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HEWLETT-PACKARD LIMITED REPORT & ACCOUNTS 1982



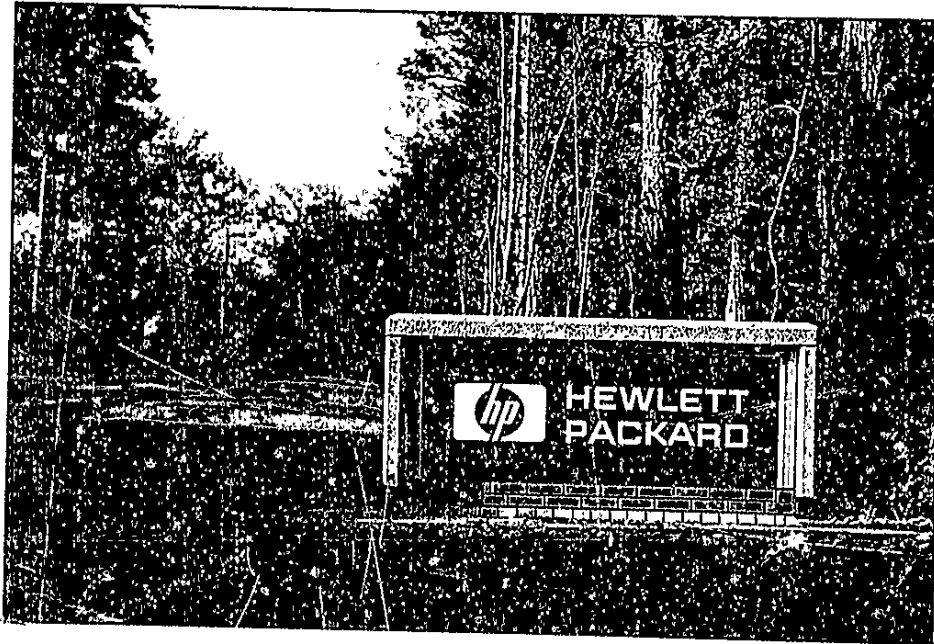
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**HEWLETT
PACKARD**

Review of the year



The rapid expansion of Hewlett-Packard's business in the U.K. in recent years was sustained in fiscal 1982 in spite of continuing economic difficulties. We are pleased to report another record year for Hewlett-Packard Limited, with a growth in turnover of 42 per cent to over £168 million.

UK employment increased by around 8 per cent to over 2000, indicating a significant productivity gain.

Profits, though subject to adverse exchange rate movements, showed a growth over 1981 of 10 per cent. Pre-tax profits were £13.10 million, compared with £11.93 million in the previous year.

Exports, at more than £27 million, showed a substantial increase of 34 per cent over the 1981 figure.

In the company's 21st year in Britain, capital expenditure of £8.8 million was slightly ahead of the previous year's fixed asset growth and was again funded entirely from retained profits.

A wide range of advanced innovative products was introduced by HP during 1982 to meet market requirements, particularly for the interactive office and personal, professional computing. The product highlight of the year was the launch of a 32-bit 'supermini', the HP-9000, described by the media as "the ultimate personal computer, packing the power of a mainframe into a desk-top machine".

The thrust of this and other products reflected a controlled movement of HP from supplying products to providing solutions to customer problems—whether in the office, factory, laboratory or classroom. This emphasis on customer productivity has influenced company structure, customer training, support and software development.

It has also meant a greater leaning towards consultancy, with HP effectively becoming a systems builder with its own extensive hardware capability—a capability that can provide most of the products

necessary to capture, measure, interpret, manage and report information.

HP solutions can therefore include any mix of HP products and associated expertise in information management, whether that information be a balance sheet, market statistics, temperature reading, drug analysis or heart rate. In this way we are striving to harness technology, in many forms, to solve a specific customer problem.

To further strengthen customer support throughout the U.K., new sales and service branches have been opened in Birmingham and at Normanton, near Leeds. We have also occupied new offices at Bridewell House in the City of London and acquired an additional office facility in North London.

In order to ensure continuing standards of customer service, a 100,000 sq. ft. building was leased at the Winnersh Triangle, near Reading, to add to our distribution, repair and spare parts centre.

Our Pinewood facility near Wokingham, opened by the Rt. Hon. Patrick Jenkin, Secretary of State for Industry, in May, houses our UK administrative head office, training centre for customers and staff, plus employee recreation centre. In his opening speech, the Secretary of State said that it was one of the most significant events of the year for high-technology industry—for three reasons. "Firstly, it was a practical demonstration of faith in the British economy. Secondly, it was the sort of investment that leads to significant benefits for our economy, creating jobs and wealth, reducing dependence on imports and increasing potential for exports. It also helped build technological know-how in the UK, offered opportunities for British firms for sub-contract work and

provided competition for UK firms, a spur to increase their own efficiency. Thirdly", Mr. Jenkin said, "we in Britain welcome such an investment from overseas. It is an embodiment of the commitment our two countries share to work towards the open trading system to which peoples in the free world should rightly aspire". Perhaps most significant of all, Pinewood is HP's worldwide centre for office systems — one of the most important growth markets across the world. The centre's first key product, HPMail, launched early in the year, is designed to spearhead HP's drive into the Interactive Office.

Also in 1982, construction continued on the sizeable extension to our South Queensferry plant, near Edinburgh, which is due for completion towards the end of 1983. As a leader in communications test equipment, serving growing world markets, this plant exports 80 per cent of its output. Moreover, three-quarters of the products made here are designed and

developed in the Queensferry R & D laboratories.

Meanwhile, construction of a temporary factory at Yate, near Bristol, was completed. This represents the first stage of developing a computer disk drive manufacturing facility that will serve all European markets. The new plant will therefore export the vast majority of its output.

It is HP's belief in Britain as a free-trading nation and in the future prosperity of UK business that has given us the confidence to make such substantial investments here. And 1982 has seen our greatest UK investment to date.

However, fundamental to our future growth is the need to convince young people to go into higher education, particularly science and engineering programmes. Satisfied as HP is at the high standard of graduates from British universities there must be doubts about the maintenance of both quality and quantity in future years unless further substantial investments are made in the educational system to keep pace with the rapid growth of high technology industry.

This review would not be complete without a tribute to the contribution of employees. We have a wealth of fine products that find wide acceptance in the marketplace, but it is the professionalism and dedication of the people who design, develop, build, sell and service them that makes those products so successful.

It is this confidence in our people and our products that prompts us to look forward with optimism to 1983. Our considerable investments in Britain in recent years have created an infra-structure that is a springboard for even greater growth in the future. It is an exciting prospect.



Franco Mariotti

David Baldwin

F. Mariotti
Chairman

D. A. Baldwin
Managing Director



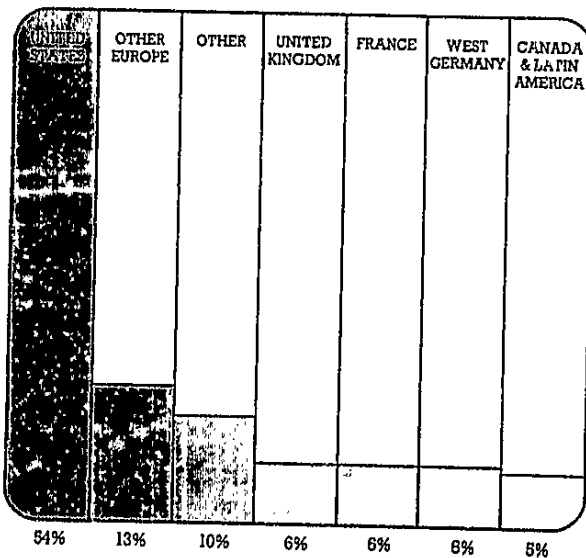
Financial highlights

FINANCIAL HIGHLIGHTS: WORLDWIDE

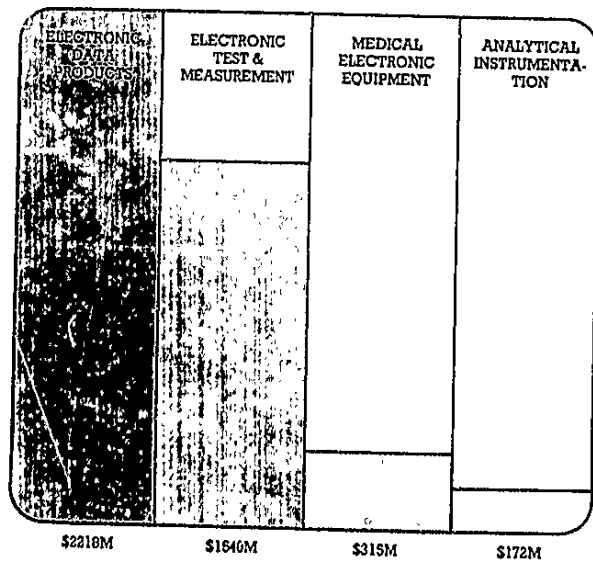
	1982	1981	1980
	\$M	\$M	\$M
Turnover	4,254	3,578	3,099
Pre-Tax Profits	676	567	513
Research and Development Expenditure	424	349	273

ORDER DISTRIBUTION

GEOGRAPHICAL



BUSINESS SEGMENT



Note: Figures have been restated in certain cases to provide comparability.

