand		1,189	819
		489,172	458,346
Creditors: amounts falling due within one year	15	(441,938)	(431,649)
Net current assets		47,234	26,697
Total assets less current liabilities		75,299	61,714
Creditors: amounts falling after more than one year	15	(57,410)	(55,792)
Provisions for liabilities and charges	17	(10,090)	(10,305)
Net assets/ (liabilities)		7,799	(4,383)
Capital and reserves			
Called up share capital	18	-	-
Merger reserve	19	(60,716)	(60,716)
Profit and loss reserve		68,515	56,333
Equity shareholders' funds / (deficit)		7,799	(4,383)

David Prezzano

Director
D Prezzano
Date: 19 July 2021

Notes to the financial statements

For the year ended 31 October 2020

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 19 July 2021. 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); 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).

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 £1,146,533 (PY19: £154,031) to be the value of deferred tax asset on 31 October 2020.

Going concern

The Company is a trading company and it has received a letter of support from HP Inc., its 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 COVID-19 and have assessed the cash flow forecasts of the Group through to 31 July 2022. The Directors are satisfied that the parent undertaking, HP Inc. has the ability to provide the support considering that it has cash balances of \$3.4 billion as of 30 April 2021 (being the latest publicly available information shared by HP Inc.), has no significant debt maturities and has an undrawn senior unsecured committed revolving credit facility of \$4.0 billion and therefore deem it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Company.

Notes to the financial statements

For the year ended 31 October 2020

1. Accounting policies (continued)

Turnover

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

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

- **Sale of goods**

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods; 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 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.

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 lease. Starting 1 November 2019, the hardware lease income and costs would be recognised when the services to customers begin. Further the interest income will be 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. The costs involved in maintaining additional tracking per earlier policy outweigh the benefits for the users of the financial statements.

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 statement of comprehensive income 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

Lease hold property – straight line over a period of 3 – 10 years

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

Notes to the financial statements

For the year ended 31 October 2020

1. Accounting policies (continued)

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

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

For the year ended 31 October 2020

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 would be 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 2020

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.

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 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Depreciation of owned assets	7,300	6,230
Amortisation of intangibles	1,635	345
Operating lease rentals		
- Land and buildings	3,000	3,338
- Other	193	198
Auditor's remuneration	125	121
Loss on disposal of fixed assets	3	48
Foreign exchange (gain)/loss	(585)	557
*Restructuring costs	5,021	4,866
Research and development expenditure	3,099	2,924
Amounts recharged to other group companies	(3,347)	(3,158)

Notes to the financial statements

For the year ended 31 October 2020

4. Auditor's remuneration

Included in auditor's remuneration is audit fee of £125,165 (PY19: £126,788) relating to this company.

5. Staff costs

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Wages and salaries	62,314	66,658
Social security costs	8,065	8,682
Defined contribution pension costs	4,732	2,930
Equity-settled share-based payments	2,453	2,702
	77,564	80,972

The above aggregate payroll costs include amounts expensed in relation to workforce reduction costs of £4,843,111 (PY 19: £4,605,299).

	Average head count for Year ended 31 October 2020	Average head count for Year ended 31 October 2019
Sales and services	664	707
Research and development	18	27
	682	734

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 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 2020

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 £770,712 (PY 19: £615,495) with pension contributions of £26,474 (PY 19: £42,508).

Three directors (PY: Two directors) participated in the company's defined contribution pension scheme during the period ended 31 October 2020.

The directors exercised share options during the year ended 31 October 2020. No directors received shares under the group's long term incentive scheme.

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Highest paid director		
Aggregate remuneration in respect of qualifying services	519	478
Aggregate value of company pension contributions	17	25

8. Interest receivable and similar income

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Interest receivable from group undertakings	1,283	1,393
Interest receivables in respect of finance leases and hire purchase contracts	777	1,057
	<u>2,060</u>	<u>2,450</u>

Notes to the financial statements

For the year ended 31 October 2020

9. Interest payable and similar charges

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Interest payable in respect of finance leases and hire purchase contracts	777	1,057
Other interest payable	7,132	5,686
	7,909	6,743

Included within Other interest payable at 31 October 2020 is interest payable associated with debt financing arrangements of £7,002,402 (PY 19: £5,594,521).

10. Tax

(a) Tax on profit on ordinary activities

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Current tax:		
United Kingdom corporation tax at 19.00% (2019:19.00%)	2,578	6,125
Group relief payable/(receivable)	7,304	-
Adjustment in respect of previous periods	(855)	64
Total current tax	9,027	6,189
Deferred tax:		
Origination and reversal of timing differences	(1,315)	228
Effect of changes in tax rates	18	(24)
Adjustment in respect of previous periods	(4)	17
Total deferred tax	(1,301)	221
Tax on profit on ordinary activities (note 10(b))	7,726	6,410

Notes to the financial statements

For the year ended 31 October 2020

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 2020	Year ended 31 October 2019
	£'000	£'000
Profit on ordinary activities before tax	19,986	21,389
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00%)	3,797	4,064
Expenses not deductible for tax purposes	154	378
Tax rate changes	18	(24)
Prior year tax adjustments	(859)	81
Share options Anti Hybrid and others	4,616	1,911
Total tax expense (note 10(a))	7,726	6,410

(c) Factors that may affect future tax charges

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will decrease the company future current tax charge accordingly. The deferred tax asset as at 31 October 2020 has been calculated at 19% (PY19: 17%).

