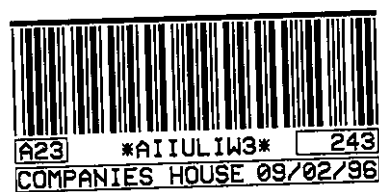


HEWLETT-PACKARD LIMITED
(Registered Number 690597)

REPORT AND ACCOUNTS

YEAR ENDED 31 OCTOBER 1995



HEWLETT-PACKARD LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report and the audited accounts of the Company and its subsidiaries ("the Group") for the year ended 31 October 1995.

RESULTS AND DIVIDENDS

The consolidated results for the year are shown on page 5. The Directors recommend a dividend of £18 million be paid and that the retained profit for the year of £68 million (1994: profit of £41 million) be transferred to reserves.

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 AND FUTURE DEVELOPMENTS

The Group's results for 1995 continue to be very encouraging. Our continued investment in research and development has helped to develop a strong portfolio generating record UK and export turnover of £1,000m (1994: £869 million) and £707m (1994: £445 million) respectively. This growth was led by the Computer Products Organisation which had an outstanding year driven by excellent growth in HP DeskJet and LaserJet printers and personal computers.

The Computer Peripherals Division near Bristol had a very good year largely based upon their Digital Audio Tape ("DAT") technology.

South Queenferry continued to develop products for the growing telecommunications market and is well placed to maximise future opportunities.

The Fiber Optic Components operation continued to take advantage of the rapidly growing fiber-based communications market with its sophisticated optoelectronic components.

The Group reported a pre-tax profit of £133 million (1994: £67 million).

The Group maintained its reputation for customer service, support and satisfaction. New product offerings continue to be of an excellent standard providing a strong base for future growth prospects.

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 Bristol Research Centre.

HEWLETT-PACKARD LIMITED

REPORT OF THE DIRECTORS (continued)

TANGIBLE FIXED ASSETS

The movements in tangible fixed assets are shown in note 10 to the accounts. The Directors are aware that the market value of certain of the Group's land and buildings is currently less than their book amount but they do not consider this to represent a permanent diminution in value and hence no provision has been made in the accounts.

EMPLOYEE INVOLVEMENT

The Group continues to place importance upon the education and development of its people.

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.

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 £96,000 (1994: £74,000).

The Group made no political donations (1994: £Nil).

DIRECTORS

The Directors of the Company during the year were:

D A Baldwin CBE	(Chairman)
J T Golding	(Managing Director)
F Mariotti	(Vice Chairman)
J Taylor OBE	
F MacKenzie CBE	(resigned 12 December 1994)
P Valler	

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.

Hewlett-Packard operates a worldwide Directors' liability insurance scheme.

HEWLETT-PACKARD LIMITED

REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts.
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company or Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TRANSACTION WITH DIRECTOR

An interest-free house purchase loan was made by the Company to the following Director. This loan was made under the employees' loan scheme and was repaid after the year end.

	<u>Date of loan</u>	<u>Maximum amount</u> <u>during and at year end</u>	
		<u>1995</u>	<u>1994</u>
Mr P Valler	June 1995	£20,000	-

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



RICHARD D THOMPSON
Secretary

18 December 1995

Price Waterhouse



HEWLETT-PACKARD LIMITED

AUDITORS' REPORT TO THE MEMBERS OF HEWLETT-PACKARD LIMITED

We have audited the accounts on page 5 to 26 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of Directors and auditors

As described on page 3, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and Group as at 31 October 1995 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

18 December 1995

HEWLETT-PACKARD LIMITED**CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 1995**

	<u>1995</u> £'000	<u>1994</u> £'000
TURNOVER (Note 2)	1,707,419	1,313,989
Cost of sales	(1,429,626)	(1,111,498)
	<hr/>	<hr/>
GROSS PROFIT	277,793	202,491
Distribution costs	(126,902)	(117,370)
Administrative expenses	(19,755)	(17,182)
Other operating income (Note 4)	-	47
	<hr/>	<hr/>
OPERATING PROFIT (Note 5)	131,136	67,986
Interest receivable and similar income	5,708	4,395
Interest payable (Note 7)	(3,518)	(5,617)
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	133,326	66,764
Taxation on profit on ordinary activities (Note 8)	(47,432)	(25,801)
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE YEAR (Note 18)	85,894	40,963
Dividends on equity shares (Note 18)	(18,364)	-
	<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	<u>67,530</u>	<u>40,963</u>

There are no recognised gains or losses other than the profit for the year.

