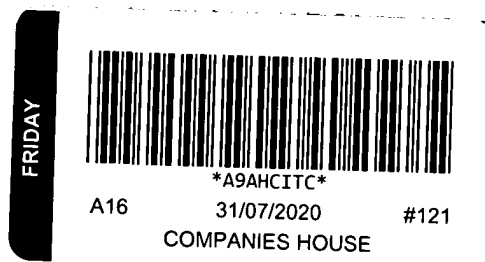


Registered No: 00690597

Hewlett-Packard Limited

Report and Financial Statements

31 October 2019



Company Information

Directors

P Oram
M Waters

Auditors

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

Registered Office

Amen Corner
Cain Road
Bracknell
Berkshire
RG12 1HN

Strategic report

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

Review of the business

During the year, the Company continued to provide a broad portfolio of services-led and software-enabled infrastructure and solutions including secure, software-defined servers, storage, data center networking and HPE Pointnext services. The Company also maintained its reputation for customer service, support and satisfaction.

In the prior year, on 31 October 2018, Hewlett-Packard Limited purchased the trade and assets of a fellow group company, Hewlett-Packard Manufacturing Limited, for a total consideration of £20,928,000 (\$26,781,000). At the date of the transaction the business had net assets of £3,649,000. The difference between the purchase price and net assets assumed has been recognised as a merger reserve of £17,279,000 within equity. The purchase price represented the fair market value of the business taking into account the assets and liabilities transferred.

The loss for the year, after taxation, amounted to £3,322,000 (2018 profit: £41,232,000).

The directors do not recommend a final ordinary dividend, making the total of ordinary dividends paid for the year £nil (2018: £nil).

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:

	2019	2018
	£m	£m
Revenue	1,043	1,109
Gross profit	166	268
(Loss)/profit before tax	(5)	46

Revenue declined by 6% during the year as a result of the continued challenging economic environment and pressure of a fiercely competitive and evolving market in which the company operates. The Company is continuing to launch certain initiatives that aim to generate revenue growth in future years, improving our service delivery for higher quality and lower cost.

Gross profit for the year declined by 38%, which was predominately attributed to an unfavourable foreign exchange movement and the reduction in revenue. Gross profit as a proportion of revenue represents 16% in 2019, compared to 24% in 2018.

The decline in gross profit was partially offset by a reduction in restructuring expenses of £32m year over year. A loss before tax of £5m has been recorded in 2019, compared to a profit before tax of £46m in 2018.

In 2019 the Company continued with several cost reduction programs, that the directors believe will benefit the Company in the future. The directors recognise that achieving the balance of long-term and short-term objectives is key to future profitability. This profitability allows the Company to reinvest in new and emerging business opportunities and is highly correlated to generating cash which brings more flexibility to the business at a lower cost.

Market share

As at 31 October 2019, the Company aimed to be positioned as number 1 and 2 in the majority of markets in which it operates. The Company aims to maintain this position and to extend its market share by continually providing useful and significant products, services and solutions to markets it already serves and to expand into new areas that build on Hewlett Packard Enterprise technologies, competencies and customer interests.

Strategic report (continued)

Market share (continued)

Market share data is extremely dynamic and based on diverse areas of the business. Hewlett-Packard 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.

Pensions

The Company offers both defined benefit and defined contribution pension schemes as benefits to employees. Details of the defined benefit schemes and the amounts included within these financial statements can be found in note 20. The sponsored defined benefit schemes operated by the Company have been closed to new individual members for a number of years. All new individual employees joining the Company are invited to join the defined contribution schemes.

At 31 October 2019 the net pension asset reported is £28,354,000 (2018: £34,701,000).

The Company continues to support these schemes with the current funding arrangements for the next year included in note 20.

Research and development

The Company maintained an extensive programme of research and development during the year which included an appreciable amount of innovation. As the industry and consumer needs constantly evolve, there is an increasing demand for a fully integrated hardware, software-defined infrastructure and services solution. Hewlett Packard Enterprise Company has reacted to this through a focus in its research and development activities to increase the breadth of services it can provide, across multiple business units, into a combined solution. Hewlett Packard Enterprise Company will continue to have significant research and development expenditure in the future to support the design and development of innovative, high quality products, services and solutions to maintain and enhance our competitive position. The research and development spend by the Company in the current year was £10,969,000 (2018: £16,100,000).

Principal risks and uncertainties

The Company is managed on a group basis and the principal risks and uncertainties facing it are therefore integrated with those facing the Hewlett Packard Enterprise Group as a whole. 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 Hewlett Packard Enterprise Company operates, but ultimately this is dependent on factors such as economic cycles, customer confidence and growth of the economy. A weak economy could affect the level of customer spending on Hewlett Packard Enterprise products and the profitability of the Company. Through developing a greater understanding of partner and customer needs, Hewlett Packard Enterprise Company has been able to implement global cost reduction strategies to ensure that despite the challenging economic climate the Company can maintain its underlying profitability.

Strategic report (continued)

Principal risks and uncertainties (continued)

- *Competitive pressures*

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

- *Reliance on parent company – exposure to credit, liquidity and cash flow risk*

Hewlett-Packard Limited is a subsidiary of Hewlett Packard Enterprise Company and is dependent on this ultimate parent company for the supply of products and for its brand strength. The Company also holds a mixture of short and long term loans with Hewlett Packard Enterprise subsidiaries denoted in both Sterling and US Dollars. The financing structure of the Company gives rise to interest rate and foreign currency risks. Interest rate risk is the risk of exposure to fluctuations in interest rates that will increase the cost of debt on the financial borrowings of the Company. Foreign currency risk is the risk of exposure to fluctuations in the value of specific currencies that are used to value the financial assets and liabilities of the Company.

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

Any risks impacting the ultimate parent company providing the support will cascade to Hewlett-Packard Limited. A full description of the risks and uncertainties impacting Hewlett Packard Enterprise Company can be found in the Hewlett Packard Enterprise Company group financial statements.

Future developments

The business has been able to diagnose those areas in which efficiencies and improvements can be made and implement plans to reduce costs. The Company 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.

Risks, uncertainties and assumptions include the need to address the many challenges facing Hewlett Packard Enterprise's businesses including the impact of macroeconomic and geopolitical trends and events, pandemics and public health problems, such as the outbreak of novel coronavirus (COVID-19) and the execution and performance of contracts by Hewlett Packard Enterprise and its suppliers, customers, clients and partners, including any impact thereon resulting from events such as the coronavirus.

At this time, the impact of the coronavirus on our business is uncertain as the situation remains very fluid. The health and safety of our employees, customers and partners is our priority and we are following appropriate guidance to limit the impact on them. Coronavirus represents a risk as it is causing disruption to both supply and demand and, while we cannot quantify the real impact at this time, we're monitoring the situation closely and are working with our customers, partners and suppliers to minimize potential impacts.

Strategic report (continued)

Post balance sheet events

The worldwide spread of the novel coronavirus (COVID-19) is expected to result in a global and local slowdown of economic activity which is likely to decrease demand for a broad variety of goods and services, including from our customers, while also disrupting sales channels and marketing activities for an unknown period of time until the disease is contained. Possible financial impacts may include: impairment concerns, supply chain and logistics interruptions, changes in customer buying patterns and volumes and cash flow disruption. As none of these items are known with any certainty at the date of this report, no financial effect of these items or other potential items are contained in this financial report.

The environment

Hewlett Packard Enterprise's goals are to provide products and services that are safe and environmentally sound throughout their lifecycles, and conduct operations in an environmentally responsible manner.

To accomplish this, Hewlett Packard Enterprise Company will:

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

The Company achieves this by integrating these objectives into business planning, decision-making, performance tracking and review processes to ensure that goals are reached and continually improved upon.

Hewlett Packard Enterprise Company, for which Hewlett-Packard Limited is a subsidiary, publishes an annual corporate responsibility report where detailed companywide environmental commitments, initiatives and key performance indicators can be found. A copy of the 2019 report is available from

<https://www.hpe.com/us/en/living-progress.html>.

Approved by the Board

P A Oram

Philippa Oram
Director

Date: 30 July 2020

Directors' report

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

Directors

The directors during the year, and to date, were as follows:

P Oram
M Waters

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.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements.

