

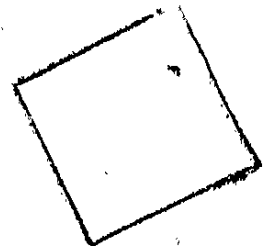
# HEWLETT-PACKARD LIMITED

690597/81

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# Directors and Offices

## DIRECTORS

F. Mariotti  
(Chairman)

D. A. Baldwin  
(Joint Managing)

P. Carmichael  
(Joint Managing)

W. P. Doolittle  
(USA)

K. C. Sinclair,  
C.B.E., B.Sc., F.I.E.E.

R. D. Gill,  
M.A.

Sir Kenneth Corfield,  
D.Univ., F.Eng.,  
F.I. Mech.E.

Secretary:  
J. B. Penrose,  
F.C.A.

## AUDITORS

Price Waterhouse & Co.,  
Southwark Towers,  
32 London Bridge Street,  
London SE1 9SY

## OFFICES

*Registered Office:*  
King Street Lane, Winnersh,  
Wokingham, Berkshire RG11 5AR.

*Manufacturing:*  
South Queensferry,  
West Lothian, EH30 9TG.

*Marketing Headquarters:*  
308-314 Kings Road,  
Reading, Berkshire.

*Sales and Service:*  
King Street Lane, Winnersh,  
Wokingham, Berkshire RG11 5AR.

Fourier House,  
257-263 High Street,  
London Colney, Herts.

Westminster House,  
190 Stratford Road,  
Shirley, Solihull B90 3BJ.

14, Wesley Street,  
Castleford, Yorks WF10 1AE.

9 Savoy Street,  
London WC2.

Tradex House,  
St. Mary's Walk,  
Maidenhead, Berkshire.

Oakfield House, Oakfield Grove,  
Clifton, Bristol BS8 2BN.

The Quadrangle,  
Station Road, Redhill, Surrey.

Trafalgar House,  
Navigation Road, Altrincham,  
Cheshire WA14 1NU.

South Queensferry,  
West Lothian EH30 9TG.

Hewlett-Packard Ireland Ltd,  
Kestrel House,  
Clanwilliam Court,  
Lower Mount Street,  
Dublin 2.

# Chairman's Statement

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The financial year ending on 31 October, 1980, was not only successful in terms of sales and profits, it also saw major elements of HP's customer support strategy coming into place.

Sales for the financial year reached £100 million with profits of £6.2 million and employment exceeding 1,700 people. Of particular note was the export performance of the South Queensferry Manufacturing Division which achieved a new high of £17.2 million.

While Hewlett-Packard has always had the objective of providing comprehensive customer support, major growth in commercial and technical computers along with instrument systems has led to a much greater extension of these activities in terms of training, customer engineering, technical consulting and bench service.

The first phase of this development, in 1978 and 1979, was to establish a network of offices and support centres throughout the country. HP sales and service is now available from offices from Brechin in the north to Southampton in the south.

During 1980, however, the emphasis has been on further development of professional support services which has meant that most of the people who joined the company during the year are involved in these activities. Customer training, for example, is now taking place at HP centres every working day along with an increasing number of on-site training courses held in customers' premises. Technical and commercial seminars, again held almost daily, have also contributed to customer awareness of the most modern computing and measurement techniques.

HP's Systems Engineering Organisation carries the responsibility for technical consulting and systems design activities and 1980 saw a major increase in demand for their services for both on-site and phone-in customer support. Recognition of the success of this strategy came towards the end of the year when HP was rated highest amongst all systems manufacturers in an independent 'Datapro' survey of customer satisfaction.

The manufacturing operation in South Queensferry had another good year, although the present economic situation and the strength of the pound had some restraining effect on orders. However, the very rapid increase in orders for locally developed communications test products during 1979 ensured that 1980 was a year of full production with excellent growth in shipments.

The Manufacturing Division has addressed the economic downturn by designing a large number of new instruments and is now launching a new product every two months. The enquiry level for these products is encouraging and the division management team is looking forward to increased activity next year in U.K. designed equipment which now constitutes over 75% of the South Queensferry operation with 90% for export.

