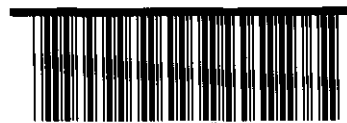


**Hewlett-Packard Limited**  
**(Registered Number 690597)**

**Report and Financial Statements**

**For the year ended 31 October 1999**



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COMPANIES HOUSE		10/01/00
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# Hewlett-Packard Limited

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*For the year ended 31 October 1999*

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## Directors' Report

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 1999.

### Principal activities

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

### Results and dividends

The consolidated results for the year are shown on page 7. The Group reported a pre-tax profit of £212 million (1998: £196 million). Profit after taxation for the year amounted to £150 million (1998: £126 million). An interim dividend of £149 million (1998: Nil) was paid on 26 February 1999. A final dividend of £55 million (1998: Nil) was paid on 26 March 1999. The resulting retained loss for the year of £54 million (1998: £126 million profit) is to be transferred to reserves.

### Review of the business and future developments

The Group's results continued to be very encouraging in 1999. Our continued investment in research and development has helped to develop a strong portfolio, once again generating record UK and export turnover of £2,529 million (1998: £2,172 million).

The growth in the business was led by the Computer Organisation through the sale of computer products and storage devices together with associated services. There has continued to be a strong market for HP DeskJet and LaserJet printers and personal computers.

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.

### Post balance sheet event – discontinued operations

On 2 March 1999, plans were announced for a strategic realignment of Hewlett-Packard Company, Hewlett-Packard Limited's ultimate parent company, that would create two independent companies, one focussed on the measurement business, the other on the computing and imaging businesses.

The new measurement group of companies is known as Agilent Technologies Inc, and comprises Hewlett-Packard Company's industry-leading test and measurement, components, chemical analysis and medical businesses (The Agilent Group). The Agilent Group started trading on 1 November 1999.

As part of this realignment Hewlett-Packard Company proposed the transfer of the assets and liabilities of its measurement business to Agilent Technologies Inc, which required a reorganisation of the Hewlett-Packard Company group to be undertaken prior to this transfer.

On 1 November 1999 the Company, of which Hewlett-Packard Start BV (HP Start) is the sole shareholder, transferred the assets and the liabilities of its measurement business to Agilent Technologies UK Limited (AL), a newly incorporated subsidiary of HP Start, by means of a scheme for the reconstruction of the Company (the UK Demerger) as follows:

- (1) The Company declared a dividend in specie of its measurement business assets to HP Start amounting to £114 million;
- (2) HP Start directed that the dividend be paid by transferring the assets to AL; and
- (3) The measurement business assets were transferred to AL, which assumed the Company's measurement business liabilities and issued ordinary shares of AL to HP Start.

## Directors' Report *(continued)*

### 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.

### 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 the profit share and share purchase schemes of the Hewlett-Packard Company (the ultimate parent company of Hewlett-Packard Limited).

### 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. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Donations

Donations to the UK charities and educational establishments amounted to £131,000 (1998: £119,000).

The Group made no political donations during 1999 (1998: Nil).

### Introduction of the Euro

The Company is able to invoice and also to accept invoices in Euros. As part of a group-wide initiative of its ultimate parent company, Hewlett-Packard Company, the Company has upgraded its computer software to handle the Euro and its implications.

The Company believes that the introduction of the Euro will not result in any material increase in its costs. While the Company continues to evaluate the impact of the introduction of the Euro over time, based on currently available information, the Company believes that the introduction of the Euro has not and will not have a material adverse impact on the consolidated financial condition or results of operations of the Company.

## Directors' Report *(continued)*

### Year 2000

The Year 2000 problem arises from the use of a two-digit field to identify years in computer programs, e.g., 85=1985, and the assumption of a single century, the 1900s. Any program so created may read, or attempt to read, "00" as the year 1900. There are two other related issues that could also lead to incorrect calculations or failure: some systems' programming assigns special meaning to certain dates, and the year 2000 is a leap year. Accordingly, some computer hardware and software, including programs embedded within machinery and parts, need to be modified prior to the year 2000 to remain functional. The Company's Year 2000 initiatives are focusing primarily on four areas of potential impact: internal information technology (IT) systems; internal non-IT systems and processes, including services and embedded chips (controllers); our products and services; and the readiness of significant third parties with whom we have material business relationships.

The costs associated with our IT internal readiness actions are a combination of incremental external spending and the use of existing internal resources.

Based on current estimates, the Company believes that the costs associated with these actions have not and will not have a material effect on the Company's results of operations or financial condition. The Company cannot provide assurance, however, that there will not be a delay in, or increased costs associated with, the implementation of these changes. In addition, failure to achieve Year 2000 readiness for our internal systems and processes could delay the Company's ability to manufacture and ship products and deliver services, disrupt customer service and technical support facilities and interrupt customer access to online products and services. The Company's inability to perform these functions could have an adverse effect on the future results of operations or financial condition of the Company.

#### *Internal IT systems*

Hewlett-Packard Company, the ultimate parent company, established a dedicated Year 2000 IT readiness programme organisation to oversee the worldwide Year 2000 IT application and infrastructure readiness activities for all its businesses. As of 31 October 1999, the implementation of this programme was virtually complete.

