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HEWLETT-PACKARD LIMITED

REPORT AND ACCOUNTS

31 OCTOBER 1990



HEWLETT PACKARD LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report for the year ended 31st October 1990.

RESULTS AND DIVIDENDS

The consolidated results for the year are shown on page 4. The Directors recommend that no dividend be paid.

PRINCIPAL ACTIVITIES

The Group's principal activities are the design, manufacture, marketing and servicing of measurement and computation products and systems, to help its customers improve their personal and business effectiveness.

REVIEW OF THE BUSINESS

Fiscal year 1990 was successful for Hewlett-Packard Limited despite a difficult external operating environment. Turnover and employment reached record levels.

Hewlett-Packard's investment in the UK continued. The initial phases of the development near Bracknell, where Sales and Support activities are consolidated, were completed.

The Group continues to provide service and support of industry leading standards

During the year the Group acquired Apollo Computer (UK) Limited, whose Sales and Service activity was successfully rationalised with those of Hewlett-Packard Limited. On 1 February 1990 the company acquired Apollo Computer (UK) Limited from Apollo Computer Inc, a wholly owned subsidiary of the Group's ultimate holding company by the issue of 3,590,000 £1 shares at par.

The Group continued its policy of introduction of new products which will provide strong future prospects. The Computer Peripherals Division near Bristol had another successful year with strong market acceptance of the new Digital Audio Tape (DAT) technology. Activities at Hewlett-Packard's Scottish facilities, with an emphasis on research and development, continued to build for the future.

RESEARCH AND DEVELOPMENT

The Group maintained an extensive programme of engineering and software research and development at each of its major sites in the UK, in addition to the special activities of the Hewlett-Packard Laboratories, Bristol Information Systems Centre. During the year the Group incurred research and development expenditure of £10,144,000 (1989: £10,581,000).

EMPLOYEE INVOLVEMENT

There is a well developed employee involvement programme within the Group. Employees receive regular newsletters.

All employees' training and development is supported by continuing in-service education. All employees who have completed minimum periods of service are eligible to join both profit share and share purchase schemes of the Hewlett-Packard Company.

HEWLETT PACKARD LIMITED

REPORT OF THE DIRECTORS (Continued)

EMPLOYMENT OF DISABLED EMPLOYEES

All applications from disabled persons are fully considered. Should an employee become disabled, it is the Group's practice to continue their current employment where possible or offer suitable alternatives.

DONATIONS

Donations to UK charities and educational establishments amounted to £87,000 (1989: £106,000).

No donations were made to political parties.

DIRECTORS

The Directors of the Company are detailed below:

DA Baldwin CBE (Chairman)
JT Golding (Managing Director) appointed 21 December 1990
F Mariotti (Vice Chairman)
RC Alberding (USA)
RW Anderson (USA)
RD Gill
Professor KG Lumsden
F MacKenzie CBE

According to the register required to be kept under Section 325 of the Companies Act 1985 none of the directors had any beneficial interest in the shares of the Company at the beginning or end of the financial year.

Mr D A Baldwin CBE, was Managing Director until 21 December 1990, when he was succeeded by Mr J T Golding. The Board wishes to express their appreciation for the years of service as Managing Director by Mr Baldwin, who remains as Chairman.

TRANSACTION WITH DIRECTOR

An interest-free house purchase loan was made by the company to the following, prior to appointment as Director. This loan was made under the employees' loan scheme and is being repaid by equal monthly instalments.

	Date of loan	Balance outstanding at year end	
		<u>1990</u>	<u>1989</u>
Mr J T Golding	January 1984	£10,206	£11,031

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed.