Commercial Systems Pinewood was launched this summer specifically to develop and market software products for business computer lines in the areas of data communications and office systems. During 1981 and beyond, this new software development centre will play an increasingly important role within these product programs.

All six HP product groups: Instruments, Systems, Medical, Analytical, Components and Personal Computer Products, had a progressive year but the introduction of the HP85 personal computer made a major contribution to the doubling of business for the PCP group. Not only did sales of the HP85 exceed expectations but its first year of production also saw the arrival of a complete set of interfacing options, peripherals and software application packs.

On behalf of the Board of Directors, I should like to express appreciation and gratitude to all employees and to the management team for another year of dedicated work and successful accomplishment.

FRANCO MARIOTTI  
*Chairman*

March, 1981

# Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 October, 1980.

## RESULTS FOR THE YEAR

The consolidated results for the year are shown on page 6. The directors recommend that no dividend be paid and that the profit for the year be carried forward in retained earnings.

## PRINCIPAL ACTIVITIES

The group is engaged in the sales, service and leasing of electronic test and measurement instruments, electronic data products, medical electronic equipment, instrumentation for chemical analysis and solid state components. South Queensferry, near Edinburgh, is the Hewlett-Packard Corporation's worldwide centre for research, development and manufacture of communications test equipment.

## FIXED ASSETS

Details of fixed assets and movements during the year are set out in Note 7 to the accounts.

In the opinion of the directors the market value of the company's land and buildings was considerably in excess of the net book amount at 31 October, 1980.

## EMPLOYEES

The average number of staff employed during the year was 1,660 (1979-1,424) and their aggregate remuneration, excluding pension fund contributions and other benefits not receivable in cash, was £12,226,000 (1979-£8,741,000).

## DONATIONS

Donations to UK charities and education establishments amounted to £50,947 (1979-£9,804). No political contributions were made during the year.

## EXPORTS

Exports of the group during the year amounted to £17,211,000 (1979-£13,829,000).

## DIRECTORS

The directors of the company are detailed on page 2. Dr. R. A. Smith retired from the board on 7 March, 1980. In accordance with the articles of association, Mr. W. P. Doolittle, Sir Kenneth Corfield and Mr. K. C. Sinclair retire and offer themselves for re-election.

## DIRECTORS' INTERESTS

During the financial year the company was party to arrangements whereby certain of its employees were assisted through the Hewlett-Packard Company Employee Stock Purchase Plan in the purchase of capital stock in its holding company, Hewlett-Packard Company, which is incorporated in the United States of America. Mr. D. A. Baldwin and Mr. P. Carmichael held capital stock and options acquired during the year under these arrangements. Certain of the directors and employees are eligible to participate in the holding company's Incentive Stock Option Plan. This provides for the grant of options to acquire stock in the holding company at a price equivalent to the market price of the stock at the date when the option was granted. None of the directors had any beneficial interest in the shares of the company at the beginning or end of the financial year.

## INCOME AND CORPORATION TAXES ACT 1970

The company is not a close company within the meaning of this Act.

## AUDITORS

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

By Order of the Board

JOHN B. PENROSE  
Secretary

9 March, 1981

# Report of the Auditors

To the members of Hewlett-Packard Limited

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We have audited the accounts on pages 6 to 16 in accordance with approved Auditing Standards,

In our opinion, the accounts, which have been prepared under the historical cost convention, give, under that convention, a true and fair view of the state of affairs of the company and the group at 31 October, 1980, and of the profit and the source and application of funds of the group for the year then ended and comply with the Companies Acts, 1948 to 1980.

Southwark Towers,  
32 London Bridge Street,  
LONDON SE1 9SY.

