

Directors' report

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 October, 1976.

1. Results for the Year

The profit for the year carried forward is shown on page 8. The directors recommend that no dividend should be paid.

2. Principal Activities

The company is engaged in the manufacture and sale of electronic measuring equipment and computers.

3. Fixed Assets

Note 4 on the balance sheet forms part of this report.

The directors are of the opinion that the present market value of the company's properties does not differ materially from the value at which they are shown in the balance sheet.

4. Employees

The average number of staff employed during the year was 1,136 (1975 — 1,113) and their aggregate remuneration, excluding pension fund contributions and other benefits not receivable in cash, was £4,459,330 (1975 — £3,868,653).

5. Donations

Donations to UK charities and educational establishments amounted to £2,273 and £240 respectively totalling £2,513 (1975 — £1,910). The company made no political contributions during the year.

6. Exports

Details of the company's export turnover are shown in the profit and loss account on page 8.

7. Directors

The directors of the company are as detailed on page 14.

During the financial year, the company was party to arrangements whereby certain of its employees were assisted through the Hewlett-Packard Company Foreign Employees 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.P. Taylor 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 of the option grant.

None of the directors had any beneficial interest in the shares of the company at the beginning or end of the financial year.

8. Auditors

The auditors, Messrs McLintock Main Lafrantz & Co. remain in office in accordance with Section 159(2) of the Companies Act 1948.

By order of the board
JOHN B. PENROSE
Secretary

Review of operations - 1976

Writing in the October edition of "Measure", Hewlett-Packard's worldwide house journal, our President Bill Hewlett said:

"In the U.S. we hear a great deal about the problems of the U.K. economy, but it is interesting to note that our plant in Scotland is ahead of target in orders, ahead of target in shipments, well ahead of target in profit, and ahead of last year in all those categories as well."

How was this achieved in one of the most difficult years for the U.K. economy?

H-P Ltd has no magic formula. What it does have is a team of dedicated people determined to achieve results.

Most visitors to our Scottish plant, or any of the sales and service offices, remark upon the relaxed and informal atmosphere.

That's no accident. It's one of the visible elements in a determined effort to make sure everyone in the company can make a real contribution to our business — unfettered by artificial restraints of status and lack of communication.

Within clearly defined objectives, people are encouraged to work out their individual approaches to their jobs. Everyone is kept in touch with how the business is performing and the informal atmosphere results in a free flow of information which clears away most misunderstandings before they have a chance to develop.

A Utopia? Hardly — but most certainly a practical way to run a business.

Since we began in 1962, our turnover has grown from £300,000 to over £36 million. Employment had reached 1,138 by the end of this financial year.

The 200,000 sq. ft. plant in South Queensferry now exports over 80% of its output. The R & D team of nearly 80 people, concentrating on the development of Communications Test Equipment, will be responsible for more than half the products produced there in 1977.

The six sales disciplines, Instruments, Computer Systems, Calculators, Medical, Analytical and Components, also show considerable growth and, to meet their requirements, H-P Ltd now has offices in Altrincham, Thornton Heath, Birmingham, Castleford, London Airport and Hitchin. A major extension of the Altrincham Office, serving the Northern Region, will take place next year.

1976 saw the tenth anniversary of the move from our original production facilities at Bedford to South Queensferry. Since then we've seen steady and profitable growth financed out of earnings. That remains our first objective for 1977.

DENNIS P. TAYLOR
Managing Director
Hewlett-Packard Limited

Auditors' report to the members

We have audited the books and records of Hewlett-Packard Limited for the year ended 31 October, 1976. The accounts on pages 7 to 13, which are stated using the historical cost convention, have been properly prepared in accordance with the provisions of The Companies Acts, 1948 and 1967.

In our opinion these accounts give, under the accounting convention stated above, a true and fair view of the state of affairs and profit of the company.

McLINTOCK MAIN LAURENTZ & CO.
Chartered Accountants
London, 31 December, 1976

Accounting policies

Matters of particular significance to the determination of the company's profit and of the state of the company's affairs are as follows:

Fixed assets and depreciation

The cost of fixed assets, as shown in the balance sheet, is stated after deduction of Government grants in respect of capital expenditure.