By order of the Board
Richard D Thompson

Secretary
May 1991

Telephone (0753) 624202
Telex 624202 HPA
Fax (0753) 624202

Telephone (0753) 624202
Telex 624202 HPA
Fax (0753) 624202

Price Waterhouse



**REPORT OF THE AUDITORS TO THE
MEMBERS OF HEWLETT-PACKARD LIMITED**

We have audited the accounts on pages 4 to 18 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and Group at 31 October 1990 and of the profit and the source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

31 May 1991

HEWLETT PACKARD LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1990

	Note	<u>1990</u> £'000	<u>1989</u> £'000
TURNOVER	2	650,459	599,327
Cost of Sales		(518,834)	(484,385)
		<hr/>	<hr/>
Gross Profit		131,625	114,942
Distribution Costs		(92,375)	(80,680)
Administrative Expenses		(21,705)	(19,651)
Other Operating Income	4	940	1,400
		<hr/>	<hr/>
Operating Profit	5	18,485	16,011
Interest Receivable and Similar Income		252	866
Interest Payable	8	(9,768)	(8,245)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,969	8,632
Taxation on Profit on Ordinary Activities	9	(4,487)	(2,957)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	4,482	5,675
		<hr/>	<hr/>

HEWLETT PACKARD LIMITED

BALANCE SHEETS AT 31 OCTOBER 1990

		Group		Company	
	Note	1990 £'000	1989 £'000	1990 £'000	1989 £'000
FIXED ASSETS					
Tangible Assets	11	143,618	121,505	133,105	119,558
Investments	12	3,590	.	3,790	200
CURRENT ASSETS					
Stocks	13	49,259	47,929	49,259	47,929
Debtors	14	128,018	116,110	131,793	111,359
Cash at bank and in hand		4,305	9,174	4,305	9,008
		<u>181,582</u>	<u>173,213</u>	<u>185,357</u>	<u>168,296</u>
CREDITORS (amounts falling due within one year)	15	(240,039)	(209,314)	(234,410)	(205,469)
NET CURRENT LIABILITIES		<u>(58,457)</u>	<u>(36,101)</u>	<u>(49,053)</u>	<u>(37,173)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>88,751</u>	<u>85,404</u>	<u>87,842</u>	<u>82,585</u>
CREDITORS (amounts falling due after more than one year)	16	(452)	(7,404)	(452)	(7,404)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(17,646)	(15,419)	(17,187)	(13,933)
		<u>70,653</u>	<u>62,581</u>	<u>70,203</u>	<u>61,248</u>
CAPITAL AND RESERVES					
Called up Share Capital	19	42,590	39,000	42,590	39,000
Profit and Loss Account	20	28,063	23,581	27,613	22,248
		<u>70,653</u>	<u>62,581</u>	<u>70,203</u>	<u>61,248</u>

Approved by the Board on 21 May 1991

J T Golding

Directors

R D Gill

HEWLETT PACKARD LIMITED

CONSOLIDATED SOURCE & APPLICATION OF FUNDS FOR THE YEAR ENDED 31 OCTOBER 1990

	1990 £'000	1989 £'000
SOURCE OF FUNDS FROM OPERATIONS:		
Profit on Ordinary Activities Before Taxation	8,969	8,632
Depreciation	19,252	16,001
Repayments from Finance Leases	12,889	11,122
	<hr/>	<hr/>
	41,110	35,755
From other sources:	<hr/>	<hr/>
Shares issued to acquire Apollo Computer (UK) Limited	3,590	-
Disposal of Fixed Assets	1,266	1,319
	<hr/>	<hr/>
	4,856	1,319
APPLICATION OF FUNDS	<hr/>	<hr/>
Increase/(decrease) in Working Capital:		
Stocks	1,330	8,814
Debtors	12,206	(6,860)
Creditors	(7,844)	(48,082)
	<hr/>	<hr/>
	5,692	(46,128)
Other Applications:		
Acquisition of Apollo Computer (UK) Limited	3,590	-
Taxation Paid	7,772	14,756
Capital Expenditure	42,631	33,737
Bank Loans	416	383
Loans from Group Companies	6,536	1,668
Investment in Finance Leases	12,596	19,071
	<hr/>	<hr/>
	73,541	69,615
	<hr/>	<hr/>
FUNDS (REQUIRED)/RELEASED	(33,267)	13,587
	<hr/>	<hr/>
REPRESENTED BY:		
Decrease/(Increase) net borrowings:		
Loans and Overdrafts	(28,398)	9,247
Cash at Bank and in hand	(4,869)	4,340
	<hr/>	<hr/>
	(33,267)	13,587
	<hr/>	<hr/>

