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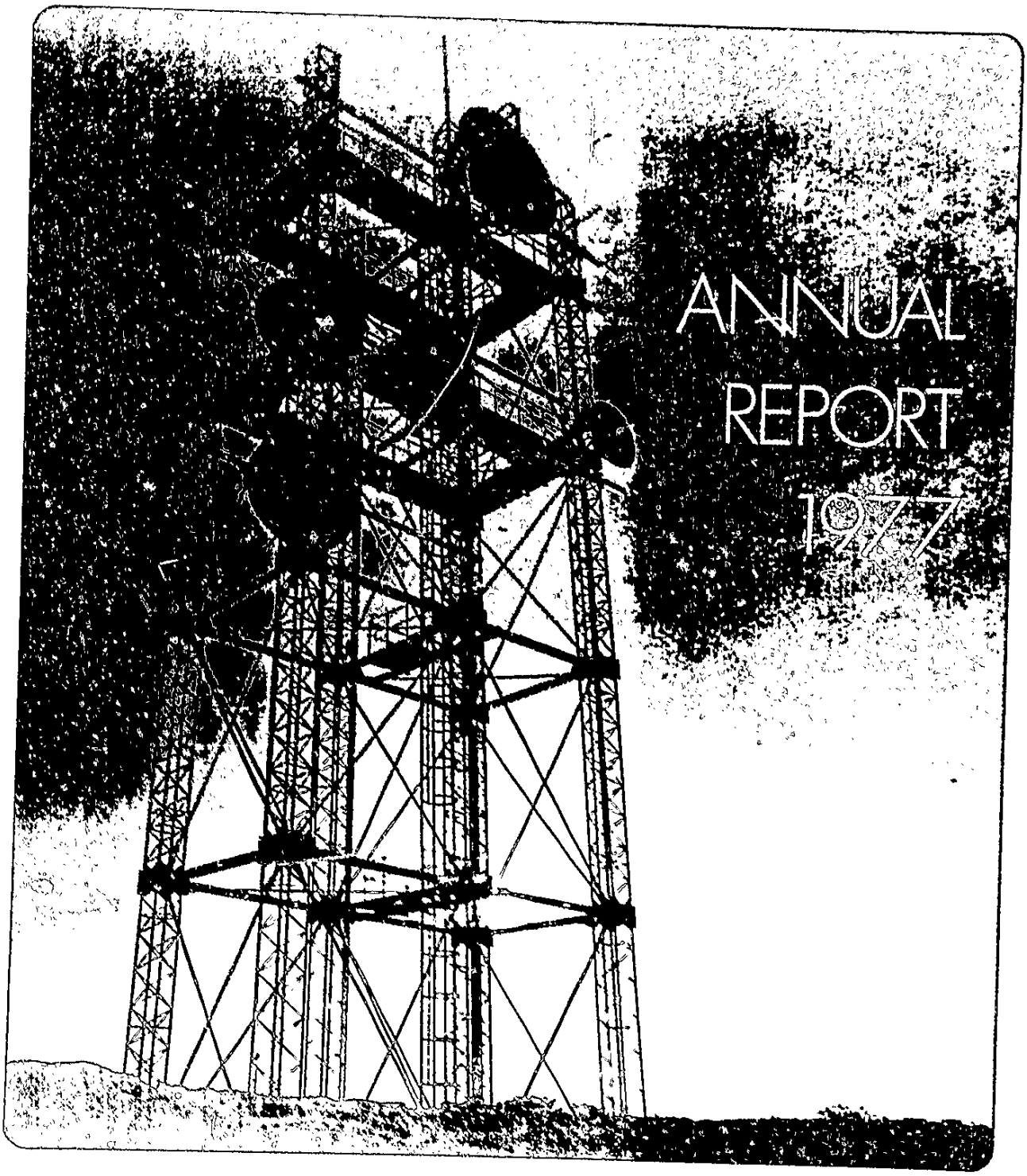
Hewlett-Packard Limited



Hewlett-Packard Ltd in brief

Hewlett-Packard Ltd is the British subsidiary of the Hewlett-Packard Company of Palo Alto, California. The parent company, founded in 1939 by William R. Hewlett and David Packard, has since grown to a turnover in excess of £770 million with 35,000 employees throughout the world.

HP's business can be summarised as "measurement and computation": measuring instruments for use in electronics, medicine, analytical chemistry and a host of other fields plus a wide range of data processing products.

Data processing, including calculators, desk-top systems and computers, is the fastest growing section of our business – up from 4% to over 40% of our turnover in the last 10 years.

Since 1961, Hewlett-Packard Ltd has developed a significant presence in the UK.

Sales and service, employing 467 people, are headquartered at Winnersh, near Reading – about 40 miles West of London – with district offices in six other locations throughout the country.

The 677 strong manufacturing division at South Queensferry, 8 miles west of Edinburgh, reached a landmark this year when over half its output was of locally-developed products. The R & D department of 80 engineers has built the division into the corporation's chief source of communications test instrumentation.

Despite the slow rate of overall economic growth in the UK, H-P Ltd has consistently achieved its first objective – sustained and profitable growth.