All the results derive from continuing operations.

The notes on pages 8 to 26 form part of these accounts.

HEWLETT-PACKARD LIMITED

BALANCE SHEETS AT 31 OCTOBER 1995

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
FIXED ASSETS				
Tangible assets (Note 10)	185,642	179,398	151,148	151,331
Investments (Note 11)	3,590	3,590	31,857	31,857
	<hr/>	<hr/>	<hr/>	<hr/>
	189,232	182,988	183,005	183,188
	<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ASSETS				
Stocks (Note 12)	112,439	77,722	112,439	77,722
Debtors (Note 13)				
- amounts due in one year	252,290	157,491	312,036	204,237
- amounts due after one year	24,548	20,440	2,692	6,620
Cash at bank and in hand	116,282	97,457	116,224	95,951
	<hr/>	<hr/>	<hr/>	<hr/>
	505,559	353,110	543,391	384,530
CREDITORS (amounts falling due within one year) (Note 14)	(408,348)	(317,352)	(417,908)	(326,144)
	<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS	97,211	35,758	125,483	58,386
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	286,443	218,746	308,488	241,574
	<hr/>	<hr/>	<hr/>	<hr/>
CREDITORS (amounts falling due after more than one year) (Note 15)	(5,088)	(7,508)	(5,088)	(7,508)
	<hr/>	<hr/>	<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES (Note 16)	(17,816)	(15,229)	(17,816)	(15,229)
	<hr/>	<hr/>	<hr/>	<hr/>
	263,539	196,009	285,584	218,837
	<hr/>	<hr/>	<hr/>	<hr/>
CAPITAL AND RESERVES				
Called up share capital (Note 17 & 18)	104,772	104,772	104,772	104,772
Share premium account (Note 18)	17	17	17	17
Profit and loss account (Note 18)	158,750	91,220	180,795	114,048
	<hr/>	<hr/>	<hr/>	<hr/>
SHAREHOLDERS' FUNDS (Note 18)	263,539	196,009	285,584	218,837
	<hr/>	<hr/>	<hr/>	<hr/>

Approved by the Board on 18 December 1995 and signed on its behalf by:

J T GOLDING
Director

The notes on pages 8 to 26 form part of these accounts.

HEWLETT-PACKARD LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 1995

	<u>1995</u>		<u>1994</u>	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note A)		124,566		155,609
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	5,767		4,334	
Interest paid	(2,809)		(10,536)	
Dividends paid	(18,364)		-	
Interest on finance leases	(72)		-	
	<u> </u>		<u> </u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(15,478)		(6,202)
TAXATION				
Corporation tax paid		(26,254)		(29,553)
INVESTING ACTIVITIES				
Payments to acquire tangible fixed assets	(59,010)		(51,201)	
Receipts from sales of tangible fixed assets	2,788		5,862	
	<u> </u>		<u> </u>	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(56,222)		(45,339)
NET CASH INFLOW BEFORE FINANCING		26,612		74,515
FINANCING				
Repayment of loans from group undertakings (Note D)	(50,633)		(12,723)	
Repayments of capital on finance leases	(194)		-	
	<u> </u>		<u> </u>	
NET CASH OUTFLOW FROM FINANCING		(50,827)		(12,723)
INCREASE IN CASH AND CASH EQUIVALENTS (Note B)		(24,215)		61,792
		<u> </u>		<u> </u>

HEWLETT-PACKARD LIMITED

NOTES TO THE CASH FLOW STATEMENT

A RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Operating profit	131,136	67,986
Depreciation charge	44,764	42,120
Loss on sale of tangible fixed assets	5,214	3,636
(Increase)/decrease in stocks	(34,717)	2,360
Increase in investment in finance leases	(8,391)	(10,884)
Increase in debtors	(90,576)	(7,587)
Increase in creditors	74,549	48,638
Increase in pension commitments	2,587	9,340
	<hr/>	<hr/>
	124,566	155,609
	<hr/>	<hr/>

B ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Balance at 1 November	64,358	2,566
Net cash (outflow)/inflow (Note C)	(24,215)	61,792
	<hr/>	<hr/>
Balance at 31 October	40,143	64,358
	<hr/>	<hr/>