BALANCE SHEET IN SUMMARY

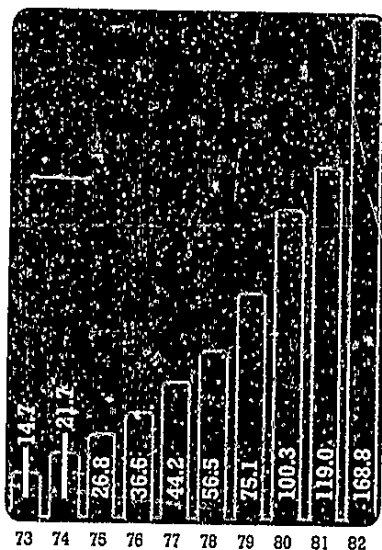
	1982	1981	1980
	\$M	\$M	\$M
Net Current Assets	1,352	1,004	801
Fixed Assets	1,213	1,018	814
(including other non-current assets and liabilities)			
	2,565	2,022	1,615
Shareholders Funds (including deferred tax)	2,526	1,996	1,586
Long Term Debt	39	26	29
	2,565	2,022	1,615

FINANCIAL HIGHLIGHTS: UK

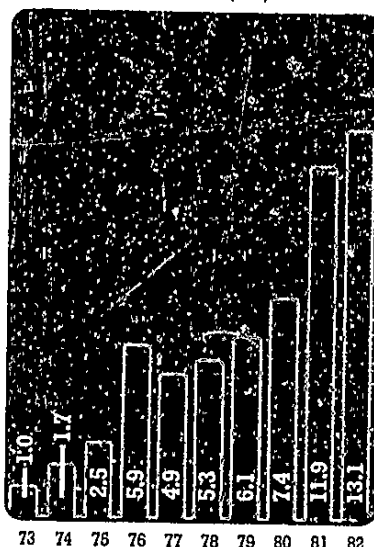
	1982	1981	1980
	£000	£000	£000
Turnover	168,844	118,984	100,256
Pre-Tax Profits	13,100	11,932	7,353
Capital Investment (in property and equipment)	8,804	8,208	3,404

10 YEAR GROWTH SUMMARY

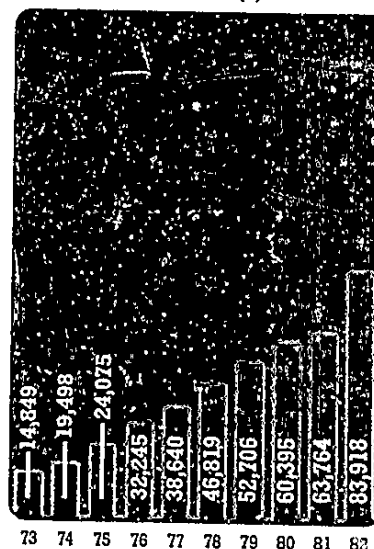
TURNOVER (£M)



PROFITS BEFORE TAX (£M)



SALES PER EMPLOYEE (£)



Note: Figures have been restated in certain cases to provide comparability.

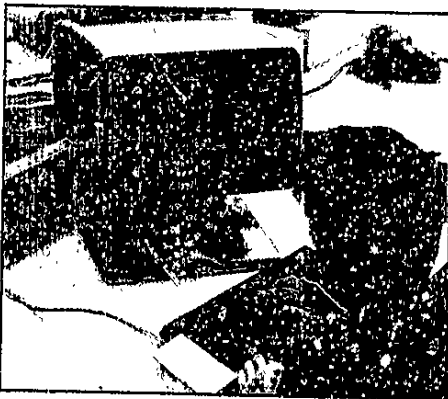
BALANCE SHEET IN SUMMARY

	1982	1981	1980
	£000	£000	£000
Net Current Assets	10,658	9,004	6,709
Fixed and Other Assets	26,209	18,108	11,225
	<u>36,867</u>	<u>27,112</u>	<u>17,934</u>
Shareholders Funds	34,337	24,070	14,880
Medium Term Loans	2,530	3,042	3,054
	<u>36,867</u>	<u>27,112</u>	<u>17,934</u>

The office of the future . . .

In the commercial office of the future, the rattle of the secretarial typewriters will be stilled, 'in' and 'out' baskets will be swept away, and employees will be free of the frustrating, time-wasting, and expensive task of attempting to reach each other on the telephone.

Each work station will be equipped with a VDU — a visual display unit the size of a small television screen — and a keyboard connected to a central computer, and all of the routine tasks of communicating, writing and filing will be carried on through this equipment.



HPMAIL in use

It sounds like a scene from Tomorrow's World, but Hewlett-Packard is making it happen today, both in its new headquarters at Pinewood, Berkshire, and in at least ten forward-looking companies in Britain — with interest from others growing all the time.

The system is called HPMAIL, and the worldwide research and development for it has been undertaken at Pinewood.

HPMAIL offers customers considerable advantages over other electronic office systems. Very little training is required and most of that can be done at the work station itself.

It enables its users to operate their

own departmental filing system within the computer, and to assemble complex messages and graphs. These can then be transmitted to any named person on the network in the world.

During the year under review, Hewlett-Packard also worked on major enhancements of HP MAIL, including closer integration with the company's word-processing products, and the addition of an electronic diary, which will store appointments for the months ahead, and make fast work of scheduling meetings. A further new package, HPTELEX enables secretaries and executives to connect with their company telex machines directly from their desks.

All of these advances are combining to make Hewlett-Packard one of the foremost contenders in the rapidly-expanding field of office automation.

In this and other areas of computing, 1982's designation as Information Technology Year helped to bring greater awareness among the public of the wide range of products of HP's

Computer Group — ranging from the powerful HP 3000 down to the portable HP75.

One scheme that fired the imagination was the award of a £250,000 grant from the Department of Industry towards computerisation of the BBC's Breakfast Television Programme.

The office automation grant went towards two HP 3000 computers — the system to be used as an integral and vital part of an on-line News Wire Service that will allow BBC journalists to access news information as and when they so wish, as well as inserting and editing their own copy.

It is believed that the system could well revolutionise the creation of news-based TV programmes.

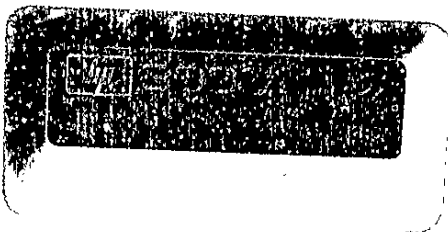
BBC presenter Frank Bough keying in to the new Breakfast Television News Wire Service



... now !

In business at large, smaller margins produced by the worldwide recession made companies noticeably more willing to invest in the enhanced productivity that Hewlett-Packard computers offer — in offices, as well as on the factory floor.

A trend which became very apparent during the year was the 'networking' of information systems — whereby a number of small computers would be linked to 'talk' to each other, sometimes over long distances. The HP DS3000 proved itself ideal for this type of task, replacing old central mainframe computers and putting power nearer to the user.



