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# Hewlett-Packard Limited

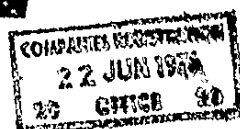
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## **REPORT AND ACCOUNTS**

31 October, 1975

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HEWLETT  PACKARD



# Officers and Facilities

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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 O.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 Registered Office	J.B. PENROSE F.C.A. 70 Finsbury Pavement, London EC2A 1SX
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.

# Contents

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	Page
Officers and facilities .. .. .	2
Directors' report .. .. .	4
Review of operations — 1975 .. .. .	6
Auditors' report .. .. .	8
Accounting policies .. .. .	9
Profit and loss account .. .. .	10
Notes on profit and loss account .. .. .	11
Balance sheet .. .. .	12
Notes on balance sheet .. .. .	13
Source and application of funds .. .. .	15

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# Directors' report

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The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 October 1975.

## 1. Results for the Year

The profit for the year carried forward is shown on page 10. 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 1,113 (1974 — 1,115) and their aggregate remuneration, excluding pension fund contributions and other benefits not receivable in cash, was £3,868,653 (1974 — £2,937,630).

## 5. Donations

Donations to UK charities and educational establishments amounted to £1,594 and £316 respectively totalling £1,910 (1974 — £1,846). The company made no political contributions during the year.

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**6. Exports**

Details of the company's export turnover are shown in the profit and loss account on page 10.

**7. Directors**

The directors of the company are as detailed on the inside cover. In addition, Mr. J. A. Young held office as a director for part of the year and resigned from the board on 24 January 1975.

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 - 1975*

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1975 was a very successful year for Hewlett-Packard Limited.

Despite uncertainty in the British economy, our operations in the United Kingdom attained above target performance.

There are many factors responsible for this achievement, but perhaps the key lies in the quality and ability of our people — certainly people are our greatest asset and without their hard work the performance in 1975 would not have been possible.

Carefully prepared objectives are set which allow maximum freedom of action for the individual and encourage everyone to play a full part in achieving common goals. We encourage a great deal of communication through all levels of the organisation so that each individual understands the overall objectives of the company and develops a breadth of interest beyond immediate job requirement. People at all levels are treated as responsible individuals and are encouraged to feel a part of the overall enterprise.

None of these are new ideas nor are they unique to Hewlett-Packard — what is unique is the particular way they have been combined to run a profitable enterprise within the British environment. Measures of this success are that our sales have grown from £300,000 in 1962 when we commenced our U.K.

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operations to over £26 million in 1975. Total employment in the U.K. has grown to over 1,100 people and the emphasis in our business is on stable employment and profitable growth.

At our Scottish factory we employ 700 people manufacturing products designed in the U.K. and in the United States. The Research and Development Department in Scotland now has 75 people and has achieved world wide recognition for the development of a growing line of communications instrumentation. Their latest product, the Selective Level Measuring Set, was launched during the year and sales have already been made to customers in Europe, the United States and Canada.

Since the factory moved to Scotland in 1966, it has doubled in size to 200,000sq.ft. and land has been purchased to enable future extension by a further 450,000 sq.ft. Exports have grown to a record 75% of output.

Similar growth has occurred in our U.K. Sales Operation which during the year transferred from Slough to a custom built 84,000 sq.ft. building at Winnersh in Berkshire.

Employment at Winnersh now stands at 434 and each of our 6 sales disciplines — Instruments, Computer Systems, Calculators, Medical and X-ray, Analytical and Components — operates from the new building.

If you would like to know more about our products, please get in touch and arrange to pay us a visit. I hope that the following Financial Report on our U.K. operations will be of interest to you.

DENNIS TAYLOR  
Managing Director  
Hewlett-Packard Limited.

HEWLETT-PACKARD LIMITED

# *Auditors' report*

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We have audited the books and records of Hewlett-Packard Limited for the year ended 31 October 1975. The accounts on pages 10 to 14 have been properly prepared in accordance with the provisions of 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 LAFRENTZ & CO  
Chartered Accountants  
London January 1976

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# Accounting policies

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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 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 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 rates of exchange ruling at the date of the relevant transaction.

## **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 provisions with reasonable accuracy.

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# Profit & loss account

Year ended 31 October, 1975

	Notes	1975 £000	1974 £000
SALES	1	7,271	5,259
Export		19,524	15,481
Home		<u>26,795</u>	<u>21,740</u>
		2,517	1,750
Profit for the year before taxation			
after charging:			
Depreciation		<u>478</u>	<u>412</u>
Hire of machinery and equipment		<u>257</u>	<u>207</u>
Directors' emoluments		<u>23</u>	<u>18</u>
Auditors' remuneration		<u>15</u>	<u>4</u>
Interest:			
Expense			
Bank loans and overdrafts		48	194
Loans repayable within five years		41	17
Other loans		8	9
Income			
Short term deposits		(20)	-
		<u>77</u>	<u>220</u>
Taxation	3	1,263	990
Retained Profit		<u>1,254</u>	<u>760</u>

# Notes on profit & loss account

## 1. SALES

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

	1975 £000	1974 £000
2. DIRECTORS' AND EMPLOYEES' EMOLUMENTS		
DIRECTORS' EMOLUMENTS		
Fees	4	2
Management remuneration	19	16
	<u>23</u>	<u>18</u>

The emoluments excluding pension contributions of the highest paid director amounted to £18,010 (1974 — £14,594).