Depreciation is calculated with reference to the above defined cost of each fixed asset over its estimated working life, account being taken of normal wear and tear and estimated obsolescence. Leasehold property is amortised over the term of the leases.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost includes, where appropriate, a proportion of manufacturing overhead.

Deferred taxation

Provision is made for corporation tax at the current rate on the amount by which profits to date for tax purposes have been reduced through the application of capital allowances in excess of the corresponding charges for depreciation and other timing differences, particularly tax relief on increased stock values.

Foreign currencies

Assets and liabilities in U.S. dollars are converted to sterling at the rate of exchange ruling at the balance sheet date; export sales in U.S. dollars are converted at the rate of exchange ruling at the date of the relevant transaction.

Goods sold under warranty

In the main, no provision is made in respect of the unexpired warranty period on goods sold. The directors are unable to quantify the amount of any provisions with reasonable accuracy.

Profit and loss account

Year ended 31 October, 1976

	Notes	1976 £000	1975 £000
SALES	1		
Export		10,837	7,271
Home		<u>25,793</u>	<u>19,524</u>
		<u>36,630</u>	<u>26,795</u>

Profit for the year before taxation

5,908 2,517

	1976 £000	1975 £000	
after charging:			
Depreciation	<u>478</u>	<u>478</u>	
Hire of machinery and equipment	<u>331</u>	<u>257</u>	
Directors' emoluments	<u>25</u>	<u>23</u>	2
Auditors' remuneration	<u>16</u>	<u>15</u>	
Interest:			
<i>Expense</i>			
Bank loans and overdrafts	235	48	
Loans repayable within five years	—	41	
Other loans	7	8	
<i>Income</i>			
Short term deposits	(6)	(20)	
	<u>236</u>	<u>77</u>	

Taxation	3	3,257	1,263
Retained Profit		<u>2,651</u>	<u>1,254</u>

Notes on profit and loss account

31 October, 1976

1. SALES	1976	1975
Sales which are for equipment, parts and charges for repair services are stated at the amounts invoiced less returns and trade discounts. Sales also include income from leased equipment.		
2. DIRECTORS' AND EMPLOYEES' EMOLUMENTS		
Directors' Emoluments	£000	£000
Fees	4	4
Management remuneration	21	19
	<u>25</u>	<u>23</u>
The emoluments excluding pension contributions of the highest paid director were	£19,078	£18,010
The number of other directors, excluding three (1975 — same) who discharged their duties mainly outside the United Kingdom, whose emoluments excluding pension contributions fell in each £2,500 bracket was as follows:		
	Number	Number
£0 — £2,500	2	2
Employees' Emoluments		
The number of employees whose emoluments exceeded £10,000 (excluding pension contributions) was:		
£10,001 — £12,500	9	3
£12,501 — £15,000	1	1
3. TAXATION	£000	£000
Corporation tax at 52%	3,097	1,425
Deferred taxation at 52%	14	(97)
	<u>3,111</u>	<u>1,328</u>
Underprovision (overprovision) in prior years		
Corporation tax	(121)	(125)
Deferred taxation	267	60
	<u>3,257</u>	<u>1,263</u>

Balance sheet

At 31 October, 1976

	Notes	1976 £000	1975 £000
Assets Employed			
FIXED ASSETS	4	3,244	3,282
CURRENT ASSETS			
Cash		367	21
Debtors		4,727	3,883
Amounts due from fellow subsidiary companies		5,367	2,445
Stocks		4,631	3,935
Deposits & prepaid expenses		337	296
		15,429	10,580
CURRENT LIABILITIES			
Bank loans and overdrafts		1,020	1,574
Creditors		2,467	1,996
Amounts due to holding and fellow subsidiary companies	5	347	510
Taxation		807	911
		4,641	4,991
NET CURRENT ASSETS		10,788	5,589
		14,032	8,871
CORPORATION TAX PAYABLE 1 JANUARY 1978		3,097	856
		10,935	8,015
Source of Funds			
Share capital	6	200	200
Share premium account		17	17
Retained earnings	7	9,087	6,436
		9,304	6,653
Loan	8	102	114
Deferred taxation	9	1,529	1,248
		10,935	8,015
R.C. ALBERDING	Director		
D.P. TAYLOR	Director		