(d) Deferred tax

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

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Included in debtors (note 14)	1,147	-
Included in creditors (note 15)	-	(154)
Excess of depreciation over tax allowances	(249)	(133)
Other timing differences	1,396	(21)
Deferred tax assets/ (liabilities)	1,147	(154)
Brought Forward from previous years	(154)	67
Deferred tax debit/(credit) in Statement of comprehensive income	1,297	(204)
Adjustment in respect of previous periods	4	(17)
At 31 October	1,147	(154)

Notes to the financial statements

For the year ended 31 October 2020

11. Intangible and Tangible assets

	Intangible Assets £'000	Leasehold Property £'000	Machinery and equipment £'000	Total £'000
Cost:				
At 31 October 2019	10,453	7,058	31,822	49,333
Additions during the year	-	853	5,181	6,034
Disposals	(111)	-	(6,624)	(6,735)
At 31 October 2020	10,342	7,911	30,379	48,632
Amortisation and depreciation:				
At 31 October 2019	591	1,004	13,532	15,127
Charge for the year	1,635	986	6,314	8,935
Disposals	-	(107)	(2,577)	(2,684)
At 31 October 2020	2,226	1,833	17,269	21,378
Net book value:				
At 31 October 2020	8,116	6,028	13,110	27,254
At 31 October 2019	9,862	6,054	18,290	34,206

Intangible Assets consists of Goodwill £3,662,248 (PY19: £4,221,890) and Intellectual Property £4,453,968 (PY19: £5,639,485) arising out of historical acquisitions.

12. Investments

The fixed asset investments comprise of interest in subsidiary.

Investment in subsidiary	£'000
As at 1 November 2019	811
Additions during the year	-
As at 31 October 2020	811

During the year 2019, HP Inc UK Limited acquired Oneflow Systems Limited, a company in the business of software, incorporated in the United Kingdom and having registered office at One St. Peter's Square, Manchester, United Kingdom, M2 3AE. HP Inc UK Limited holds 100% of the ordinary shares of Oneflow Systems Ltd.

13. Stocks

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Finished goods for resale	91,144	51,793

Notes to the financial statements

For the year ended 31 October 2020

14. Debtors

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Trade debtors	149,816	183,777
Amounts owed by group undertakings	193,825	130,215
Deferred contract costs	3,905	7,994
Finance debtors	27,741	57,418
Other debtors	14,573	12,549
Prepayments and accrued income	5,832	13,781
Deferred taxation	1,147	-
	396,839	405,734

Included in Finance debtors at 31 October 2020 are assets associated with debt financing arrangement of £19,959,896 (PY19: £52,755,120) and leases of £ 4,433,069 (PY19: £ 3,113,370).

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

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Deferred contract costs	1,165	2,728
Finance debtors	3,348	1,671
Other debtors	1,700	2,388
	6,213	6,787

Notes to the financial statements

For the year ended 31 October 2020

15. Creditors

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Trade creditors	22,865	26,655
Amounts owed to group undertakings	180,312	157,564
Other taxation and social security	45,829	47,381
Accruals and deferred income	223,309	219,786
Corporation tax	-	1,955
Obligation under hire and lease purchase contracts	19,215	22,406
Finance creditors	7,818	11,540
Deferred taxation	-	154
	499,348	487,441

Included within Finance creditors at 31 October 2020 are liabilities associated with debt financing arrangements of £7,818,285 (PY 19: £10,098,302).

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

	Year ended 31 October 2020	Year ended 31 October 2019
	£'000	£'000
Accruals and deferred income	44,878	39,705
Obligation under hire and lease purchase contracts	12,532	16,087
	57,410	55,792

16. Obligations under hire and lease purchase agreements

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

	Year ended 31 October 2020	Year ended 31 October 2019
	£000	£000
Amounts Payable:		
Within one year	6,683	6,319
In 2 to 5 years	12,532	16,087
	19,215	22,406

Notes to the financial statements

For the year ended 31 October 2020

17. Provisions for liabilities and charges

	Year ended 31 October 2020	Year ended 31 October 2019
Warranty	£000	£000
Balance brought forward	10,305	9,382
Net amounts provided	6,828	9,000
Amounts charged against the provision	(7,043)	(8,077)
At 31 October	10,090	10,305

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 statement of financial position date in accordance with the respective contractual obligations.

18. Share capital

	Year ended 31 October 2020	Year ended 31 October 2019
	£	£
Allotted, called-up and fully paid:		
Ordinary shares of £1 each	1	1

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 Statement of comprehensive income from the date of transfer.

20. Commitments under operating leases

	Year ended 31 October 2020		Year ended 31 October 2019	
	Land and buildings	Others	Land and buildings	Others
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within 1 year	1,855	125	2,282	207
Within 2 to 5 years	5,622	101	5,364	271
After 5 years	8,624	-	6,024	-
Total	16,101	226	13,670	478

Notes to the financial statements

For the year ended 31 October 2020

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 £4,731,818 (PY19: £2,930,023). 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 insurance company.

24. Events since the statement of financial position

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

25. Contingencies and Commitments

At 31 October 2020, the company had contingent liability in respect of 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 (PY19: Nil).