The number of directors other than three (1974 — same) who discharged their duties mainly outside the United Kingdom, whose emoluments excluding pension contributions fell in each £2,500 bracket was as follows:

	1975 Number	1974 Number
£0 — £2,500	2	2
£10,001 — £12,500	-	1
£15,001 — £17,500	1	-

## EMPLOYEES' EMOLUMENTS

The number of employees whose emoluments exceeded £10,000 (excluding pension contributions) was:

	1975 Number	1974 Number
£10,001 — £12,500	3	1
£12,501 — £15,000	1	-

## 3. TAXATION

Corporation tax at 52%	1,425	708
Deferred taxation at 52%	(97)	265
	<u>1,328</u>	<u>973</u>
Underprovision (overprovision) in prior years		
Corporation tax	(125)	17
Deferred taxation	60	-
	<u>1,263</u>	<u>990</u>

# Balance sheet

At 31 October, 1975

	Notes	1975 £000	1974 £000
<b>ASSETS EMPLOYED</b>			
<b>FIXED ASSETS</b>	4	3,282	3,559
<b>CURRENT ASSETS</b>			
Cash		21	11
Debtors		3,883	4,627
Amounts due from fellow subsidiary companies		2,445	1,288
Stocks		3,935	2,565
Deposits & prepaid expenses		296	222
		<u>10,580</u>	<u>8,713</u>
<b>CURRENT LIABILITIES</b>			
Bank loans and overdrafts		1,574	451
Creditors		1,996	1,679
Amounts due to holding and fellow subsidiary companies	5	510	2,826
Taxation		911	343
		<u>4,991</u>	<u>5,299</u>
<b>NET CURRENT ASSETS</b>		<u>5,589</u>	<u>3,414</u>
		8,871	6,973
<b>CORPORATION TAX PAYABLE 1 JANUARY 1977</b>		856	724
		<u>8,015</u>	<u>6,249</u>
<b>SOURCE OF FUNDS</b>			
Share capital	6	200	200
Share premium account		17	17
Retained earnings	7	6,436	5,182
		<u>6,653</u>	<u>5,399</u>
Loan	8	114	126
Deferred taxation	9	1,248	724
		<u>8,015</u>	<u>6,249</u>

R.C. ALBERDING  
D.P. TAYLOR

Director  
Director

# Notes on balance sheet

## 4. FIXED ASSETS

	Freehold land and buildings	Short leasehold property	Machinery vehicles and equipment	Patents	TOTAL
	£000	£000	£000	£000	£000
Cost					
At 31 October 1974	3,127	187	1,560	5	4,879
Additions	61	1	292	.	354
Disposals	-	(170)	(188)	-	(358)
At 31 October 1975	<u>3,188</u>	<u>18</u>	<u>1,664</u>	<u>5</u>	<u>4,875</u>
Depreciation	<u>484</u>	<u>6</u>	<u>1,101</u>	<u>2</u>	<u>1,593</u>
Net book value					
At 31 October 1975	<u>2,704</u>	<u>12</u>	<u>563</u>	<u>3</u>	<u>3,282</u>
At 31 October 1974	<u>2,786</u>	<u>114</u>	<u>654</u>	<u>5</u>	<u>3,559</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

	1975		1974	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£000	£000	£000	£000
Shares of £1 each	<u>210</u>	<u>200</u>	<u>210</u>	<u>200</u>

## 7. RETAINED EARNINGS

	£000
At 31 October 1974	5,182
Retained profit for year	<u>1,254</u>
At 31 October 1975	<u>6,436</u>

# Notes on balance sheet (continued)

## 8. LOAN

The long term loan, which is secured over certain freehold property, is repayable in twenty half-yearly instalments by Whitsunday 1985 and bears interest at 6½% on the balance outstanding from time to time.

## 9. DEFERRED TAXATION

The balance includes a provision of £561,000 in respect of corporation tax relief on increases in stock values; the period of deferment is uncertain and will depend on future legislation.

## 10. CAPITAL COMMITMENTS

	1975	1974
	£000	£000
Committed but not provided for	<u>22</u>	<u>50</u>
Authorised but not committed	<u>£ -</u>	<u>£ -</u>

## 11. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 October 1975, contingent liabilities in respect of guarantees, goods sold and goods imported under customs bonds totalled approximately £608,000 (1974 : £395,000).

# Source & Application of Funds

Year ended 31 October, 1975

	1975 <u>£000</u>	1974 <u>£000</u>
<b>Source of funds</b>		
Profit after tax	1,254	760
Adjustment for items not involving the movement of funds:		
Depreciation	478	412
Deferred taxation	524	265
Disposal of fixed assets	153	24
Decrease in working capital	-	817
<b>Total generated from operations</b>	<u>2,409</u>	<u>2,278</u>
<b>Funds from other sources</b>		
Premium on shares issued	-	<u>17</u>
		<u>2,295</u>
<b>Application of funds</b>		
Expenditure on fixed assets	354	1,320
Increase in working capital	3,156	-
Decrease in long term borrowing	<u>12</u>	<u>12</u>
	<u>3,522</u>	<u>1,332</u>
<b>Movement in net liquid funds</b>		
Increase (decrease) in bank loans & overdrafts	<u>1,113</u>	<u>( 963)</u>