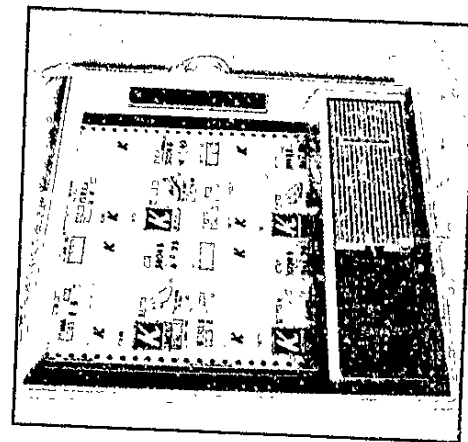
Hewlett-Packard's strength in the minicomputer market was further enhanced by the launch of the powerful 3000-64 at the top end of the 3000 range, and by significant developments in computer aided design and manufacture.

As a whole the UK Computer Group continued to enjoy substantial growth during 1982 which, judging from total market data, meant a significant increase in market share. Our success lay in the soundness of our long term strategy which, although global, proved particularly suitable for the UK. This year a 'software house' was established within HP (UK) to adapt HP software products from around the world to the specific needs of the U.K. marketplace — in addition to developing original software for local use. In this way, the British company is able to take advantage of the global

resources of HP, transferring technology to meet the particular demands of U.K. customers.

This strategy is based on the belief that in the mid-eighties major commercial and industrial companies will increasingly demand packaged application solutions to improve both their productivity and their business control. All Hewlett-Packard's application solutions are effective individually but the company feels that a key ingredient for continuing success is their ability to be linked in what we at HP call an Integrated Productivity Network.

We recognise also, that an essential part of the equation is to provide superior ongoing support to our customers. This vital relationship with major companies is now managed by our major account sales programme which ensures a planned, orderly approach to projects with commitment from all levels of management within Hewlett-Packard.

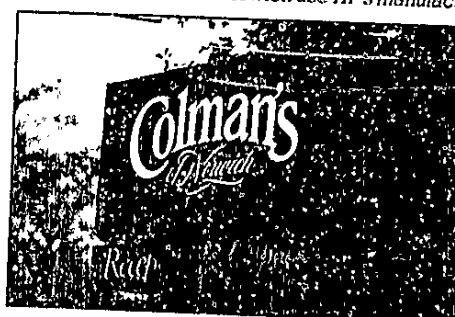


High-speed production of customised shoe box labels by HP laser printer at K Shoes



Developments continue in graphics capability

Colman's of Norwich use HP's manufacturing management system to optimise material control



Major advances in personal computing

At the personal end of the computer market, HP's 1982 launch of a 'professional's' machine small enough to be carried in a briefcase, represented a breakthrough to one of the fastest growing sectors of the industry.

The portable HP75C is battery-powered, and is therefore useable in almost any environment. It is also extremely easy to learn and to operate, and the problems it is capable of solving are of a complexity which, until its advent, could well have required a mains-powered computer many times its size.



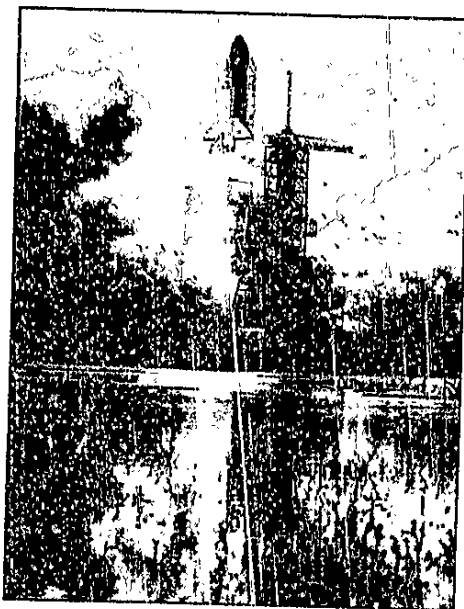
The battery-powered HP75C personal computer for the professional on the move

During the year under review, HP also consolidated its position as a supplier of specialised professional calculators with the introduction of several slimline models, including the HP16C programmer, and with further enhancement of the HP41C range of hand-held computers.

We also complemented our established range of Series 80 personal computers with the introduction of the HP86 and the HP87.

Series 10 calculators meet a wide range of commercial and technical needs

Newly introduced HP86 personal computer offers presentation graphics spreadsheet analysis and word processing



Astronauts in NASA's space shuttle make use of HP41C hand-held calculators

Places where the device is likely to be used are: on a home visit, where an insurance salesman will be able to work out a complicated 'quote' in a matter of seconds rather than referring it back to head office; in the board room during meetings; on journeys by air and train; on field surveys; and even in a traffic jam.



Measuring success in industry and defence

1982 saw the ancient craft of glass bottle-making move into the electronic era in a North of England factory. Production of receptacles for milk, beer and soft drinks is now more efficient, monitored and controlled by products from the Measurement Group of HP.

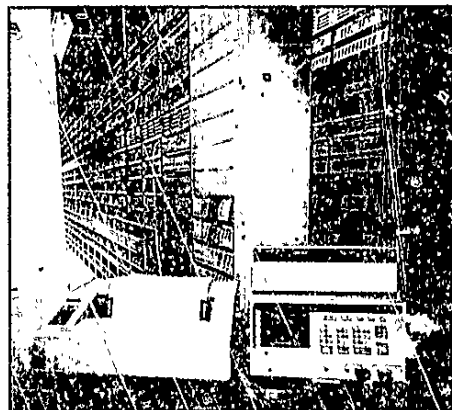
As well as in industrial applications like this, the company has established an important role for HP in defence electronics. For example, increasing sophistication of military communication is placing a greater demand on quality, security and reliability. Hewlett-Packard continued to be well equipped to meet this requirement, improving its offering in such areas as fast switching, low noise synthesizers.

Since HP introduced the first logic analyser in 1975, competition has mounted in the rapidly expanding market for digital test equipment. During 1982, the company developed a new range of logic analysers. In addition it increased the capability of its microprocessor development systems by expanding the range of microprocessors with which they are compatible. These major contributions further enhance HP's leadership in this important market.

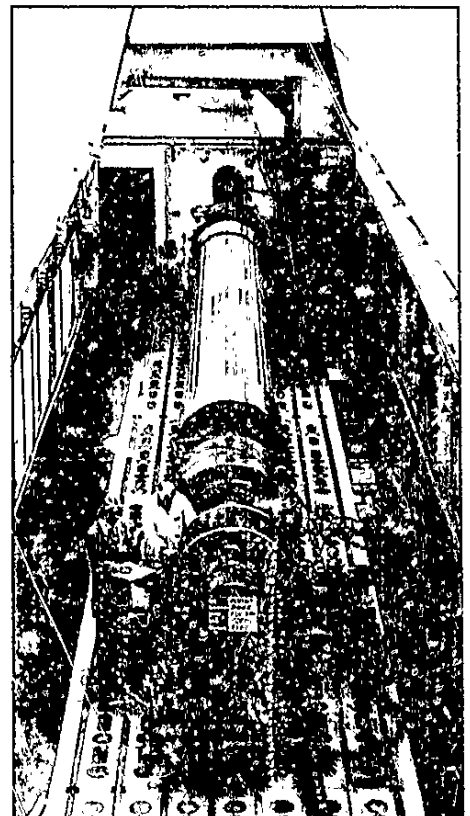
Traditional industries such as bottle making are not alone in seeking substantial increases in productivity. High technology industries like electronics are also making extensive use of HP automatic production test systems. Matching this trend, the company added to its range of instruments, controllers and other systems-compatible products.