Employee involvement

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

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

Hewlett Packard Enterprise's goal is to create health and safety practices and work environments that enable employees to work injury-free. This is accomplished by continually reducing occupational injury and illness risks while promoting employee health and well-being.

The Company believes that a diverse workforce encourages creativity and innovation and helps build an exciting and stimulating work environment. A diverse workforce, reflecting the demographics of the many different markets where Hewlett Packard Enterprise operates, also provides a competitive advantage and helps acquire new business.

Hewlett Packard Enterprise Company, for which Hewlett-Packard Limited is a subsidiary, publishes an annual corporate responsibility report where detailed company-wide employee commitments, initiatives and key performance indicators can be found.

Employment of disabled employees

All applications from disabled persons are fully considered. Should an employee become disabled, it is the Company's practice to continue their current employment where possible or offer suitable alternatives. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and review of business risk are described in the Strategic report on pages 2 to 5.

The directors' assessment is that due to the nature of the core businesses, the likelihood of a significant impact from COVID-19 is seen as low for Hewlett-Packard Limited. The directors have assessed future forecasts for the company for a review period of twelve months from the date of approval of the 2019 financial statements. These forecasts reflect an assessment of current and future market conditions and their impact on the company's future performance. The level of the current assets vs current liabilities indicates that the company's liquidity ratio remains high. Having reviewed the forecasts and balance sheet position, the directors are satisfied that no significant uncertainties arise around the company's future profitability or liquidity.

Directors' report (continued)

Going concern (continued)

The company's crisis management procedures have been engaged and the management team constantly evaluates the situation supporting the business in continuing its day to day operations. HPE offices are closed and all employees' work remotely continuing to fully support our customers with only business critical customer site visits taking place. All other in person marketing events and customer visits have been cancelled for the immediate future. As a result of these measures taken by the company and group, the directors currently do not believe that the novel coronavirus impairs the company's ability to continue as a going concern.

In addition, in the unlikely event that it is called upon, the directors have assessed the level of financial support accessible from the ultimate parent undertaking, Hewlett Packard Enterprise Company, that covers at least 12 months from the approval of the financial statements, and are satisfied the support is available. As a result, it is concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the report and the financial statements.

Strategic report

In accordance with Section 414C(11) of the Companies Act 2006, the following information has been included in the company's strategic report which would otherwise be required by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the directors' report:

- 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;
- Future developments of the Company and activities of the Company in the field of research and development (including post balance sheet events); and
- Dividend recommendations.

Directors' statement as to disclosure of information to auditors

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

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Ernst & Young LLP continue as the Company's auditor. 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.

By order of the Board

P A Oram

Philippa Oram
Director

Date: 30 July 2020

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations and Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Independent auditor's report to the members of Hewlett-Packard Limited

Opinion

We have audited the financial statements of Hewlett-Packard Limited for the year ended 31 October 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 26, 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 including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 October 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 101 'Reduced Disclosure Framework'); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter – Effects of COVID-19

We draw attention to Note 2.2 and Note 26 of the financial statements, which describes the economic and social impact the Company is facing as a result of COVID-19, which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Independent auditor's report (continued)

to the members of Hewlett-Packard Limited

Other information

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

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

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 8, 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 (continued)

to the members of Hewlett-Packard Limited

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.

San Gunapala (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

Date: 31 July 2020

Statement of comprehensive income

for the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
Revenue	3	1,043,150	1,109,476
Cost of sales		(877,160)	(841,160)
Gross profit		165,990	268,316
Distribution costs		(145,255)	(157,715)
Administration expenses		(21,497)	(19,996)
Exceptional items	5	(18,622)	(55,322)
Operating (loss)/profit	4,5	(19,384)	35,283
<i>Analysed between:</i>			
Operating (loss)/profit on ordinary activities before exceptional items		(762)	90,605
Exceptional item – restructuring expenses	5	(9,998)	(42,322)
Exceptional item – impairment of assets held for sale	5	(8,624)	-
Exceptional item – guaranteed minimum pension equalisation	5	-	(13,000)
Interest receivable and similar income	9	22,047	18,541
Interest payable	10	(7,445)	(7,748)
(Loss)/profit on ordinary activities before taxation		(4,782)	46,076
Tax on (loss)/profit on ordinary activities	11	1,460	(4,844)
(Loss)/profit for the financial year		(3,322)	41,232
Other comprehensive income:			
Items that cannot be reclassified to profit or loss:			
Remeasurement gains on defined benefit pension plan	20	(7,632)	20,766
Tax on items relating to components of other comprehensive income		1,256	(2,823)
Total other comprehensive income for the year, net of tax		(6,376)	17,943
Total comprehensive (loss)/income for the year		(9,698)	59,175

All of the activities of the Company are classed as continuing.

Statement of changes in equity

for the year ended 31 October 2019

	Share capital £000	Share premium £000	Merger reserve £'000	Retained earnings £000	Total equity £000
At 1 November 2017	104,772	492,017	-	25,478	622,267
Profit for the financial year	-	-	-	41,232	41,232
Other comprehensive income for the year	-	-	-	17,943	17,943
Share-based payments (note 6)	-	-	-	5,622	5,622
Recharge for share-based payments	-	-	-	(17,765)	(17,765)
Common control acquisition (note 22)	-	-	(20,568)	-	(20,568)
Deferred tax on acquisition of a common control entity (notes 11, 22)	-	-	3,289	-	3,289
At 31 October 2018	104,772	492,017	(17,279)	72,510	652,020
Effect of adoption of IFRS 9 (notes 17, 25)	-	-	-	(29,254)	(29,254)
Effect of adoption of IFRS 15 (note 25)	-	-	-	2,134	2,134
At 1 November 2018 (as restated)	104,772	492,017	(17,279)	45,390	624,900
Loss for the financial year	-	-	-	(3,322)	(3,322)
Other comprehensive income for the year	-	-	-	(6,376)	(6,376)
Share-based payments (note 6)	-	-	-	5,727	5,727
Recharge for share-based payments	-	-	-	(4,988)	(4,988)
At 31 October 2019	104,772	492,017	(17,279)	36,431	615,941

Balance sheet

at 31 October 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Tangible assets	12	9,972	51,572
Intangible assets	14	44,168	45,493
		<u>54,140</u>	<u>97,065</u>
Current assets			
Stocks	16	23,634	21,168
Debtors: amounts falling due within one year	17	962,938	1,189,846
Debtors: amounts falling due after one year	17	4,605	624
Cash at bank and in hand		68,259	213
Deferred tax	11	22,051	18,268
		<u>1,081,487</u>	<u>1,230,119</u>
Assets held for sale	13	32,500	-
		<u>1,113,987</u>	<u>1,230,119</u>
Creditors: amounts falling due within one year	18	(467,207)	(601,794)
Net current assets		<u>646,780</u>	<u>628,325</u>
Total assets less current liabilities		<u>700,920</u>	<u>725,390</u>
Creditors: amounts falling due after one year	18	(97,415)	(89,787)
Provisions for liabilities and charges	19	(15,918)	(18,284)
Pension asset	20	28,354	34,701
Net assets		<u><u>615,941</u></u>	<u><u>652,020</u></u>
Capital and reserves			
Called up share capital	21	104,772	104,772
Share premium account		492,017	492,017
Merger reserve	22	(17,279)	(17,279)
Retained earnings		36,431	72,510
Total equity		<u><u>615,941</u></u>	<u><u>652,020</u></u>

The financial statements on pages 12 to 49 were approved by the board of directors on and signed on its behalf by:

P A Oram

Philippa Oram
Director

Date: 30 July 2020

Notes to the financial statements

at 31 October 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Hewlett-Packard Limited (the "Company") for the year ended 31 October 2019 were authorised for issue by the board of directors on 30 July 2020 and the Balance sheet was signed on the board's behalf by Philippa Oram. The Company is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company has used a true and fair view override in respect of the non-amortisation of goodwill (note 14).

