

Hewlett-Packard New Zealand

Financial Statements
For the Year Ended 31 October 2022



General Information

Directors

Neil Purdham
Mario Antony Jayaprabhu Highmoor
Christian Weber (appointed on 1 March 2023)
Stephen Bovis (resigned on 7 December 2022)

Registered office

C/- Bell Gully
Level 22, Vero Centre
48 Shortland Street
Auckland, 1010, New Zealand

Registered under:

Hewlett-Packard New Zealand, registered 31 August 1967

Incorporation number:

20235

Solicitors

Bell Gully Solicitors

Bankers

Australia and New Zealand Banking Group
JP Morgan Chase

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Australia

Annual Report

FOR THE YEAR ENDED 31 OCTOBER 2022

The Board of Directors present their Annual Report including the financial statements of the Company for the year ended 31 October 2022 and the auditor's report thereon.

The shareholders of the Company has exercised its right under section 211 (3) of the Companies Act 1993 whereby pursuant to a decision of the shareholders of the Company, they have unanimously agreed not comply with paragraphs (a), and (e) to (j) of section 211 (1) and section 211 (2) of the Act.

For the Board of Directors



Mario Antony Jayaprabhu Highmoor
Director



Christian Weber
Director

27 March 2023

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 OCTOBER 2022

	Note	2022 \$'000	2021 \$'000
Revenue from contracts with customers	3(a)	143,565	132,253
Other revenue	4(a)	1,091	175
Total operating revenue		144,656	132,428
Cost of sales		(118,008)	(107,461)
Gross profit		26,648	24,967
Depreciation on property, plant and equipment	10	(292)	(356)
Amortisation on ROU	12	(521)	(538)
Administrative expenses	4(b)	(21,223)	(22,733)
Interest on borrowings	4(c)	(129)	(105)
Profit before income tax		4,483	1,235
Income tax benefit / (expense)	5	19,218	(5)
Net profit for the year		23,701	1,230
Net profit for the year being total comprehensive income for the year		23,701	1,230

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 31 OCTOBER 2022

	Note	2022 \$'000	2021 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	7,895	10,020
Trade and other receivables	7	63,664	66,099
Contract assets	3(b)	813	309
Deferred cost	8	1,177	1,162
Inventories	9	7,920	12,007
Prepayments and advances		701	329
Derivative financial instruments	17	459	-
Total Current Assets		82,629	89,926
Non-current Assets			
Deferred cost	8	2,347	1,656
Property, plant and equipment	10	1,478	1,396
Deferred tax assets	5	19,232	-
Right-of-use assets	12	2,307	1,783
Total Non-current Assets		25,364	4,835
TOTAL ASSETS		107,993	94,761
LIABILITIES			
Current Liabilities			
Trade and other payables	11	26,108	37,364
Derivative financial instruments	17	-	127
Lease liabilities	12	596	406
Deferred revenue	13	25,441	24,937
Provisions	14	4,165	4,650
Total Current Liabilities		56,310	67,484
Non-current Liabilities			
Lease liabilities	12	2,118	1,705
Deferred revenue	13	25,957	25,978
Provisions	14	1,459	1,243
Total Non-current Liabilities		29,534	28,926
TOTAL LIABILITIES		85,844	96,410
NET ASSETS / (LIABILITIES)		22,149	(1,649)
EQUITY			
Share capital	16	327,154	327,154
Accumulated losses		(162,008)	(185,709)
Reserves	16	(142,997)	(143,094)
TOTAL EQUITY		22,149	(1,649)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, which authorised these financial statements for issuance on 27 March 2023



Mario Antony Jayaprabhu Highmoor
Director



Christian Weber
Director

27 March 2023

Statement of Changes in Equity

FOR THE YEAR ENDED 31 OCTOBER 2022

	<i>Issued capital \$'000</i>	<i>Accumulated losses \$'000</i>	<i>Reserves \$'000</i>	<i>Total \$'000</i>
At 1 November 2020	327,154	(186,939)	(143,194)	(2,979)
Share based payment	-	-	100	100
Net profit for the year	-	1,230	-	1,230
At 31 October 2021	327,154	(185,709)	(143,094)	(1,649)
Share based payment	-	-	97	97
Net profit for the year	-	23,701	-	23,701
At 31 October 2022	327,154	(162,008)	(142,997)	22,149