#### *Internal non-IT systems and processes*

Non-IT systems include, but are not limited to, those systems that are not commonly thought of as IT systems, such as telephone/PBX systems; fax machines; facilities systems regulating alarms, building access and sprinklers; manufacturing, assembly and distribution equipment; and other miscellaneous systems and processes. As of 31 October 1999, substantially all Year 2000 testing, internal mitigation and remedial activities, and business contingency plans have been finalised.

#### *Product and customer readiness*

The Company's newly introduced products are Year 2000 compliant. However, some hardware and software products currently installed at customer sites will require upgrade or other remedial activity. Some of these products are used in critical applications in which the impact of non-performance to these customers and other parties could be significant. While the Company believes that its customers are responsible for the Year 2000 readiness of their IT and business environments, the Company is taking significant steps to enable customers to achieve their readiness goals, thereby preserving customer satisfaction and brand reputation.

Hewlett-Packard Company has an Internet web site dedicated to communicating Year 2000 issues to a broad customer base. This web site includes a product compliance search page that allows customers to look up the status of Hewlett-Packard Group products they have installed. Most of the Company's key business groups have complementary Internet web sites dedicated to similar communication to their specific customers. The Company is taking additional steps to identify affected customers, raise customer awareness related to non-compliance of some products and help customers to assess their risks.

## Directors' Report *(continued)*

### Year 2000 *(continued)*

#### *Material third-party relationships*

The Company has developed a Year 2000 process for dealing with its key suppliers, contract manufacturers, distributors, vendors and partners. To date, the Company has received formal responses from substantially all of its critical suppliers. Most of them have responded that they expect to address all their significant Year 2000 issues on a timely basis. Risk analysis has been completed with our base of suppliers and contingency plans are now being developed and tested.

The Company is working to identify and analyse the most reasonably likely worst-case scenarios for third-party relationships affected by Year 2000. These scenarios could include possible infrastructure collapse, the failure of power and water supplies, major transportation disruptions, unforeseen product shortages due to hoarding of products and sub-assemblies, and failures of communications and financial systems. Any one of these scenarios could have a major and material effect on the Company's ability to build its products and deliver services to its customers. While the Company has contingency plans in place to address most issues under its control, an infrastructure problem outside of the Company's control or some combination of several of these problems could result in a delay in product shipments depending on the nature and severity of the problems.

Although the Company is dedicating substantial resources towards attaining Year 2000 readiness, the Company cannot provide assurance that it can successfully identify and address all Year 2000 issues. Even if the Company acts in a timely manner to complete all of its assessments; identify, develop and implement remedial plans believed to be adequate; and develop contingency plans believed to be adequate, some problems may not be identified or corrected in time to prevent material adverse consequences to the Company.

#### **Directors**

The Directors of the Company during the year were:

J T Golding OBE	(Chairman and Managing Director)
J Taylor OBE	(Resigned 31 December 1998)
P Valler	
F Nawratil	

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.

## Directors' Report *(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; and
- 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 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.

### Auditors


The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

### Elective resolutions

During the year the company passed the following elective resolutions;

- (1) That for the purpose of Section 252 of the Companies Act 1985, the Company elected to dispense with the laying of accounts and reports before the Company in general meeting.
- (2) That for the purpose of Section 366A of the Companies Act 1985, the Company elected to dispense with the holding of Annual General Meetings.
- (3) That for the purpose of Section 386 of the Companies Act 1985, the Company elected to dispense with the obligation to appoint auditors annually.

By order of the Board



**Jackie Wright**  
*Secretary*

Date: 22 December 1999

Registered Office:  
Cain Road  
Bracknell  
Berkshire  
RG12 1HN

## Auditors' Report to the Members of Hewlett-Packard Limited

We have audited the financial statements on pages 7 to 29, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11.

### Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report including, as described on page 5, for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


### Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 October 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

  
**PricewaterhouseCoopers**  
Chartered Accountants  
and Registered Auditors

Thames Court  
1 Victoria Street  
Windsor  
Berkshire  
SL4 1HB

Date: 22 December 1999



## Consolidated Profit & Loss Account

For the year ended 31 October 1999

	Notes	1999 £'000	1998 £'000
<b>Turnover</b>			
Continuing operations	2	2,031,068	1,738,673
Discontinued operations	2	497,705	433,427
		<hr/>	<hr/>
		2,528,773	2,172,100
 Cost of sales	 3	 (2,140,321)	 (1,813,226)
		<hr/>	<hr/>
<b>Gross profit</b>		388,452	358,874
 Distribution costs	 3	 (142,736)	 (134,462)
Administrative expenses	3	(37,570)	(28,653)
		<hr/>	<hr/>
<b>Operating profit</b>			
Continuing operations	5	155,532	156,885
Discontinued operations	5	52,614	38,874
		<hr/>	<hr/>
		208,146	195,759
 Interest receivable and similar income		 5,872	 2,760
Interest payable	7	(2,088)	(2,250)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		211,930	196,269
 Taxation on profit on ordinary activities	 8	 (62,155)	 (70,039)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation and for the year</b>	 19	 149,775	 126,230
 Dividends paid on equity shares (£1.95 per share)	 19	 (204,124)	 -
		<hr/>	<hr/>
<b>Retained (loss)/profit for the year transferred to reserves</b>		(54,349)	126,230
		<hr/>	<hr/>

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

There is no difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents.