HP measurement systems monitor bottle production at Redfearn National Glass, Barnsley



Remote communications test equipment from the South Queensferry plant in use at a British Telecom exchange in West London



HP equipment tests a 660MW generator rotor in the overspeed and balancing facility of NEI Parsons Ltd, Newcastle

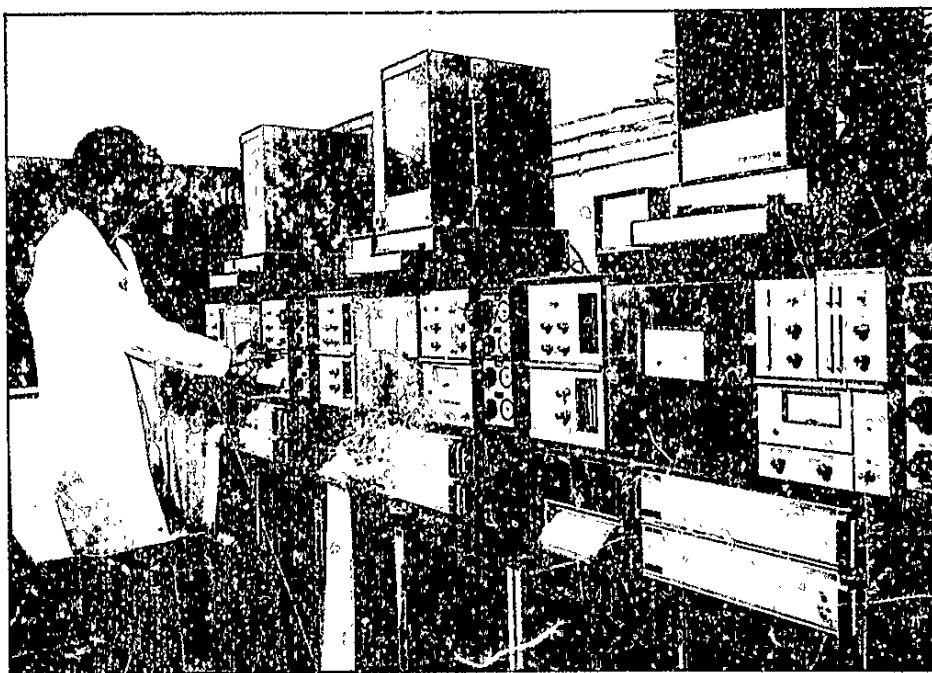
Automating the laboratory

The constant drive for greater productivity in industry was not the only spur to HP's business in 1982.

Tougher government regulations on the testing and retention of analytical data in the development of new drugs provided HP's analytical instrumentation group with greatly increased opportunities in the pharmaceutical industry.

1982 saw the introduction of a new, cost effective gas chromatograph signalling the success of HP's continuing efforts to expand HP's price/performance range. This new chromatograph's simplicity of operation combined with its ability to meet the demands of a modern laboratory, allowed HP to enter markets previously inaccessible to us.

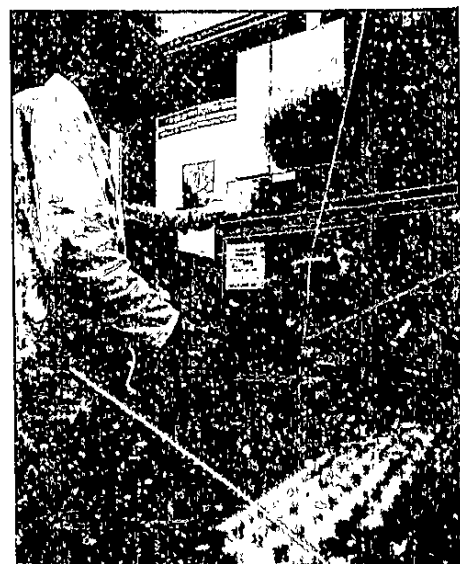
Reductions in cost per analysis coupled with improved productivity, are two of the benefits of HP's latest detection systems for gas and liquid chromatography. Introduced in the last quarter of the year they are already making significant inroads into our traditional and non-traditional customer base and promise to be major contributors to our business in 1983.



Drug testing of athletes throughout the world is dependent upon HP gas chromatography equipment

Using automated instruments and associated HP computers, hundreds of chemical analyses can now be performed unattended – from initial sample injection to final written report – providing markedly improved laboratory productivity. Laboratory automation systems produced by HP today are able to analyse data from up to 60 instruments simultaneously.

HP gas chromatographs used in pesticide analysis studies at ICI Plant Protection Division, Bracknell



A revolution in health care

NHS and private hospitals continued to invest in electronics. HP's extensive range of health-care equipment can now be found in many departments, from labour and delivery wards, and special-care baby units to intensive/coronary care units and operating theatres.



A typical two-dimensional echocardiogram

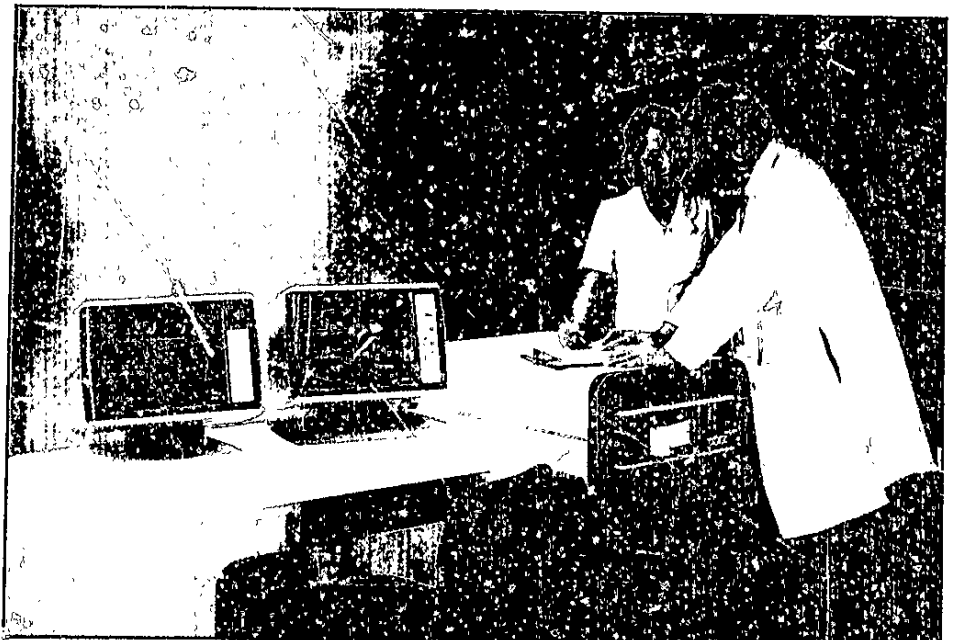


HP ultrasound equipment is in daily use for clinical diagnosis at the National Heart Hospital, London

The past year saw the introduction of an advanced patient monitoring terminal which combines high-quality patient-monitoring facilities (ECG, heart rate, temperature, respiration and several channels of invasive blood pressure) with patient data management in the form of microcomputer-generated reports and derived data. In addition, with the introduction of Care-Net, a new high-speed two-wire data bus specially designed for hospital applications, the operator can 'overview' up to 24 patients from the one monitoring terminal.

A further significant advance was the launch of a new generation of foetal monitors. The instrument uses non-invasive measurement techniques to monitor the unborn baby's heartbeat and determine foetal well-being. Using microprocessor technology it provides continuous, reliable monitoring of foetal heart signals up to a few moments before birth.

The new Care-Net system allows an operator to monitor multiple patients from the same terminal



From jumbo jets to coal mines

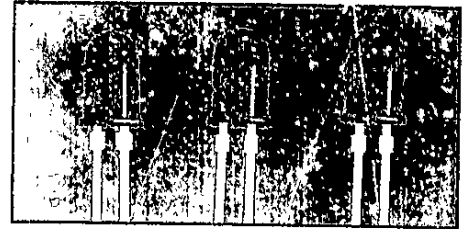
Lamps the size of the head of a pin for the viewfinder of a camera or the flight deck of a jumbo jet; glass fibres no thicker than a human hair to carry messages deep underground in a coalmine.

These were just two of the fast-expanding areas in which HP's Components Group was actively engaged. Microwave and opto-electronic semiconductor components of this type are expected to have a booming market in the future, and HP is consolidating its place among the world leaders in these key disciplines.

HP's existing, extensive range of 7-segment displays is already well-established in the electronics industry. The company's most recent development from its light-emitting product line is a high-intensity alpha numeric dot matrix display.