HEWLETT-PACKARD LIMITED

NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

C ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>1995</u> £'000	<u>1994</u> £'000	Change <u>in year</u> £'000
Cash at bank and in hand	116,282	97,457	18,825
Bank overdrafts and short-term loans	(76,139)	(33,099)	(43,040)
	<u>40,143</u>	<u>64,358</u>	<u>(24,215)</u>
	<u>1994</u> £'000	<u>1993</u> £'000	Change <u>in year</u> £'000
Cash at bank and in hand	97,457	63,945	33,512
Bank overdrafts and short-term loans	(33,099)	(61,379)	28,280
	<u>64,358</u>	<u>2,566</u>	<u>61,792</u>

Short-term loans represent advances from banks repayable within 3 months from the date of the advance.

D ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>1995</u> <u>Share capital</u> £'000	<u>Loans</u> £'000	<u>1994</u> <u>Share capital</u> £'000	<u>Loans</u> £'000
Balance at 1 November	104,772	56,137	104,772	68,860
Cash outflow from financing	-	(50,633)	-	(12,723)
	<u>104,772</u>	<u>5,504</u>	<u>104,772</u>	<u>56,137</u>
Balance at 31 October	104,772	5,504	104,772	56,137

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(a) Consolidation principles

The Group accounts include the results, assets and liabilities of the Company and its subsidiaries, other than Apollo Computer (UK) Limited as set out in note 11. Newly acquired subsidiaries are consolidated from the effective date of their acquisition.

(b) Turnover

Turnover consists of sales in the year of equipment, parts and services at the amounts invoiced, excluding value added tax, less returns and discounts, together with income from leased equipment.

(c) Tangible fixed assets and depreciation

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

Freehold buildings and long leasehold property	- declining balance over approximately 40 years.
Short leasehold property	- straight line over the period of the lease.
Equipment	- sum of the digits over three to ten years.
Equipment rented under operating leases	- sum of the digits over three to five years.

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

(d) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes appropriate overheads. Long-term contracts are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Profits are recognised on a prudent basis when the outcome of a contract can be assessed with reasonable certainty. Full provision is made for any foreseeable losses.

(e) Goods sold under warranty

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

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(f) 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 the profit and loss account over the term of the lease using the actuarial method after tax.

Assets held under finance leases are capitalised and depreciated over their estimated useful lives. The corresponding liability is recorded as a creditor net of finance charges. The interest element of the finance charge is charged to the profit and loss account over the period of the lease.

(g) Operating leases

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

(h) Goodwill

Goodwill arising on consolidation, being the difference between the fair value of the consideration given and the aggregate of the fair values of the separable net assets acquired, is written off against reserves in the year of acquisition.

(i) Deferred taxation

Deferred tax liabilities are provided using the liability method in respect of timing differences only where it is probable that the liability will become payable within the foreseeable future. Deferred tax assets are not recognised.

(j) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions are translated at the rate of exchange ruling at the date of the relevant transaction.

(k) Research and development

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

(l) Pension costs

The cost of pensions in respect of the Group's defined benefit plan is charged to the profit and loss account so as to spread the cost over the service lives of employees in the plan. Variations from regular cost are spread over the average expected remaining service lives of employees in the plan.

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

2 SEGMENTAL INFORMATION

The analysis of turnover is as follows:

	<u>1995</u>		<u>1994</u>	
	£'000	£'000	£'000	£'000
Turnover in the United Kingdom		1,000,495		868,684
Turnover overseas:				
United States of America	313,441		264,785	
Rest of Europe	314,532		173,162	
Other	78,951		7,358	
		<u>706,924</u>		<u>445,305</u>
		1,707,419		1,313,989
		<u><u>1,707,419</u></u>		<u><u>1,313,989</u></u>

Turnover overseas includes sales to the ultimate parent company and fellow subsidiaries of £669 million (1994: £434 million). Turnover, profit before tax and net assets are all attributable to United Kingdom operations. The Group operates within one industry segment: the design, manufacture, marketing and servicing of measurement and computation products and systems.