The Company's financial statements are presented in Pound Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

The Company is a wholly owned subsidiary of Hewlett Packard Enterprise Company, the consolidated financial statements of which are publicly available. As such the Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to present group accounts.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting Policies

2.1. Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2019. The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are fair values in accordance with the respective guidance.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;

(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;

(c) the requirements of IFRS 7 Financial Instruments: Disclosures;

(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and

(iii) paragraph 118(e) of IAS 38 Intangible Assets;

(e) the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 40A-40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;

(f) the requirements of IAS 7 Statement of Cash Flows;

(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;

(i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

(j) the requirements of paragraphs 91 to 99 of IFRS 13, Fair Value Measurement; and

(k) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue Recognition.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.1. Basis of preparation (continued)

The comparative information has been restated for certain fully depreciated assets which were incorrectly derecognised. The restatement increased the cost and accumulated depreciation of both the Property and Machinery and equipment categories within Tangible fixed assets by £19,349,000 as at 31 October 2018, with no overall impact on the carrying value. There was no impact on the balance sheet or profit and loss due to the restatement.

2.2. Going concern

The directors' assessment is that due to the nature of the core businesses, the likelihood of a significant impact from COVID-19 is seen as low for Hewlett-Packard Limited. The directors have assessed future forecasts for the company for a review period of twelve months from the date of approval of the 2019 financial statements. These forecasts reflect an assessment of current and future market conditions and their impact on the company's future performance. The level of the current assets vs current liabilities indicates that the company's liquidity ratio remains high. Having reviewed the forecasts and balance sheet position, the directors are satisfied that no significant uncertainties arise around the company's future profitability or liquidity.

The company's crisis management procedures have been engaged and the management team constantly evaluates the situation supporting the business in continuing its day to day operations. HPE offices are closed and all employees' work remotely continuing to fully support our customers with only business critical customer site visits taking place. All other in person marketing events and customer visits have been cancelled for the immediate future. As a result of these measures taken by the company and group, the directors currently do not believe that the novel coronavirus impairs the company's ability to continue as a going concern.

In addition, in the unlikely event that it is called upon, the directors have assessed the level of financial support accessible from the ultimate parent undertaking, Hewlett Packard Enterprise Company, that covers at least 12 months from the approval of the financial statements, and are satisfied the support is available. As a result, it is concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the report and the financial statements.

2.3. Judgements and key sources of estimation uncertainty

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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 11.

Management judgement is also required in determining the deductibility of costs within the tax computation, in accordance with the tax legislation.

The estimate and assumptions that affect the current year or have a significant risk of causing a material adjustment within the financial year are as follows:

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.3 Judgements and key sources of estimation uncertainty (continued)

Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuations involved making assumptions about discount rates, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligations.

The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increase and pension increase are based on expected future inflation rates. The sensitivity to changes in pension increase assumptions is disclosed in note 20.

2.4 New and amended standards adopted by the Company

The Company has adopted IFRS 9 'Financial Instruments' from 1 November 2018. The standard amends the classification and measurement models for financial assets and adds new requirements to address the impairment of financial assets. In addition, the Company has adopted a new impairment model for trade receivables, intercompany receivables, intercompany loans and cash pool balances. Further details on the impact of this standard on the Company's accounting policies and financial position and performance is provided in note 17 and 25.

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 November 2018. The standard establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for goods and services and at a point when the performance obligations associated with these goods and services have been satisfied. Further details on the impact of this standard on the Company's accounting policies and financial position and performance is provided in note 25.

Further details on these new accounting standards is described under the 'revenue recognition' and 'financial assets / liabilities' sections below.

2.5 Significant accounting policies

Revenue from contracts with customers

The company applied IFRS 15 with effect from 1 November 2018 and has taken advantage of the disclosure exemptions detailed above. None of the company's contracts with customers at the date of adoption of IFRS 15 contained a significant financing element or incurred significant costs to obtain such contracts and as such it was not necessary to the company to take advantage of any of the practical expedients available under IFRS 15 upon adoption.

As a result of adopting IFRS 15 'Revenue from Contracts with Customers', the Company now accounts for a contract with a customer when both parties have provided written approval and are committed to perform, each party's rights including payment terms are identified, the contract has commercial substance, and collection of consideration is probable.

The Company enters into contracts with customers that may include combinations of products and services, resulting in arrangements containing multiple performance obligations for hardware and software products and/or various services. The Company determines whether each product or service is distinct in order to identify the performance obligations in the contract and allocate the contract transaction price among the distinct performance obligations.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract.

The Company classifies its hardware, perpetual software licenses, and software-as-a-service ("SaaS") as distinct performance obligations. Term software licenses represent multiple obligations, which include software licenses and software maintenance. In transactions where the Company delivers hardware or software, it is typically the principal and records revenue and costs of goods sold on a gross basis.

Revenue from contracts with customers is recognised when, or as, control of promised products or services is transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services. Transfer of control occurs once the customer has the contractual right to use the product, generally upon shipment or once delivery and risk of loss has transferred to the customer. Transfer of control can also occur over time for maintenance and services as the customer receives the benefit over the contract term.

Variable consideration offered in contracts with customers, partners and distributors may include rebates, volume-based discounts, cooperative marketing, price protection, and other incentive programs. Variable consideration is estimated at contract inception and updated at the end of each reporting period as additional information becomes available and recognised only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. On its product sales, the Company records consideration from shipping and handling on a gross basis within net product sales.

The Company's hardware and perpetual software licenses are distinct performance obligations where revenue is recognised upfront upon transfer of control. Term software licenses include multiple performance obligations where the term licenses are recognised upfront upon transfer of control, with the associated software maintenance revenue recognised rateably over the contract term as services and software updates are provided. SaaS arrangements have one distinct performance obligation which is satisfied over time with revenue recognised rateably over the contract term as the customer consumes the services. Revenue for extended service agreements / maintenance warranties is recognised over the term of the contracts as the services are provided on a straight line basis. Any unrecognised revenue element is disclosed separately in the balance sheet as a contract liability.

Revenue is recorded net of any associated sales taxes. No element of financing is deemed to be present as the sales are made with credit terms in general between 30 and 60 days, which is consistent with market practice.

The company recognises incremental direct costs to obtain a contract, primarily consisting of sales commissions, and the cost of these is deferred and amortised over the contract term.

The Company allocates the transaction price for the contract among the performance obligations on a relative standalone selling price basis. The standalone selling price ("SSP") is the price at which an entity would sell a promised product or service separately to a customer. The Company establishes SSP for most of its products and services based on the observable price of the products or services when sold separately in similar circumstances to similar customers. When the SSP is not directly observable, the Company estimates SSP based on management judgment by considering available data such as internal margin objectives, pricing strategies, market/competitive conditions, historical profitability data, as well as other observable inputs. The Company establishes SSP ranges for its products and services and reassesses them periodically.

Judgment is applied in determining the transaction price as the Company may be required to estimate variable consideration when determining the amount of revenue to recognise. Variable consideration may include various rebates, volume-based discounts, cooperative marketing, price protection, and other incentive programs that are offered to customers, partners and distributors.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

When determining the amount of revenue to recognise, the Company estimates the expected usage of these programs, applying the expected value or most likely estimate and updates the estimate at each reporting period as actual utilisation becomes available. The Company also considers the customers' right of return in determining the transaction price, where applicable.

Royalty income is recognised when it is the Company's right to receive payment in accordance with the licensing agreement.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

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.

Business Combinations

Business combinations which are in scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For transactions which are under common control and which therefore fall outside of the scope of IFRS 3, the pooling of interests method is used. Under the acquisition method, the excess of the purchase price over the fair value of the net assets acquired is recognised as goodwill, whereas this is taken to the merger reserve under the pooling of interest method.

The UK Companies Act 2006 requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill, as the value is not considered by the Directors' to reduce gradually over its life, but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act as by recognising impairments as they arise, this better reflects the true carrying value of the goodwill. For goodwill arising on acquisition, given the small size of the businesses acquired as a proportion of the overall legal entity, the Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Business Combinations (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Intangible Assets

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

Research and development

Research costs are expensed as incurred.

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the assets capable of operating as intended.