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Consolidation Principles

The group accounts include the results of the Company and its subsidiaries other than Apollo Computer (UK) Limited as set out in note 12 and are prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom.

Turnover

Turnover consists of sales of equipment, parts and repair services at the amounts invoiced less returns and discounts, together with income from leased equipment.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost after deduction of government grants. Depreciation is calculated on the above defined cost of tangible fixed assets in accordance with the methods and estimated useful lives set out below:

Freehold buildings - declining balance - over approximately 40 years.

Leasehold property - straight line - over the period of the lease.

Equipment - sum of the digits - three to ten years.

Operating leases - sum of the digits - three to five years.

No depreciation is provided on freehold land or property under construction.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Goods sold under warranty

Provision is made in the accounts for costs anticipated to arise during the unexpired warranty periods on goods sold.

Finance Leases

Amounts receivable in respect of finance leases to customers are stated after deduction of the interest element of the income relating to the unexpired portion of the lease. The interest element of the income from such leases is taken to profit and loss account over the term of the lease using the actuarial method after tax.

Finance leases where the group is the lessee are accounted for under the same policy.

Operating Leases

Rentals receivable/payable on operating leases are credited/charged to profit and loss account on a straight line basis.

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Deferred Taxation

Deferred taxation is provided using the liability method in respect of all timing differences expected to reverse.

Foreign Currencies

Monetary assets and liabilities in foreign currency are converted to sterling at the rate of exchange ruling at the balance sheet date. Trading transactions are converted at the rate of exchange ruling at the date of the relevant transaction.

Research and Development

Expenditure on research and development, including the development of software, is written off to revenue as incurred.

2 TURNOVER

Turnover includes sales to the ultimate holding company and fellow subsidiaries of £170,876,000 (1989: £181,248,000).

The principal markets in which the group's turnover arose were as follows:

	<u>1990</u> £'000	<u>1989</u> £'000
United Kingdom	479,583	417,815
Other	170,876	181,512
	<u>650,459</u>	<u>599,327</u>

3 LEASES

Aggregate rentals receivable in respect of:

	<u>1990</u> £'000	<u>1989</u> £'000
Finance Leases	16,682	13,821
Operating Leases	2,710	1,439
	<u>19,392</u>	<u>15,260</u>

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

4 OTHER OPERATING INCOME

	<u>1990</u> £'000	<u>1989</u> £'000
Government revenue grants received	940	1,400
	—	—

5 OPERATING PROFIT

Operating profit is stated after charging:	<u>1990</u> £'000	<u>1989</u> £'000
Depreciation	19,252	16,001
Operating Leases - Hire of machinery & equipment	8,481	8,620
Operating Leases - hire of other assets	5,291	5,907
Finance lease charges	13	27
Directors' emoluments (Note 6)	368	206
Auditors' remuneration	105	94
Wages and Salaries	93,100	80,389
Social security costs	8,105	6,684

6 DIRECTORS' EMOLUMENTS

	<u>1990</u> £'000	<u>1989</u> £'000
Fees	14	16
Management Remuneration	354	190
	—	—
	368	206
	—	—

The emoluments of the highest paid Director were £197,684 (1989: £97,489) and the Chairman were £114,769 (1989: £97,489). The number of other Directors whose emoluments fell within the bands shown was as follows:

	<u>1990</u>	<u>1989</u>
Up to £5,000	3	4
£5,001 to £10,000	2	2
£10,001 to £75,000	-	1