3 LEASES

Included within turnover (refer Note 2) are aggregate rentals receivable in respect of:

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Finance leases	18,050	13,175
Operating leases	26,318	21,769
	<u>44,368</u>	<u>34,944</u>
	<u><u>44,368</u></u>	<u><u>34,944</u></u>

HEWLETT-PACKARD LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****4 OTHER OPERATING INCOME**

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Government revenue grants receivable	-	47
	<u> </u>	<u> </u>

5 OPERATING PROFIT

	<u>1995</u>	<u>1994</u>
	£'000	£'000
The operating profit is stated after charging:		
Research and development expenditure	29,766	27,078
Depreciation - owned assets	44,576	42,120
- leased assets	188	-
Operating leases - hire of machinery and equipment	9,967	9,917
- hire of other assets	3,809	3,527
Auditors' remuneration - audit services	121	136
Auditors' remuneration - other services	278	151
Wages and salaries	148,942	131,061
Social security costs	12,721	11,129
Other pension costs (Note 21)	9,489	10,680
	<u> </u>	<u> </u>

6 DIRECTORS' EMOLUMENTS

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Fees	15	21
Management remuneration	465	510
	<u> </u>	<u> </u>
	480	531
	<u> </u>	<u> </u>

The emoluments above exclude contributions made by the Company to the Group Pension Scheme on behalf of the Directors (refer Note 21 for details of funding of the Group Pension Scheme). Contributions are paid by the Company to the Scheme on a group basis and are not ascertainable for individual members of the Scheme.

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

6 DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of the highest paid Director were £221,932 (1994: £194,677) and the Chairman were £12,052 (1994: £86,949). In addition the highest paid Director was granted options to subscribe for 6,000 shares in Hewlett-Packard Company at US \$50.44 each exercisable over the 10 years to 17 November 2004 under the terms of the Hewlett-Packard Corporation Stock Option Scheme (1994: 4,800 shares at US \$36.88 each). The number of Directors whose emoluments fell within the bands shown was as follows:

	<u>1995</u>	<u>1994</u>
Up to £5,000	2	2
£10,001 to £15,000	1	-
£15,001 to £20,000	-	1
£40,001 to £45,000	-	1
£55,001 to £60,000	-	1
£85,001 to £90,000	*1	1
£130,001 to £135,000	-	**1
£150,001 to £155,000	**1	-
£190,001 to £195,000	-	1
£220,001 to £225,000	1	-
	<hr/>	<hr/>

*This Director was also granted options during the year under the Hewlett-Packard Company Stock Option Scheme to subscribe for 1600 shares at US \$50.44 each exercisable over the 10 years to 17 November 2004 (1994: nil).

**This Director was also granted options during the year under the Hewlett-Packard Company Stock Option Scheme to subscribe for 4000 shares at US \$50.44 each exercisable over the 10 years to 17 November 2004 (1994: 4,000 at US \$ 36.88).

On 16 February 1995, Hewlett-Packard Company announced a two for one stock split. Holders of options as at 24 March 1995 had their option balances adjusted to reflect the split and the prior year comparative figures shown above have been adjusted to reflect this change.

Details of other transactions with Directors are set out in the Report of the Directors.

7 INTEREST PAYABLE

	<u>1995</u>	<u>1994</u>
	£'000	£'000
On loans and overdrafts repayable within five years:		
- bank loans and overdrafts	1,289	1,547
- amounts owed to group undertakings	2,157	4,070
- interest on finance leases	72	-
	<hr/>	<hr/>
	3,518	5,617
	<hr/>	<hr/>

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Corporation tax at 33% (1994: 33%)	48,530	27,121
Prior year adjustments	(1,098)	(1,320)
	<hr/>	<hr/>
	47,432	25,801
	<hr/>	<hr/>

The tax charge differs from the statutory rate principally due to the non-recognition of a deferred tax asset.

9 HEWLETT-PACKARD LIMITED PROFIT AND LOSS ACCOUNT

In accordance with Section 230(3) of the Companies Act 1985, the Company has not presented its own profit and loss account. Of the Group profit for the year, £85,111,000 (1994: £41,813,000) has been dealt with in the accounts of the parent company.