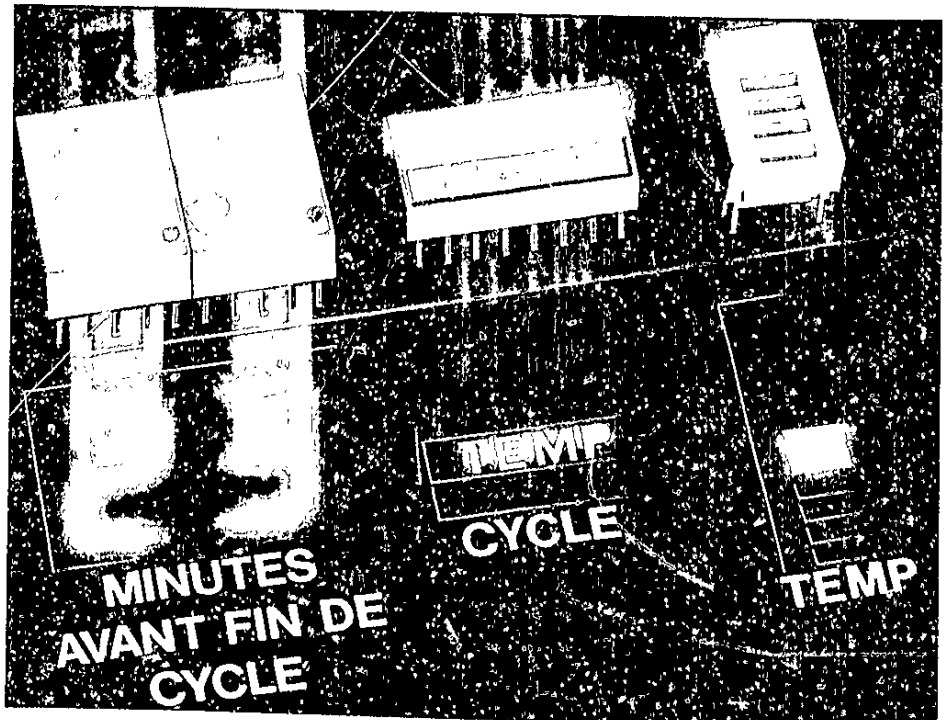


HP lamps are used on the flight deck of a jumbo jet

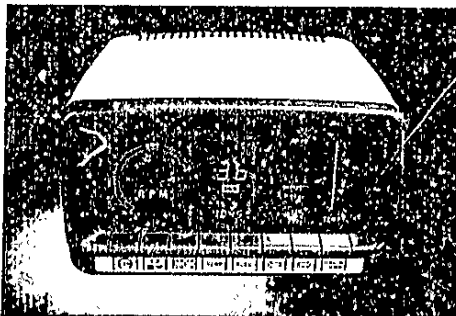


In the non-visible opto-electronics field, HP continues to respond to the very important market demand for fibre optics. The company has developed a new fibre-optic link through which 10 million bits of information each second can be passed, and this technology is now being employed to considerable advantage for communications in environments where high security and safety are paramount.

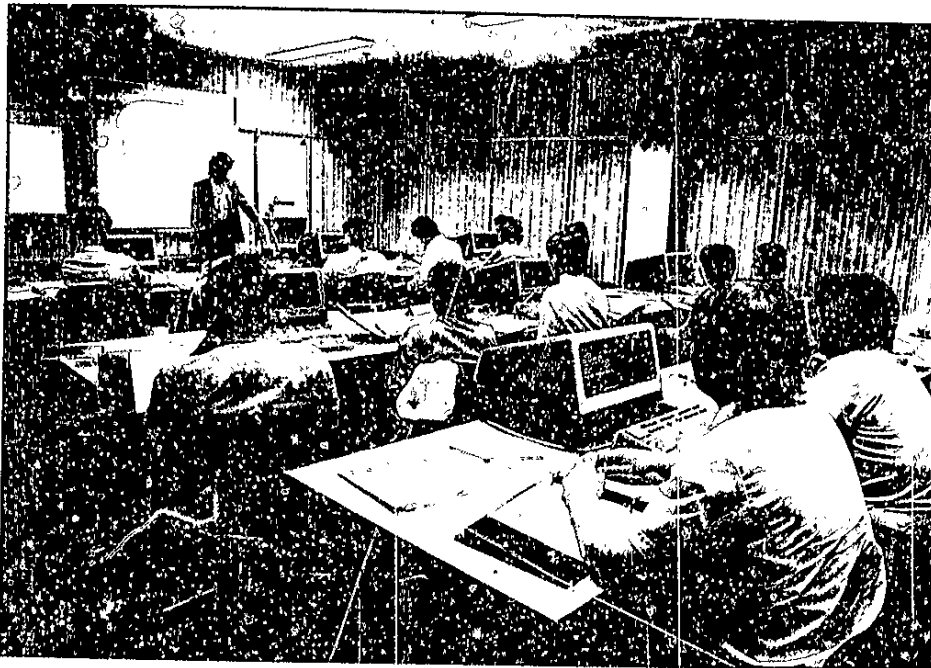
Customer panel includes 7-segment display



Futuristic simulation of motor car facia uses a variety of HP display components



Support through training . . .



The Hewlett-Packard training centre at Pinewood is fully equipped for practical 'hands-on' experience

During the past 12 months, around 3,000 customers attended training courses on HP products at Pinewood (Berkshire) and Altrincham (Cheshire).

They came from a wide spectrum of industries and companies. They included secretaries, company accountants and data-processing professionals, familiarising themselves

with HP's word-processors and office-management systems such as HPMAIL.

Both the Pinewood and Altrincham centres are equipped with HP's latest computer and measurement systems products to provide essential 'hands-on' experience — a feature of all the HP courses, which range from one-day tutorials to two-week seminars.

Hewlett-Packard's own employees also underwent extensive training. Staff members were able to improve their knowledge of the company, its products and its management methods.



... maintenance and finance

Hewlett-Packard equipment is designed for easy maintenance and trouble free operation, even in the most demanding of environments.

We provide a comprehensive range of support services, from basic hardware maintenance and problem solving to comprehensive software assistance and documentation. We maintain more than 16 service centres in the United Kingdom, staffed by customer and systems engineers responsible for hardware and software. For more complex problems, we maintain a team of local product specialists.

Remote diagnostic support for the HP 3000 computer is the latest of our support services. Using remotely linked terminals, we can diagnose, analyse, and provide solutions for system problems rapidly.

The aim of our product policy efforts and comprehensive support is to give high customer satisfaction, and we strive to ensure that our support programmes are regarded as amongst the finest in the industry.



Customer support includes a timely on-line information service, shown here in use at Pinewood

Financial support can also be provided directly from HP through its subsidiary, Hewlett-Packard Finance Limited. Customers can therefore acquire HP computers—or the many other advanced products of the company—and raise the necessary finance, all from a single source.

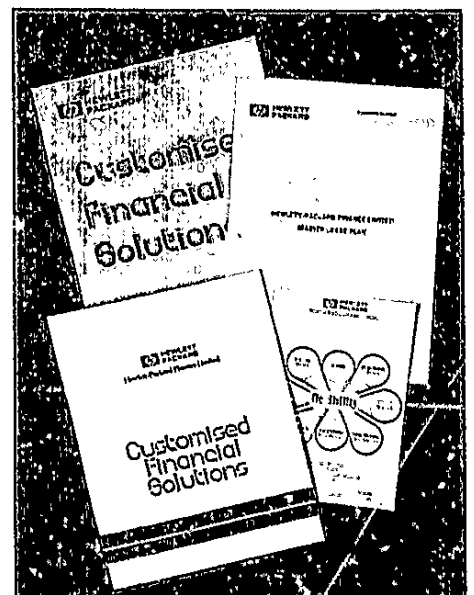
This HP subsidiary, among the more progressive companies in its field, prides itself on its comprehensive approach to financing, with schemes that range from operating leases, through rental programmes, to straight-forward hire purchase.

Working closely with the sales force, HP Finance is able to offer tailor-made solutions to match customers' financial requirements.



Designed for easy maintenance

HP Finance is able to provide tailor-made as well as standard financing solutions



Expanding and exporting

In the Bristol area in January 1983, HP will commence its new manufacturing activities, creating many new jobs by the middle 1980's.

The first products emanating from this operation will be computer disk drives for the European market. A research and development facility will follow later.

The planned site has the potential to be one of HP's largest European manufacturing centres.