Land and construction-in-progress are not depreciated. Other tangible fixed assets are depreciated so as to write-off their costs to residual values on a straight-line basis over their useful lives which are estimated to be:

Freehold buildings and long leasehold property	- straight-line over a period of 40 years/length of lease if less than 40 years
Short leasehold property	- straight-line over the period of the lease
Machinery and equipment	- straight-line over a period of 3 - 10 years

The carrying values of property, machinery and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, machinery and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying value is to be recovered principally through a sale as opposed to continuing use. The sale must be considered to be highly probable and to be achieved within twelve months. Held for sale assets are carried at the lower of the carrying value and fair value less costs to sell. Assets are not depreciated or amortised once classified as held for sale.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Financial assets

Recognition and measurement

Financial assets are recognised in the balance sheet when the Company becomes part to the contractual provision of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company has the following types of financial asset:

Trade and other receivables

Trade and other receivables are recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due). Receivables that do not contain a significant financing component are measured at the transaction price and are subsequently measured at amortised cost.

At each balance sheet date, the Company recognises provisions for expected credit losses on financial assets measured at amortised cost, based on 12-month or lifetime losses, depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

Intercompany receivables

Intercompany receivables are recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due). Intercompany receivables that do not contain a significant financing component are measured at the transaction price and are subsequently measured at amortised cost.

The company calculates impairment for intercompany receivables using the IFRS 9 general impairment approach which involves calculating an amount equal to 12 months expected credit losses. Changes in credit risk associated with these assets are assessed on both an individual and collective basis. To date there has been no indication of impairment on an individual or collective basis.

Factoring

The Company has entered into a Receivables Purchase Agreement with Wells Fargo, this program applies to the eligible receivables from selected resellers.

Transfers for all eligible receivables under the Factoring program are recorded as sales in accordance with IFRS 9 – Financial Instruments. Wells Fargo receives a percentage based on the gross invoice value as a factoring fee. The factoring fee is recognised as a financing cost in the statement of comprehensive income.

In accordance with IFRS 9 – Financial Instruments the Company recognises the factored debt as a receivable and records the consideration received as a liability within other creditors in respect of the proceeds received from the factor under separate presentation, until the receivable is collected by Wells Fargo.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Financial liabilities

Recognition and measurement

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts. Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Cost in respect of operating leases are charged on a straight line basis over the lease term. Sublease payments received, including the effect of lease incentives, are recognised on a straight line basis over the lease term.

Stocks

Stocks are valued the lower of cost and net realisable value after making allowance for obsolete or slow moving stocks. Cost is determined on a first in first out basis and includes transport and handling costs; in the case of finished goods, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Share-based payments – equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above.

The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income 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 statement of comprehensive income 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.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.5 Significant accounting policies (continued)

Share-based payments – equity settled transactions (continued)

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

Provisions

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

The Company makes provision for the cost of restoring the existing leased office to their original condition based on publicly available estimated costs per square foot.

Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them merits separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Pensions

The Company operates both defined benefit and defined contribution pension schemes. The assets of the schemes are held separately from those of the Company.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line bases over the vesting period or immediately if benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statements as finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expected to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Notes to the financial statements (continued)

at 31 October 2019

2. Accounting Policies (continued)

2.6. New standards amendments or interpretations not yet effective

The Company has not early adopted any standard, amendment or interpretation that has been issued but is not yet effective.

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	2019 £'000	2018 £'000
Hybrid IT/Intelligent Edge (products/services)	1,043,150	1,109,476

The segmental analysis for revenue 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.

No revenue was derived from exchanges of goods or services (2018: £nil).

4. Operating (loss)/profit

This is stated after charging/(crediting):

		2019 £'000	2018 £'000
Auditor's remuneration	- audit services	184	184
	- other services	4	4
Foreign exchange loss/(gain)		26,874	(92,751)
Amortisation of Customer relationships		1,325	-
Depreciation	- owned assets	3,288	4,095
Impairment of assets held for sale		8,624	-
Release of credit loss provision for IC loan		(12,538)	-
Credit loss provision for trade receivables		246	-
Cost of stocks recognised as an expense (within cost of sales)		666,717	759,900
(Gain) on disposal of fixed assets		(3,921)	(1,270)
Research and development expenditure		10,969	16,100
Operating lease costs	- land and buildings*	7,973	7,121
	- other	185	351
Operating sublease payments	- land and buildings	(6,339)	(6,499)
Total lease and sublease payments recognised in the income statement		1,819	973

*Operating lease costs that relate to leasehold premises no longer used are partially offset by onerous lease provision utilisation (note 19).

Notes to the financial statements (continued)

at 31 October 2019

5. Exceptional items

	2019 £'000	2018 £'000
<i>Recognised in arriving at operating (loss)/profit:</i>		
Restructuring costs	9,998	42,322
Impairment of assets held for sale	8,624	-
GMP equalisation	-	13,000

During 2019, the Company continued with certain employee redundancy and property rationalisation programmes at a cost of £9,998,000 (2018: £42,322,000).

As at 31 October 2019 the Bracknell site land and freehold was reclassified to assets held for sale within the next 12 months. The carrying amount of the net assets of the Bracknell site was more than the fair value less costs to sell (determined to be the consideration receivable of £32,500,000), therefore the carrying amount has been written down to £32,500,000 (see note 13), resulting in an impairment charge of £8,624,000.

On 26 October 2018, the High Court of Justice issued a judgment in a claim brought by Lloyds Banking Group Pension Trustees Limited regarding the rights of female members of certain pension schemes and the inequality of treatment in respect of the receipt of pension benefits. The judgment impacts the pension schemes operated by the Company as set out in note 20. Uncertainty still remains over how the calculation of the obligation for GMP equalisation should be performed. In determining the obligation, the Company has assumed the Trustees will adopt Method C, an option provided in the guidance issued in the judgment. Additional guidance may also be issued by the UK Government on the application of GMP equalisation, which could alter the final cost and may lead to the cost being higher or lower than the current estimate.

6. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	184,403	199,179
Social security costs	23,878	24,802
Other pension costs	33,802	50,502
Equity-settled share-based payments (note 7)	5,727	5,622
	<u>247,810</u>	<u>280,105</u>

The average number of staff employed by the Company during the year amounted to:

	2019 No.	2018 No.
Sales and services	1,986	1,916
Research and development	174	186
	<u>2,160</u>	<u>2,102</u>

Notes to the financial statements (continued)

at 31 October 2019

6. Staff costs (continued)

The above aggregate payroll costs include amounts expensed in relation to employee redundancy costs which is shown separately in note 5 as an exceptional item.

Other pension costs above do not include amounts within other interest payable (note 10) and amounts recognised in the statement of total recognised gains and losses in respect of defined benefit pension schemes.

7. 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

Effective 1 November 2015, the Company adopted the Hewlett Packard Enterprise Company 2015 Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible employees to contribute up to 10% of their eligible compensation to purchase Hewlett Packard Enterprise's common stock. The Plan provides for a discount not to exceed 15% and an offering period up to 24 months. The Company currently offers 6 month offering periods during which employees have the ability to purchase shares at 95% of the closing market price on purchase date.

Incentive compensation plans

The Company adopted the Hewlett Packard Enterprise Company 2015 Stock Incentive Plan (the "Plan"). The Plan became effective on 1 November 2015. The Plan provides for the grant of various types of awards including restricted stock awards, stock options, and performance-based awards. These awards generally vest over three years from the grant date. The Company's stock-based incentive compensation program also includes various equity plans assumed through acquisitions under which stock-based awards are outstanding. Additionally, as permitted by the Plan, in connection with the Everett and Seattle Transactions and in accordance with the respective Employee Matters Agreements, Hewlett Packard Enterprise made certain post-spin adjustments to the exercise price and number of stock-based compensation awards with the intention of preserving the intrinsic value of the outstanding awards prior to the close of the transactions. The incremental expense incurred by the Company related to the Everett and Seattle Transactions was not material.

Stock options

Stock options granted under the Plan 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 the Company's common stock on the option grant date. The majority of the stock options issued by the Company contain only service vesting conditions. The Company also issued performance-contingent stock options that vest only on the satisfaction of both service and market conditions. In fiscal 2019 and 2018, the Company did not issue stock options.

During the year 94,367 (2018: 578,418) share options were exercised. The weighted average share price at the date of exercise for share options exercised during the year was \$14.85 (2018: \$17.49).