*Price Waterhouse & Co.*

PRICE WATERHOUSE & CO,  
Chartered Accountants,  
12 March, 1981

# Consolidated Profit and Loss Account

For the year ended 31 October, 1980

		1980	1979
	NOTE	£000	£000
Turnover	1	<u>100,256</u>	<u>75,053</u>
Trading Profit	2	9,241	6,474
Interest Payable	5	<u>1,888</u>	<u>405</u>
Profit before Taxation		7,353	6,069
Taxation	6	<u>1,159</u>	<u>1,902</u>
Profit after Taxation		<u>6,194</u>	<u>4,167</u>

# Balance Sheets

At 31 October, 1980

		Group		Company	
		1980	1979	1980	1979
NOTE		£000	£000	£000	£000
<b>Fixed Assets</b>	7	<b>7,731</b>	<b>5,296</b>	<b>7,208</b>	<b>4,784</b>
<b>Deferred Assets</b>	8	<b>3,494</b>	<b>3,223</b>	<b>341</b>	<b>1,021</b>
<b>Interest in Subsidiary</b>	9	<b>—</b>	<b>—</b>	<b>(1,488)</b>	<b>34</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Current Assets</b>					
Stocks	10	11,391	9,511	11,391	9,511
Debtors	11	18,531	14,615	16,621	14,139
Amounts due from group companies	12	3,295	1,393	3,295	1,393
Cash		2,443	1,138	2,442	1,138
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>35,660</b>	<b>26,657</b>	<b>33,749</b>	<b>26,181</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Current Liabilities</b>					
Creditors		9,905	7,616	9,431	7,279
Amounts due to group companies	12	9,198	5,987	9,198	5,913
Taxation	6	1,005	3,108	1,005	3,108
Bank loans and overdrafts	13	8,843	9,713	7,126	8,108
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>28,951</b>	<b>26,424</b>	<b>26,760</b>	<b>24,408</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Current Assets</b>		<b>6,709</b>	<b>233</b>	<b>6,989</b>	<b>1,773</b>
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>17,934</b>	<b>8,752</b>	<b>13,050</b>	<b>7,612</b>
		<hr/>	<hr/>	<hr/>	<hr/>
Financed by:					
<b>Share Capital</b>	14	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>Reserves</b>	15	<b>14,680</b>	<b>8,486</b>	<b>12,796</b>	<b>7,346</b>
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>14,880</b>	<b>8,686</b>	<b>12,996</b>	<b>7,546</b>
<b>Loans</b>	13 & 16	<b>3,054</b>	<b>66</b>	<b>54</b>	<b>66</b>
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>17,934</b>	<b>8,752</b>	<b>13,050</b>	<b>7,612</b>
		<hr/>	<hr/>	<hr/>	<hr/>

P. CARMICHAEL  
D. A. BALDWIN

Directors 9 March, 1981

The notes on pages 9 to 16 form part of these accounts

*Peter Carmichael*  
*D. A. Baldwin*

# Source and Application of Funds

Year ended 31 October, 1980

	1980	1979
	£000	£000
<b>Source of Funds</b>		
Profit before taxation	7,353	6,069
Add depreciation	1,163	822
	<u>8,516</u>	<u>6,891</u>
Generated from operations		
Medium term bank loan	3,000	—
Disposal of fixed assets	128	163
	<u>11,644</u>	<u>7,054</u>
<b>Application of Funds</b>		
Taxation paid	2,582	4,413
Purchase of fixed assets	3,726	2,866
Investment in finance leases	1,708	1,984
Dividend paid	—	12,100
Loan repayment	12	12
	<u>8,028</u>	<u>21,375</u>
	<u>3,616</u>	<u>(14,321)</u>
<b>Movements in Working Capital</b>		
Stocks	1,880	2,671
Debtors	3,159	5,552
Creditors	(2,289)	(3,610)
Group debtors (net)	(1,309)	(8,920)
	<u>1,441</u>	<u>(4,307)</u>
<b>Increase/(Decrease) in Cash Balances</b>	<u>2,175</u>	<u>(10,014)</u>



# Accounting Policies

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## CONSOLIDATION PRINCIPLES

The group accounts include the results of the Company and its subsidiary Hewlett-Packard Finance Limited.

