


Synstar Computer Services (UK) Limited

Report and Financial Statements

31 October 2005

 ERNST & YOUNG



Synstar Computer Services (UK) Limited

Registered No: 3032971

Directors

C R Dean
S Gill
M Lambton

Secretary

James Ormrod

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

Bankers

Barclays Bank plc
54 Lombard Street
London
EC3V 9EX

Solicitors

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

Nabarro Nathanson
Lacon House
Theobald's Road
London
WC1X 8RW

Registered Office

Cain Road
Bracknell
Berkshire
RG12 1HN

Directors' report

The directors present their report and financial statements for the year ended 31 October 2005.

Principal activity and business review

The principal activity of the company is the provision of a broad range of integrated IT hardware and software support services for a wide variety of manufacturers' computer products, desktop management services and computer repair services.

On 1 October 2004, Hewlett-Packard Global Investments B.V. acquired the entire share capital of Synstar plc, the company's ultimate parent undertaking, which de-registered as a plc on 1 November 2004 and changed its name to Synstar Limited. On 1 January 2005, the Synstar group was acquired by Hewlett-Packard Limited.

Future prospects

The directors expect the general level of activity to continue in the foreseeable future.

Results and dividends

The audited financial statements for the year ended 31 October 2005 are set out on pages 6 to 22. The loss after taxation for the year ended 31 October 2005 was £2,043,000 (period ended 31 October 2004: £240,000 profit) and was transferred to reserves.

The directors do not recommend the payment of a dividend (2004: £nil).

Directors and their interests

The directors of the company during the year were as follows:

| | |
|--------------|-----------------------------|
| C R Dean | (appointed 3 November 2004) |
| S Gill | (appointed 3 November 2004) |
| M Lambton | (appointed 3 November 2004) |
| S D Gleadle | (resigned 3 November 2004) |
| K P Headland | (resigned 3 November 2004) |
| S W Vaughan | (resigned 3 November 2004) |

None of the directors have interests in the shares of the company.

During the year, and up to the date of approval of the financial statements, the company had in place third party indemnity provision for the benefit of all the directors of the company.

Employment of disabled persons

Applications for employment from disabled persons are considered on their merits and regard is paid only to the ability of an applicant to carry out satisfactorily the functions required. The same policy is adopted when considering career development and promotion, whilst in the field of training a distinction would only be made in order to meet the particular requirements of the disabled person. If an employee becomes disabled while in employment all due consideration would be given to continued employment whether in the same, or in an alternative capacity, and training would be given where necessary.

Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and various other factors affecting the performance of the company. This is achieved through formal and informal meetings, a quarterly newsletter and availability of the annual financial statements. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' report

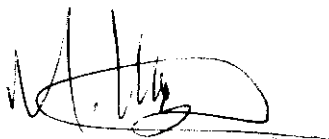
Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 October 2005 were equivalent to 60 days' purchases, based on the average daily amount invoiced by suppliers during the year (2004: 64 days).

Auditors

The directors appointed Ernst & Young LLP during the year. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the members at the forthcoming Annual General Meeting.

By order of the Board



Director M. LAMISTON

Date: 21.12.05

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Synstar Computer Services (UK) Limited

We have audited the company's financial statements for the year ended 31 October 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 October 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Reading

Date: *21 April 2005*

Profit and loss account

for the year ended 31 October 2005

| | | Year ended 31 October 2005 £'000 | 13 months ended 31 October 2004 £'000 |
|---|------|--|---|
| | Note | | |
| Turnover | 2 | 126,439 | 151,191 |
| Cost of sales | | (111,368) | (109,388) |
| Gross profit | | 15,071 | 41,803 |
| Other operating expenses | 4 | (7,080) | (33,241) |
| Exceptional items | 3 | (18,251) | (10,675) |
| Operating loss on ordinary activities before interest and taxation | 5 | (10,260) | (2,113) |
| Profit on disposal of investments | 13 | 2,396 | - |
| Net interest receivable | 8 | 1,332 | 739 |
| Loss on ordinary activities before taxation | | (6,532) | (1,374) |
| Tax on loss on ordinary activities | 9 | 4,489 | 1,614 |
| Retained (loss) / profit for the year | 21 | (2,043) | 240 |