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

10 TANGIBLE ASSETS

Group	Property £'000	Property under construction £'000	Equipment £'000	Equipment rented under leases £'000	Total £'000
<u>Cost</u>					
At 31 October 1994	155,923	4,452	97,411	63,986	321,772
Additions	3,327	3,495	22,650	29,606	59,078
Reclassifications	1,337	(1,452)	115	-	-
Disposals	(1,643)	-	(26,932)	(8,923)	(37,498)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1995	158,944	6,495	93,244	84,669	343,352
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>					
At 31 October 1994	36,320	-	70,135	35,919	142,374
Charge for the year	6,525	-	16,440	21,799	44,764
On additions	-	-	68	-	68
On disposals	(1,373)	-	(20,580)	(7,543)	(29,496)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1995	41,472	-	66,063	50,175	157,710
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book amount</u>					
At 31 October 1995	117,472	6,495	27,181	34,494	185,642
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1994	119,603	4,452	27,276	28,067	179,398
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Of the total net book value of £185,642,000 (1994: £179,398,000), £1,000,000 (1994: nil) relates to assets held under finance leases.

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

10 TANGIBLE ASSETS (CONTINUED)

Company	Property under			Total
	Property	Construction	Equipment	
	£'000	£'000	£'000	£'000
<u>Cost</u>				
At 31 October 1994	155,923	4,452	97,411	257,786
Additions	3,327	3,495	22,650	29,472
Reclassifications	1,337	(1,452)	115	-
Disposals	(1,643)	-	(26,932)	(28,575)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1995	158,944	6,495	93,244	258,683
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>				
At 31 October 1994	36,320	-	70,135	106,455
Charge for the year	6,525	-	16,440	22,965
On additions	-	-	68	68
Disposals	(1,373)	-	(20,580)	(21,953)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1995	41,472	-	66,063	107,535
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book amount</u>				
At 31 October 1995	117,472	6,495	27,181	151,148
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1994	119,603	4,452	27,276	151,331
	<hr/>	<hr/>	<hr/>	<hr/>

Included within equipment in the Company and Group are assets subject to short-term rental agreements with a cost of £8,141,000 (1994: £10,569,000) and accumulated depreciation of £2,644,000 (1994 : £3,876,000).

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

10 TANGIBLE ASSETS (CONTINUED)

Analysis of property			<u>1995</u>	<u>1994</u>
	Cost £'000	Depreciation £'000	Net £'000	Net £'000
Freehold land	43,631	-	43,631	43,631
Freehold buildings	98,674	(36,926)	61,748	63,684
Short leaseholds	4,762	(2,936)	1,826	2,336
Long leaseholds	11,877	(1,610)	10,267	9,952
	<hr/>	<hr/>	<hr/>	<hr/>
Total Company and Group property	158,944	(41,472)	117,472	119,603
	<hr/>	<hr/>	<hr/>	<hr/>

11 INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	<u>1995</u> £'000	<u>1994</u> £'000	<u>1995</u> £'000	<u>1994</u> £'000
Shares in group undertakings: At 1 November and at 31 October	-	-	28,267	28,267
Investment in Apollo Computer (UK) Limited	3,590	3,590	3,590	3,590
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	3,590	3,590	31,857	31,857
	<hr/>	<hr/>	<hr/>	<hr/>

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

11 INVESTMENTS (CONTINUED)

The Group companies listed below are wholly owned subsidiaries registered in England and Wales and operating in Great Britain. All subsidiaries are included in the consolidation except for Apollo Computer (UK) Limited as noted below.

<u>Subsidiary Undertakings</u>	<u>Financial Year End</u>
Hewlett-Packard Finance Limited	31 October
Hewlett-Packard AvanteK Limited	31 October
Colorado Memory Systems (Europe) Limited	31 October
BT & D Technologies Limited	31 October
Hewlett-Packard Product Leasing Limited	31 January
Hewlett-Packard Equipment Leasing Limited	30 April
Hewlett-Packard Leasing Limited	31 July

Hewlett-Packard Finance Limited is engaged in the provision of financial services to users of Hewlett-Packard products. The businesses, assets and liabilities of Hewlett-Packard AvanteK Limited and Colorado Memory Systems (Europe) Limited were transferred to Hewlett-Packard Limited on 1 November 1993 and these subsidiaries have been dormant since that date. BT&D Technologies Limited was involved in the manufacture of optoelectronic technologies and products. The business, assets and liabilities of BT&D Technologies Limited were transferred to Hewlett-Packard Limited on 31 October 1994 and has been dormant since that date. The remaining subsidiaries did not trade during the Group's financial year.

Investment

Apollo Computer (UK) Limited which was previously engaged in the manufacture, sale and support of computer systems and software, did not trade during the year. The accounts of Apollo Computer (UK) Limited have not been consolidated on the basis that these are not material in the context of the Group accounts.