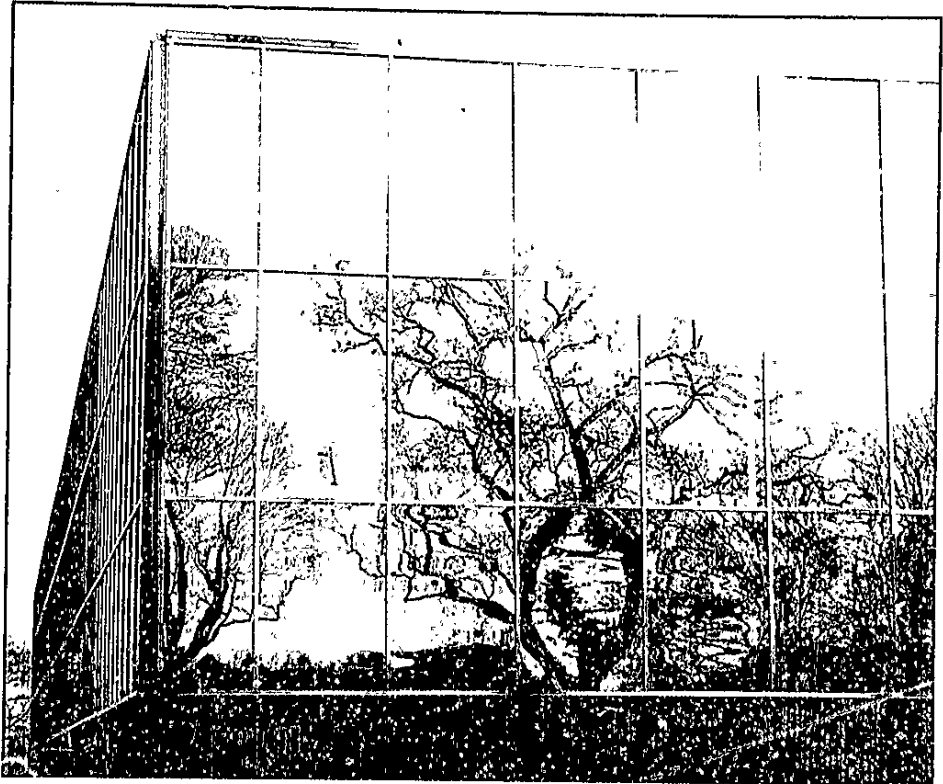


Automatic loading of components on printed circuit boards at South Queensferry

Work is also nearing completion on a 108,000 sq. ft. extension to HP's longest established UK manufacturing and research and development facility at South Queensferry near Edinburgh.

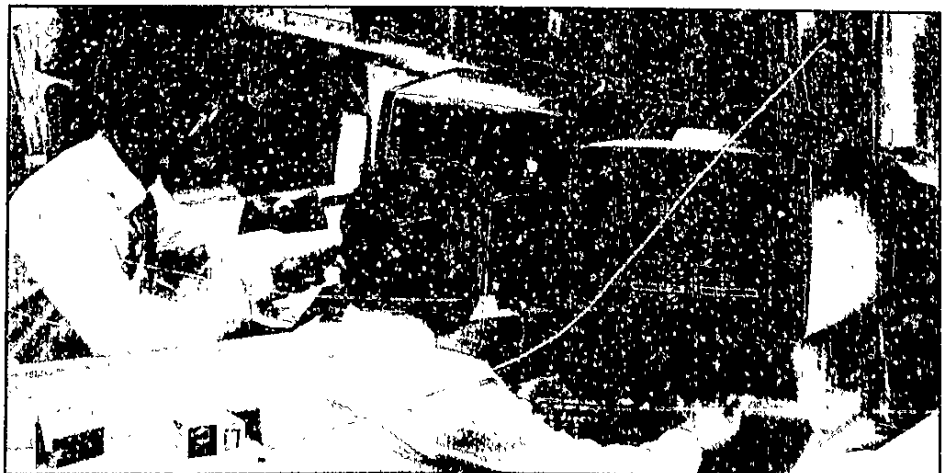
This division serves the worldwide telecommunications industry with a wide range of communications test products, and over 80% of the equipment developed and manufactured at the site is exported.

To keep pace with the strong growth in the company's UK sales in 1982, several new offices were opened around the country.



New extension at South Queensferry will be occupied towards the end of 1983

Pinewood software development for office systems is a fast-expanding export operation



International resource

Behind the fast-growing U.K. activities described in this Report is a formidable international resource under the umbrella of the U.S. parent, Hewlett-Packard Company, headquartered in Palo Alto, California.

Such a substantial resource of technology and products is a solid foundation for HP and its U.K. customers, but the transfer of hardware and expertise is not entirely one way. Pinewood's office systems software and South Queensferry's communication test products are important examples of HP in Britain taking the lead and serving the world in two rapidly expanding markets.

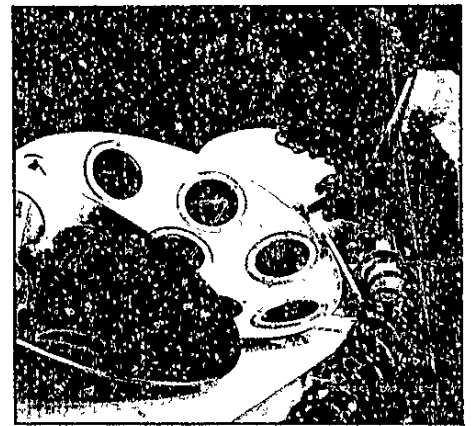
To support continuing growth even during the difficult economic climate of the past year Hewlett-Packard Company invested almost almost \$362 million in property, plant and equipment around the world.

At the end of the year in excess of 67,000 people were employed, working at over 50 manufacturing sites and 200 sales and support offices.

Worldwide 1982 sales grew by 19% to \$4.25 billion. More than \$424 million was invested in research and development representing about 10% of sales and placing HP in the top twenty R & D spenders in the U.S. Fortune 500.

Among the products resulting from this large investment was the HP 9000, a high-performance 32-bit scientific computer. This is based upon a set of five 'superchips', the largest of which — no more than a quarter of an inch square — contains electronic circuits equivalent to 600,000 transistors. This is up to six times more circuitry than other commercially available devices.

By the end of the year, R & D had taken the total number of HP product lines over the 5,000 mark. Management of this sheer volume and diversity of business activity demands sophisticated control systems and techniques. In handling this task, Hewlett-Packard has the considerable asset of its own readily available technology.

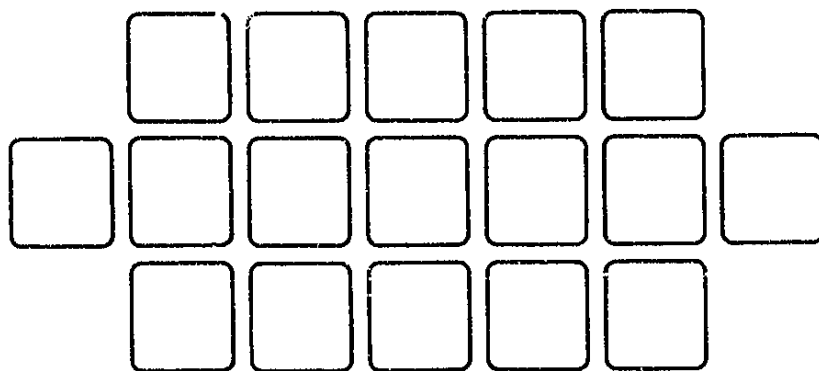


Preparing wafers for metal evaporation

1982 also saw further enhancement of the company's already highly advanced internal computer and communications network. There are now over 300 HP3000 computers used in the company's own business management, and thousands of staff are guaranteed virtually instantaneous communication and up-to-date information, via the HP electronic mail system.

New 32-bit HP9000 brings the power of the mainframe to the desk of the engineer for the first time





ACCOUNTS 1982

1 Current Cost Operating Adjustments

	1982 £000	1981 £000
Depreciation	1,231	925
Cost of Sales	3,841	1,639
Monetary Working Capital (including interest of £641,000; 1981: £467,000)	1,200	775
	<u>6,272</u>	<u>3,339</u>

2 Fixed Assets

	Gross £000	1982 Depreciation £000	Net £000	1981 Net £000
Property	31,008	8,179	22,829	18,723
Machinery and equipment	15,901	9,625	6,276	2,974
Operating leases	1,425	1,133	292	499
	<u>48,334</u>	<u>18,937</u>	<u>29,397</u>	<u>22,196</u>

3 Share Capital and Reserves

	1982 £000	1981 £000
Share Capital	1,000	1,000
Current cost reserves:		
Balance at 31 October, 1981	10,482	7,297
Revaluation surplus on fixed assets	2,597	1,537
Cost of Sales, Monetary Working Capital and Gearing adjustments	4,031	1,648
Balance at 31 October, 1982	17,110	10,482
Other reserves	25,502	20,497
	<u>43,612</u>	<u>31,979</u>

Directors and Offices

DIRECTORS

F. Mariotti
(Chairman)
D.A. Baldwin
(Managing Director)
W.P. Doolittle
(U.S.A.)
P. Carmichael
C.B.E.
K.C. Sinclair
C.B.E.,
R.D. Gill
Professor K.G. Lumsden
H.E. Edmondson
(U.S.A.)
Secretary:
R. D. Thompson

AUDITORS

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

OFFICES

Registered Office

PINEWOOD

Nine Mile Ride, Wokingham, Berks RG11 3LL.