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

7 EMPLOYEES' EMOLUMENTS

The number of employees whose emoluments fell within the bands shown was as follows:

	<u>1990</u> Number	<u>1989</u> Number
£ 30,001 to £ 35,000	314	219
£ 35,001 to £ 40,000	185	120
£ 40,001 to £ 45,000	134	92
£ 45,001 to £ 50,000	70	47
£ 50,001 to £ 55,000	49	30
£ 55,001 to £ 60,000	24	25
£ 60,001 to £ 65,000	25	8
£ 65,001 to £ 70,000	8	11
£ 70,001 to £ 75,000	11	2
£ 75,001 to £ 80,000	2	2
£ 80,001 to £ 85,000	2	-
£ 85,001 to £ 90,000	1	1
£100,001 to £105,000	1	0

8 INTEREST PAYABLE

	<u>1990</u> £'000	<u>1989</u> £'000
On loans and overdrafts repayable within five years:		
On bank loans and overdrafts	4,523	3,373
On amounts owed to group companies	5,245	4,872
	<hr/>	<hr/>
	9,768	8,245
	<hr/>	<hr/>

9 TAXATION ON ORDINARY ACTIVITIES

	<u>1990</u> £'000	<u>1989</u> £'000
Corporation tax at 34.42% (1989: 35.0%)	9,869	5,907
Prior year adjustments	299	234
Deferred tax	(5,681)	(3,184)
	<hr/>	<hr/>
	4,487	2,957
	<hr/>	<hr/>

10 HEWLETT-PACKARD LIMITED PROFIT AND LOSS ACCOUNT

In accordance with section 228(7) of the Companies Act 1985, Hewlett-Packard Limited has not presented its own profit and loss account.

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

11 TANGIBLE ASSETS

	<u>Property</u> £'000	<u>Property</u> <u>under</u> <u>Construction</u> £'000	<u>Equipment</u> £'000	<u>Total</u> <u>Company</u> £'000	<u>Operating</u> <u>Leases</u> £'000	<u>Total</u> <u>Group</u> £'000
<u>Cost</u>						
As at 31 October 1989	94,013	18,901	84,333	197,247	3,612	200,859
Additions	2,512	14,908	15,864	33,284	10,434	43,718
Reclassifications	13,562	(14,049)	487	-	-	-
Disposals	(417)	-	(6,615)	(7,032)	(219)	(7,251)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 October 1990	109,670	19,760	94,063	223,499	13,827	237,326
<u>Depreciation</u>						
As at 31 October 1989	14,560	-	63,129	77,689	1,665	79,354
Provision for Year	4,131	-	13,280	17,411	1,841	19,252
On Additions	-	-	1,087	1,087	-	1,087
On Disposals	(93)	-	(5,700)	(5,793)	(192)	(5,985)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 October 1990	18,598	-	71,796	90,394	3,314	93,708
<u>Net book amount</u>						
As at 31 October 1990	91,072	19,760	22,273	133,105	10,513	143,618
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 October 1989	79,453	18,901	21,204	119,558	1,947	121,505
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

11 TANGIBLE ASSETS (Continued)

	1990 Cost £'000	1990 Depreciation £'000	1990 Net £'000	1989 Net £'000
Analysis of property				
Freehold Land	35,122	-	35,122	35,098
Freehold Buildings	60,433	12,070	48,363	35,523
Long Leaseholds	7,707	2,893	4,814	5,328
Short Leaseholds	6,408	3,635	2,773	3,504
	<hr/> 109,670	<hr/> 18,598	<hr/> 91,072	<hr/> 79,453

12 INVESTMENTS

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Group Companies				
Ordinary shares at cost	-	-	200	200
Investment in Apollo Computer (UK) Limited	3,590	-	3,590	-
	<hr/> 3,590	<hr/> -	<hr/> 3,790	<hr/> 200

The group companies listed below are wholly owned subsidiaries incorporated in England, which are engaged in the provision of financial services to users of Hewlett-Packard products.

