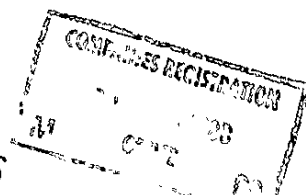
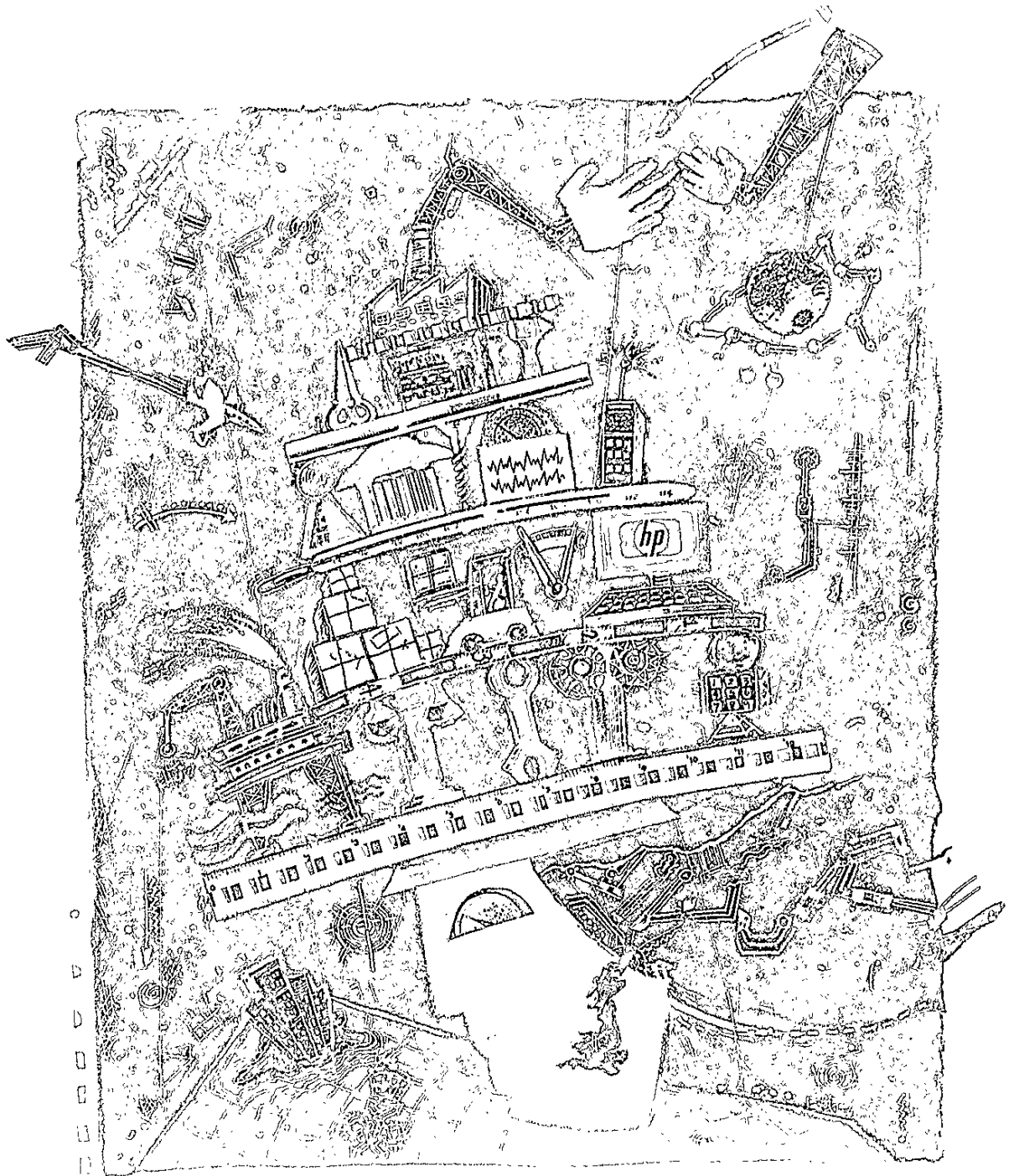


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H E W L E T T - P A C K A R D L I M I T E D

*Report and Accounts*  
1987





Christina Brimage illustrates Hewlett Packard Limited's contribution to Britain through R&D, manufacturing, export growth and the sales and support of quality solutions to its UK customers.