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Statement of Cash Flows

FOR THE YEAR ENDED 31 OCTOBER 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive GST)		136,908	127,216
Payments to suppliers and employees (inclusive GST)		(148,226)	(137,772)
Interest received		1,078	173
Borrowing cost		(10)	-
Income tax paid		(14)	(5)
Cash payments for interest portion of lease liabilities	12	(119)	(105)
Net cash flows used in operating activities		(10,383)	(10,493)
Cash flows from investing activities			
Purchase of property, plant and equipment		(374)	(180)
Net cash flows used in investing activities		(374)	(180)
Cash flows from financing activities			
Withdrawal from cashpool receivable account with a related party	19	9,074	12,080
Payment of principal portion on lease liabilities	12	(442)	(742)
Net cash flows generated from financing activities		8,632	11,338
Net (decrease) / increase in cash and cash equivalents		(2,125)	665
Cash and cash equivalents at beginning of the year		10,020	9,355
Cash and cash equivalents at end of the year	6	7,895	10,020

The above Statement of Changes in Equity and Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 OCTOBER 2022

1 CORPORATE INFORMATION

The financial statements of Hewlett-Packard New Zealand (the "Company" or the "entity") for the year ended 31 October 2022 were authorised for issuance in accordance with a resolution of the directors on 27 March 2023.

Hewlett-Packard New Zealand is a company registered under the Companies Act 1993. Hewlett-Packard New Zealand is not a limited liability company.

The Company's principal activities during the year were to provide secure software defined technology and services that enable customers to move data seamlessly across their hybrid IT environments and power the intelligent edge that runs campus, branch and Internet of Things ("IoT") applications.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013. The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ('000) unless otherwise stated.

(b) Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for-profit, private sector entity which is not publicly accountable that qualify for and apply tier 2 general purpose financial statements which have been prepared in accordance with New Zealand International Financial Reporting Standards – Reduced Disclosure Requirements ("NZ IFRS RDR").

The Company has adopted the following new standards and amendments as of 1 November 2021:

- ▶ Interest Rate Benchmark Reform – Phase 2 – Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16

(c) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

i) Recovery of deferred tax assets

Deferred tax assets are only recognised to the extent where management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

ii) Revenue recognition

The Company defers product revenue for shipments still in transit as of period-end. The deferral period, or "delay factor," is established on a country basis. This is determined based on the average transit time. Records on shipment time for delivery of goods to customers are used to obtain an average delay factor. Management reviews the "delay factor" quarterly to ensure that the assumptions used are reasonable for revenue recognition purpose.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Significant accounting judgements, estimates and assumptions (continued)

ii) Revenue recognition (continued)

The Company allocates the transaction price for the contract among the performance obligations on a relative stand alone selling price basis. The stand alone 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.

Judgement 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. 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.

iii) Provision for expected credit losses ("ECLs") of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the information technology ("IT") sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 7.

iv) Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

v) Provision for warranty claims

The Company's 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. The Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers. The 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 the Company's baseline experience. Warranty terms generally range from one to five years for parts and labor, depending upon the product. For certain networking products, the Company offers a lifetime warranty. Provision for warranty claims are recovered through return on value added cost (ROVAC) model from HPIS. HPIS is a Hewlett-Packard Enterprise Company subsidiary. It is a rebilling entity that is responsible for invoicing Sales entities inventory purchases from Distribution Centre entities.

(d) Foreign currency translation

Both the functional and presentation currency of Hewlett-Packard New Zealand is New Zealand dollars (\$) or NZD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date.

All exchange differences on the monetary assets and liabilities in the financial report are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment losses if any. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. The present value of the expected cost for the make good of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 2(c)) and provisions (Note 14) for further information about the recognised make good provision.

Land and buildings are measured at historical cost less accumulated depreciation of the buildings, and less any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

- Leasehold improvements – shorter of the life of the lease and their useful lives
- Plant and equipment – 3 to 10 years

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the asset is derecognised.

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(g) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after balance date.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after balance date, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(h) Fair value measurement

The Company measures financial instruments, such as derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions - Note 17
- Financial instruments (including those carried at amortised cost) - Note 17

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of 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. An asset's recoverable amount is the higher of its fair value less cost 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 and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. Impairment losses relating to continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed if only there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charged is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of spare parts and finished goods are determined using the standard costing, and includes the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flow comprise cash at bank and on hand with a maturity 3-months or less, which are subject to an insignificant risk of changes in value.

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Make good provision:

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with fit out dismantling and restoration of site fittings. The calculation of this provision requires assumptions such as application of available trade and material cost estimates. The related carrying amounts are disclosed in Note 14.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee leave benefits

i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in other payables, whilst liabilities are classified as current liabilities and measured at the amounts expected to be paid when the expense are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

iii) Termination benefit

Termination benefits are employee benefits expense as a result of Company decision to terminate an employee's employment before the normal retirement date.

(n) Revenue from contracts with customers

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. 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.

The majority of our revenue is derived from sales of product and the associated support and maintenance which 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. 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.

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. 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 recognized ratably 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 ratably over the contract term as the customer consumes the services. On its product sales, the Company records consideration from shipping and handling on a gross basis within net product sales. Revenue is recorded net of any associated sales taxes.