<u>Subsidiary Companies</u>	<u>Financial Year End</u>
Hewlett-Packard Product Leasing Limited	31 January
Hewlett-Packard Equipment Leasing Limited	30 April
Hewlett-Packard Leasing Limited	31 July
Hewlett-Packard Finance Limited	31 October

Those subsidiaries with financial years not co-terminous with that of the holding company did not trade during the group's financial year.

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

12 INVESTMENTS (Continued)

Investment

At 31 October 1990 Apollo Computer (UK) Limited, which is incorporated in England and was engaged in the manufacture, sales and support of computer systems and software, had ceased to trade and it is therefore the opinion of the Directors that the Company's control was of a short term nature and in accordance with SSAP14, 'Group Accounts' the results of Apollo Computer (UK) Limited have not been consolidated in the group accounts.

At 31 October 1990, in the opinion of the Directors, the net assets of the investment are not less than the carrying value in the Company and Group balance sheets.

13 STOCKS

	Group and Company	
	1990 £'000	1989 £'000
Raw Materials and Consumables	19,833	19,295
Work in Progress	2,135	3,234
Finished Goods for Resale	27,291	25,400
	<hr/>	<hr/>
	49,259	47,929
	<hr/>	<hr/>

14 DEBTORS

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Trade debtors	63,777	56,228	62,553	55,507
Investment in finance leases	33,676	33,974	-	-
Amounts owed by subsidiary	-	-	39,154	30,201
Amounts owed by group companies	18,257	18,298	17,846	18,123
Other debtors	7,812	5,091	7,753	5,027
Prepayments and accrued income	4,496	2,519	4,487	2,501
	<hr/>	<hr/>	<hr/>	<hr/>
	128,018	116,110	131,793	111,359
	<hr/>	<hr/>	<hr/>	<hr/>
Due after one year:				
Other debtors	870	-	870	-
Investment in Finance Leases	22,217	23,384	-	-
Amounts owed by subsidiary	-	-	10,000	4,000
	<hr/>	<hr/>	<hr/>	<hr/>
	23,087	23,384	10,870	4,000
	<hr/>	<hr/>	<hr/>	<hr/>

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

15 CREDITORS (Amounts falling due within one year)

	Group		Company	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see Note 17)	54,378	25,980	54,349	25,980
Trade creditors	15,689	14,313	13,443	12,843
Amounts owed to other group companies	112,022	114,417	112,022	114,417
Other creditors	1,029	1,020	706	897
Corporation tax	7,576	5,634	7,221	5,579
Other taxation & Social Security	5,828	3,722	5,435	3,426
Obligations under finance leases	-	5	-	-
Accruals and deferred income	43,517	44,223	41,234	42,327
	<u>240,039</u>	<u>209,314</u>	<u>234,410</u>	<u>205,469</u>

16 CREDITORS (Amounts falling due after more than one year)

	Group		Company	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	£'000	£'000	£'000	£'000
Bank Loans (Note 17)	452	868	452	868
Loans from other group companies wholly repayable within 5 years	-	6,536	-	6,536
	<u>452</u>	<u>7,404</u>	<u>452</u>	<u>7,404</u>

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

17

BANK LOANS & OVERDRAFTS

	Group		Company	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	£'000	£'000	£'000	£'000
Repayable by Instalments:				
Within 5 years	868	1,251	416	1,251
Repayable other than by Instalments:				
Within 5 years	53,962	25,597	54,385	25,597
	<hr/>	<hr/>	<hr/>	<hr/>
	54,830	23,848	54,801	26,848
Included in Current Liabilities	(54,378)	(25,980)	(54,349)	(25,980)
	<hr/>	<hr/>	<hr/>	<hr/>
	452	868	452	368
	<hr/>	<hr/>	<hr/>	<hr/>

Amounts repayable by instalments represent a bank loan at 9.5% per annum repayable in half-yearly instalments which commenced on 15 January 1986.