## *Report of the Directors*

**T**he directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 October 1987.

The consolidated results for the year are shown on page 4. An interim dividend of £4,450,000 was paid on 28th October 1987. The directors recommend a final dividend of £13,800,000.

The group's principal activities are the design, manufacture and marketing of measurement and computation products and systems.

Fiscal year 1987 was a highly successful year for Hewlett-Packard Limited. Turnover, profit and exports all reached record levels. There was continued emphasis on investments for the future with the purchase of 10 acres of development land in Bracknell on which Hewlett-Packard's operations around the Thames Valley area will be consolidated over the next few years.

The company introduced a large number of products and systems during 1987 in all its key product sectors. Further product introductions were made of computers based on HP Precision Architecture with deliveries commencing to UK customers during the summer of 1987. The delivery of products and networking supporting a distributed computing environment, positioned Hewlett-Packard as a major supplier of business and technical computer systems in the UK. Test and measurement

instruments, analytical systems and medical electronics continued to gain acceptance by Hewlett-Packard's UK customers during the year.

During 1987 important new products were introduced from the Telecommunications Division and Microwave Operations based at South Queensferry, Scotland, which will ensure continued growth for the future. Queensferry Telecommunications Division was also collaborating with other European Companies in a European technological research initiative under the RACE programme.

The focus on the future also was apparent at the company's Computer Peripherals Division in Bristol, where an agreement was made with the Sony Corporation of Japan to examine the feasibility of applying advanced Digital Audio Tape (DAT) technology to computer storage devices. During the year the Hewlett-Packard Bristol Research Centre, was actively participating in projects under the Alvey Programme, working on systems that should benefit the UK information technology industry in future years.

The essential development of beneficial, long lasting relationships with customers, is a major factor in the company's success. A Datapro/Computer Weekly survey on customer satisfaction showed that Hewlett-Packard has achieved a clear lead over its competitors in providing overall satisfaction and support to its customers.

In April 1987, Hewlett-Packard Limited was honoured to receive a Queen's Award for Export Achievement. It marked 26 years of significant effort to demonstrate that Hewlett-Packard is committed to making a contribution to Britain both in economic and social terms.

The group maintained an extensive programme of engineering and software research and development in order to ensure the provision of new products using the latest technologies.

The company has maintained its programme of regular newsletters and meetings to ensure that all employees remain informed both on matters of concern to them as employees and on the financial performance of the company. In addition, employees receive an annual financial report. Hewlett-Packard has a strong corporate commitment to training and development. Employees, at every level of the organisation have the opportunity through a structured development plan to upgrade or in some cases re-align their skills and capabilities to match market requirements. The emphasis on training and development is supported by continuing in-service education, encouraging personal contribution and rewarding achievement. Salary progress is determined through performance reviews and 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.

The company considers fully all applications from disabled persons and endeavours to provide employment where their qualifications, aptitudes and abilities merit their selection. Should an employee become disabled, it is company practice to continue their current employment where possible, or to offer suitable alternatives, where available or feasible, giving retraining as necessary.

All employees, including the disabled, where their abilities permit, are equally eligible for training, promotion and career development.

Donations to UK charities and education establishments amounted to £979,000 (1986: £1,070,000). No political contributions were made during the year.

The directors of the company are detailed on page 19. Mr K Sinclair retired from the board on 11 February 1987.

In recognition of Mr Sinclair's service on the Board of Directors since the Company's incorporation, it was decided to appoint him to the honorary position of founding director.

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.