The notes on pages 9 to 29 form part of these accounts.

# Hewlett-Packard Limited

## Balance Sheets

At 31 October 1999

	Notes	Group		Company	
		1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>Fixed assets</b>					
Tangible assets	10	251,400	245,556	185,436	177,912
Intangible assets	11	2,706	-	-	-
Investments	12	3,590	3,590	23,710	31,139
		<u>257,696</u>	<u>249,146</u>	<u>209,146</u>	<u>209,051</u>
<b>Current assets</b>					
Stocks	13	93,494	89,207	93,494	89,207
Pension fund asset	17,22	59,934	-	59,934	-
Debtors					
- amounts due within one year	14	328,774	297,132	297,630	347,034
- amounts due after one year	14	38,283	49,112	-	45,765
Cash at bank and in hand		82,189	113,478	81,389	113,250
		<u>602,674</u>	<u>548,929</u>	<u>532,447</u>	<u>595,256</u>
<b>Creditors (amounts falling due within one year)</b>	15	(497,833)	(384,559)	(379,606)	(383,403)
<b>Net current assets</b>		<u>104,841</u>	<u>164,370</u>	<u>152,841</u>	<u>211,853</u>
<b>Total assets less current liabilities</b>		<u>362,537</u>	<u>413,516</u>	<u>361,987</u>	<u>420,904</u>
<b>Creditors (amounts falling due after more than one year)</b>	16	(4,042)	(4,430)	(4,042)	(4,430)
<b>Provisions for liabilities and charges</b>	17	(31,332)	(27,574)	(31,332)	(27,574)
		<u>327,163</u>	<u>381,512</u>	<u>326,613</u>	<u>388,900</u>
<b>Capital and reserves</b>					
Called up share capital	18,19	104,772	104,772	104,772	104,772
Share premium account	19	17	17	17	17
Profit and loss account	19	222,374	276,723	221,824	284,111
<b>Equity shareholders' funds</b>	19	<u>327,163</u>	<u>381,512</u>	<u>326,613</u>	<u>388,900</u>

Approved by the Board on 22 December 1999 and signed on its behalf by:

J T Golding OBE  
Director

The notes on pages 9 to 29 form part of these accounts. The 1998 comparatives have been restated as set out in Note 1.

## Notes to the Accounts

*For the year ended 31 October 1999*

### 1. Accounting policies

#### Accounting convention

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

#### 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 12. Newly acquired subsidiaries are consolidated from the effective date of their acquisition.

#### Turnover

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

#### 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	- reducing balance over approximately 40 years.
Short leasehold property	- straight line over the period of the lease.
Machinery & equipment	- sum of the digits over three to ten years.
Equipment rented under operating leases	- sum of the digits or straight line over two to five years.

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

#### Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes appropriate overheads. Work in progress is reduced by payments received on account of work done and is stated after allowing for all foreseeable losses.

#### Long term contracts

Long term contracts are reflected in the profit and loss account by recording turnover and related costs and profits as contract activity progresses. Profits are recognised on a prudent basis when the outcome of a contract can be assessed with reasonable certainty. Provision is made in full for any foreseeable losses.

#### Goods sold under warranty

A liability is recognised for costs anticipated to arise during the unexpired warranty periods on goods sold, and is included within provisions for liabilities and charges in accordance with FRS 12.

## Notes to the Accounts *(continued)*

*For the year ended 31 October 1999*

### 1. Accounting policies *(continued)*

#### 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.

#### 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.

#### Goodwill

Following the introduction of FRS 10, goodwill arising on consolidation, being the difference between the fair value of the consideration paid and the aggregate of the fair values of the separable net assets acquired, is capitalised and amortised over its useful economic life as stated below. Goodwill written off against reserves in previous years has not been reinstated.

The goodwill arising on the consolidation of Libra (SysCom) Limited is being amortised over 3 years, which is, in the opinion of the Directors, its useful economic life.

#### 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.

#### Research and development

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

#### Grants

Capital grants are treated as deferred credits, which are amortised to the profit and loss account on the same basis as the related tangible fixed assets are depreciated.

Revenue grants are credited to the profit and loss account when the related revenue expenditure is incurred.

## Notes to the Accounts *(continued)*

*For the year ended 31 October 1999*

### 1. Accounting policies *(continued)*

#### **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. Exchange gains and losses are dealt with through the profit and loss account.

#### **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 average remaining service lives of employees in the plan. Variations from regular cost are also spread over the average expected remaining service lives of employees in the plan.

The cost of providing pensions to employees under the Group's defined contribution scheme is charged to the profit and loss account as incurred.

#### **Cash flow statement**

In accordance with Financial Reporting Standard 1 (revised), Hewlett-Packard Limited has not published a cash flow statement as its ultimate parent company, Hewlett-Packard Company, which is incorporated in the United States of America, has published consolidated accounts in which the cash flows of the Company are included.