Certain bank loans and overdrafts are guaranteed by the ultimate holding company.

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PROVISIONS FOR LIABILITIES & CHARGES

	Group		Company	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	£'000	£'000	£'000	£'000
Pension commitments	12,681	5,227	12,681	5,227
Deferred taxation	4,965	10,192	4,506	8,706
	<hr/>	<hr/>	<hr/>	<hr/>
	17,646	15,419	17,187	13,933
	<hr/>	<hr/>	<hr/>	<hr/>

Deferred taxation, which is provided in full, is attributable to accelerated capital allowances and other timing differences.

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

19

CALLED UP SHARE CAPITAL

	Company	
	1990 £'000	1989 £'000
Ordinary shares of £1 each Authorised	<u>100,000</u>	<u>100,000</u>
Allotted and fully paid at 1 November	39,000	1,000
Bonus Issue	-	38,000
On acquisition of investment	<u>3,590</u>	-
At 31 October	<u>42,590</u>	<u>39,000</u>

On 1 February 1990, Hewlett-Packard Limited acquired the whole share capital of Apollo Computer (UK) Limited for the issue of 3,590,000 £1 ordinary shares. The Company has taken advantage of S131 Companies Act 1985 enabling the shares issued to be recorded at their nominal value. The investment in Apollo Computer (UK) Limited is consequently recorded at the nominal value of shares issued.

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PROFIT & LOSS ACCOUNT

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
As at 1 November	23,564	55,889	22,231	54,365
Bonus Issue	-	(38,000)	-	(38,000)
Retained profit for year	<u>4,482</u>	<u>5,675</u>	<u>5,365</u>	<u>5,866</u>
As at 31 October	<u>28,046</u>	<u>23,564</u>	<u>27,596</u>	<u>22,231</u>
Share Premium Account	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>
	<u>28,063</u>	<u>23,581</u>	<u>27,613</u>	<u>22,248</u>

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

21 COMMITMENTS

	<u>1990</u> £'000	<u>1989</u> £'000
Capital expenditure:		
Committed but not provided for	<u>4,728</u>	<u>11,105</u>
Authorised but not committed	<u>-</u>	<u>7,575</u>
Leasing commitments:		

Group annual commitments under non-cancellable operating leases are set out below.

	1990		1989	
	<u>Property</u> £'000	<u>Other</u> £'000	<u>Property</u> £'000	<u>Other</u> £'000
Operating leases which expire:				
Within 1 year	2,398	2,629	209	1,524
Between 1 and 5 years	1,741	4,035	3,958	1,837
After 5 years	2,780	-	1,012	-
	<u>6,919</u>	<u>6,664</u>	<u>5,177</u>	<u>3,361</u>

Forward exchange contracts:

At 31 October 1990 the group had substantial commitments arising from forward exchange contracts entered into in the normal course of business.

22 PENSIONS

The Group operates a non-contributory defined benefit pension scheme, covering the majority of its employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The amount charged to the profit and loss account is calculated to spread the cost of pensions over the employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the project unit method. The most recent valuation was 1 February 1990. The assumptions which have the most significant effect on the results of the valuation are those relating to rate of return on investments and the rate of increase in salaries. It was assumed that the investment returns would be 10% per annum and that salary increases would average 7%.

The pension charge for the period was £7,509,000 (1989: £4,967,000).

The Group is presently on a pension holiday. Contributions will continue to be paid in accordance with the consulting actuary's recommendation.

HEWLETT PACKARD LIMITED

NOTES TO THE ACCOUNTS (Continued)

23 EMPLOYEES

	<u>1990</u>	<u>1989</u>
The average number of persons employed by the group during the year was:		
Sales and Service	2,302	2,142
Manufacturing and Research & Development	2,037	2,033
	<u>4,339</u>	<u>4,175</u>

24 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hewlett-Packard Company, which is incorporated in the United States of America.