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

By Order of the Board  
Richard D Thompson,  
Secretary  
15 December 1987

## *Consolidated Profit and Loss Account*

For the year ended 31 October		1987	1986
	Note	£000	£000
Turnover	2	428,447	356,796
Cost of sales		(316,931)	(273,767)
Gross profit		<u>111,516</u>	<u>83,029</u>
Distribution costs		(63,611)	(51,825)
Administrative expenses		(13,750)	(13,600)
Operating profit	3	<u>34,155</u>	<u>17,604</u>
Interest receivable		1,436	416
Interest payable	6	(3,767)	(5,053)
Profit on ordinary activities before taxation		<u>31,824</u>	<u>12,967</u>
Taxation on profit on ordinary activities	7	(10,831)	(4,480)
Profit on ordinary activities after taxation		<u>20,993</u>	<u>8,487</u>
Dividends	8	(18,250)	—
Profit retained for year		<u><u>2,743</u></u>	<u><u>8,487</u></u>

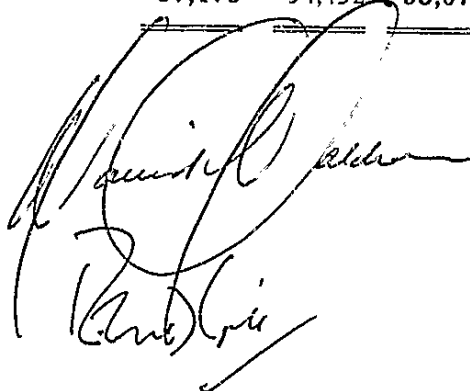
## *Balance Sheets*

At 31 October	Note	Group		Company	
		1987 £000	1986 £000	1987 £000	1986 £000
Fixed assets					
Tangible assets	10	79,441	72,069	78,656	71,932
Investments	11	—	—	200	200
Current assets					
Stocks	12	33,482	33,991	33,482	33,991
Debtors	13	84,121	82,275	76,451	70,742
Cash at bank and in hand		40,403	17,779	40,403	11,895
		158,006	134,045	150,336	116,628
Creditors (amounts falling due within one year)	14	142,219	117,856	138,765	106,693
Net current assets		15,787	16,189	11,571	9,935
Total assets less current liabilities		95,228	88,258	90,427	82,067
Creditors (amounts falling due after more than one year)	15	27,669	16,599	27,305	15,437
Provisions for liabilities and charges	17	10,384	17,227	8,046	14,490
		57,175	54,432	55,076	52,140
Capital and reserves					
Called up share capital	18	1,000	1,000	1,000	1,000
Profit and loss account	19	56,175	53,432	54,076	51,140
		57,175	54,432	55,076	52,140

Approved by the Board on  
15 December 1987

D A Baldwin  
R D Gill

Directors



## *Consolidated Source and Application of Funds*

For the year ended 31 October	1987	1986
	£000	£000
Source of Funds		
From operations:		
Profit on ordinary activities before taxation	31,824	12,967
Depreciation	15,200	13,658
	<u>47,024</u>	<u>26,625</u>
From other sources:		
Bank loans	4,204	3,000
Loans from group companies	3,088	6,107
Disposal of fixed assets	1,780	875
	<u>9,072</u>	<u>9,982</u>
(Increase)/decrease in working capital:		
Stocks	509	4,730
Debtors	(1,053)	(2,948)
Creditors	14,495	18,974
	<u>13,951</u>	<u>20,756</u>
Application of Funds		
Taxation paid	1,094	—
Capital expenditure	24,352	25,431
Finance leases	1,816	3,352
Bank loans	3,639	1,498
Loans from group companies	2,846	—
Dividend paid	4,450	—
	<u>38,197</u>	<u>30,281</u>
Funds Released	<u>31,850</u>	<u>27,082</u>
Represented by:		
Decrease in net borrowings:		
Loans and overdrafts	9,226	15,976
Cash at bank and in hand	22,624	11,106
	<u>31,850</u>	<u>27,082</u>

## *Notes to the Accounts*

### **1 Accounting policies**

The group accounts include the results of the company and its subsidiaries as set out in note 11 and are prepared under the historical cost convention and in accordance with United Kingdom accounting standards. The results of those companies whose financial years are not co-terminous with that of the company are included on the basis of accounts made up to 31 October.