Manufacturing

QUEENSFERRY TELECOMMUNICATION DIVISION

South Queensferry, West Lothian, Scotland EH30 9TG.

COMPUTER PERIPHERALS BRISTOL

Great Western Business Park, North Road, Yate, Bristol BS17 6PR.

OFFICE SYSTEMS PINEWOOD

Nine Mile Ride, Wokingham, Berks. RG11 3LL.

Sales and Service

Southern England

WINNERSH

King Street Lane, Winnersh, Wokingham, Berks. RG11 5AR.

CENTRAL LONDON

Bridewell House, 9 Bridewell Place, London EC4V 6BS.

NORTH LONDON (BOREHAMWOOD)

Elstree House, Elstree Way, Borehamwood, Herts. WD6 1SG.

SOUTH LONDON (REDHILL)

The Quadrangle, 106-118 Station Road, Redhill, Surrey. RH1 1PS.

* **BASILDON**

* **WEST LONDON (WHITE CITY)**

* **NORWICH**

BRISTOL

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

SOUTHAMPTON

West End House, 41 High Street, West End, Southampton, Hants. SO3 3DQ.

* **EXETER**

Midlands & Northern England

MANCHESTER

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

BIRMINGHAM

Avon House, 435 Stratford Road, Shirley, Solihull, W. Midlands B90 4BL.

NORMANTON

Pontefract Road, Normanton, West Yorkshire WF6 1RN.

* **WASHINGTON (TYNE & WEAR)**

Scotland

SOUTH QUEENSFERRY

West Lothian, Scotland EH30 9TG.

* **ABERDEEN**

* **GLASGOW**

Northern Ireland

BELFAST

c/o Cardiac Services, 95a Finaghy Road South, Belfast BT10 0B7.

Republic of Ireland

DUBLIN

82-83 Lower Leeson Street, Dublin 2

* Service Only

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 October, 1982.

RESULTS FOR THE YEAR

The consolidated results for the year are shown on page 2. 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 computers and computer systems, electronic calculators and computer/calculator peripheral products; test and measuring instrumentation and solid-state components; medical electronic equipment, and instrumentation for chemical analysis. In addition the group is engaged in the research, development and manufacture of communications test equipment and the research and development of office automation software products.

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, 1982.

EMPLOYEES

The average number of staff employed during the year was 2,012 (1981 - 1,866) and their aggregate remuneration, excluding pension fund contributions and other benefits not receivable in cash, was £19,897,000 (1981 - £15,952,000).

EMPLOYMENT OF DISABLED PERSONS

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 the 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

Donations to UK charities and education establishments amounted to £56,736 (1981 - £46,503). No political contributions were made during the year.

EXPORTS

Exports of the group during the year amounted to £27,185,000 (1981 - £20,317,000).

DIRECTORS

The directors of the company are detailed opposite. Mr. P. Carmichael became a non-executive director on 1st February, 1982 and Mr. H. E. Edmondson was appointed on 12th March, 1982. Mr. W. P. Doolittle, Professor K. G. Lumsden, Mr. P. Carmichael 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 directors and employees were assisted through the Hewlett-Packard Company Employee Stock Purchase Plan in the purchase of capital stock in the holding company, Hewlett-Packard Company, which is incorporated in the United States of America. Certain of the directors and

employees are also 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, have indicated their willingness to be re-appointed.

By Order of the Board
RICHARD D. THOMPSON
Secretary
10th December, 1982

For the year ended 31 October, 1982

	Note	1982 £000	1981 £000
Turnover	1	168,844	118,984
Trading Profit	2	14,042	12,964
Interest Payable	5	942	1,032
Profit before Taxation		13,100	11,932
Taxation	6	2,833	3,542
Profit after Taxation		10,267	8,390

The notes on pages 5 to 9 form part of these accounts

We have audited the accounts on pages 2 to 12 in accordance with approved Auditing Standards.

In our opinion:

the accounts on pages 2 to 9, 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, 1982 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 1981, and

the supplementary current cost accounts on pages 10 to 12 have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by Statement of Standard Accounting Practice No. 16.

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

Price Waterhouse
PRICE WATERHOUSE,
Chartered Accountants.

10th December, 1982

At 31 October, 1982

	Note	Group		Company	
		1982 £000	1981 £000	1982 £000	1981 £000
Fixed Assets	7	20,122	14,287	19,830	13,788
Finance Leases	8	6,087	3,821	—	—
Interest in Subsidiary	9	—	—	(792)	(1,180)
Current Assets:					
Stocks	10	17,082	17,800	17,082	17,800
Debtors	8	27,730	23,449	24,688	21,025
Amounts due from group companies	11	3,559	3,372	3,548	3,372
Cash		2,951	1,695	2,570	1,695
		51,322	46,316	47,888	43,892
Current Liabilities					
Creditors	8	17,990	13,328	16,186	12,465
Amounts due to group companies	11	9,685	9,734	9,541	9,734
Taxation	6	5,260	3,700	5,260	3,700
Bank loans and overdrafts	12	7,729	10,550	4,729	8,902
		40,664	37,312	35,716	34,801
Net Current Assets		10,658	9,004	12,172	9,091
		36,867	27,112	31,210	21,699
Financed by:					
Share Capital	13	1,000	1,000	1,000	1,000
Reserves	14	33,337	23,070	30,180	20,657
		34,337	24,070	31,180	21,657
Loans	12 & 15	2,530	3,042	30	42
		36,867	27,112	31,210	21,699

D. A. Baldwin
K. C. Sinclair

Directors 10th December, 1982

The notes on pages 5 to 9 form part of these accounts

Year ended 31 October, 1982

	1982	1981
	£000	£000
Source of Funds		
Profit before taxation	13,100	11,932
Add depreciation	2,699	1,760
Generated from operations	15,799	13,692
Medium term bank loan	2,500	—
Issue of share capital	—	800
Disposal of fixed assets	352	210
	<u>18,651</u>	<u>14,702</u>
Application of Funds		
Taxation paid	1,225	506
Purchase of fixed assets	1,985	8,526
Investment in finance leases	1,000	1,601
Loan repayment	12	12
	<u>13,027</u>	<u>10,645</u>
	5,624	4,057
Movements in Working Capital		
Stocks	(718)	6,409
Debtors	3,238	4,315
Creditors	(4,209)	(3,753)
Group debtors (net)	236	(459)
	<u>(1,453)</u>	<u>6,512</u>
Movement in Net Liquid Funds	<u>7,077</u>	<u>(2,455)</u>

The notes on pages 5 to 9 form part of these accounts

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 – over approximately 40 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.

All items under £500 are written off in the year of acquisition.

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 periods on goods sold.

LEASING INCOME AND DEBTORS

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, with net amounts receivable over periods not exceeding 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 actuarial method before tax.

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 rates 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.

1 Turnover

Turnover includes sales to the ultimate holding company and fellow subsidiaries of £27,185,000 (1981: £20,317,000).

2. Trading Profit

Trading profit is stated after charging:

	1982 £000	1981 £000
Depreciation	2,699	1,760
Hire of machinery and equipment	2,060	1,353
Directors' emoluments (Note 3)	140	102
Auditors' remuneration	46	39

3 Directors' Emoluments

Fees	15	9
Management remuneration	100	93
Ex gratia payment	25	—
	140	102

The Chairman received no emoluments in the year (1981: nil) and the emoluments of the highest paid director were £44,796 (1981: £44,413.) The number of other directors whose emoluments fell within the bands shown was as follows:

Up to £5,000	5	5
£40,001 to £45,000	1	1

4 Employees' Emoluments

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

£20,000 to £25,000	41	15
£25,001 to £30,000	17	6
£30,001 to £35,000	4	—
£35,001 to £40,000	1	—

The amount outstanding in respect of a loan to an officer of the company was £12,000 (1981: £12,000).