Contract balances

i) Accounts receivable and contract assets

A receivable is a right to consideration in exchange for products or services the Company has transferred to a customer that is unconditional. A contract asset is a right to consideration in exchange for products or services transferred to a customer that is conditional on something other than the passage of time. A receivable is recorded when the right to consideration becomes unconditional.

The Company's contract assets include unbilled receivables which are recorded when the Company recognises revenue in advance of billings. Unbilled receivables generally relate to services contracts where a service has been performed and control has transferred, but invoicing to the customer is subject to future milestone billings or other contractual payment schedules.

ii) Contract liabilities

A contract liability is an obligation to transfer products or services to a customer for which the entity has received consideration, or the amount is due, from the customer. The Company's contract liabilities primarily consist of deferred revenue. Deferred revenue is recorded when amounts invoiced to customers are in excess of revenue that can be recognised because performance obligations have not been satisfied and control of the promised products or services has not transferred to the customer. Deferred revenue largely represents amounts invoiced in advance for product (hardware/software) support contracts, consulting projects and product sales where revenue cannot be recognised yet.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue from contracts with customers (continued)

Contract balances (continued)

iii) Costs to obtain a contract with a customer

The Company capitalises the incremental costs of obtaining a contract with a customer, primarily sales commissions, if the Company expects to recover those costs. The Company has elected, as a practical expedient, to expense the costs of obtaining a contract as incurred for contracts with terms of one year or less. The typical amortisation periods used range from three to six years. The Company periodically reviews the capitalised sales commission costs for possible impairment losses. Capitalised sales commission costs are included in deferred cost, and the related amortisation expense is included in administrative expense.

iv) Warranty obligations

The Company's 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. The Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers. The 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 the Company's baseline experience. Warranty terms generally range from one to five years for parts and labor, depending upon the product. For certain networking products, the Company offers a lifetime warranty. Provision for warranty claims are recovered through return on value added cost (ROVAC) model from HPIS. HPIS is a Hewlett-Packard Enterprise Company subsidiary. It is a rebilling entity that is responsible for invoicing Sales entities inventory purchases from Distribution Centre entities.

(o) Taxes

Current Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(p) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost 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. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under NZ IFRS 15.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt instruments)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("OCI"), as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Company had not irrevocably elected to classify at fair value through OCI.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures debt instruments at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("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's financial assets at amortised cost includes trade receivables, intercompany loans and intercompany receivables. For more information, refer to Note 7.

Derecognition

A financial asset is derecognised primarily 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 the Company has transferred substantially all the risks and rewards of the asset, or 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. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments - initial recognition and subsequent measurement (continued)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Financial assets - Note 17
- Trade and other receivables - Note 7

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

HPE entities are classified into two categories for intercompany transactions and processing:-

- Netting – Entities located in countries without any currency restrictions. Intercompany balances, where both parties are netting entities, are automatically settled via the cashpool within 30 days; and
- Non-netting – Entities located in countries with currency restrictions (e.g. Russia, Brazil, India, Indonesia, China, Turkey), meaning additional documentation is required to be produced and verified by local jurisdictions before settlements can be processed. Settlements are therefore manually initiated by Controllership teams. Aged balances can arise and in isolated instances write offs have occurred.

For intercompany receivables, the Company entity falls within the netting category and thus, ECLs for intercompany receivables are accounted for as follows:

- No provision to be recognised given intercompany settlements are made automatically within 30 days;
- This is supported by no material write offs identified and no significant aged balances to highlight risk; and
- Consideration have been given to any potential information after year end that would lead to evidence of recoverability risk.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by NZ IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in NZ IFRS 9 are satisfied.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments - initial recognition and subsequent measurement (continued)

(ii) Financial liabilities (continued)

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

Derecognition

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(r) Derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company does not have any criteria that meet hedge accounting.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payments

The entity provides benefits to employees (including senior executives) of the entity in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

There are currently the below plans in place to provide these benefits:

- Stock Incentive Plans ("SIP"), to align the goals of the individual employees to those of the organisation by providing ownership of the ultimate parent entity to the employees;
- Restricted Stock Incentive Award Plan ("RSA"), to key management and technical individuals with the specific purpose of retaining and recognising key talent;
- Employee Share Purchase Plan ("ESPP"), which provides employees the right to acquire shares in the ultimate parent entity through payroll deductions.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The cost of equity-settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects

(i) the extent to which the vesting period has expired; and

(ii) the entity's best estimate of the number of equity instruments that will ultimately vest. Profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In addition, on the exercise of share-based payment plans, the Company is charged by Hewlett-Packard Enterprise Company a bargain element expense, being the difference between market value on exercise date and the exercise or discounted price. This charge is taken directly to equity, regardless of when the equity-settled transactions are granted.