Statement of total recognised gains and losses

for the year ended 31 October 2005

| | <i>Year ended 31 October 2005 £'000</i> | <i>13 months ended 31 October 2004 £'000</i> |
|--|---|--|
| (Loss)/profit for the financial year | (2,043) | 240 |
| Prior year adjustment (note 10) | - | (492) |
| Total recognised losses relating to the year | <u>(2,043)</u> | <u>(252)</u> |

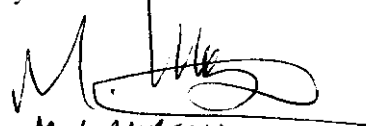
Balance sheet

as at 31 October 2005

| | Note | 2005 £'000 | 2004 £'000 |
|--|------|----------------|---------------|
| Fixed assets | | | |
| Tangible assets | 11 | 2,508 | 22,439 |
| Intangible assets | 12 | - | 538 |
| Investments | 13 | - | 1,498 |
| | | <u>2,508</u> | <u>24,475</u> |
| Current assets | | | |
| Stocks | 14 | 6,848 | 956 |
| Debtors - due within one year | 15 | 78,877 | 49,592 |
| - due after one year | 15 | - | 24,335 |
| Cash at bank and in hand | | 15,259 | 1,054 |
| | | <u>100,984</u> | <u>75,937</u> |
| Creditors: amounts falling due within one year | 16 | (68,368) | (50,970) |
| Net current assets | | <u>32,616</u> | <u>24,967</u> |
| Total assets less current liabilities | | <u>35,124</u> | <u>49,442</u> |
| Creditors: amounts falling due after more than one year | 17 | - | (12,275) |
| Net assets | | <u>35,124</u> | <u>37,167</u> |
| Capital and Reserves | | | |
| Called up share capital | 20 | 10,500 | 10,500 |
| Profit and loss account | 21 | 24,624 | 26,667 |
| Shareholders' funds - equity | 22 | <u>35,124</u> | <u>37,167</u> |

Approved by the Board

Director


 M. LAMBTON

Date:

21.12.05

Notes to the financial statements

at 31 October 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Hewlett Packard Holding Limited which prepares consolidated financial statements which are publicly available. The company also, on this basis, is exempt from the requirement of Financial Reporting Standard Number 1 to present a cash flow statement.

Intangible assets – Know-how

Know-how is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, of each asset on a straight line basis over its expected useful life as follows:

| | | |
|--------------------------------|---|--------------------------------------|
| Leasehold improvements | - | over the remaining life of the lease |
| Plant, machinery and equipment | - | 25% |

During the year the company changed the basis of capitalisation of fixed assets such that only assets with cost of above £3,000 are capitalised. Assets with cost below £3,000 are expensed through the P&L. During the year £ 2,087,000 worth of existing assets with a net book value of less than £3,000 were written off. The directors believe that this gives a fairer representation of the balance sheet.

Repairable computer spares purchased, which are used in the servicing of the maintenance contracts of the business, were capitalised as fixed assets and depreciation was provided at a rate which will write off the cost of these spares over their estimated useful life of 50 months. In line with HP policy, these have been reclassified to stocks during the year.

Stocks

Stocks are stated at the lower of average purchase cost and net realisable value. Net realisable value is based on estimated selling price less all costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Notes to the financial statements

at 31 October 2005

Accounting policies (continued)

Deferred taxation (cont'inued)

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pension costs and other post retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Turnover

Turnover represents amounts invoiced to customers for goods and services supplied during the year, exclusive of value added tax. Any revenue received under maintenance contracts covering future periods is deferred and credited to the profit and loss account over the period to which it relates.

On 1 May 2005, the company entered into an agreement with Hewlett-Packard Limited, whereby Hewlett-Packard Limited would purchase receivables that become due on the company's contracts with customers. In addition, the Hewlett-Packard Limited would indemnify and hold harmless the company against any and all costs, claims, expenses or damages suffered or incurred by them as a result of any claim by a counterparty under any Customer Contract to which they are party, save where such claim results from the negligence or wilful default by the company in performing its obligations under the relevant customer contract.

As such, all the access to future economics benefits is controlled by Hewlett-Packard Limited. And the assets and associated revenue have been recorded in the financial statements of Hewlett-Packard Limited.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital prepayments outstanding.