## TURNOVER

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

## FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost after deduction of Government grants.

Depreciation is calculated on the above defined cost of fixed assets in accordance with the methods and estimated useful lives set out below:

Freehold buildings—declining balance—forty years.

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

Machinery and equipment—sum of the digits—three to ten years.

Motor vehicles—sum of the digits—four years.

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

No depreciation is provided on freehold land or construction work in progress.

## STOCKS

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

## GOODS SOLD UNDER WARRANTY

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

## LEASING INCOME AND DEBTORS

Amounts receivable in respect of finance type leases to customers are stated after deduction of the interest element of the income relating to the unexpired portion of the lease, with net amounts receivable over periods in excess of twelve months being shown as deferred assets. The interest element of the income from such leases is credited to profit and loss account over the term of the lease using the sum of the digits method of calculation.

## DEFERRED TAXATION

No provision for deferred taxation is made on the basis that the group's continued growth and ongoing capital expenditure programme will effectively postpone the liability for the foreseeable future.

## FOREIGN CURRENCIES

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

## RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off to revenue as incurred.

# Notes to the Accounts

## 1 Turnover

Turnover includes sales to the ultimate holding company and fellow subsidiaries of £17,211,000 (1979: £13,829,000).

## 2 Trading Profit

Trading profit is stated after charging:

	1980 £000	1979 £000
Depreciation:	1,163	822
Hire of machinery and equipment	1,148	857
Directors' emoluments (Note 3)	85	71
Auditors' remuneration	25	24
	<u>          </u>	<u>          </u>

## 3 Directors' Emoluments

	1980 £000	1979 £000
Fees	11	10
Management remuneration	74	61
	<u>          </u>	<u>          </u>
	85	71
	<u>          </u>	<u>          </u>

The Chairman received no emoluments in the year (1979: nil) and the emoluments of the highest paid director were £33,391 (1979: £27,834). The number of other directors whose emoluments fell within the bands shown was as follows:

	1980	1979
Up to £5,000	5	5
£25,001 to £30,000	—	1
£30,001 to £35,000	1	—

#### 4. Employees' Emoluments

The emoluments of five employees (1979: one employee) fell between £20,000 and £25,000.

The amount outstanding in respect of a loan to an officer of the company was £12,000 (1979: £12,000).

#### 5. Interest Payable

	1980 £000	1979 £000
Bank loans and overdrafts	1,933	400
Other loans	25	40
	<u>1,958</u>	<u>440</u>
Less: Interest receivable	(70)	(35)
	<u>1,888</u>	<u>405</u>

#### 6. Taxation

	1980 £000	1979 £000
Corporation tax at 52% based on profit of the year	<u>1,159</u>	<u>1,902</u>

Taxation deferred and not provided in the accounts amounts to:

	Group		Company	
	1980 £000	1979 £000	1980 £000	1979 £000
Capital allowances	3,623	1,723	1,657	463
Stock relief	2,273	1,729	2,273	1,729
Short-term timing differences	(117)	(97)	(117)	(97)
	<u>5,979</u>	<u>3,355</u>	<u>3,813</u>	<u>2,095</u>

Corporation tax payable of £1,005,000 comprises £507,000 payable in January, 1981 and £498,000 payable in January, 1982.