#### **Adoption of new accounting standards**

FRS 12 'Provisions, Contingent Liabilities and Contingent Assets', has been adopted in this year's financial statements. The prior year balance sheet comparatives have been restated to comply with this standard. The effect of this restatement is set out in Note 17. There was no impact on shareholders' funds or results for the year.

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 2. Segmental information

The analysis of turnover is as follows:

	1999			1998		
	Continuing £'000	Dis- Continued £'000	Total £'000	Continuing £'000	Dis- Continued £'000	Total £'000
<b>Turnover in the United Kingdom</b>	<b>1,278,708</b>	<b>185,895</b>	<b>1,464,603</b>	<b>1,200,827</b>	<b>192,663</b>	<b>1,393,490</b>
<b>Turnover overseas:</b>						
United States of America	348,144	122,136	470,280	261,172	108,658	369,830
Rest of Europe	291,054	92,177	383,231	212,473	63,563	276,036
Other	113,162	97,497	210,659	64,201	68,543	132,744
	<u>2,031,068</u>	<u>497,705</u>	<u>2,528,773</u>	<u>1,738,673</u>	<u>433,427</u>	<u>2,172,100</u>

Turnover overseas includes sales to the ultimate parent company and fellow subsidiaries of £1,058 million (1998: £764 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 products and systems for measurement, computation and communication.

### 3. Cost of sales and net operating expenses

The analysis of cost of sales and net operating expenses is as follows:

	1999			1998		
	Continuing £'000	Dis- Continued £'000	Total £'000	Continuing £'000	Dis- Continued £'000	Total £'000
<b>Cost of sales</b>	<b>1,753,923</b>	<b>386,398</b>	<b>2,140,321</b>	<b>1,472,002</b>	<b>341,224</b>	<b>1,813,226</b>
<b>Net operating expenses:</b>						
Distribution	95,900	46,836	142,736	91,080	43,382	134,462
Administration	25,714	11,856	37,570	18,706	9,947	28,653
	<u>121,614</u>	<u>58,692</u>	<u>180,306</u>	<u>109,786</u>	<u>53,329</u>	<u>163,115</u>

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 4. Leases

	1999 £'000	1998 £'000
Included within turnover (refer Note 2) are aggregate rentals receivable in respect of:		
Finance leases	60,718	49,109
Operating leases	36,637	37,151
Less: Repayments of principal	(52,748)	(41,247)
	<u>44,607</u>	<u>45,013</u>

### 5. Operating profit

	1999 £'000	1998 £'000
The operating profit is stated after charging:		
Research and development expenditure	64,936	50,912
Depreciation - owned assets	48,519	44,319
- leased assets	213	1,312
Amortisation of purchased goodwill (Note 11)	1,353	-
Operating leases - hire of machinery and equipment	9,214	9,056
- hire of other assets	2,805	2,803
Auditors' remuneration - audit services	141	141
Auditors' remuneration - other services	282	206
Loss on sale of tangible fixed assets	6,743	8,048
Wages and salaries	238,931	209,036
Social security costs	22,063	19,430
Other pension costs - defined benefits (Notes 17 and 22)	21,540	22,591
- defined contributions	3,685	2,497
	<u></u>	<u></u>

The auditors remuneration borne by the Company was £131,000 (1998: £131,000).

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 6. Directors' emoluments

	1999 £'000	1998 £'000
Management remuneration	440	552

The emoluments of the highest paid Director were £299,000 (1998: £269,000).

No Directors participated in the Company's defined contribution pension scheme during the year ended 31 October 1999 (1998: Nil).

Three Directors participated in the defined benefit pension plan during the year ended 31 October 1999 (1998: 3).

The accrued pension of the highest paid Director amounts to £143,000 per annum as at 31 October 1999 (1998: £125,000 per annum). This figure represents the pension that would be payable from normal pension age had the Director left pensionable service on 31 October 1999. It excludes allowances for increases between leaving service and retirement and any amounts attributable to voluntary contributions.

### 7. Interest payable

	1999 £'000	1998 £'000
On bank loans and overdrafts repayable within five years	2,025	2,067
On finance leases less rebates received	63	183
	2,088	2,250

### 8. Taxation on profit on ordinary activities

	1999 £'000	1998 £'000
Corporation tax at 30.42% (1998: 31%)	65,198	63,439
Prior year adjustments	(3,043)	6,600
	62,155	70,039

The tax charge differs from the statutory rate principally due to the non-recognition of movements in the level of the potential deferred tax assets, and provision for adjustments relating to prior year tax computations.

### 9. Hewlett-Packard Limited profit and loss account

In accordance with Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. Of the Group profit after tax for the year, a profit of £141,837,000 (1998 profit: £120,809,000) has been dealt with in the accounts of the Company.