The capital elements of future amounts due on finance leases are recorded as assets, while the interest elements are credited to the profit and loss account over the period of the lease to produce a constant rate of credit on the balance of capital repayments still due.

Notes to the financial statements

at 31 October 2005

2. Turnover

Turnover relates to the company's principal activity. An analysis of turnover by geographical market is given below:

| | <i>Year ended 31 October 2005 £'000</i> | <i>13 months ended 31 October 2004 £'000</i> |
|----------------|---|--|
| United Kingdom | 125,199 | 149,003 |
| Rest of Europe | 1,240 | 2,188 |
| | <u>126,439</u> | <u>151,191</u> |

There is no material difference between turnover by geographical destination and origin, and the company only operates one class of business.

3. Exceptional items

| | <i>Year ended 31 October 2005 £'000</i> | <i>13 months ended 31 October 2004 £'000</i> |
|--|---|--|
| Restructuring of business | - | 1,601 |
| Integration costs | 17,713 | 466 |
| Know-how asset impairment (note 12) | 538 | 1,964 |
| Provision against contract receivables | - | 6,644 |
| | <u>18,251</u> | <u>10,675</u> |

Management have considered the carrying value of the know-how asset and contract receivables during the year and provided against those amounts which they believe have no ongoing value for the business.

Notes to the financial statements

at 31 October 2005

4. Operating expenses

| | <i>Year ended 31 October 2005 £'000</i> | <i>13 months ended 31 October 2004 £'000</i> |
|-------------------------|---|--|
| Selling and marketing | 1,567 | 1,223 |
| Administrative expenses | 5,513 | 42,693 |
| | <u>7,080</u> | <u>43,916</u> |

The directors have reviewed the classification of costs between cost of sales and operating expenses in connection with the acquisition of the group by Hewlett-Packard Company.

5. Operating loss

Operating loss is stated after charging:

| | <i>Year ended 31 October 2005 £'000</i> | <i>13 months ended 31 October 2004 £'000</i> |
|---|---|--|
| Depreciation and amounts written off tangible fixed assets -owned | 1,473 | 11,070 |
| Amortisation of intangibles | - | 227 |
| Impairment of intangibles | 538 | 1,964 |
| Operating lease rentals – Land and buildings | 3,974 | 3,099 |
| Operating lease rentals – Other | 1,508 | 1,205 |
| Auditors' remuneration for audit services | 115 | 72 |
| | <u></u> | <u></u> |

6. Staff costs

The average monthly number of employees (including executive directors) during the year was 1,526 (2004: 1,544). Their aggregate remuneration comprised:

| | <i>Year ended 31 October 2005 £'000</i> | <i>13 months ended 31 October 2004 £'000</i> |
|-------------------------------|---|--|
| Wages and salaries | 45,449 | 47,478 |
| Social security costs | 4,061 | 4,969 |
| Other pension costs (note 24) | 1,629 | 1,577 |
| | <u>51,139</u> | <u>54,024</u> |

Notes to the financial statements

at 31 October 2005

7. Directors' remuneration

The remuneration of the directors was as follows:

| | <i>Year ended 31 October 2005 £'000</i> | <i>13 months ended 31 October 2004 £'000</i> |
|--|---|--|
| Emoluments | - | 342 |
| Company contributions to money purchase pension scheme | - | 31 |
| | <u>-</u> | <u>373</u> |

The emoluments of C R Dean, S Gill and M Lambton have been borne by a fellow group company, Hewlett-Packard Limited. These directors of the company are also directors or officers of other companies within the Hewlett-Packard group. These directors' services to the company do not occupy a significant amount of their time. As such these directors do not consider that they receive any remuneration for their services to the company for the year ended 31 October 2005 or the period ended 31 October 2004.

The emoluments of S D Gleadle and S W Vaughan were paid by another group company, Synstar Holdings Limited. It is not practicable to determine the proportions of such emoluments which are attributable to the directors' services to the company. However, the total emoluments for these directors are taken into account in the disclosure of the directors' emoluments in the financial statements of Synstar Holdings Limited.

Pensions

At the year end no directors (2004: 3) were members of the Synstar (UK) Pension Scheme, being a defined contribution pension scheme on a money purchase basis.