Notes to the financial statements (continued)

at 31 October 2019

7. Share-based payments (continued)

At the reporting date there were 61,240 (2018: 185,258) outstanding share options. The range of exercise prices for stock options outstanding at the end of the year and associated weighted average remaining contractual life is set out below:

<i>Range of Exercise Prices</i>	2019		2018	
	<i>Shares outstanding</i>	<i>Weighted- average remaining life in years</i>	<i>Shares outstanding</i>	<i>Weighted- average remaining life in years</i>
\$0.01 - \$9.99	26,987	2.88	124,048	2.18
\$10 - \$19.99	34,253	4.24	61,210	4.14
	<u>61,240</u>	<u>3.64</u>	<u>185,258</u>	<u>2.83</u>

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 over three years from the date of grant. During the vesting period, ownership of the restricted stock cannot be transferred. Restricted stock units have dividend equivalent rights equal to the cash dividend paid on common stock. Restricted stock units do not have the voting rights of common stock, and the shares underlying the restricted stock units are not considered issued and outstanding upon grant.

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

During the year 372,563 (2018: 1,099,699) non-vested restricted stock units were exercised.

At the reporting date there were 1,071,432 (2018: 928,810) outstanding non-vested restricted stock units.

8. Directors' emoluments

The aggregate remuneration for directors who have performed qualifying services for this Company amounted to £922,000 (2018: £739,000) with pension contributions of £nil (2018: £nil).

The emoluments of the highest paid director were remuneration of £622,000 (2018: £499,000) and pension contributions to money purchase schemes of £nil (2018: £nil).

No director participated in the Company's defined contribution pension scheme during the year ended 31 October 2019 (2018: One).

One director participated in the fellow group company's defined benefit pension scheme during the year ended 31 October 2019 (2018: One).

Two directors exercised share options during the year ended 31 October 2019 (2018: Two).

Two directors acquired shares through the vesting of previously granted restricted stock units (2018: Two).

Notes to the financial statements (continued)

at 31 October 2019

9. Interest receivable and other finance income

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Interest receivable from group undertakings	20,744	17,120
Other finance income	1,303	1,421
	<u>22,047</u>	<u>18,541</u>

10. Interest payable

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Interest payable to group undertakings	1,280	2,428
Other interest payable	6,165	5,320
	<u>7,445</u>	<u>7,748</u>

Included within other interest payable at 31 October 2019 is interest payable associated with debt financing arrangements of £3,622,000 (2018: £3,167,000).

Notes to the financial statements (continued)

at 31 October 2019

11. Taxation on (loss)/profit on ordinary activities

(a) Analysis of tax (credit)/charge in the income statement

	2019 £'000	2018 £'000
Current tax:		
United Kingdom corporation tax on (loss)/profit for the year at 19.00% (2018: 19.00%)	-	16,282
Amount transferred to other comprehensive income	275	-
Foreign Tax	11	31
Total current tax in relation to current year	286	16,313
Under/(over) provision in prior year	1,881	(6,051)
Total current tax	2,167	10,262
Deferred tax:		
Origination and reversal of timing differences – current year	(1,384)	5,318
Origination and reversal of timing differences – prior year	(2,211)	(11,064)
Effect of decreased tax rate	(32)	328
Total deferred tax	(3,627)	(5,418)
Tax (income)/expense in the income statement	(1,460)	4,844

(b) Tax relating to items charged or credited to other comprehensive income

	2019 £'000	2018 £'000
Current tax:		
Actuarial (loss)/gain on defined benefit pension plans	(275)	-
Deferred tax:		
Actuarial (loss)/gain on defined benefit pension plans	(1,206)	2,737
Share Based Payments	109	418
Change in tax rates	116	(332)
Total deferred tax	(981)	2,823
Tax (income)/expense in the statement of other comprehensive income	(1,256)	2,823

(c) Tax relating to items charged or credited to equity

	2019 £'000	2018 £'000
Deferred tax:		
Deferred tax on adoption of IFRS 15	922	-
Deferred tax on acquisition of common control equity	-	(3,674)
Change in tax rates	(97)	385
Total deferred tax	825	(3,289)
Tax expense/(income) in the statement of equity	825	(3,289)

Notes to the financial statements (continued)

at 31 October 2019

11. Taxation on (loss)/profit on ordinary activities (continued)

(d) Reconciliation of the total tax charge

The tax assessed on the loss on ordinary activities for the year is different to the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%). The differences are reconciled below:

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before tax	(4,782)	46,076
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%)	(909)	8,754
<i>Effects of:</i>		
Disallowable (income)/expenses	(200)	5,382
Foreign Tax	11	31
Effect of decreased tax rate	(32)	328
Imputed profits	-	7,464
Total current tax in relation to current year	(1,130)	21,959
Over provision in prior year	(330)	(17,115)
Total current tax (note 11(a))	(1,460)	4,844
(e) Deferred tax		
	2019 £'000	2018 £'000
The deferred tax included in the balance sheet is as follows:	22,051	18,268

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2019 £'000	2018 £'000
Excess of depreciation over taxation allowances	8,563	8,388
Pension (surplus)	(4,820)	(5,787)
Losses carried forward	14,521	13,481
Other timing differences	3,787	2,186
Total deferred tax asset	22,051	18,268

Notes to the financial statements (continued)

at 31 October 2019

11. Taxation on (loss)/profit on ordinary activities (continued)

(e) Deferred tax (continued)

A deferred tax asset has been recognised as the directors believe that, based on forecast results, it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

	2019 £'000	2018 £'000
At 1 November	18,268	12,385
Deferred tax expense to the income statement	3,627	5,417
Deferred tax expense/(income) to statement of other comprehensive income	981	(2,823)
Deferred tax (income)/expense to statement of equity	(825)	3,289
At 31 October	22,051	18,268

(e) Factors that may affect future tax charges

The Finance Bill 2016 announced a reduction in the United Kingdom corporation tax rate from 20% to 19%, effective from 1 April 2017. The bill also further reduced the rate to 17% effective from 1 April 2020. These rates were substantively enacted on 15 September 2016. As a result, the deferred tax balances as at 31 October 2019 have been recognised at the rate at which they are expected to unwind.

Additionally, in the 2020 Budget in March, it was announced that the main rate of corporation tax from 1 April 2020 will remain at 19%, and not reduce to 17% as previously announced in the 2016 Budget. This rate was substantively enacted on 17 March 2020. As this rate has not been substantively enacted at the balance sheet date it has not been included in re-measurement of the deferred tax balances as at 31 October 2019. The effect of this change in the United Kingdom corporation tax rate to 19% would increase the deferred tax asset as at 31st October 2019 by £2,287,000. The effects on the Company of these proposed changes to the United Kingdom tax system will be reflected in the Company's financial statements in future years as appropriate.

Further, from 1 April 2019, there was a 2% reduction in the capital allowance writing down rate on the special rate pool from 8% to 6%, the general pool rate remained at 18%.

Notes to the financial statements (continued)

at 31 October 2019

12. Tangible fixed assets

	<i>Property</i> <i>(restated)</i> £'000	<i>Assets</i> <i>under</i> <i>construction</i> £'000	<i>Machinery</i> <i>and</i> <i>equipment</i> <i>(restated)</i> £'000	<i>Total</i> £'000
<i>Cost:</i>				
At 1 November 2018	89,634	-	10,065	99,699
Additions	-	1,481	1,679	3,160
Transfers	204	(242)	38	-
Disposals	(469)	-	(1,002)	(1,471)
Reclassification to asset held for sale (note 13)	(78,869)	-	(1,138)	(80,007)
At 31 October 2019	10,500	1,239	9,642	21,381
<i>Depreciation:</i>				
At 1 November 2018	39,959	-	8,168	48,127
Charge for the year	2,278	-	1,010	3,288
Disposals	(176)	-	(947)	(1,123)
Reclassification to asset held for sale (note 13)	(37,769)	-	(1,114)	(38,883)
At 31 October 2019	4,292	-	7,117	11,409
<i>Net book value:</i>				
At 31 October 2019	6,208	1,239	2,525	9,972
At 1 November 2018	49,675	-	1,897	51,572

Analysis of property

	2019 <i>Cost</i> £'000	2019 <i>Depreciation</i> £'000	2019 <i>Net</i> £'000	2018 <i>Net</i> £'000
Freehold land	-	-	-	31,718
Freehold buildings and long leasehold	5,533	1	5,532	10,507
Short leaseholds	6,207	4,291	1,916	7,450
Total property	11,740	4,292	7,448	49,675

Notes to the financial statements (continued)

at 31 October 2019

13. Assets held for sale

Assets held for sale as at 31 October 2019 represents the Bracknell site land and freehold. The carrying amount of the net assets of the Bracknell site as at 31 October 2019 was more than the fair value less costs to sell (determined to be the consideration receivable of £32,500,000), therefore the carrying amount has been written down to £32,500,000, resulting in an impairment charge of £8,624,000 (see note 5). There were no assets held for sale as at 31 October 2018.