If the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity settled award is cancelled, any expense not yet recognised for the award as at the cancellation date shall remain unrecognised. However, if a new award is submitted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The grant date fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee become unconditionally entitled to the options. The fair value of the options granted is measured using Binomial model, taking into account the terms and conditions upon which the options were granted and expected dividends. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share options not achieving the threshold for vesting.

Restricted Stock Units ("RSUs") are granted to employees based on future services and performance of the Company. The fair value of the restricted stock units is the closing price of HPE's common stock on the grant date of the award. The expense is amortised over the vesting period, with a corresponding increase in equity.

The Company issues Performance Restricted Units ("PRUs") that vest on the satisfaction of service and performance conditions. The fair value of the PSUs is the closing price of HPE's common stock on the grant date of the award with a corresponding increase in equity.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

		2022 \$'000	2021 \$'000
3 REVENUE FROM CONTRACTS WITH CUSTOMERS			
(a) Disaggregated revenue information			
Type of goods or services			
Revenue from the sale of goods		88,030	80,346
Revenue from the sale of services		55,535	51,907
Total revenue from contracts with customers		<u>143,565</u>	<u>132,253</u>
Timing of revenue recognition			
Goods transferred at a point in time		88,030	80,346
Services transferred over time		55,535	51,907
Total revenue from contracts with customers		<u>143,565</u>	<u>132,253</u>
(b) Contract balances			
Trade receivables	7	18,415	16,496
Contract assets		813	309
Deferred revenue	13	(51,398)	(50,915)
4 OTHER INCOME AND EXPENSES			
(a) Other revenue			
Interest revenue - related parties		713	88
Interest revenue - other		159	7
Miscellaneous inter-company income		206	78
Other revenue		13	2
		<u>1,091</u>	<u>175</u>
(b) Expenses included in administrative expenses in profit or loss			
Employee benefits expense:			
Wages and salaries		17,486	15,734
Other employee costs and benefits		1,239	885
Net (recovered) / charge to provision for employee entitlements		(191)	486
Workers' compensation costs /(recovered)		19	(100)
Expense of share-based payments		329	261
Termination benefit		656	602
		<u>19,538</u>	<u>17,868</u>
Make good reversal (Note 14)		(39)	(321)
Net foreign exchange (gain) / loss		(1,345)	1,533
(Bad debts recovered) / Bad debts expense		(9)	8
Computing related costs		274	254
Marketing costs		359	309
Office admin costs		575	466
Repairs and maintenance costs		94	62
Warehousing and freight		713	646
Write-off of property, plant and equipment (Note 10)		-	106
Miscellaneous other expenses		1,063	1,802
		<u>21,223</u>	<u>22,733</u>
(c) Interest on borrowings			
Interest expense - related parties		10	-
Lease interest cost (Note 12)		119	105
		<u>129</u>	<u>105</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

	2022 \$'000	2021 \$'000
5 INCOME TAX		
Major components of income tax expense for the years ended 31 October 2022 and 2021 are:		
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	14	2
Adjustments in respect of current income tax of previous years	-	3
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	550	1,383
Current year temporary differences not recognised	-	(1,383)
Recognition of tax losses	(1,812)	-
Recognition of temporary differences	(17,970)	-
Income tax (benefit) / expense reported in the profit or loss	<u>(19,218)</u>	<u>5</u>

Statement of Other Comprehensive Income ("OCI")

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31 October 2022 and 2021 are as follows:

Accounting profit before tax from continuing operations	4,483	1,235
At the Company's statutory income tax rate of 28% (2021: 28%)	1,255	346
Adjustments in respect of current income tax of previous years	-	3
Movements in respect of the prior years deferred income tax	(20,547)	(442)
Expenditure not allowable for income tax purposes	60	96
Foreign tax deducted	14	2
Income tax (benefit) / expense reported in profit or loss	<u>(19,218)</u>	<u>5</u>

	<i>Statement of Financial Position</i>		<i>Statement of Comprehensive Income</i>	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Deferred income tax				
Deferred income tax at 31 October relates to the following:				
Provisions	202	(526)	728	(673)
Accruals	3,412	3,929	(516)	1,211
Property, plant and equipment	88	278	(190)	285
Unearned income brought to account for income tax	13,718	13,190	528	64
Deferred tax asset not recognised	(2,373)	(28,570)	26,197	1,324
Tax losses *	4,185	11,699	(7,515)	(2,211)
Gross deferred income tax assets	<u>19,232</u>	<u>-</u>	<u>19,232</u>	<u>-</u>
Deferred income tax charge			<u>(19,232)</u>	<u>-</u>

*An election can be made by HPE to loss offset, with or without consideration, with related parties at the time the income return is due provided the relevant tax requirements are satisfied.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

	2022 \$'000	2021 \$'000
6 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	7,895	10,020
Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.		