Notes on balance sheet

At 31 October, 1976

4. FIXED ASSETS

	Freehold land and buildings	Short leasehold property	Machinery vehicles and equipment	Patents	TOTAL
Cost	£000	£000	£000	£000	£000
At 31 October, 1975	3,188	18	1,664	5	4,875
Additions	90	13	375	—	478
Disposals	(9)	—	(63)	—	(72)
At 31 October, 1976	3,269	31	1,976	5	5,281
Depreciation	635	8	1,390	4	2,037
Net book value					
At 31 October, 1976	<u>2,634</u>	<u>23</u>	<u>586</u>	<u>1</u>	<u>3,244</u>
At 31 October, 1975	<u>2,704</u>	<u>12</u>	<u>563</u>	<u>3</u>	<u>3,282</u>

5. ULTIMATE HOLDING COMPANY

The company is a subsidiary of the Hewlett-Packard Company which is incorporated in the United States of America and, as far as the directors are aware, is not a subsidiary of any other company.

6. SHARE CAPITAL

	1976		1975	
	Authorised £000	Issued and fully paid £000	Authorised £000	Issued and fully paid £000
Shares of £1 each	<u>210</u>	<u>200</u>	<u>210</u>	<u>200</u>

7. RETAINED EARNINGS

	£000
At 31 October, 1975	6,436
Retained profit for year	<u>2,651</u>
At 31 October, 1976	<u>9,087</u>

Notes on balance sheet (continued)

At 31 October, 1976

8. LOAN

The long term loan, which is secured over certain freehold property, is repayable in eighteen half-yearly instalments by Whitsunday 1985 and bears interest at $6\frac{1}{8}\%$ on the balance outstanding from time to time.

9. DEFERRED TAXATION

The balance comprises

Tax deferred by capital allowances

Tax deferred by other timing differences:

Stock rollof

Other

1976
£000

758

681

90

1,529

1975
£000

619

561

59

1,248

10. CAPITAL COMMITMENTS

Committed but not provided for

Authorised but not committed

1976
£000

90

—

1975
£000

22

—

11. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 October 1976, contingent liabilities in respect of guarantees, goods sold and goods imported under customs bonds totalled approximately £663,000 (1975 : £608,000).

Officers and facilities

Directors	R.C. ALBERDING (U.S.A. Chairman) D.P. TAYLOR C.Eng., F.I.E.E., F.I.E.R.E., F.B.I.M. (Managing) W.P. DOOLITTLE (U.S.A.) W.E. TERRY (U.S.A.) K.C. SINCLAIR C.B.E., B.Sc., F.I.E.E. R.A. SMITH C.B.E., M.A., Ph.D., F.R.S.E., F.R.S.
Secretary	J.B. PENROSE F.C.A.
Registered Office	King Street Lane, Winnersh, Wokingham, Berkshire RG11 5AR, England.
Auditors	McLintock Main Lafrentz & Co.
UK Headquarters	Hewlett-Packard Limited, King Street Lane, Winnersh, Wokingham, Berkshire RG11 5AR, England.
Sales and Service (Northern Region)	Hewlett-Packard Limited, 'The Graftons', Stamford New Road, Altrincham, Cheshire, England.
Manufacturing	Hewlett-Packard Limited, South Queensferry, West Lothian EH30 9TG, Scotland.
European Headquarters	Hewlett-Packard S.A. 7, rue du Bois-du-Lan, P.O. Box 349, CH-1217-MEYRIN 1 - Geneva, Switzerland.
Corporate Headquarters	Hewlett-Packard Company, 1501 Page Mill Road, Palo Alto, California 94304, U.S.A.