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

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

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

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.

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

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.

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



## *Notes to the Accounts*

	1987	1986
	£000	£000
<b>2 Turnover</b>		
Turnover includes sales to the ultimate holding company and fellow subsidiaries of £137,147,000 (1986: £113,776,000)		
The principal markets in which the group's turnover arose were as follows:		
United Kingdom	291,300	243,020
Other	137,147	113,776
	<u>428,447</u>	<u>356,796</u>
<b>3 Operating profit</b>		
Operating profit is stated after charging:		
Depreciation	15,200	13,658
Operating leases – hire of machinery and equipment	4,640	3,834
Operating leases – hire of other assets	6,330	5,582
Finance lease charges	42	73
Directors' emoluments (Note 4)	169	167
Auditors' remuneration	69	66
Wages and salaries	60,349	51,180
Social security costs	4,669	4,071
Other pension costs	1,645	5,322

## *Notes to the Accounts*

	1987 £000	1986 £000
<b>4 Directors' emoluments</b>		
Fees	23	22
Management remuneration	146	145
	<u>169</u>	<u>167</u>

The Chairman received no emoluments in the year (1986: nil) and the emoluments of the highest paid director were £50,969 (1986: £71,541). The number of other directors whose emoluments fell within the bands shown was as follows:

Up to £5,000	3	2
£5,001 to £10,000	3	4
£25,001 to £30,000	1	—
£55,001 to £60,000	—	1

### **5 Employees' emoluments**

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

£30,001 to £35,000	93	59
£35,001 to £40,000	52	47
£40,001 to £45,000	43	15
£45,001 to £50,000	27	3
£50,001 to £55,000	15	—
£55,001 to £60,000	4	—
£60,001 to £65,000	6	—
£65,001 to £70,000	2	—
£70,001 to £75,000	1	—
£75,001 to £80,000	1	—

## *Notes to the Accounts*

	1987 £000	1986 £000
<b>6 Interest payable</b>		
On loans and overdrafts repayable within five years:		
On bank loans and overdrafts	2,460	3,997
On loans from group companies	1,307	834
	<u>3,767</u>	<u>4,831</u>
On loans repayable after more than five years:		
On bank loans	—	222
	<u>3,767</u>	<u>5,053</u>
<b>7 Taxation on ordinary activities</b>		
Corporation tax at 35.0% (1986: 37.1%)	14,499	1,944
Prior year adjustments	(613)	(379)
Deferred tax	(3,055)	2,915
	<u>10,831</u>	<u>4,480</u>
<b>8 Dividends</b>		
Interim paid	4,450	—
Final proposed	13,800	—
	<u>18,250</u>	<u>—</u>
<b>9 Hewlett-Packard Limited profit and loss account</b>		
In accordance with Section 228 (7) of the Companies Act 1985, Hewlett-Packard Limited has not presented its own profit and loss account.		