	2022 \$'000	2021 \$'000
7 TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables (i)	18,470	16,541
Allowance for expected credit losses	(55)	(45)
	18,415	16,496
Related party receivables: (ii)		
Entities under common ultimate control	9,785	5,065
Loans to related parties	35,464	44,538
	63,664	66,099
<i>Allowance for expected credit losses</i>		
Balance at the beginning of the year	(45)	(49)
Amounts released from the allowance	(9)	8
Foreign exchange adjustment	(1)	(4)
Balance at end of the year	(55)	(45)

(i) Trade receivables are non-interest bearing and are generally on 30 to 90-day terms. For terms and conditions relating to related party (including commonly controlled entity) receivables, refer to Note 19.

(ii) For terms and conditions relating to related party receivables, refer to Note 19.

	2022 \$'000	2021 \$'000
8 DEFERRED COST		
Current		
Deferred cost	1,177	1,162
Non-Current		
Deferred cost	2,347	1,656
	3,524	2,818

	2022 \$'000	2021 \$'000
9 INVENTORIES		
Finished goods (at lower of cost and net realisable value)	7,920	12,007

During the year, the amount of inventories recognised as an expense in cost of sales was NZD107,680,000 (2021: NZD98,128,000).

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
At 31 October 2022			
Cost	1,392	909	2,301
Accumulated depreciation and write-off	(465)	(358)	(823)
Net carrying amount	927	551	1,478
At 31 October 2021			
Cost	1,392	536	1,928
Accumulated depreciation and write-off	(273)	(259)	(532)
Net carrying amount	1,119	277	1,396
Year ended 31 October 2022			
Carrying amount at 1 November 2021	1,119	277	1,396
Additions	-	374	374
Depreciation charge for the year	(192)	(100)	(292)
Carrying amount at 31 October 2022	927	551	1,478
Year ended 31 October 2021			
Carrying amount at 1 November 2020	408	1,270	1,678
Additions	-	180	180
Transfer in/(out)	990	(990)	-
Disposals	(25)	(81)	(106)
Depreciation charge for the year	(254)	(102)	(356)
Carrying amount at 31 October 2021	1,119	277	1,396

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

	2022 \$'000	2021 \$'000
11 TRADE AND OTHER PAYABLES		
Current		
Trade and other payables	17,937	12,350
GST payable	2,326	2,093
Trade amounts payable to related parties	5,845	22,921
	<u>26,108</u>	<u>37,364</u>

Trade payables are non-interest bearing and are normally settled 45 days from receipt of invoice. Other payables are non-interest bearing and have an average term of 6 months. For terms and conditions relating to related parties refer to Note 19.

12 Leases

Company as a lessee

The Company has lease contracts for various items of leased premises and motor vehicles used in its operations. Leases of premises generally have lease terms between 1 and 6 years, while motor vehicles generally have lease terms between 3 and 5 years. The Company obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Leased premises \$'000	Motor vehicle \$'000	Total \$'000
As at 1 November 2021	1,783	-	1,783
Addition	775	270	1,045
Depreciation expenses	(490)	(31)	(521)
As at 31 October 2022	<u>2,068</u>	<u>239</u>	<u>2,307</u>

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2022 \$'000	2021 \$'000
As at 1 November 2021	2,111	2,912
Addition	1,045	-
Adjustment	-	(59)
Accretion of interest (Note 4 (c))	119	105
Payments	(561)	(847)
As at 31 October 2022	<u>2,714</u>	<u>2,111</u>
Current	596	406
Non-current	<u>2,118</u>	<u>1,705</u>
	<u>2,714</u>	<u>2,111</u>

The following are the amounts recognised in profit or loss:

	2022 \$'000	2021 \$'000
Depreciation expense of right-of-use assets	521	538
Interest expense on lease liabilities	119	105
Total amount recognised in profit or loss	<u>640</u>	<u>643</u>

The Company had total cash outflows for leases of NZD 561,000 in 2022 (NZD 847,000 in 2021). The Company also has non-cash additions to right-of-use assets and lease liabilities of NZD 2,714,000 in 2022 (NZD 2,111,000 in 2021).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

	2022 \$'000	2021 \$'000
13 DEFERRED REVENUE		
Current	25,441	24,937
Non-current	25,957	25,978
	<u>51,398</u>	<u>50,915</u>

The carrying amount disclosed above is a reasonable approximation of fair value. The non-current portion of deferred revenue represents cash received or current trade receivables, therefore has no fair value impact.