**Notes to the Accounts (continued)**

*For the year ended 31 October 1999*

**10. Tangible assets**

<b>Group</b>	<b>Property £'000</b>	<b>Property Under Construction £'000</b>	<b>Machinery &amp; Equipment £'000</b>	<b>Equipment Rented Under Operating Leases £'000</b>	<b>Total £'000</b>
<b><i>Cost</i></b>					
At 1 November 1998	203,166	5,166	100,317	146,835	455,484
Additions	2,300	4,517	30,245	26,176	63,238
Reclassifications	5,611	(6,071)	460	-	-
Disposals	(796)	-	(19,316)	(21,602)	(41,714)
<b>At 31 October 1999</b>	<b>210,281</b>	<b>3,612</b>	<b>111,706</b>	<b>151,409</b>	<b>477,008</b>
<b><i>Depreciation</i></b>					
At 1 November 1998	64,458	-	66,279	79,191	209,928
Charge for the year	8,290	-	17,159	23,283	48,732
Transfers	-	-	3	-	3
Reclassifications	7	-	(7)	-	-
Disposals	(561)	-	(15,465)	(17,029)	(33,055)
<b>At 31 October 1999</b>	<b>72,194</b>	<b>-</b>	<b>67,969</b>	<b>85,445</b>	<b>225,608</b>
<b><i>Net book amount</i></b>					
<b>At 31 October 1999</b>	<b>138,087</b>	<b>3,612</b>	<b>43,737</b>	<b>65,964</b>	<b>251,400</b>
At 31 October 1998	138,708	5,166	34,038	67,644	245,556

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 10. Tangible assets (continued)

Company	Property £'000	Property Under Construction £'000	Machinery & Equipment £'000	Total £'000
<b>Cost</b>				
At 1 November 1998	203,166	5,166	100,317	308,649
Additions	2,300	4,517	30,245	37,062
Reclassifications	5,611	(6,071)	460	-
Disposals	(796)	-	(19,316)	(20,112)
<b>At 31 October 1999</b>	<b>210,281</b>	<b>3,612</b>	<b>111,706</b>	<b>325,599</b>
<b>Depreciation</b>				
At 1 November 1998	64,458	-	66,279	130,737
Charge for the year	8,290	-	17,159	25,449
Transfers	-	-	3	3
Reclassifications	7	-	(7)	-
Disposals	(561)	-	(15,465)	(16,026)
<b>At 31 October 1999</b>	<b>72,194</b>	<b>-</b>	<b>67,969</b>	<b>140,163</b>
<b>Net book amount</b>				
<b>At 31 October 1999</b>	<b>138,087</b>	<b>3,612</b>	<b>43,737</b>	<b>185,436</b>
At 31 October 1998	138,708	5,166	34,038	177,912

Included within the fixed assets of the Company and Group are assets held under finance leases at a net book amount of £361,000 (1998: £574,000).

Included within Machinery & Equipment in the Company and Group are assets subject to short-term rental agreements with a cost of £20,051,000 (1998: £9,644,000) and accumulated depreciation of £3,916,000 (1998: £2,921,000)

Analysis of property	Cost £'000	Deprecia- tion £'000	1999 Net £'000	1998 Net £'000
Freehold land	43,641	-	43,641	43,641
Freehold buildings	135,924	58,230	77,694	79,191
Short leaseholds	3,444	2,715	729	836
Long leaseholds	27,272	11,249	16,023	15,040
<b>Total Company and Group property</b>	<b>210,281</b>	<b>72,194</b>	<b>138,087</b>	<b>138,708</b>

## Notes to the Accounts (*continued*)

For the year ended 31 October 1999

### 11. Intangible assets

Group	Goodwill £'000
<b>Cost</b>	
At 1 November 1998	-
Additions	4,059
	<hr/>
<b>At 31 October 1999</b>	<b>4,059</b>
	<hr/>
<b>Accumulated amortisation</b>	
At 1 November 1998	-
Charge for the year	1,353
	<hr/>
<b>At 31 October 1999</b>	<b>1,353</b>
	<hr/>
<b>Net book amount</b>	
<b>At 31 October 1999</b>	<b>2,706</b>
	<hr/>
At 31 October 1998	-
	<hr/>

### Acquisitions

Hewlett-Packard Limited acquired 100% of the issued share capital of Libra (Syscom) Limited on 12 March 1999 for consideration of £1,625,000. The acquisition has been accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition is £4,059,000. This has been capitalised in the Group balance sheet. The consideration included US\$1,500,000 payable on 12 March 2000, which is contingent upon there being no relevant claims as defined in the acquisition agreement.

The results of Libra (Syscom) Limited prior to acquisition were as follows:

	Loss after Tax £'000
1 January 1999 to the date of acquisition	(442)
Preceding financial year ended 31 December 1998	(1,580)
	<hr/>

The results of Libra (Syscom) Limited in the period since acquisition have been included within discontinued operations and the business, net assets and investment in Libra (Syscom) Limited was, on 1 November 1999, transferred to Agilent Technologies UK Limited as part of the UK Demerger (see Note 26). In the opinion of the Directors, the turnover and operating loss of Libra (Syscom) Limited since acquisition was not material to the Group financial statements.