Notes to the financial statements

at 31 October 2005

8. Interest receivable

| | Year ended 31 October 2005 £'000 | 13 months ended 31 October 2004 £'000 |
|---|--|---|
| <i>Investment income</i> | | |
| Other interest receivable and similar income | 306 | 200 |
| Interest receivable from other group undertakings | 1,828 | 991 |
| | <u>2,134</u> | <u>1,191</u> |
| <i>Interest payable and similar charges</i> | | |
| Bank loans and overdraft | 41 | 19 |
| Interest payable to fellow group undertakings | 761 | 433 |
| | <u>802</u> | <u>452</u> |
| <i>Net interest receivable</i> | | |
| Investment income | 2,134 | 1,191 |
| Less: interest payable and similar charges | (802) | (452) |
| | <u>1,332</u> | <u>739</u> |

9. Tax credit on loss on ordinary activities

| | Year ended 31 October 2005 £'000 | 13 months ended 31 October 2004 £'000 |
|--|--|---|
| <i>Current tax</i> | | |
| UK corporation tax | (3,129) | 773 |
| Group relief | - | (563) |
| Prior period adjustment | (2,031) | (507) |
| Total current tax | <u>(5,160)</u> | <u>(297)</u> |
| <i>Deferred taxation</i> | | |
| Origination and reversal of timing differences (note 19) | 311 | (1,031) |
| Adjustment in respect of prior periods (note 19) | 360 | (286) |
| Total tax credit on loss on ordinary activities | <u>(4,489)</u> | <u>(1,614)</u> |

Notes to the financial statements

at 31 October 2005

9. Tax credit on loss on ordinary activities (continued)

The differences between the total current tax above and the amount calculated by applying the standard rate of the UK corporation tax to the loss before tax is as follows:

| | Year ended 31 October 2005 £'000 | 13 months ended 31 October 2004 £'000 |
|---|--|---|
| Loss on ordinary activities before tax | (6,532) | (1,374) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%) | (1,960) | (412) |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | (858) | 154 |
| Capital allowances in excess of depreciation | (195) | 848 |
| Other timing differences | (116) | 183 |
| Utilisation of losses | - | - |
| Group loss relief | - | (563) |
| Prior year adjustment | (2,031) | (507) |
| Current tax credit for the year | (5,160) | (297) |

10. Prior year adjustment

The group policy on holiday accruals was changed during the previous year as the directors consider the new policy provided a fairer representation of the results and the financial position of the group. A prior year adjustment was made to reflect this change in 2004.

| | Year ended 31 October 2005 £'000 | 13 months ended 31 October 2004 £'000 |
|---------------------------------|--|---|
| <i>Profit and loss account</i> | | |
| Administrative expenses | - | 30 |
| Decrease in profit for the year | - | 30 |
| <i>Balance sheet</i> | | |
| Accruals and deferred income | - | (733) |
| Corporation tax creditor | - | 211 |
| Decrease in profit for the year | - | (522) |

Notes to the financial statements

at 31 October 2005

11. Tangible fixed assets

| | <i>Leasehold improvements</i> | <i>Computer spares</i> | <i>Plant, machinery equipment</i> | <i>Total</i> |
|---|-----------------------------------|----------------------------|---|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| <i>Cost:</i> | | | | |
| At 1 November 2004 (as previously stated) | 1,412 | 32,495 | 26,334 | 60,241 |
| Transfer to stock | - | (32,495) | - | (32,495) |
| At 1 November 2004 (restated) | 1,412 | - | 26,334 | 27,746 |
| Additions | - | - | 707 | 707 |
| Disposals | - | - | (11,660) | (11,660) |
| At 31 October 2005 | 1,412 | - | 15,381 | 16,793 |
| <i>Depreciation:</i> | | | | |
| At 1 November 2004 (as previously stated) | 1,412 | 15,417 | 20,973 | 37,802 |
| Transfer to Stock | - | (15,417) | - | (15,417) |
| At 1 November 2004 (restated) | 1,412 | - | 20,973 | 22,385 |
| Charge for the year | - | - | 1,473 | 1,473 |
| Disposals | - | - | (9,573) | (9,573) |
| At 31 October 2005 | 1,412 | - | 12,873 | 14,285 |
| <i>Net book value:</i> | | | | |
| At 31 October 2005 | - | - | 2,508 | 2,508 |
| At 1 November 2004 (as previously stated) | - | 17,078 | 5,361 | 22,439 |
| At 1 November 2004 (restated) | - | - | 5,361 | 5,361 |

