

HEWLETT-PACKARD LIMITEDDIRECTORS' REPORTDirectors

R.C. Alberding (U.S.A.) - chairman
 W.P. Doolittle (U.S.A.)
 D.P. Taylor - managing director
 K.C. Sinclair
 J.A. Young (U.S.A.)
 Dr. R.A. Smith

1. The directors have pleasure in submitting their annual report, together with the audited accounts for the year ended 31st October, 1973.

Financial

2. The profit for the year carried forward is shown on page 3. The directors recommend that no dividend should be paid.
3. The year 1973 has been an exceptional one for the whole Hewlett-Packard Corporation with a world wide growth of 38% in sales. This has been reflected in the U.K. with a 30% increase in shipments volume.
4. U.K. demand has been particularly strong for calculator products and major export orders have been received for Microwave Link Analysers that were developed and produced at the Scottish Plant.
5. Orders for communications products were 106% ahead of last year and this substantial increase fully justifies the continuing investment in research and development allied to communication instrumentation. In order to meet this exceptional demand increased costs have been incurred at South Queensferry to step up production during the latter part of 1973 and this had insufficient impact on shipments during the year. This has resulted in a decline in profitability during 1973 which will be reversed in 1974 when the full benefit of the increased volumes will have been received.

Activities and assets

6. The company is engaged in the manufacture and sale of electronic measuring equipment and computers.
7. Details of the company's export turnover are shown in the profit and loss account on page 3.
8. 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.

Directors/

Directors

9. 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.
10. 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.
11. None of the directors had any beneficial interest in the shares of the company at the beginning or end of the financial year.

Employees

12. The average number of staff employed during the year was 987 (1972 - 833) and their aggregate remuneration excluding pension fund contributions and other benefits not receivable in cash was £2,212,451 (1972 - £1,437,134).

Other matters

13. Donations to U.K. charitable - £1,003 - and educational - £604 - organisations amounted to £1,607 (1972 - £1,179). The company made no political contributions during the year.

Auditors

14. 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

11th January, 1974.
London.

PROFIT AND LOSS ACCOUNT

	<u>Notes</u>		<u>1972</u>
SALES	2		
Export			
Group companies		£ 4,498,668	£ 4,164,189
Home			
External customers		<u>10,157,772</u>	<u>7,078,905</u>
Total sales		<u>£14,656,440</u>	<u>£11,243,094</u>
PROFIT FOR THE YEAR BEFORE TAXATION	3 and 4	£ 992,213	£ 964,736
TAXATION			
Corporation tax based on the profit for the year at 45.83% (1972 : 40%)		£307,400	347,286
Add: Transfer to tax equalisation account	8	<u>179,000</u>	50,000
		486,400	397,286
PROFIT FOR THE YEAR AFTER TAXATION		<u>£ 505,813</u>	<u>£ 567,450</u>

The notes on pages 5 to 8 form part of these accounts.

BALANCE SHEET

	<u>Notes</u>		<u>1972</u>
NET ASSETS			
Current assets			
Cash	£ 4,710		£ 9,760
Debtors	4,745,136		2,866,361
Amount due from fellow subsidiary companies	1,103,825		695,169
Stocks	1 3,095,274		2,173,111
Customs duty and import deposits	135,735		85,368
Prepaid expenses	242,590		25,736
		£9,327,270	5,855,505
Current liabilities			
Bank loans and overdrafts	1,408,171		1,180,220
Creditors	1,584,815		626,213
Amount due to holding and fellow sub-idiary companies	5 3,165,362		825,166
Taxation	328,149		415,524
		6,486,497	3,047,123
Net current assets		2,840,773	2,808,382
Fixed assets	6	2,728,224	2,063,570
Total assets		5,568,997	4,871,952
Deduct: Loans	7	138,000	150,000
Deferred taxation	8	756,000	514,286
		894,000	664,286
TOTAL NET ASSETS		£4,674,997	£4,207,666

FUNDS EMPLOYED

Share capital			
Authorised, issued and fully paid			
200,000 Shares of £1 each		£ 200,000	£ 200,000
Revenue reserve			
Profit and loss account	9	4,421,187	4,007,666
Regional development grant reserve	1	53,810	-
TOTAL FUNDS		£4,674,997	£4,207,666

R.C. ALBERDING)
) Directors
 D.P. TAYLOR)

*certified that this is a
 true copy.
 Director
 Secretary.*

The notes on pages 5 to 8 form part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounting policies of Hewlett-Packard Limited, in so far as they concern matters of particular significance to the determination of the company's profit and of the state of the company, may be summarised as follows:

Fixed assets and depreciation

The cost of fixed assets, as shown in the balance sheet, is stated after deduction of investment and local employment grants in respect of capital expenditure. Regional development grants are not deducted from the cost of fixed assets.

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.

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 expenses.

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.

Regional development grants

Regional development grants are held initially in a reserve and are credited to profit and loss account by way of a reduction of the depreciation charge over the life of the related fixed asset.

Foreign currencies

Assets and liabilities receivable and payable in foreign currencies are converted to sterling at the rates of exchange ruling at the balance sheet date.

Goods sold under warranty

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

2. SALES

Sales, which are for instruments and parts, and charges for repair services, are stated at the amounts invoiced less returns and trade discounts.