In 1977 H-P Ltd sales grew 21% to £44.2 million with a profit, at 11% of sales, of £4.87 million. This compares with a 1976 profit of £5.9 million which was inflated by currency gains caused by the sharp decline of the £ sterling against the US dollar.

The 1977 results showed an 11 fold increase in sales, with profit before tax up over 13 times, in the 10 years from 1967.

H-P Ltd's growth during this time has been financed out of earnings in this country and this policy will continue as we expand in the future.

DENNIS P. TAYLOR
Managing Director
Hewlett-Packard Ltd

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Directors' report

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 October, 1977.

1. Results for the year

The profit for the year carried forward is shown on page 6. The directors recommend that no dividend should be paid.

2. Principal activities

The company is engaged in the manufacture and sale of electronic equipment for measurement and computation.

3. Fixed assets

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

4. Employees

The average number of staff employed during the year was 1,144 (1976 – 1,136) and their aggregate remuneration, excluding pension fund contributions and other benefits not receivable in cash, was £5,217,810 (1976 – £4,459,330).

5. Donations

Donations to UK charities and educational establishments amounted to £4,702 (1976 – £2,513). 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 6.

7. Directors

The directors of the company are as detailed on page 13. Mr R.C. Alberding has resigned as Chairman of the Board following his appointment as General Manager of the Medical Group in the US. Mr F. Mariotti has been appointed as his replacement.

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 retiring auditors, Messrs McLintock Main Lafrentz & Co, are not seeking re-appointment and a resolution appointing Messrs Price Waterhouse & Co will be submitted to the Annual General Meeting.

By order of the board

JOHN B. PENROSE

Secretary

Auditors' report

We have audited the accounting records of Hewlett-Packard Limited for the year ended 31 October, 1977. The accounts on pages 5 to 11, which have been drawn up under 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 historical cost convention, a true and fair view of the state of affairs, profit and source and application of funds of the company.

McLINTOCK MAIN LAFRENTZ & CO
Chartered Accountants
London, 1 February, 1978

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 attributable overheads.

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 The amounts shown have been calculated by the deferral method.

Foreign currencies

Assets and liabilities in US dollars are converted to sterling at the rate of exchange ruling at the balance sheet date. Export sales in US 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 & loss account

Year ended 31 October, 1977

	Notes	1977 £000	1976 £000
SALES	1		
Export		11,622	10,837
Home		32,582	25,793
		44,204	36,630
Profit for the year before taxation		4,872	5,908
Taxation	3	2,542	3,257
Retained profit		2,330	2,651

	1977 £000	1976 £000	
after charging:			
Depreciation	426	478	
Hire of machinery and equipment	402	331	
Directors' emoluments	26	25	2
Auditors' remuneration	16	16	
Interest:			
Expense			
Bank loans and overdrafts	136	235	
Other loans	6	7	
Income			
Short term deposits	(265)	(6)	
	(123)	236	

Notes on profit & loss account

31 October, 1977

1. SALES

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

	1977	1976
Directors' emoluments		
	£000	£000
Fees	4	4
Management remuneration	22	21
	26	25
The emoluments excluding pension contributions of the highest paid director were:	£19,814	£19,078
The number of other directors, excluding three (1976–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	13	9
£12,501 – £15,000	4	1
£17,501 – £20,000	1	–

3. TAXATION

	£000	£000
Corporation tax at 52%	2,597	3,097
Deferred taxation at 52%	(57)	14
	2,540	3,111
Underprovision (overprovision) in prior years		
Corporation tax	(1)	(121)
Deferred taxation	3	267
	2,542	3,257

Balance sheet

At 31 October, 1977

	Notes	1977 £000	1976 £000
Assets employed			
FIXED ASSETS	4	3,294	3,244
CURRENT ASSETS			
Cash		4,809	367
Debtors		5,350	4,727
Amounts due from fellow subsidiary companies		4,987	5,367
Stocks	5	4,834	4,631
Deposits & prepaid expenses		365	337
		20,345	15,429
CURRENT LIABILITIES			
Bank loans and overdrafts		659	1,020
Creditors		2,922	2,467
Amounts due to holding and fellow subsidiary companies	6	1,252	347
Taxation		3,010	807
		7,843	4,641
NET CURRENT ASSETS		12,502	10,788
		15,796	14,032
CORPORATION TAX PAYABLE 1 JANUARY 1979		2,597	3,097
		13,199	10,935
Source of funds			
Share capital	7	200	200
Share premium account		17	17
Retained earnings	8	11,417	9,087
		11,634	9,304
Loan	9	90	102
Deferred taxation	10	1,475	1,529
		13,199	10,935

F. MARIOTTI Director
D.P. TAYLOR Director

D.P. Taylor.

Peter Carmichael.