14 PROVISIONS	Long service leave (i)	Annual leave (i)	Make good (ii)	Warranty (iii)	Service SLA provision	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 November 2021	362	2,312	364	1,774	1,081	5,893
Arising during the year	26	937	-	2,276	-	3,239
Utilised during the year	(38)	(962)	-	(1,774)	(695)	(3,469)
Unwinding of discount and changes in discount rate	-	-	(39)	-	-	(39)
At 31 October 2022	<u>350</u>	<u>2,287</u>	<u>325</u>	<u>2,276</u>	<u>386</u>	<u>5,624</u>
Current 2022	279	2,287	-	1,213	386	4,165
Non Current 2022	71	-	325	1,063	-	1,459
	<u>350</u>	<u>2,287</u>	<u>325</u>	<u>2,276</u>	<u>386</u>	<u>5,624</u>
Current 2021	275	2,312	98	884	1,081	4,650
Non Current 2021	87	-	266	890	-	1,243
	<u>362</u>	<u>2,312</u>	<u>364</u>	<u>1,774</u>	<u>1,081</u>	<u>5,893</u>

(i) Long service leave and annual leave provisions

Refer to Note 2(m) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

(ii) Make good provision

In accordance with the lease agreements with various lessors, the Company must restore leased premises in New Zealand to its original condition at the end of the lease term. Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred. Assumptions to this calculation include application of available trade and material cost estimates.

(iii) Warranty provision

The Company's 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. The Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers. The 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 the Company's baseline experience. Warranty terms generally range from one to five years for parts and labor, depending upon the product. For certain networking products, the Company offers a lifetime warranty. Provision for warranty claims are recovered through return on value added cost (ROVAC) model from HPIS. HPIS is a Hewlett-Packard Enterprise Company subsidiary. It is a rebilling entity that is responsible for invoicing Sales entities inventory purchases from Distribution Centre entities.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

15 SHARE-BASED PAYMENT PLANS

HP share-based payment plans

(a) Types of share-based payment plans

There are Stock Based Payment Plans in place. The primary aim of the plans is to align the goals of the individual employees to those of the organisation by providing ownership of the ultimate parent entity to the employees of the entity. All full or part time employees are eligible, awards are generally determined upon recommendation by managers.

(i) Restricted Stock Incentive Award Plan ("RSA")

Hewlett Packard Enterprise Company grants restricted stock and restricted stock units to key management and technical individuals with the specific purpose of retaining and recognising key talent.

- Under the Hewlett Packard Enterprise Company 2015 RSA, the Committee is limited to granting up to 210,000,000 shares of restricted stock. Under the Hewlett Packard Enterprise Company 2004 RSA, the Committee is limited to granting up to 100,000,000 shares of restricted stock and restricted stock units.
- Prior to financial year 2008, restricted stock and restricted stock units vesting condition was based on reaching nominated length of service, generally three or five years. Upon vesting, shares are awarded to the recipient and the recipient has voting and dividend rights without restrictions.
- Effective from financial year 2008, performance-based restricted units ("PRUs") were issued, representing hypothetical shares of Hewlett Packard Enterprise Company common stock. Each PRU award reflects a target number of shares that may be issued to the award recipient. The actual number of shares the recipient receives at the end of a three-year performance period is determined based on results achieved versus goals, namely:
 - Hewlett Packard Enterprise Company's annual cash flow from operations as a percentage of revenue; and
 - average total shareholder return ("TSR") relative to the S&P 500 over the performance period.
- The Company issues Performance Restricted Units ("PRUs") that vest on the satisfaction of service and performance conditions. The fair value of the PSUs is the closing price of HPE's common stock on the grant date of the award. The expense is amortised over the vesting period, with a corresponding increase in equity.

(ii) Employee Share Purchase Plan ("ESPP")

The Hewlett Packard Enterprise Company ESPP provides employees of Hewlett Packard Company, its subsidiaries and affiliates the right to acquire shares in Hewlett Packard Enterprise Company through payroll deductions. The ESPP gives eligible employees the opportunity to purchase Hewlett Packard Enterprise Company shares at a 5% discount by making regular contributions from 1 – 10% of their eligible compensation. Hewlett Packard Enterprise Company shares are purchased at the end of each six-month period. Key terms are as follows:

- Offering Period — 6-month period each year beginning on May 1 or November 1, respectively (i.e. two Offering Periods each year).
- Open Enrolment Period — the period (approximately three weeks) during which an employee can enrol in the Plan, change their contribution percentage or withdraw from the Plan. Any changes made during the Open Enrolment Period will become effective the following Offering Period.
- Cessation of employment or reduction in hours below the minimum threshold of 20 hours per week — if an employee no longer meets the eligibility requirements prior to the Purchase Date in any particular Offering Period, their participation in the Plan ends, and they receive a refund of their accumulated contributions.
- Purchase Price — for Hewlett Packard Enterprise Company shares purchased from May 1, 2011, the Purchase Price is 95% of FMV of the shares on the Purchase Date. The expense recognised in profit or loss in relation to the above share-based payments is disclosed in Note 4(b).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