## Notes to the Accounts *(continued)*

For the year ended 31 October 1999

### 11. Intangible assets *(continued)*

The following table explains the adjustments made to the book value of the major categories of assets and liabilities acquired to arrive at the fair values included in the Group's consolidated financial statements at the date of the acquisition:

	Book Amount £'000	Currency Revaluation £'000	Alignment of Accounting Policies £'000	Fair Value to the Group £'000
Tangible fixed assets	41	-	(41)	-
Current assets	457	-	-	457
Creditors and provisions	(2,872)	(19)	-	(2,891)
	<u>(2,374)</u>	<u>(19)</u>	<u>(41)</u>	<u>(2,434)</u>
Goodwill capitalised				4,059
Consideration				<u>1,625</u>
				<b>£'000</b>
Consideration satisfied by:				
Cash paid				687
Deferred consideration payable				938
				<u>1,625</u>

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 12. Investments

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Shares in group undertakings	-	-	20,120	27,549
Investment in Apollo Computer (UK) Limited	3,590	3,590	3,590	3,590
Total investments	3,590	3,590	23,710	31,139

The movement in the Company's shares in group undertakings is as follows:

	Company	
	1999	1998
	£'000	£'000
At 1 November	27,549	27,549
Acquisition during year – Libra (Syscom) Limited	1,625	-
Provision for impairment in carrying value of BT&D Technologies Limited	(9,054)	-
At 31 October	20,120	27,549

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.

Subsidiary undertakings	Financial Year End
Hewlett-Packard Finance Limited	31 October
BT&D Technologies Limited	31 October
Hewlett-Packard Product Leasing Limited	31 January
Libra (SysCom) Limited	31 October (previously 31 December)
Apollo Computer (UK) Limited	31 October

Hewlett-Packard Finance Limited is engaged in the provision of financial services to users of Hewlett-Packard products.

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 the Company on 31 October 1994 and the company has been dormant since that date. On 1 November 1999, the investment in BT&D Technologies Limited was transferred to Agilent Technologies Limited as part of the UK Demerger (see Note 26).

Hewlett-Packard Product Leasing Limited did not trade during the Group's financial year.

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 12. Investments (continued)

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, in the opinion of the Directors, these are not material in the context of the Group accounts.

At 31 October 1999, in the opinion of the Directors, the carrying value of Apollo Computer (UK) Limited 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 £6,953,000. Apollo Computer (UK) Limited is owed £3,215,000 by the other Hewlett-Packard Limited Group undertakings.

Libra (Syscom) Limited trades as a computer software developer. On 1 November 1999, the investment in Libra (Syscom) Limited was transferred to Agilent Technologies Limited as part of the UK Demerger (see Note 26).

### 13. Stocks

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Raw materials and consumables	37,685	40,722	37,685	40,722
Work in progress	14,684	11,491	14,684	11,491
Finished goods for resale	49,044	48,321	49,044	48,321
Payments on account	(7,919)	(11,327)	(7,919)	(11,327)
	<u>93,494</u>	<u>89,207</u>	<u>93,494</u>	<u>89,207</u>

Long term contract balances are analysed as follows:

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Cost less foreseeable losses	7,919	11,327	7,919	11,327
Less: applicable payments on account	(7,919)	(11,327)	(7,919)	(11,327)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the Accounts *(continued)*

For the year ended 31 October 1999

### 14. Debtors

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade debtors	141,750	127,990	139,474	124,447
Amounts recoverable on contracts	11,962	7,938	11,962	7,938
Amounts owed by subsidiary undertakings	-	-	13,353	142,940
Amount owed by other group undertakings	110,802	101,808	109,771	101,622
Other debtors	24,984	13,914	20,597	13,351
Prepayments and accrued income	2,473	4,003	2,473	2,501
Investment in finance leases	75,086	90,591	-	-
	<u>367,057</u>	<u>346,244</u>	<u>297,630</u>	<u>392,799</u>

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

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary undertakings	-	-	-	45,765
Investment in finance leases	38,283	49,112	-	-
	<u>38,283</u>	<u>49,112</u>	<u>-</u>	<u>45,765</u>

The Group has acquired assets with a cost of £32,360,000 (1998: £46,361,000) for the purposes of letting under finance leases.

## Notes to the Accounts *(continued)*

For the year ended 31 October 1999

### 15. Creditors - amounts falling due within one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans and overdrafts	107,029	14,533	-	14,003
Payments received on account	762	1,133	762	1,133
Trade creditors	69,047	64,219	57,269	57,759
Amounts owed to subsidiary undertakings	-	-	19,667	18,396
Amounts owed to other group undertakings	123,510	117,954	122,071	117,509
Other creditors	2,589	2,164	1,934	1,508
Corporation tax	8,509	43,478	4,200	39,983
Other taxation and social security	22,698	39,093	21,350	38,295
Accruals and deferred income	163,526	101,447	152,190	94,279
Obligations under finance leases (Note 21)	163	538	163	538
	<u>497,833</u>	<u>384,559</u>	<u>379,606</u>	<u>383,403</u>

### 16. Creditors - amounts falling due after more than one year

	Group and Company	
	1999 £'000	1998 £'000
Other creditors	3,770	3,995
Obligations under finance leases (Note 21)	272	435
	<u>4,042</u>	<u>4,430</u>



**Notes to the Accounts (continued)***For the year ended 31 October 1999***17. Provisions for liabilities and charges**

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

	<b>Pensions £'000</b>	<b>Warranty £'000</b>	<b>Pending Litigation £'000</b>	<b>Stock Options £'000</b>	<b>Deferred Taxation £'000</b>	<b>Total £'000</b>
At 1 November 1998	1,388	8,900	-	17,286	-	27,574
Charged/(credited) to the profit and loss account	21,540	(967)	2,727	3,386	-	26,686
Pension contributions paid and accrued	(82,862)	-	-	-	-	(82,862)
Transferred to pension Asset	59,934	-	-	-	-	59,934
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1999	-	7,933	2,727	20,672	-	31,332
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Balances at 1 November 1998 include amounts transferred from accruals and deferred income, in relation to warranty (£8,900,000) and stock options (£17,286,000), following the implementation of FRS 12.