12. Intangible assets

| | £'000 |
|---|-------|
| <i>Cost:</i> | |
| At 1 November 2004 & at 31 October 2005 | 2,729 |
| <i>Amortisation:</i> | |
| At 1 November 2004 | 2,191 |
| Impairment | 538 |
| At 31 October 2005 | 2,729 |
| <i>Net book value:</i> | |
| At 31 October 2005 | - |
| At 1 November 2004 | 538 |

Notes to the financial statements

at 31 October 2005

12. Intangible assets 9cont'd)

The intangible asset relates to the winning of a logistics based contract with Fujitsu Services Limited and specifically the purchase of details of the service methodology, supply chain and supply agreements in place to provide parts, repairs and consumable parts, transport and all related systems and processes required to provide an ongoing seamless solution of service to Fujitsu. The know-how asset was written off during the period.

13. Investments

| | 2005 £'000 | 2004 £'000 |
|---------------------------------|---------------|---------------|
| Subsidiary undertakings | - | 1,498 |
| <i>Cost and net book value:</i> | | £'000 |
| At 1 November 2004 | | 1,498 |
| Disposals | | (1,498) |
| At 31 October 2005 | | - |

Investments held during the year comprise:

| | Holding % incorporation | Country of incorporation | Principal activities |
|---------------------------|----------------------------|-----------------------------|-------------------------|
| Synstar (Ireland) Limited | 67% | Ireland | Computer services |

On 1 March 2005 the company disposed of Synstar (Ireland) Limited to Hewlett-Packard Ireland Limited, this resulted in a gain on disposal of £2,396,386.

14. Stocks

| | 2005 £'000 | 2004 £'000 |
|-------------------|---------------|---------------|
| Consumable spares | 6,848 | 956 |

The directors do not consider that there is a material difference between the balance sheet value of stocks and their replacement cost.

In line with standard Hewlett-Packard accounting policies, repairable spares were reclassified from fixed assets to stocks during the year.

Notes to the financial statements

at 31 October 2005

15. Debtors: amounts falling due within one year

| | 2005 £'000 | 2004 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 1,255 | 31,436 |
| Amounts owed by group undertakings | 64,203 | 6,344 |
| Amounts due under finance leases | - | 295 |
| UK corporation tax | 3,168 | 632 |
| Other debtors | 8,265 | 6,314 |
| Prepayments and accrued income | 1,424 | 3,338 |
| Deferred taxation (note 19) | 562 | 1,233 |
| | <u>78,877</u> | <u>49,592</u> |

Amounts falling due after more than one year:

| | | |
|------------------------------------|----------|---------------|
| Amounts owed by group undertakings | - | 23,752 |
| Amounts due under finance leases | - | 229 |
| Other debtors | - | 354 |
| | <u>-</u> | <u>24,335</u> |

16. Creditors: amounts falling due within one year

| | 2005 £'000 | 2004 £'000 |
|------------------------------------|---------------|---------------|
| Obligations under finance leases | - | 283 |
| Trade creditors | 15,518 | 17,752 |
| Amounts owed to group undertakings | 33,159 | 3,223 |
| UK corporation tax | - | - |
| Other taxation and social security | 1,025 | 2,186 |
| Other creditors | 2,292 | 3,831 |
| Accruals and deferred income | 16,374 | 23,695 |
| | <u>68,368</u> | <u>50,970</u> |

Notes to the financial statements

at 31 October 2005

17. Creditors: amounts falling due after more than one year

| | 2005 £'000 | 2004 £'000 |
|------------------------------------|---------------|---------------|
| Obligations under finance leases | - | 198 |
| Amounts owed to group undertakings | - | 12,077 |
| | - | 12,275 |

The group loan bears interest at a rate of 1% above UK bank base rate (2004: 1%).