	<i>2019</i>
	<i>Net</i>
	<i>£'000</i>
Tangible fixed assets	41,124
Impairment of net assets held for sale	(8,624)
	<u>32,500</u>

14. Intangible fixed assets

	Goodwill	Customer relationships	Total Intangibles
	£'000	£'000	£'000
Cost:			
At 1 November 2018	41,517	3,976	45,493
Amortisation of customer relationships	-	(1,325)	(1,325)
At 31 October 2019	<u>41,517</u>	<u>2,651</u>	<u>44,168</u>

The customer relationships acquired as part of the RedPixie acquisition are being amortised evenly over the directors estimate of its useful economic life of 6 years.

15. Investments

The Company holds investments in the following direct subsidiaries with the collective carrying value of £8 (2018: £8):

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>
Hewlett Packard Enterprise UK Pension Trustee Limited	England and Wales	Trustee	100%
Hewlett-Packard Investment Scheme Pension Company Limited	England and Wales	Company dissolved on 11 February 2020	100%

The registered office of Hewlett Packard Enterprise UK Pension Trustee Limited and Hewlett-Packard Investment Scheme Pension Company Limited is Amen Corner, Cain Road, Bracknell, Berkshire, RG12 1HN.

Notes to the financial statements (continued)

at 31 October 2019

16. Stocks

	2019 £'000	2018 £'000
Finished goods for resale	23,634	21,168

17. Debtors

	2019 £'000	2018 £'000
Trade debtors	240,065	223,655
Provision for expected credit loss	(246)	-
Net trade debtors	239,819	223,655
Amounts owed by group undertakings	711,311	944,176
Corporation tax	323	-
Other debtors	1,275	1,423
Deferred contract costs	5,383	1,528
Prepayments and accrued income	9,432	19,688
	967,543	1,190,470

In 2019, the Company continued to operate under the Receivables Purchase Agreement with Wells Fargo and this program applies to the eligible receivables from selected resellers. Included in trade debtors at 31 October 2019 are assets associated with debt financing arrangement of £140,464,000 (2018: £125,073,000).

Included within amounts owed by group undertakings is a loan due from a fellow group company in the amount of £710,732,000 (2018: £805,817,000) with an interest rate of 2.75238% (2018: 2.57906%). As a result of implementation of IFRS 9 the Company recognised a credit loss provision for this loan in the amount of £16,716,000 (using expected credit loss rate of 3.92%) at 31 October 2019. The credit loss provision as at 1 November 2018 was equal to £29,254,000 (using expected credit loss rate of 5.93%) and has been included in the opening retained earnings as presented in note 25. Accordingly the release of £12,538,000 provision has been included in the profit and loss in the current year.

The credit risk exposure on the Company's trade receivables is set out below. Trade receivables are generally non-interest bearing and on 30-90 day terms.

Notes to the financial statements (continued)

at 31 October 2019

17. Debtors (continued)

	£'000 <90 days	£'000 >90 days	£'000 Total
At 31 October 2019			
Trade receivables	238,938	1,127	240,065
Expected credit loss rate	0.1%	6.8%	0.1%
Net trade receivables	238,769	1,051	239,819
At 1 November 2018	<90 days	>90 days	Total
Accounts Receivables	222,987	958	223,945
Expected credit loss rate	0.1%	9.6%	0.1%
Net trade receivables	222,788	866	223,655

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

	2019 £'000	2018 £'000
Deferred contract costs	3,325	300
Other	1,280	324
	<u>4,605</u>	<u>624</u>

18. Creditors

Amounts falling due within one year:	2019 £'000	2018 £'000
Trade creditors	36,680	35,089
Amounts owed to group undertakings	35,547	259,643
Other taxation and social security	35,172	20,539
Other creditors	154,460	95,419
Accruals and deferred income	205,348	191,104
	<u>467,207</u>	<u>601,794</u>

Included within other creditors at 31 October 2019 are liabilities associated with debt financing arrangements of £154,461,000 (2018: £95,419,000).

Amounts falling due after more than one year:

	2019 £'000	2018 £'000
Accruals and deferred income	97,415	89,787

Notes to the financial statements (continued)

at 31 October 2019

19. Provisions for liabilities and charges

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

	<i>Onerous lease provisions</i>	<i>Warranty</i>	<i>National insurance</i>	<i>Total</i>
At 1 November 2018	5,870	12,313	101	18,284
Amounts provided in the year	35	7,356	30	7,421
Unwinding of discounted amount	250	-	-	250
Amounts utilised during the year	(1,633)	(7,356)	(101)	(9,090)
Amounts released during the year	(3)	(944)	-	(947)
At 31 October 2019	<u>4,519</u>	<u>11,369</u>	<u>30</u>	<u>15,918</u>

Onerous lease provisions

Onerous lease provisions represent the net present value of the costs associated with early termination of certain contractual obligations for leasehold premises which are no longer used in operations, following a group property rationalisation program. It is expected that these costs will have been incurred within 5 years of the balance sheet date in accordance with the respective contractual obligations. The onerous lease provision represents the present value of the amount to be paid discounted at an average rate of 4.48% (2018: 4.40%).

Warranty

Provision is made for expected warranty claims on products with unexpired warranty periods. Standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. Estimated warranty obligation is based on contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failure outside of baseline experience. It is expected that these costs will have been incurred within 3 years of the balance sheet date in accordance with the respective contractual obligations.

National Insurance

Provision represents the Company's liability on certain granted stock options to pay National Insurance on the difference between the stock option exercise price and the market value of the related shares when the stock options are exercised. The provision has been calculated based on the closing share price of \$16.41 as at 31 October 2019. It is expected that these costs will have been incurred within 3 years of the balance sheet date in accordance with the respective vesting period.

20. Pensions and other post-retirement benefits

Defined contribution scheme

Hewlett Packard Enterprise 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 year amounted to £16,265,000 (2018: £14,473,000). The outstanding liability relating to the scheme at 31 October 2019 was £1,406,000 (2018: £1,177,000).

Defined benefit pension scheme

The Company operates two defined benefit pension schemes for the benefit of certain employees:

- The Hewlett-Packard Limited Retirement Benefits Plan - Digital Section
- The Hewlett-Packard Limited Retirement Benefits Plan – Hewlett-Packard Section

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

The Digital section contains employees and ex-employees of both Hewlett-Packard Limited and Hewlett-Packard Manufacturing Limited.

These schemes provide benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company in separate trustee administered funds to meet long-term pension liabilities to past and present employees. This scheme is closed to new individual members. New individual employees are invited to join the defined contribution scheme operated by Hewlett Packard Enterprise (see above).

The valuation for the disclosures has been based on the most recent data as at 31 October 2019 and was updated by AON Hewitt Limited to take account of the requirements of FRS 101 in order to assess the scheme liabilities at 31 October 2019. The latest formal actuarial valuation of the Sections as at 31 October 2018 is currently underway. The next valuation is due as at 31 October 2021. Scheme assets are stated at their market values at the respective balance sheet dates.