## *Notes to the Accounts*

	Property £000	Property under Construction £000	Equipment £000	Total Company £000	Operating Leases £000	Total Group £000
<b>10 Tangible assets</b>						
<b>Cost</b>						
As at 31 October 1986	49,693	5,675	56,530	111,898	593	112,491
Additions	10,813	105	12,805	23,723	918	24,641
Reclassifications	357	(514)	157	—	—	—
Disposals	(1,210)	—	(2,979)	(4,189)	(208)	(4,397)
As at 31 October 1987	<u>59,653</u>	<u>5,266</u>	<u>66,513</u>	<u>131,432</u>	<u>1,303</u>	<u>132,735</u>
<b>Depreciation</b>						
As at 31 October 1986	6,989	—	32,977	39,966	456	40,422
Provision for year	2,798	—	12,230	15,028	172	15,200
On additions	—	—	231	231	58	289
On disposals	(429)	—	(2,020)	(2,449)	(168)	(2,617)
As at 31 October 1987	<u>9,358</u>	<u>—</u>	<u>43,418</u>	<u>52,776</u>	<u>518</u>	<u>53,294</u>
<b>Net Book Amount</b>						
As at 31 October 1987	<u>50,295</u>	<u>5,266</u>	<u>23,095</u>	<u>78,656</u>	<u>785</u>	<u>79,441</u>
As at 31 October 1986	<u>42,704</u>	<u>5,675</u>	<u>23,553</u>	<u>71,932</u>	<u>137</u>	<u>72,069</u>
<b>Analysis of property</b>						
			1987 Cost £000	1987 Depre- ciation £000	1987 Net £000	1986 Net £000
Freehold land			14,708	—	14,708	5,027
Freehold buildings			31,226	5,358	25,868	27,034
Long leaseholds			7,504	1,900	5,604	5,890
Short leaseholds			6,215	2,100	4,115	4,753
			<u>59,653</u>	<u>9,358</u>	<u>50,295</u>	<u>42,704</u>

## *Notes to the Accounts*

### **11 Investments**

Group companies:

Ordinary shares at cost

Company	
1987	1986
£000	£000

200	200
-----	-----

The group companies listed below are wholly owned subsidiaries which are engaged in the provision of financial services to users of Hewlett-Packard products. The accounting dates of those subsidiaries with financial years not co-terminous with that of the holding company are also shown below. It is necessary for these subsidiaries to have non-coterminous year ends in order that they may provide financial services at competitive rates.

Hewlett-Packard Product Leasing Limited  
Accounting date 31 January

Hewlett-Packard Equipment Leasing  
Limited  
Accounting date 30 April

Hewlett-Packard Leasing Limited  
Accounting Date 31 July

Hewlett-Packard Finance Limited

### **12 Stocks**

Raw materials and consumables  
Work in progress  
Finished goods and goods for resale

15,994	15,093
2,715	3,184
14,773	15,714
33,482	33,991

## *Notes to the Accounts*

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
<b>13 Debtors</b>				
Trade debtors	42,168	36,230	41,716	35,939
Investment in finance leases	20,759	19,966	—	—
Amounts owed by subsidiary	—	—	13,823	9,260
Amounts owed by group companies	15,046	18,249	15,042	18,249
Other debtors	4,144	5,973	3,988	5,677
Prepayments and accrued income	2,004	1,857	1,882	1,617
	<u>84,121</u>	<u>82,275</u>	<u>76,451</u>	<u>70,742</u>
 Due after one year:				
Investment in finance leases	13,092	13,004	—	—
Amounts owed by subsidiary	—	—	7,204	5,314
	<u>13,092</u>	<u>13,004</u>	<u>7,204</u>	<u>5,314</u>
 <b>14 Creditors</b>				
(amounts falling due within one year)				
Bank loans and overdrafts (Note 16)	16,116	25,342	16,013	17,799
Trade creditors	11,931	8,598	11,596	8,025
Amounts owed to other group companies	57,865	52,349	57,865	52,349
Other creditors	527	532	282	433
Corporation tax	8,813	3,153	7,938	2,588
Other taxation and social security	4,080	3,438	3,813	3,195
Obligations under finance leases	655	1,021	—	—
Accruals and deferred income	28,432	23,423	27,458	22,304
Proposed dividend	13,800	—	13,800	—
	<u>142,219</u>	<u>117,856</u>	<u>138,765</u>	<u>106,693</u>