Notes on balance sheet

At 31 October, 1977

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, 1976	3,269	31	1,976	5	5,281
Additions	21	35	477	—	533
Reclassifications	114	—	(114)	—	—
Disposals	—	(12)	(251)	—	(263)
At 31 October, 1977	3,404	54	2,088	5	5,551
Depreciation	(777)	(3)	(1,472)	(5)	(2,257)
Net book value					
At 31 October, 1977	2,627	51	616	—	3,294
At 31 October, 1976	2,634	23	586	1	3,244

5. STOCKS

The stocks of the company are made up as follows:

	Raw materials	Work in progress	Finished goods	Total
	£000	£000	£000	£000
At 31 October, 1977	1,193	1,485	2,156	4,834
At 31 October, 1976	1,214	1,299	2,118	4,631

6. 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.

7. SHARE CAPITAL

	1977		1976	
	Authorised £000	Issued and fully paid £000	Authorised £000	Issued and fully paid £000
Shares of £1 each	210	200	210	200

Notes on balance sheet (cont.)

At 31 October, 1977

8. RETAINED EARNINGS

	£000
At 31 October, 1976	9,087
Retained profit for year	2,330
At 31 October, 1977	11,417

9. LOAN

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

10. DEFERRED TAXATION

	1977 £000	1976 £000
The balance comprises:		
Tax deferred by capital allowances	860	758
Tax deferred by other timing differences:		
Stock relief	681	681
Other	(66)	90
	1,475	1,529

11. CAPITAL COMMITMENTS

	1977 £000	1976 £000
Committed but not provided for	183	90
Authorised but not committed	–	–

12. CONTINGENT LIABILITIES AND COMMITMENTS

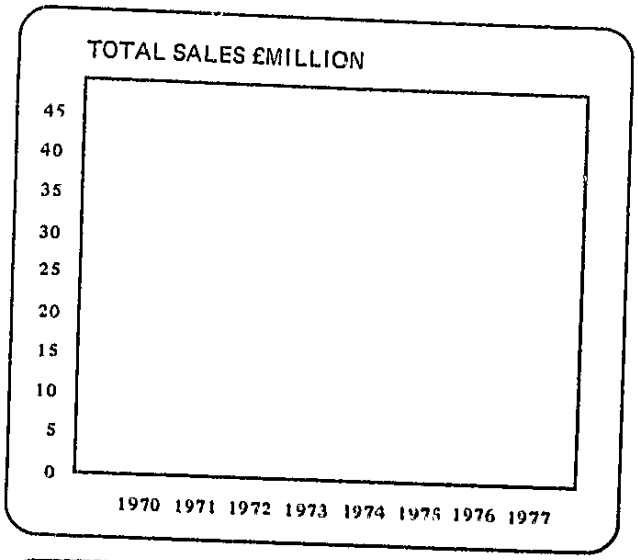
At 31 October 1977, contingent liabilities in respect of guarantees, goods sold and goods imported under customs bonds totalled approximately £920,000 (1976: £663,000).

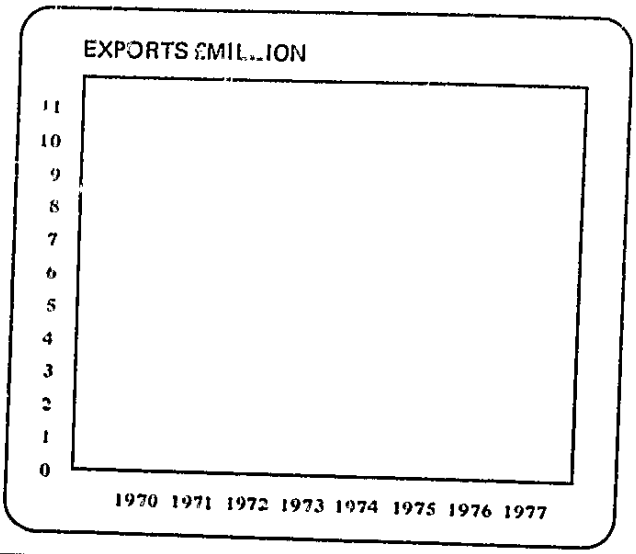
Source & application of funds

Year ended 31 October, 1977

	1977 £000	1977 £000	1976 £000	1976 £000
Source of funds				
Trading profit before tax		4,872		5,908
Adjustment for items not involving the movements of funds:				
Depreciation		426		478
Disposal of fixed assets		57		38
TOTAL GENERATED FROM OPERATIONS		5,355		6,424
FUNDS FROM OTHER SOURCES				
Government grants received		51		34
		5,406		6,458
Application of funds				
Tax paid	(894)		(839)	
Purchase of fixed assets	(533)		(478)	
Decrease in long-term borrowing	(12)		(12)	
INCREASE IN WORKING CAPITAL		(1,439)		(1,329)
		3,967		5,129
Comprising:				
Increase in stock	203		695	
Increase in debtors	701		920	
Increase (decrease) in net group debtors	(1,285)		3,085	
Increase in creditors	(455)		(471)	
Movements in net liquid funds:				
Increase in cash balances	4,803		900	
		3,967		5,129

Sales performance trends





Officers & facilities

Directors	F. MARIOTTI (Switzerland) (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.
UK Headquarters	Hewlett-Packard Limited, King Street Lane, Winnersh, Wokingham, Berkshire RG11 5AR, England.
Sales and Service (Northern Region)	Hewlett-Packard Limited, Trafalgar House, Navigation 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.