5 Interest Payable

Bank loans and overdrafts	1,661	1,412
Other loans	3	8
	1,664	1,420
Less: interest receivable	(722)	(388)
	942	1,032

6 Taxation

Corporation tax at 52% based on profit of the year

2,833	3,542
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The amount of taxation deferred and not provided in the accounts resulting primarily from accelerated capital allowances is Group £9,671,000 (1981: £6,044,000), and Company £6,007,000 (1981: £3,247,000).

Taxable profits for the year have been reduced by £979,000 (1981: £944,000) in respect of stock relief.

Corporation tax payable of £5,260,000 comprises £2,474,000 payable within 12 months and £2,786,000 payable in January, 1984.

7 Fixed Assets

	Property £000	Equipment £000	Total Company £000	Operating Leases £000	Total Group £000
Cost					
As at 31 October, 1981	12,137	6,613	18,750	1,343	20,093
Additions	4,416	4,388	8,804	82	8,886
Disposals	(345)	(517)	(862)	—	(862)
As at 31 October, 1982	16,208	10,484	26,692	1,425	28,117
Depreciation					
As at 31 October, 1981	1,393	3,569	4,962	844	5,806
Charge for year	447	1,963	2,410	289	2,699
On disposals	(105)	(405)	(510)	—	(510)
As at 31 October, 1982	1,735	5,127	6,862	1,133	7,995
Net Book Value					
As at 31 October, 1982	14,473	5,357	19,830	292	20,122
As at 31 October, 1981	10,744	3,044	13,788	499	14,287

Analysis of property

	Cost £000	1982 Depreciation £000	Net £000	1981 Net £000
Freehold land	669	—	669	670
Freehold buildings	3,806	1,353	2,453	1,768
Long leaseholds	7,253	281	6,972	717
Short leaseholds	1,693	101	1,592	1,169
Construction work in progress	2,787	—	2,787	6,420
	16,208	1,735	14,473	10,744

8 Finance Leases

	1982 £000	1981 £000
Investment in finance leases:		
Capital repayments outstanding	10,790	5,884
Less: amounts due within one year — included under debtors	2,776	1,733
Amounts due after one year	8,014	4,151
Obligations under finance leases:		
Capital payments outstanding	2,555	505
Less amounts payable within one year — included under creditors	628	175
Amounts payable after one year	1,927	330
Net investment in finance leases	6,087	3,821

Obligations under finance leases payable after one year were included under creditors in 1981. Comparative figures have been restated accordingly.

9 Interest in Subsidiary

	1982 £000	1981 £000
Investment in Hewlett-Packard Finance Limited (wholly owned):		
Shares at cost	50	50
Amounts due-net	(842)	(1,230)
	(792)	(1,180)

Hewlett-Packard Finance Limited is incorporated in England.

10 Stocks

	1982 £000	1981 £000
Raw materials	6,120	5,488
Work in progress	2,375	2,439
Finished goods	8,587	9,873
	17,082	17,800

11 Amounts Due To and From Group Companies

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

12 Bank Loans and Overdrafts

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

13 Share Capital	1982	1981
	£000	£000
Ordinary Shares of £1 each:		
Authorised	1,000	1,000
Issued and fully paid	1,000	1,000
14 Reserves	Group	Company
	£000	£000
Retained profits:		
As at 31 October, 1981	23,053	20,640
Profit for the year	10,267	9,523
As at 31 October, 1982	33,320	30,163
Share premium	17	17
	33,337	30,180
15 Loans	1982	1981
	£000	£000
Bank loan repayable March, 1983	—	3,000
Bank loan repayable June, 1984	2,500	—
Other	30	42
	2,530	3,042
The bank loan repayable in March 1983 has been included under current liabilities at 31 October, 1982.		
16 Capital Commitments	1982	1981
	£000	£000
Committed but not provided for	4,567	2,681
Authorised but not committed	1,550	3,670

17 Ultimate Holding Company

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

18 Basis of Preparation

The accounts on pages 2 to 9 have been prepared in compliance with Section 152A of and Schedule 8A to the 1948 Companies Act.

Accounting policies

- a) The Consolidated Current Cost Accounts have been prepared in accordance with Statement of Standard Accounting Practice No. 16. The accounting policies set out on page 5 have been followed in preparing the current cost accounts, except where they are inconsistent with current cost principles as noted below.
- b) The gross current cost of fixed assets has been restated as follows:-
 - Property — by internal valuation, based on estimated market value for land and estimated construction costs for buildings.
 - Property under construction — by application of appropriate Government indices to historical costs.
 - Hewlett-Packard manufactured machinery and equipment — by application of internally compiled indices to historical costs.
 - Other machinery and equipment — by application of appropriate Government indices to historical costs.
- c) The depreciation adjustment is the difference between depreciation on the historical cost of assets and that calculated on the gross current cost of fixed assets, using the rates set out in the historic cost accounts. An additional charge has been included to reflect the service value of assets which are fully depreciated in the historic cost accounts but which are still in use.
- d) The cost of sales adjustment identifies the extent to which the charge in the historical cost accounts for stocks consumed differs from the value to the business of those stocks. It has been computed by reference to internally compiled indices.
- e) Stocks are stated at historical cost, which approximates to replacement cost.
- f) The monetary working capital adjustment reflects the impact of price changes on the amounts needed for monetary working capital. The adjustment is calculated by reference to the net balances of debtors and creditors using internally compiled indices.
- g) The group's investment in finance leases together with debts related to this activity has been included in monetary working capital.
- h) The gearing adjustment takes credit for the proportion of the current cost adjustments which can be regarded as being financed by third parties, and is calculated on the ratio of net borrowing to share capital and reserves.
- i) Net borrowing comprises loans and overdrafts less cash, and taxation payable.

Accounting policies

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- b) The gross current cost of fixed assets has been restated as follows:-
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 - Property under construction — by application of appropriate Government indices to historical costs.
 - Hewlett-Packard manufactured machinery and equipment — by application of internally compiled indices to historical costs.
 - Other machinery and equipment — by application of appropriate Government indices to historical costs.
- c) The depreciation adjustment is the difference between depreciation on the historical cost of assets and that calculated on the gross current cost of fixed assets, using the rates set out in the historic cost accounts. An additional charge has been included to reflect the service value of assets which are fully depreciated in the historic cost accounts but which are still in use.
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- h) The gearing adjustment takes credit for the proportion of the current cost adjustments which can be regarded as being financed by third parties, and is calculated on the ratio of net borrowing to share capital and reserves.
- i) Net borrowing comprises loans and overdrafts less cash, and taxation payable.

Consolidated Current Cost Profit and Loss Account
for the year ended 31 October, 1982.

	Note	1982 £000	1981 £000
Turnover		168,844	118,984
Trading profit as shown by the historical cost accounts		14,042	12,964
Current cost operating adjustments	1	6,272	3,339
Current cost operating profit		7,770	9,625
Interest payable		301	565
Gearing adjustment		(1,010)	(766)
Current cost profit before taxation		8,479	9,826
Taxation		2,833	3,542
Current cost profit attributable to shareholders		5,646	6,284

Consolidated Current Cost Balance Sheet
at 31 October, 1982

	Note	1982 £000	1981 £000
Net Operating Assets			
Fixed Assets	2	29,397	22,196
Stocks		17,082	17,800
Monetary Working Capital		1,466	2,201
		47,945	42,197
Financed by:			
Share Capital and Reserves	3	43,612	31,979
Net Borrowing		4,333	10,218
		47,945	42,197

The notes on pages 10 and 12 form part of these accounts

1 Current Cost Operating Adjustments		1982	1981
		£000	£000
Depreciation		1,231	925
Cost of Sales		3,841	1,639
Monetary Working Capital (including interest of £641,000; 1981: £467,000)		1,200	775
		6,272	3,339
2 Fixed Assets			
	Gross	1982	1981
	£000	Depreciation	Net
		£000	£000
Property	31,008	8,179	22,829
Machinery and equipment	15,901	9,625	6,276
Operating leases	1,425	1,133	292
	48,334	18,937	29,397
3 Share Capital and Reserves			
		1982	1981
		£000	£000
Share Capital		1,000	1,000
Current cost reserves:			
Balance at 31 October, 1981		10,482	7,297
Revaluation surplus on fixed assets		2,597	1,537
Cost of Sales, Monetary Working Capital and Gearing adjustments		4,031	1,648
Balance at 31 October, 1982		17,110	10,482
Other reserves		25,502	20,497
		43,612	31,979