## Notes to the Accounts—continued

### 7 Fixed Assets—Group

	Property £000	Equipment & Vehicles £000	Operating Leases £000	Total £000
<b>Cost</b>				
As at 31 October, 1979	4,692	3,169	758	8,619
Additions	1,688	1,716	322	3,726
Transfers—net	—	(3)	—	(3)
Disposals	(24)	(198)	(51)	(273)
<b>As at 31 October, 1980</b>	<b>6,356</b>	<b>4,684</b>	<b>1,029</b>	<b>12,069</b>
<b>Depreciation</b>				
As at 31 October, 1979	1,077	2,000	246	3,323
Charge for year	171	715	277	1,163
On transfers	—	(1)	—	(1)
On disposals	(5)	(125)	(17)	(147)
<b>As at 31 October, 1980</b>	<b>1,243</b>	<b>2,589</b>	<b>506</b>	<b>4,338</b>
<b>Net Book Value</b>				
As at 31 October, 1980	5,113	2,095	523	7,731
As at 31 October, 1979	3,615	1,169	512	5,296
<b>Group and Company</b>				
Analysis of property at 31 October, 1980		Cost £000	Depreciation £000	Net £000
Freehold land		669	—	669
Freehold buildings		3,056	1,191	1,865
Long leaseholds		732	8	724
Short leaseholds		500	44	456
Construction work in progress		1,399	—	1,399
		<b>6,356</b>	<b>1,243</b>	<b>5,113</b>

## 7 Fixed Assets—Company

	Property	Equipment & Vehicles	Total
	£000	£000	£000
<b>Cost</b>			
As at 31 October, 1979	4,692	3,169	7,861
Additions	1,688	1,716	3,404
Transfers—net	—	(3)	(3)
Disposals	(24)	(198)	(222)
<b>As at 31 October, 1980</b>	<b>6,356</b>	<b>4,684</b>	<b>11,040</b>
<b>Depreciation</b>			
As at 31 October, 1979	1,077	2,000	3,077
Charge for year	171	715	886
On transfers	—	(1)	(1)
On disposals	(5)	(125)	(130)
<b>As at 31 October, 1980</b>	<b>1,243</b>	<b>2,589</b>	<b>3,832</b>
<b>Net Book Value</b>			
As at 31 October, 1980	5,113	2,095	7,208
As at 31 October, 1979	3,615	1,169	4,784

### Group and Company

Analysis of property at 31 October, 1979

	Cost £000	Depreciation £000	Net £000
Freehold land	669	—	669
Freehold buildings	2,814	1,063	1,751
Long leaseholds	728	—	728
Short leaseholds	296	14	282
Construction work in progress	185	—	185
	<b>4,692</b>	<b>1,077</b>	<b>3,615</b>

## 8 Deferred Assets

	1980 £000	1979 £000
<b>Company</b>		
Recoverable ACT	341	1,021
<b>Subsidiary</b>		
Investment in finance leases:		
Capital repayments outstanding	4,283	2,575
Less: amounts due within one year	1,130	373
Amounts due after one year	3,153	2,202
<b>Group</b>	3,494	3,223

## 9 Interest in Subsidiary

Investment in Hewlett-Packard Finance Limited (wholly owned):

	1980 £000	1979 £000
Shares at cost	50	50
Amounts due—net	(1,538)	(16)
	(1,488)	34

Hewlett-Packard Finance Limited is incorporated in England.

## 10 Stocks

	1980 £000	1979 £000
Raw materials	3,274	2,709
Work in progress	2,319	2,070
Finished goods	5,798	4,732
	11,391	9,511

## 11 Debtors

Debtors include amounts due within one year in respect of finance leases of £1,130,000 (1979: £373,000) as set out in Note 8.

## 12 Amounts Due To and From Group Companies

These comprise amounts owing to and due from the ultimate holding company and fellow subsidiaries.

## 13 Bank Loans and Overdrafts

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

## 14 Share Capital

	1980 £000	1979 £000
Ordinary Shares of £1 each:		
Authorised	210	210
Issued and fully paid	200	200

## 15 Reserves

	Group £000	Company £000
Retained profits:		
As at 31 October, 1979	8,469	7,329
Profit for the year	6,194	5,450
	14,663	12,779
As at 31 October, 1980	17	17
Share premium	14,680	12,796

## 16 Loans

	1980 £000	1979 £000
Bank loan repayable March, 1983	3,000	—
Other (repayable in half yearly instalments to 1985, bearing interest at 6 $\frac{1}{8}$ %)	54	66
	3,054	66

## Notes to the Accounts—continued

### 17 Capital Commitments

	1980 £000	1979 £000
Committed but not provided for	1,641	1,073
Authorised but not committed	5,319	470

### 18 Ultimate Holding Company

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