The assets and liabilities of the schemes are:

At 31 October 2019

	<i>Digital Section</i>	<i>Hewlett-Packard Section</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Scheme assets at fair value			
Equities	239,994	222,253	462,247
Low risk	916,913	841,837	1,758,750
Property	-	20	20
Liability driven investments	804,846	786,500	1,591,346
Hedge funds	389	347	736
Cash/other	44,587	42,202	86,789
Fair value of scheme assets	2,006,729	1,893,159	3,899,888
Present value of scheme liabilities	(1,822,489)	(1,660,246)	(3,482,735)
Defined benefit pensions scheme asset	184,240	232,913	417,153
Unrecognised surplus	(174,540)	(214,259)	(388,799)
Asset recognised before consideration of minimum funding requirement	9,700	18,654	28,354
Asset recognised on the balance sheet	9,700	18,654	28,354

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

At 31 October 2018

	Digital Section £000	Hewlett-Packard Section £000	Total £000
Scheme assets at fair value			
Equities	151,714	163,200	314,914
Diversified growth fund	34,703	70,030	104,733
Low risk	639,215	727,175	1,366,390
Property	-	24	24
Liability driven investments	698,315	674,180	1,372,495
Hedge funds	660	681	1,341
Cash/other	20,245	31,414	51,659
Fair value of scheme assets	1,544,852	1,666,704	3,211,556
Present value of scheme liabilities	(1,430,968)	(1,511,555)	(2,942,523)
Transfer of Digital Manufacturing section assets	246,750	-	246,750
Transfer of Digital Manufacturing section liabilities	(246,088)	-	(246,088)
Defined benefit pensions scheme asset	114,546	155,149	269,695
Unrecognised surplus	(101,906)	(130,591)	(232,497)
Asset recognised before consideration of minimum funding requirement	12,640	24,558	37,198
Adjustment in respect of minimum funding requirement	-	(2,497)	(2,497)
Asset recognised on the balance sheet	12,640	22,061	34,701

The pension plans have not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The disclosures have been based on the assumption that the Company does not have an unconditional right to recoup any surplus arising in the Plan. Therefore, the provisions of IAS 19 have resulted in the amount of surplus shown in the balance sheet being restricted. The Funding Agreement between the Trustees and the Company specified that no Funding Agreement contributions were required for 2020. Instead only contributions for salary sacrifice paid on behalf of members are due to be paid. Since the Company is paying less for future benefits than it is recording as accounting service cost, the Company is effectively eroding the size of the surplus over time. The accounting cost of the benefits accruing each year is the service cost and by paying less than this amount, the expected accounting surplus in future years is lower – the Company is then obtaining economic value from the surplus through reduced cash contributions. When determining the adjustment in respect of the minimum funding requirement, the Company is assumed not to be able to obtain economic benefit from any surplus which currently exists or which arises in the future except to the extent discussed above. This future economic value of surplus is recognised on the balance sheet.

When determining the adjustment in respect of the minimum funding requirement, the Company is assumed not to be able to obtain economic benefit from any surplus which currently exists or which arises in the future except to the extent discussed above.

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

This future economic value of surplus is recognised on the balance sheet. It has been calculated assuming that the cost of accrual and accounting service costs continue at the current rate but based on a declining membership.

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are as follows:

Year ended 31 October 2019

	<i>Digital Section</i>	<i>Hewlett-Packard Section</i>	<i>Total</i>
Recognised in the Income statement	£000	£000	£000
Current service costs	3,886	6,361	10,247
Administration expenses	3,185	2,981	6,166
Past service cost	816	371	1,187
	<u>7,887</u>	<u>9,713</u>	<u>17,600</u>
Expenses recognised in arriving at operating profit			
	<u>(392)</u>	<u>(823)</u>	<u>(1,215)</u>
Net Interest on defined benefit asset			

The past service cost includes £13,000,000 in relation to the impacts of GMP equalisation, which has been disclosed as an exceptional item in note 5.

	<i>Digital Section</i>	<i>Hewlett-Packard Section</i>	<i>Total</i>
Taken to Statement of Comprehensive Income	£000	£000	£000
Return on plan assets (excluding amounts included in net interest expense)	234,208	228,613	462,821
Actuarial loss due to changes in financial assumptions	(203,885)	(202,135)	(406,020)
Actuarial gains due to changes in demographic assumptions	42,158	38,778	80,936
Actuarial (losses)/gains due to liability experience	(3,474)	5,926	2,452
Adjustment in respect of acquisitions	-	-	-
Adjustment due to unrecognised surplus	(70,097)	(80,286)	(150,383)
Adjustment in respect of minimum funding requirement	-	2,562	2,562
	<u>(1,090)</u>	<u>(6,542)</u>	<u>(7,632)</u>
Recognised in the statement of comprehensive income			

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

Year ended 31 October 2018

	<i>Digital Section</i>	<i>Hewlett-Packard Section</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Recognised in the Income statement			
Current service costs	4,780	9,167	13,947
Administration expenses	2,557	2,723	5,280
Past service cost	11,205	5,735	16,940
	<hr/>	<hr/>	<hr/>
Expenses recognised in arriving at operating profit	18,542	17,625	36,167
	<hr/>	<hr/>	<hr/>
Net Interest on defined benefit asset	(297)	(903)	(1,200)
	<hr/>	<hr/>	<hr/>

	<i>Digital Section</i>	<i>Hewlett-Packard Section</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Taken to Statement of Comprehensive Income			
Return on plan assets (excluding amounts included in net interest expense)	1,311	5,058	6,369
Actuarial gains due to changes in financial assumptions	18,168	7,689	25,857
Actuarial gains due to changes in demographic assumptions	6,695	5,667	12,362
Actuarial (losses)/gains due to liability experience	(9,084)	28,340	19,256
Adjustment in respect of acquisitions	-	-	-
Adjustment due to unrecognised surplus	382	(40,963)	(40,581)
Adjustment in respect of minimum funding requirement	-	(2,497)	(2,497)
	<hr/>	<hr/>	<hr/>
Recognised in the statement of comprehensive income	17,472	3,294	20,766
	<hr/>	<hr/>	<hr/>

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	<i>Digital Section</i>	<i>Hewlett-Packard Section</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 1 November 2017	1,477,361	1,572,236	3,049,597
Current service cost	4,780	9,167	13,947
Past service cost	11,205	5,735	16,940
Interest on scheme liabilities	33,628	37,967	71,595
Actuarial gain	(15,779)	(41,696)	(57,475)
Benefits paid	(80,227)	(71,854)	(152,081)
Transfer of Digital Manufacturing section liabilities	246,088	-	246,088
As at 31 October 2018	1,677,056	1,511,555	3,188,611
Current service cost	3,886	6,361	10,247
Past service cost	816	371	1,187
Interest on scheme liabilities	40,964	38,500	79,464
Actuarial gain	165,201	157,431	322,632
Benefits paid	(65,434)	(53,972)	(119,406)
As at 31 October 2019	1,822,489	1,660,246	3,482,735

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

Changes in the fair value of scheme assets are as follows:

	<i>Digital Section</i>	<i>Hewlett-Packard Section</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 1 November 2017	1,586,243	1,692,870	3,279,113
Interest income on Plan assets	36,254	41,013	77,267
Contributions by employer	3,828	2,340	6,168
Benefits paid	(80,227)	(71,854)	(152,081)
Administrative expenses	(2,557)	(2,723)	(5,280)
Actuarial gain	1,311	5,058	6,369
Transfer of Digital Manufacturing section assets	246,750	-	246,750
As at 31 October 2018	1,791,602	1,666,704	3,458,306
Interest income on Plan assets	43,893	42,770	86,663
Contributions by employer	5,645	12,025	17,670
Benefits paid	(65,434)	(53,972)	(119,406)
Administrative expenses	(3,185)	(2,981)	(6,166)
Actuarial gain	234,208	228,613	462,821
As at 31 October 2019	2,006,729	1,893,159	3,899,888

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

The main assumptions adopted are:

	<i>Digital Section</i>		<i>Hewlett-Packard Section</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	%	%	%	%
Rate of salary increases	3.0	3.0	3.0	3.0
Hewlett-Packard section – Post 1997 service	-	-	2.8	3.2
Digital Section – Post 2005 service (RPI subject to 5% cap)	-	3.2	-	-
Digital Section – Post 2005 service (RPI subject to 2.5% cap)	-	2.2	-	-
Discount rate for Section liabilities	1.9	2.8	1.9	2.9
Discount rate for interest cost	1.7	2.5	1.7	2.6
Discount rate for service cost	2.0	2.9	2.0	2.9
Inflation assumption – RPI	2.8	3.2	2.8	3.2
Inflation assumption – CPI	1.8	2.1	1.8	2.1
Rate of statutory revaluations to deferred pension in excess of GMP	1.8	2.1	1.8	2.1
Mortality rates (in years)				
Current pensioners life expectancy at 60 – male	27.2	27.6	27.6	28.0
Current pensioners life expectancy at 60 - female	29.2	29.9	29.2	29.7
Future pensioners life expectancy at 60 – male*	28.0	28.6	28.3	29.1
Future pensioners life expectancy at 60 – female*	30.1	31.0	30.1	30.8

* These life expectancies are for members currently aged 45

The rate of increase to pensions in payment is based on the rules of the relevant section, combined with the relevant inflation (RPI or CPI) assumption where the increase is capped.