15 SHARE BASED PAYMENT PLANS (continued)

(b) Summaries of options granted under Stock Incentive Plan

Restricted stock units and performance based restricted units granted under Restricted Stock Incentive Award Plan

	2022		2021	
	No.	WAFV** (US\$)	No.	WAFV** (US\$)
Outstanding at the beginning of the year	18,300	18.64	15,543	17.86
Granted during the year	18,815	14.64	11,476	12.58
Forfeited during the year	(2,831)	43.34	(597)	23.06
Exercised during the year	(9,365)	13.84	(8,122)	14.62
Outstanding at the end of the year	24,919	17.84	18,300	18.64

** Weighted average fair value ("WAFV")

16 ISSUED CAPITAL AND RESERVES

	No. Shares (Thousands)	\$'000
Ordinary shares on issue		
At 31 October 2022 / At 31 October 2021	170,757	327,154

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

	Common control transaction reserve	Share based payments reserve	Total
	\$'000	\$'000	\$'000
At 1 November 2020	(141,215)	(1,979)	(143,194)
Share based payments	-	100	100
At 1 November 2021	(141,215)	(1,879)	(143,094)
Share based payments	-	97	97
At 31 October 2022	(141,215)	(1,782)	(142,997)

Nature and purpose of reserves

Share based payment of reserve

The share based payments reserve records the fair value of equity-settled share based payments made to employees of the entity as calculated under NZ IFRS 2 Share-based Payment (net of amounts charged by Hewlett Packard Enterprise Company, for share options exercised by Hewlett Packard New Zealand employees).

Common control transaction reserve

The Common Control Transaction reserve is used to record the difference between the consideration paid/ transferred and the equity 'acquired' where the pooling of interests method is applied for business combination.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

17 FINANCIAL INSTRUMENTS

Fair values

All assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or at fair value, are recognised at amounts that represents a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

<i>Financial assets</i>	2022	2021
	<1year	<1year
	\$'000	\$'000
Floating rate cash assets (Note 6)	7,895	10,020
Weighted average effective interest rate (cash assets)	1.80%	0.27%
Floating rate cash pool (Note 19)	35,464	44,538
Weighted average effective interest rate (cash pool)	1.77%	0.37%

The other financial instruments that are not included in the above tables are either non-interest bearing or under fixed interest rate arrangement and are therefore not subject to interest rate risk.

Non-hedging derivative

	2022	2021
	\$'000	\$'000
Current Assets		
Forward currency contracts	459	-
Current Liabilities		
Forward currency contracts	-	127

In order to protect against exchange rate movements on world wide purchases and foreign currency debtors, the entity has entered into forward exchange contracts to purchase USD. The entity also enters into forward exchange contracts to sell USD in order to offset any over purchases of USD. A related company enters into these contracts on behalf of the entity. The foreign currency contracts are being used to hedge the foreign currency risk of firm commitments.

The Company has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	<i>Date of Valuation</i>	Notional Amounts \$ NZD		Average Exchange Rate	
		2022	2021	2022	2021
		\$'000	\$'000		
<i>Buy USD / Sell NZD - Maturity 0-12 months</i>	31 October 2022	17,600	7,700	0.5961	0.7055

Any gains or losses arising from changes in the fair value of derivative financial instruments are recognised in profit or loss in the period they occur. The net fair value on gain foreign currency derivatives during the year were NZD2,288,569 and loss for 2021: NZD905,103.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

18 COMMITMENTS AND CONTINGENCIES

Guarantees

The Company has provided the following guarantee as at 31 October 2022:

- Guarantee to an unrelated party for securing goods with New Zealand Customs Service to a maximum amount of NZD3,500,000. No Liability is expected to arise.

Legal claim against Hewlett-Packard New Zealand

At reporting date, no contingent liability exists in relation to legal claims against the Company.

19 RELATED PARTY DISCLOSURE

Hewlett Packard The Hague B.V., incorporated in Netherland is the immediate parent entity and Hewlett Packard Enterprise Company, incorporated in the United States is the ultimate parent company.