3./

NOTES TO THE ACCOUNTS (continued)

3. DIRECTORS' EMOLUMENTS

Directors' remuneration was:

	<u>1973</u>	<u>1972</u>
Fees	£ 2,000	£ 2,000
Management remuneration	<u>14,661</u>	<u>12,692</u>
	<u>£16,661</u>	<u>£14,692</u>

The chairman received no remuneration (1972 : none) from the company and mainly discharged his duties outside the United Kingdom. The emoluments excluding pension contributions of the highest paid director amounted to £13,543 (1972 : £11,654).

The number of directors, other than three (1972 : three) who discharged their duties mainly outside the United Kingdom, whose emoluments excluding pension contributions fell in each £2,500 bracket was as follows:

	<u>1973</u>	<u>1972</u>
£ 0 - £ 2,500	2	2
£10,001 - £12,500	-	1
£12,501 - £15,000	1	-

4. OTHER TRADING ITEMS

	<u>1973</u>	<u>1972</u>
Depreciation after crediting £6,833 (1972 - nil) from regional development grant reserve	<u>£315,313</u>	<u>£223,553</u>
Hire of machinery and equipment	<u>£165,817</u>	<u>£131,331</u>
Auditors' remuneration, including expenses	<u>£ 6,474</u>	<u>£ 6,800</u>
Interest payable on:		
Bank loans and overdraft	£ 97,243	£ 36,871
Loans repayable within five years	20,941	13,230
Other loans	<u>9,398</u>	<u>10,134</u>
	127,582	60,235
	<u>432</u>	<u>3,757</u>
<u>Less: Interest received</u>	<u>£127,150</u>	<u>£ 56,478</u>

31ST OCTOBER, 1973

HEWLETT-PACKARD LIMITEDNOTES TO THE ACCOUNTS (continued)

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. FIXED ASSETS

	Freehold land and buildings	Leasehold property	Machinery and equipment	Patents	Total
Cost					
At 31st October, 1972	£1,829,667	£171,947	£692,053	£ -	£2,693,667
Additions	411,627	1,469	559,546	109	972,751
Disposals	(10,449)	-	(17,391)	-	(27,840)
Capital grants disallowed in respect of prior years	25,193	-	-	-	25,193
At 31st October, 1973	2,256,038	173,416	1,234,208	109	3,663,771
Depreciation	265,883	70,388	599,276	-	935,547
Net book value					
At 31st October, 1973	£1,990,155	£103,028	£634,932	£ 109	£2,728,224
At 31st October, 1972	£1,638,440	£127,386	£297,744	£ -	£2,063,570

Leasehold property is held on short leases.

Investment and development grants totalling £574,864 have been deducted from the cost of buildings, machinery and equipment at 31st October, 1973 (1972 : £594,339).

Depreciation is provided upon leasehold property on the straight line basis over the term of the leases, and upon other assets on the reducing balance basis so as to write off the cost of those assets, after deducting investment and development grants, over their estimated lives.

7. LOANS

Loans outstanding at 31st October, 1973 were as follows:

Principal outstanding	Security and terms of repayment	Interest rate
1973		6 1/2% per annum
£138,000	Secured on freehold property, and repayable in twenty-five half yearly instalments by Whitsun 1985	
1972		
£150,000		

HEWLETT-PACKARD LIMITED31ST OCTOBER, 1973NOTES TO THE ACCOUNTS (continued)

8. DEFERRED TAXATION

	<u>1973</u>	<u>1972</u>
Tax equalisation account	£459,000	£167,000
Corporation tax payable on 1st January, 1975	<u>297,000</u>	<u>347,286</u>
	<u>£756,000</u>	<u>£514,286</u>

The tax equalisation account represents corporation tax at 50% (1972 : 40%) on the amount of accelerated taxation allowances.

9. PROFIT AND LOSS ACCOUNT

Balance as at 31st October, 1972		£4,007,666
Prior year adjustments		
Transfer to tax equalisation	£(113,000)	
Corporation tax	<u>20,708</u>	(92,292)
Profit for the year		<u>505,813</u>
Balance carried forward		<u>£4,421,187</u>

10. CAPITAL COMMITMENTS

	<u>1973</u>	<u>1972</u>
Committed but not provided for	<u>£922,200</u>	<u>£ 36,332</u>
Authorised but not committed	<u>£ -</u>	<u>£ -</u>

11. CONTINGENT LIABILITIES AND COMMITMENTS

At 31st October, 1973, contingent liabilities in respect of guarantees, goods sold and goods imported under customs bonds totalled approximately £415,285 (1972 : £277,100). Included in this sum is a claim for approximately £53,000 (1972 : £53,000) in respect of a dispute under a building contract against which a counter claim has been lodged for at least a similar amount.

12. FOREIGN CURRENCIES

Assets and liabilities in US. dollars at 31st October, 1973 have been converted at the rate of US.\$2.40 to the £, which approximated the market rate (1972 : US.\$2.35 to the £).

HEWLETT-PACKARD LIMITEDAUDITORS' REPORT

LONDON. 11th January, 1974. We have audited the books and records of Hewlett-Packard Limited for the year ended 31st October, 1973. The accounts on pages 3 to 8 have been properly prepared in accordance with the provisions of the Companies Acts, 1948 and 1967.

In our opinion these accounts give a true and fair view of the state of affairs and profit of the company.

McLINTOCK MAIN LAURENTZ & CO.

Chartered Accountants