Notes to the financial statements (continued)

at 31 October 2019

20. Pensions and other post-retirement benefits (continued)

The Company has considered the full yield curve when deriving the discount rate assumptions and each future projected benefit cashflow has been discounted at the spot rate appropriate for that year. For the purpose of this disclosure, the discount rates quoted above are the single equivalent rates which provide the same result as applying the full yield curve. The assumptions for inflation and for increases in pensions are based on yield gap between long-term index-linked and long-term fixed interest gilt securities. The mortality rates are based on S2 'Light' tables, adjusted to reflect recent actual mortality experience of scheme members at each year end, and allow for expected future improvements in mortality rates.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities	
		<i>Digital Section</i>	<i>Hewlett-Packard Section</i>
Discount rate	Increase by 0.5%	Decrease by 7.3%	Decrease by 8.4%
	Decrease by 0.5%	Increase by 7.9%	Increase by 9.3%
Inflation assumption *	Increase by 0.25%	Increase by 1.8%	Increase by 3.2%
	Decrease by 0.25%	Decrease by 1.6%	Decrease by 2.5%
Rate of salary increases	Increase by 0.5%	Increase by 0.1%	Increase by 0.4%
	Decrease by 0.5%	Decrease by 0.1%	Decrease by 0.4%
Post retirement mortality	Increase by 1 year	Increase by 3%	Increase by 3%

* The following assumptions are affected by a change in the inflation (RPI) assumption and this is allowed for in the sensitivity:

- CPI;
- Pension increase in deferment; and
- Pension increased in payment.

The sensitivity information shown above is approximate and has been determined taking into account the duration of the liabilities and the overall profile of the plan membership.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Contributions paid by the Company in the accounting year amounted to £17,670,000. This represents £1,187,000 of augmentations, £1,983,000 of salary sacrifice contributions paid on behalf of members and temporary extra pension payments and Funding Agreement contributions of £14,500,000.

The Company expects cash contributions to be paid into the respective pension funds in the financial year to 31 October 2020 of £3,400,000. This represents £1,500,000 of augmentations, £1,900,000 of salary sacrifice contributions paid on behalf of members and temporary extra pension payments and funding contributions of £nil, in accordance with the Funding Agreement between the Trustees and the Company.

Notes to the financial statements (continued)

at 31 October 2019

21. Share capital

	2019 £'000	2018 £'000
<i>Allotted, issued and fully paid:</i>		
Ordinary shares of £1 each	104,772	104,772

22. Merger reserve

On 31 October 2018, Hewlett-Packard Limited purchased the trade and assets of a fellow group company, Hewlett-Packard Manufacturing Limited, for a total consideration of £20,928,000 (\$26,781,000). At the date of the transaction the business had net assets of £3,649,000. The difference between the purchase price and net assets assumed has been recognised as a merger reserve of £17,279,000 within equity. The purchase price represents the fair market value of the business taking into account the assets and liabilities transferred.

23. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019		2018	
	<i>Land and buildings</i> £'000	<i>Other</i> £'000	<i>Land and buildings</i> £'000	<i>Other</i> £'000
- not later than one year	8,201	115	4,750	168
- after one year but not more than 5 years inclusive	16,170	100	19,869	167
- after 5 years	19,257	-	22,799	-
	43,628	215	47,418	335

Future minimum sublease payments expected to be received under non-cancellable sublease agreements are as follows:

	2019 <i>Land and buildings</i> £'000	2018 <i>Land and buildings</i> £'000
- not later than one year	5,493	4,751
- after one year but not more than 5 years inclusive	10,476	13,699
- after 5 years	5,488	7,758
	21,457	26,208

Notes to the financial statements (continued)

at 31 October 2019

24. Parent undertaking and controlling party

During the year the immediate parent company was Hewlett-Packard Holdings Limited, a company incorporated in England and Wales.

The ultimate parent company and controlling party and the smallest and largest undertaking, which consolidates these financial statements, is Hewlett Packard Enterprise Company, which is incorporated in the United States of America. Copies of the group financial statements of Hewlett-Packard Company can be obtained from to 6280 America Center Drive, San Jose, California 95002, USA.

25. Impact of new International Financial Reporting Standards

The Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 November 2018. Both standards have been adopted using a modified retrospective approach.

In accordance with both standards the prior year comparatives have not been restated and the difference between the previous carrying amount at 31 October 2018 and the carrying amount at the date of initial application has been recognised in the opening retained earnings.

The IFRS 9 adjustment was related to the recognition of the expected credit loss on the intercompany loan as described in Note 17. IFRS 15 required the deferral of incremental costs to obtain a customer contract which are subsequently amortised to expenses over the period of the expected benefit. As a result, sales commission costs related to such contracts, which were historically expensed as incurred have been deferred.

The impact from the adoption of IFRS 15 and IFRS 9 on the company balance sheet at 1 November 2018 is set out in the table that follows.

As at 1 November 2018

	<i>Previously reported</i>	<i>IFRS 15 Adjustments</i>	<i>IFRS 9 Adjustments</i>	<i>Restated Amounts</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets				
Tangible assets	51,572	-	-	51,572
Intangible assets	45,493	-	-	45,493
Current assets				
Stocks	21,168	-	-	21,168
Debtors	1,190,470	4,851	(29,254)	1,166,067
Deferred tax	18,268	(825)	-	17,443
Cash at bank and in hand	213	-	-	213
	<u>1,230,119</u>	<u>(4,026)</u>	<u>(29,254)</u>	<u>1,204,891</u>
Creditors: amounts falling due within one year	<u>(601,794)</u>	<u>(1,892)</u>	<u>-</u>	<u>(603,686)</u>
Net current assets	<u>628,325</u>	<u>2,134</u>	<u>(29,254)</u>	<u>601,205</u>
Total assets less current liabilities	<u>725,390</u>	<u>2,134</u>	<u>(29,254)</u>	<u>698,270</u>
Creditors: amounts falling due after one year	<u>(89,787)</u>	<u>-</u>	<u>-</u>	<u>(89,787)</u>
Provision for liabilities and charges	<u>(18,284)</u>	<u>-</u>	<u>-</u>	<u>(18,284)</u>
Pension asset	<u>34,701</u>	<u>-</u>	<u>-</u>	<u>34,701</u>
Net assets	<u>652,020</u>	<u>2,134</u>	<u>(29,254)</u>	<u>624,900</u>

Notes to the financial statements (continued)

at 31 October 2019

25. Impact of new International Financial Reporting Standards (continued)

	<i>Previously reported</i>	<i>IFRS 15 Adjustments</i>	<i>IFRS 9 Adjustments</i>	<i>Restated Amounts</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital and reserves				
Called up share capital	104,772	-	-	104,772
Share premium account	492,017	-	-	492,017
Merger reserve	(17,279)	-	-	(17,279)
Retained earnings	72,510	2,134	(29,254)	45,390
Total equity	652,020	2,134	(29,254)	624,900

26. Post balance sheet events

The worldwide spread of the novel coronavirus (COVID-19) is expected to result in a global and local slowdown of economic activity which is likely to decrease demand for a broad variety of goods and services, including from our customers, while also disrupting sales channels and marketing activities for an unknown period of time until the disease is contained. Possible financial impacts may include: impairment concerns, supply chain and logistics interruptions, changes in customer buying patterns and volumes and cash flow disruption. As none of these items are known with any certainty at the date of this report, no financial effect of these items or other potential items are contained in this financial report.