At 31 October 1995, in the opinion of the Directors, the carrying value of Apollo was not less than the amount at which the investment is stated in the Company and Group balance sheets and on an equity basis the net assets were £5,304,000. Apollo Computer (UK) Limited is owed £3,215,000 by the other Hewlett-Packard Limited Group undertakings.

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

12 STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Raw materials and consumables	56,596	41,109	56,596	41,109
Work in progress	8,933	8,361	8,933	8,361
Finished goods for resale	56,394	35,385	56,394	35,385
Payments on account	(9,484)	(7,133)	(9,484)	(7,133)
	<u>112,439</u>	<u>77,722</u>	<u>112,439</u>	<u>77,722</u>

Long term contract balances are analysed as follows:

Net cost less foreseeable losses	9,484	7,133	9,484	7,133
Less: applicable payments on account	(9,484)	(7,133)	(9,484)	(7,133)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Trade debtors	103,764	93,246	101,802	91,483
Amounts owed by subsidiary undertakings	-	-	84,047	68,442
Amounts owed by other group undertakings	92,861	34,990	92,650	35,457
Other debtors	33,193	11,671	33,196	11,697
Prepayments and accrued income	6,916	6,311	3,033	3,778
Investment in finance leases	40,104	31,713	-	-
	<u>276,838</u>	<u>177,931</u>	<u>314,728</u>	<u>210,857</u>

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

13 DEBTORS (CONTINUED)

Of these, amounts due after one year are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary undertakings	-	-	2,692	6,620
Investment in finance leases	24,548	20,440	-	-
	<u>24,548</u>	<u>20,440</u>	<u>2,692</u>	<u>6,620</u>

14 CREDITORS (amounts falling due within one year)

	<u>Group</u>		<u>Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	76,139	33,099	76,139	31,605
Trade creditors	44,646	28,874	42,086	27,276
Amounts owed to other group undertakings	102,819	116,989	121,361	135,581
Other creditors	1,890	917	1,530	688
Corporation tax	40,996	24,412	39,958	22,887
Other taxation and social security	28,088	21,108	27,371	20,751
Accruals and deferred income	111,222	83,605	106,915	79,008
Obligations under lease purchase contracts (Note 20)	193	-	193	-
Payments on account	2,355	8,348	2,355	8,348
	<u>408,348</u>	<u>317,352</u>	<u>417,908</u>	<u>326,144</u>

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

15 CREDITORS (amounts falling due after more than one year)

	<u>Group and Company</u>	
	<u>1995</u>	<u>1994</u>
	£'000	£'000
Other creditors	2,306	2,004
Loans from other group undertakings		
wholly repayable within 1-2 years	1,908	5,504
Obligations under lease purchase contracts (Note 20)	874	-
	<hr/>	<hr/>
	5,088	7,508
	<hr/>	<hr/>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Group and Company</u>	
	<u>1995</u>	<u>1994</u>
	£'000	£'000
Pension commitments	17,816	15,229
Deferred taxation	-	-
	<hr/>	<hr/>
	17,816	15,229
	<hr/>	<hr/>

The deferred tax balances are analysed as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	2,810	2,025	(4,523)	(3,659)
Pension commitments	5,879	5,026	5,879	5,026
Other	1,950	1,782	1,176	313
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset	10,639	8,833	2,532	1,680
	<hr/>	<hr/>	<hr/>	<hr/>

No deferred tax assets have been recognised in the accounts.

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

16 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The movement on provisions for liabilities and charges is as follows:

Group and Company

	<u>Pension</u> <u>commitments</u>	<u>Pension</u> <u>commitments</u>
	<u>1995</u>	<u>1994</u>
	£'000	£'000
At 1 November	15,229	5,889
Charge for the year	9,489	10,680
Contributions paid	(6,902)	(1,340)
	<hr/>	<hr/>
At 31 October	17,816	15,229
	<hr/>	<hr/>

17 CALLED UP SHARE CAPITAL

	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	Number	Number	£'000	£'000
	('000)	('000)		
Authorised:				
Ordinary shares of £1 each	200,000	200,000	200,000	200,000
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted and fully paid:				
Ordinary shares of £1 each	104,772	104,772	104,772	104,772
	<hr/>	<hr/>	<hr/>	<hr/>

The ordinary shares are the only class of shares in existence and have full voting rights and access to dividends.