The following table provides the total amount of transactions and amount owing which have been entered into with related parties for the relevant financial year:

(a) Transactions with related parties

Related parties	Transactions	Financial Year	Purchases from	Sales to related	Other transactions
			related parties	parties	
			\$'000	\$'000	\$'000
Compaq Trade Mark BV	<i>Interest charged on cashpool (ii)</i>	2022	-	-	(703)
		2021	-	-	(88)
Hewlett Packard Australia Pty Ltd (HPA)	<i>Sales and purchases (i)</i>	2022	-	(607)	890
		2021	-	(440)	1,092
Hewlett-Packard Asia Pacific PTE LTD	<i>Sales and purchases (i)</i>	2022	5,602	(1,779)	157
		2021	649	(1,599)	284
Hewlett-Packard International Sa'rl (HPIS)	<i>Sales and purchases (i)</i>	2022	107,713	(6)	3
		2021	107,169	(13)	2
HPFS New Zealand	<i>Sales and purchases (i)</i>	2022	11,734	19,681	-
		2021	8,692	8,207	-
Hewlett-Packard Company (US96)	<i>Sales and purchases (i)</i>	2022	-	-	365
		2021	-	-	330
Hewlett-Packard Company (US97)	<i>Sales and purchases (i)</i>	2022	-	(13)	523
		2021	-	(17)	2,984
Other related entities under common ultimate control**	<i>Sales and purchases (i)</i>	2022	92	(751)	1,648
		2021	-	(1,628)	1,097

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 OCTOBER 2022

19 RELATED PARTY DISCLOSURE (continued)

(b) Amounts owing with related parties

<i>Related parties</i>	<i>Description</i>	<i>Financial Year</i>	<i>Owing to</i>	<i>Owing from</i>
Compaq Trade Mark BV	Cashpool balance (ii)	2022	-	35,464
		2021	-	44,538
Hewlett Packard Australia Pty Ltd (HPA)	Trade payables and receivables (i)	2022	121	92
		2021	22	42
Hewlett-Packard International Sa'rl (HPIS)*	Trade payables and receivables (i)	2022	687	-
		2021	19,811	-
Other related entities under common ultimate control**	Related party payables and receivables (iii)	2022	5,037	9,693
		2021	3,089	5,023

* HPIS is a Hewlett-Packard Enterprise Company's subsidiary. It is a rebilling entity that is responsible for invoicing sales entity inventory purchases from distribution centre entities.

** Other related entities under common ultimate control represent global subsidiaries of Hewlett-Packard Enterprise Company that are outside the South Pacific group of Hewlett-Packard Enterprise entities, with the exception of HPIS.

Terms and conditions of transactions with related parties

(i) Sales to and purchases from related parties on products are made on arm's length transactions on normal commercial terms.

(ii) Cashpool balance relates to deposits with or borrowings from Hewlett-Packard Company's internal banking system, managed by Compaq Trademark B.V. ("CBTV"). Interest for deposits is applied at overnight officially published benchmark rate for the relevant currency plus a margin whereas Interest for borrowings is applied at three-month New Zealand bank bill rate for the relevant currency plus a margin.

There are no guarantees provided or received for any related parties.

(iii) Payables and receivables with related parties on non-trade transactions mainly includes administration, product development and marketing cross-charged between related parties.

20 Significant event during the period

For the past two years, the COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in most or all of the regions in which we sell our products and services and conduct our business operations. The pandemic has resulted in, and may continue to or at a later time result in, a global slowdown of economic activity, including travel restrictions, prohibitions of non-essential activities in some cases, disruption and shutdown of businesses and greater uncertainty in global financial markets. Our operations have been affected by a range of external factors related to the COVID-19 pandemic that are not within our control, including the various restrictions imposed by cities, counties, states and countries on our employees, customers, partners and suppliers designed to limit the spread of COVID-19. Although the immediate impacts of the COVID-19 pandemic have been assessed and mitigated, the ultimate extent of the impact of the pandemic, including as a result of possible subsequent outbreaks of COVID-19 or of new variants thereof and measures taken in response thereto, will depend on future developments, which remain highly uncertain and cannot currently be predicted.

21 KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

Neil Purdham

Mario Antony Jayaprabhu Highmoor

Christian Weber (appointed on 1 March 2023)

Stephen Bovis (resigned on 7 December 2022)

All the above key management personnel are employed and paid by Hewlett-Packard Australia Pty Ltd.



**Building a better
working world**

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Independent auditor's report to the Shareholder of Hewlett-Packard New Zealand

Opinion

We have audited the financial statements of Hewlett-Packard New Zealand ("the Company"), which comprise the statement of financial position of the Company as at 31 October 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 October 2022 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the Company's shareholder. Our audit has been undertaken so that we might state to the Company's shareholder 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 shareholder, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, 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.

Other than in our capacity as auditor we have no relationship with, or interest in, the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and 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 during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, 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 on behalf of the entity 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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) 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 at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

Melbourne, Australia
27 March 2023










FY22 HPNZ Stat Accounts

Final Audit Report

2023-03-27

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By:	Teck Xhen Wong ([REDACTED])
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