**Pensions**

Refer to Note 22 for details.

**Warranty**

Provision is made for expected warranty claims on products with unexpired warranty periods.

**Pending litigation**

The Company is negotiating a series of legal claims and disputes. The Directors, after taking appropriate legal advice, do not consider there is any material substance to the claims and are mounting a vigorous defence. The Directors consider that disclosure of further details would seriously prejudice the Company's negotiating position and, accordingly, further information on the nature of the obligations has not been provided.

**Stock options**

Provision is made for an estimate of the charges to be made to the Group by Hewlett-Packard Company, the ultimate parent company, in relation to the difference between the market value of unexercised vested stock options in Hewlett-Packard Company, and the exercise price of those options held by employees of Hewlett-Packard Limited at the balance sheet date.

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 17. Provisions for liabilities and charges (continued)

#### Deferred Taxation

The potential deferred tax balances may be analysed as follows:

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Accelerated capital allowances	7,027	3,771	(4,178)	(3,855)
Pension commitments	(5,767)	430	(5,767)	430
Other creditors	2,707	2,387	2,707	2,387
Other	1,317	731	4,032	731
Potential deferred tax asset/(liability)	5,284	7,319	(3,206)	(307)

No deferred tax balances have been recognised in the accounts. The Company's potential deferred tax liability is not expected to crystallise in the foreseeable future.

### 18. Called up share capital

	1999	1998	1999	1998
	Number	Number	£'000	£'000
	('000)	('000)		
<i>Authorised</i>				
Ordinary shares of £1 each	200,000	200,000	200,000	200,000
<i>Allotted and fully paid</i>				
Ordinary shares of £1 each	104,772	104,772	104,772	104,772

## Notes to the Accounts *(continued)*

For the year ended 31 October 1999

### 19. Reconciliation of movements in shareholders' funds

	Called Up Share Capital	Share Premium Account	Profit and Loss Account	Total Shareholders' Funds	
	£'000	£'000	£'000	1999 £'000	1998 £'000
<b>Group</b>					
At 1 November	104,772	17	276,723	381,512	255,282
Profit for the year	-	-	149,775	149,775	126,230
Dividends	-	-	(204,124)	(204,124)	-
	<u>104,772</u>	<u>17</u>	<u>222,374</u>	<u>327,163</u>	<u>381,512</u>
<b>Company</b>					
At 1 November	104,772	17	284,111	388,900	268,091
Profit for the year	-	-	141,837	141,837	120,809
Dividends	-	-	(204,124)	(204,124)	-
	<u>104,772</u>	<u>17</u>	<u>221,824</u>	<u>326,613</u>	<u>388,900</u>

Shareholders' funds are attributable entirely to equity interests. The cumulative amount of goodwill written-off to reserves as a matter of accounting policy prior to the implementation of FRS 10 is £10,789,000 (1998: £10,789,000).

## Notes to the Accounts (continued)

For the year ended 31 October 1999

### 20. Commitments

	<b>Group and Company</b>	
	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital expenditure:</b>		
Committed but not provided	<b>890</b>	<b>1,930</b>

On 1 November 1999 £837,000 of the above capital commitments were transferred to Agilent Technologies Limited.

#### *Operating lease commitments:*

At 31 October 1999 the Group and Company had annual commitments under non-cancellable operating leases expiring as follows:

	<b>1999</b>		<b>1998</b>	
	<b>Property £'000</b>	<b>Other £'000</b>	<b>Property £'000</b>	<b>Other £'000</b>
Within one year	<b>145</b>	<b>2,664</b>	<b>21</b>	<b>3,816</b>
In the second to fifth years, inclusive	<b>402</b>	<b>5,327</b>	<b>526</b>	<b>5,724</b>
After five years	<b>1,661</b>	<b>-</b>	<b>2,550</b>	<b>-</b>
	<b>2,208</b>	<b>7,991</b>	<b>3,097</b>	<b>9,540</b>

On 1 November 1999 £625,000 of the above property lease commitments and £1,691,000 of the above other lease commitments were transferred to Agilent Technologies Limited.

#### *Forward exchange contracts:*

At 31 October 1999 the Group and Company had commitments arising from forward exchange contracts entered into in the normal course of business amounting to £220 million (1998: £138 million).

## Notes to the Accounts *(continued)*

For the year ended 31 October 1999

### 21. Obligations under finance leases

	Group and Company	
	1999 £'000	1998 £'000
Future minimum payments under finance leases are as follows:		
Within one year	202	655
In the second to fifth years, inclusive	338	540
	<hr/>	<hr/>
Total gross payments	540	1,195
Less: finance charges allocated to future periods	(105)	(222)
	<hr/>	<hr/>
	435	973
	<hr/>	<hr/>
Analysed as follows:		
Current obligations <i>(Note 15)</i>	163	538
Non-current obligations <i>(Note 16)</i>	272	435
	<hr/>	<hr/>
	435	973
	<hr/>	<hr/>

On 1 November 1999 all of the obligations under finance leases were transferred to Agilent Technologies Limited.