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Called up	Share	Profit and	Total	
	share	premium	loss	Shareholders'	
	capital	account	account	<u>1995</u>	<u>1994</u>
Group	£'000	£'000	£'000	£'000	£'000
At 1 November	104,772	17	91,220	196,009	155,046
Dividend	-	-	(18,364)	(18,364)	-
Profit/(loss) for the year	-	-	85,894	85,894	40,963
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October	104,772	17	158,750	263,539	196,009
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (CONTINUED)

Company	Called up share <u>capital</u> £'000	Share premium <u>account</u> £'000	Profit and loss <u>account</u> £'000	Total Shareholders' Funds	
				<u>1995</u>	<u>1994</u>
				£'000	£'000
At 1 November	104,772	17	114,048	218,837	177,024
Dividend	-	-	(18,364)	(18,364)	-
Profit for the year	-	-	85,111	85,111	41,813
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October	104,772	17	180,795	285,584	218,837
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Shareholders' funds are attributable entirely to equity interests. The cumulative amount of goodwill written-off to reserves at 31 October 1995 is £11,093,000 (1994 : £11,093,000).

19 COMMITMENTS

	<u>1995</u> £'000	<u>1994</u> £'000
<u>Capital expenditure:</u>		
Committed but not provided	5,547	7,017
	<hr/>	<hr/>
Authorised but not committed	1,928	4,743
	<hr/>	<hr/>

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

19 COMMITMENTS (CONTINUED)

Operating lease commitments:

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

	<u>1995</u>		<u>1994</u>	
	<u>Property</u>	<u>Other</u>	<u>Property</u>	<u>Other</u>
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within 1 year	54	5,616	203	3,879
Between 1 and 5 years	936	8,424	1,021	6,044
After 5 years	1,648	-	1,648	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,638	14,040	2,872	9,923
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Forward exchange contracts:

At 31 October 1995 the Group and Company had commitments arising from forward exchange contracts entered into in the normal course of business.

20 OBLIGATIONS UNDER FINANCE LEASE

	<u>1995</u>	<u>1994</u>
	£'000	£'000
<u>Gross amounts payable:</u>		
Within one year	319	-
In the second to fifth year inclusive	1,087	-
	<u> </u>	<u> </u>
	1,406	-
Less: finance charges allocated to future periods	(339)	-
	<u> </u>	<u> </u>
Analysed as follows:	1,067	-
	<u> </u>	<u> </u>
Current obligations (Note 14)	193	-
Non-current obligations (Note 15)	874	-
	<u> </u>	<u> </u>
	1,067	-
	<u> </u>	<u> </u>

HEWLETT-PACKARD LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

21 PENSIONS

The Group operates a 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 market value of the pension fund assets on 1 February 1993 was £113.2 million.

The pension costs are assessed in accordance with the advice of an independent qualified actuary. Further, the contributions are determined by the qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 February 1993 and showed that the assets were sufficient to secure 95% of the benefits accrued to members. The Company has implemented a policy whereby regular contributions are being paid at the rate required to achieve the funding objective of 100% of the projected accrued liability by amortising any deficit at the valuation date over a period of five years. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment returns would be 9% per annum and that salary increases would average 7%.

The pension charge for the year was £9,489,000 (1994: £10,680,000). This included £920,000 (1994: £618,000) in respect of the amortisation of experience surpluses that are being recognised over the average remaining service lives of employees.

During the year, the Group and its employees made pension contributions of £6,902,000 (1994: £1,340,000) and £1,233,000 (1993: £1,130,000) respectively. Contributions will continue to be paid in accordance with the actuary's recommendation.

22 EMPLOYEES

The average number of persons employed by the Group during the year was:

Sales and service

Manufacturing and research & development

<u>1995</u>	<u>1994</u>
Number	Number
2,229	2,264
3,064	2,739
<hr/>	<hr/>
5,293	5,003
<hr/>	<hr/>

23 ULTIMATE PARENT COMPANY

The ultimate parent company and the smallest and largest undertaking in which these accounts are consolidated is Hewlett-Packard Company, which is incorporated in the United States of America. Copies of the Group accounts of Hewlett-Packard Company can be obtained from 3000 Hanover Street, Palo Alto, California 94304, USA.