## *Notes to the Accounts*

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
<b>15 Creditors</b>				
(amounts falling due after more than one year)				
Bank loans (Note 16)	8,807	8,242	8,807	8,242
Corporation tax	12,149	1,229	12,149	1,088
Obligations under finance leases	364	1,021	—	—
Loans from other group companies wholly repayable within 5 years	6,349	6,107	6,349	6,107
	<u>27,669</u>	<u>16,599</u>	<u>27,305</u>	<u>15,437</u>
<b>16 Bank loans and overdrafts</b>				
Repayable by instalments:				
within 5 years	1,928	1,774	1,928	1,774
after 5 years	—	452	—	452
	<u>1,928</u>	<u>2,226</u>	<u>1,928</u>	<u>2,226</u>
Repayable other than by instalments:				
within 5 years	22,995	31,358	22,892	23,815
	<u>24,923</u>	<u>33,584</u>	<u>24,820</u>	<u>26,041</u>
Included in current liabilities	<u>16,116</u>	<u>25,342</u>	<u>16,013</u>	<u>17,799</u>
	<u>8,807</u>	<u>8,242</u>	<u>8,807</u>	<u>8,242</u>

Amounts repayable by instalments represents 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. Included in cash at bank and in hand is a deposit of £8,661,000 (1986: £6,107,000), on which there is a right of set-off under a swap agreement against a bank loan included above.

## *Notes to the Accounts*

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
<b>17 Provisions for liabilities and charges</b>				
Deferred taxation:				
Deferred taxation, which is provided in full, is attributable to:				
Capital allowances in advance of depreciation and other timing differences	15,488	17,227	13,150	14,490
Less: Advance Corporation Tax	(5,104)	—	(5,104)	—
	<u>10,384</u>	<u>17,227</u>	<u>8,046</u>	<u>14,490</u>
<b>18 Called up share capital</b>				
Ordinary shares of £1 each:				
Authorised			1,000	1,000
Allotted and fully paid			<u>1,000</u>	<u>1,000</u>
<b>19 Profit and loss account</b>				
As at 1 November	53,415	44,928	51,123	43,324
Profit for the year	<u>2,743</u>	<u>8,487</u>	<u>2,936</u>	<u>7,799</u>
As at 31 October	56,158	53,415	54,059	51,123
Share premium account	17	17	17	17
	<u>56,175</u>	<u>53,432</u>	<u>54,076</u>	<u>51,140</u>



## *Notes to the Accounts*

	1987 £000	1986 £000
<b>20 Commitments</b>		
Capital expenditure:		
Committed but not provided for	522	4,463
Authorised but not committed	4,222	9,248

Leasing commitments:

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

	1987		1986	
	Operating leases		Operating leases	
	Property	Other	Property	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	50	976	—	993
Between 1 and 5 years	3,346	1,164	881	865
After 5 years	1,716	—	5,800	i
	5,112	2,140	6,681	1,859

Forward exchange contracts:

At 31 October 1987 the company had substantial commitments arising from forward exchange contracts entered into in the normal course of business.

### **21 Pensions**

The group operates a non-contributory defined benefit pension scheme covering the majority of its employees. The scheme's funds are administered by trustees and are independent of the group's finances.

The latest actuarial valuation of the scheme was carried out as at 1 February 1987.

At that date there was no actuarial deficiency in the scheme on a discontinuance basis and contribution rates are being paid in accordance with the consulting actuary's recommendations.

The group's contributions are charged against profit in the year in which the contributions are made.

## *Notes to the Accounts*

	1987	1986
<b>22 Employees</b>		
The average number of persons employed by the group during the year was:		
Sales and service	1,752	1,758
Manufacturing and research and development	1,891	1,790
	<u>3,643</u>	<u>3,548</u>
<b>23 Ultimate holding company</b>		
The ultimate holding company is Hewlett-Packard Company which is incorporated in the United States of America.		

**R**eport of the auditors to the members  
of Hewlett-Packard Limited

We have audited the accounts on pages 4 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 October 1987 and of the profit and the source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Price Waterhouse  
Chartered Accountants  
London  
15 December 1987



## *Directors*

F Mariotti (Chairman)  
D A Baldwin (Managing Director)  
R C Alberding (USA)  
R W Anderson (USA)  
P Carmichael CBE  
R D Gill  
Professor K G Lumsden  
K C Sinclair CBE  
F MacKenzie CBE

### *Secretary*

R D Thompson

### *Auditors*

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**For information regarding  
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Corporate Communications  
UK Group Headquarters