## Notes to the Accounts *(continued)*

*For the year ended 31 October 1999*

### 22. Pensions

The Group operates a contributory defined benefit pension scheme, covering the majority of its employees. This scheme was closed to new entrants in January 1997 and a defined contribution scheme established for new employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The market value of the defined benefit pension scheme assets on 1 February 1998 was £278,480,000.

The pension costs for the defined benefit scheme 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 valuations, using the projected unit method. The most recent valuation was at 1 February 1998 and showed that the assets were sufficient to secure 90% of the benefits accrued to members. Key assumptions, which have a significant effect on the results of the valuation, are those relating to the rate of return on investments, the rate of increase in salaries and the rate of increase in pensions. It was assumed that the investment returns would be 8.5% per annum, that salary increases would average 5.5% per annum and Limited Price Indexation increases to pensions in payment would be at the rate of 3.5% per annum.

During the year, as part of the UK Demerger process, the Company's actuary carried out calculations as at 31 July 1999 of the financial position of the defined benefit pension scheme on a going concern basis, in accordance with Statement 87 of the United States' Financial Accounting Standards Board ('FAS 87'). The results of the calculations in relation to past service were that the pension scheme had an unfunded past service liability of £60,710,000 under FAS 87 as at 31 July 1999.

Accordingly, the Company entered into an agreement with the Trustees of the defined benefit pension scheme to pay the amount of £60,710,000 representing the unfunded past service liability. A part payment of £20,000,000 was paid in the year ended 31 October 1999 and is included in the pension contributions shown below. The balance of £40,710,000 is due to be paid in the year ended 31 October 2000, and is included within accruals and deferred income.

The pension charge for the year was £21,540,000 (1998: £22,591,000) in relation to the defined benefit scheme. This included £336,000 (1998: £336,000) in respect of the amortisation of prior period experience surpluses and deficits that are being recognised over the average remaining service lives of employees.

During the year, the Group made pension contributions of £42,152,000 (1998: £27,237,000). Future contributions will continue to be paid in accordance with the schedule of contributions agreed between the Trustees and the Company.

The pension fund asset of £59,934,000 included in the balance sheet will be charged to profit and loss through the application of SSAP 24 over the average remaining service lives of employees of some 16 years.

Following the UK Demerger (see Note 26), both the defined benefit and defined contribution schemes will be split into separately administered funds to be operated on behalf of Hewlett-Packard Limited and Agilent Technologies UK Limited. The dates for the separation of the schemes have yet to be determined. Until the schemes are separated, Agilent Technologies UK Limited will be a participating employer in the Hewlett-Packard Limited pension schemes.

## Notes to the Accounts *(continued)*

*For the year ended 31 October 1999*

### 23. Employees

	1999 Number	1998 Number
The average number of persons employed by the Group during the year was:		
Sales and service	3,036	2,600
Manufacturing and research & development	2,972	2,916
	<hr/>	<hr/>
	6,008	5,516
	<hr/>	<hr/>

### 24. Ultimate parent company

The ultimate parent company and the largest undertaking which consolidates these accounts 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. The smallest undertaking which consolidates these accounts is Hewlett-Packard Europe BV. Copies of the group accounts of Hewlett-Packard Europe BV can be obtained from Startbaan 16, 1187 XR Amstelveen, The Netherlands.

### 25. Related party transactions

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard Number 8 ("Related Party Transactions"), and accordingly has not provided details of its transactions with entities forming part of the Hewlett-Packard Company Group.

### 26. Post balance sheet event

On 2 March 1999, plans were announced for a strategic realignment of Hewlett-Packard Company, Hewlett-Packard Limited's ultimate parent company, that would create two independent companies, one focussed on the measurement business, the other on the computing and imaging businesses.

The new measurement group of companies is known as Agilent Technologies Inc, and comprises Hewlett-Packard Company's industry-leading test and measurement, components, chemical analysis and medical businesses (The Agilent Group). The Agilent Group started trading on 1 November 1999.

As part of this realignment Hewlett-Packard Company proposed the transfer of the assets and liabilities of its measurement business to Agilent Technologies Inc, which required a reorganisation of the Hewlett-Packard Company group to be undertaken prior to this transfer.

On 1 November 1999 the Company, of which Hewlett-Packard Start BV (HP Start) is the sole shareholder, transferred the assets and the liabilities of its measurement business to Agilent Technologies UK Limited (AL), a newly incorporated subsidiary of HP Start by means of a scheme for the reconstruction of the Company (the UK Demerger) as follows:

- (1) The Company declared a dividend in specie of its measurement business assets to HP Start amounting to £114 million;
- (2) HP Start directed that the dividend be paid by transferring the assets to AL; and
- (3) The measurement business assets were transferred to AL, which assumed the Company's measurement business liabilities and issued ordinary shares of AL to HP Start.