18. Borrowings

Borrowings are repayable as follows:

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| <i>Amounts owed to group undertakings:</i> | | |
| - within one year | 33,159 | 3,223 |
| - between one and two years | - | 12,077 |
| | 23,738 | 15,300 |
| <i>Finance leases:</i> | | |
| - within one year | - | 283 |
| - between one and two years | - | 198 |
| - between two and five years | - | - |
| | - | 481 |

19. Deferred taxation

| | Deferred taxation £'000 |
|---|----------------------------|
| Balance at 1 November 2004 | (1,233) |
| Profit and loss account charge (note 9) | 671 |
| Balance at 31 October 2005 | (562) |

Notes to the financial statements

at 31 October 2005

19. Deferred taxation (continued)

Deferred tax:

The deferred tax asset is recognised as follows:

| | 2005 £'000 | 2004 £'000 |
|-------------------------------------|---------------|---------------|
| Accelerated capital allowances | (512) | (763) |
| Other timing differences | (50) | (470) |
| Undiscounted asset for deferred tax | (562) | (1,233) |

A deferred tax asset has been recognised where the directors believe that based on forecast results it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

A deferred tax asset has not been recognised in respect of timing differences where there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is nil (2004: £nil).

20. Called up share capital

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| <i>Authorised equity share capital:</i> | | |
| 12,000,000 ordinary shares of £1 each | 12,000 | 12,000 |
| <i>Allotted, called up and fully paid equity share capital:</i> | | |
| 10,500,000 ordinary shares of £1 each | 10,500 | 10,500 |

21. Reserves

| | <i>Profit and loss account</i> £'000 |
|---------------------|---|
| At 1 November 2004 | 26,667 |
| (Loss) for the year | (2,043) |
| At 31 October 2005 | 24,624 |

Notes to the financial statements

at 31 October 2005

22. Reconciliation off movements in shareholders' funds

| | 2005 £'000 | 2004 £'000 |
|-----------------------------|---------------|---------------|
| Opening shareholders' funds | 37,167 | 36,927 |
| (Loss)/profit for the year | (2,043) | 240 |
| Closing shareholders' funds | 35,124 | 37,167 |

23 Financial commitments

Capital commitments are as follows:

| | 2005 £'000 | 2004 £'000 |
|-------------------------------------|---------------|---------------|
| Contracted for but not provided for | 212 | 362 |

Annual commitments under non-cancellable operating leases are as follows:

| | Land and buildings | | Other | |
|-----------------------------------|--------------------|---------------|---------------|---------------|
| | 2005 £'000 | 2004 £'000 | 2005 £'000 | 2004 £'000 |
| Commitment expiring: | | | | |
| - within one year | - | 224 | 467 | 267 |
| - during the second to fifth year | 599 | 9 | 625 | 1,571 |
| - after five years | 305 | 2,069 | - | - |
| | 904 | 2,302 | 1,092 | 1,838 |

Notes to the financial statements

at 31 October 2005

24. Pension arrangements

The charge to the profit and loss account of £1,522,000 (2004: £1,577,000) comprises a charge on defined contribution.

Synstar (UK) pension scheme

The company contributes to a defined contribution pension scheme for employees in the UK known as the Synstar (UK) Pension Scheme (the "Synstar Scheme"). Benefits, other than the lump sum payable on death in service, are not defined but depend on the contributions paid by and in respect of employees to the pension scheme and their investments return.

The company makes contributions in respect of all members at the rate of 3% of the members' basic salary. In addition where a member elects to make contributions, the company match the members' contributions on a pound for pound basis up to a maximum of a further 5% of basic salary (i.e. the company's contributions range from 3% to 8% of basic salary). In respect of certain members of staff, the company makes enhanced contributions over and above those outlined for other members. The outstanding liability relating to the scheme at 31 October 2005 was £168,161 (2004: £238,009).

25. Ultimate controlling party

The company is a wholly-owned subsidiary undertaking of Synstar Holdings Limited, a company registered in England and Wales.

On 1 October 2004 the Synstar plc group was acquired by Hewlett-Packard Global Investments B.V. The ultimate controlling party since that date has been Hewlett-Packard Company, a company incorporated in the United States of America.

Copies of the ultimate parent's consolidated financial statements may be obtained from 3000 Hanover Street, Palo Alto, California 94394, USA.

As a subsidiary undertaking of Hewlett-Packard Company (prior to 1 October 2004 – Synstar Limited (formerly Synstar plc)), the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Hewlett-Packard Company (prior to 1 October 2004 – Synstar Limited (formerly Synstar plc)).

The smallest undertaking, which consolidates these financial statements, is Hewlett-Packard Holdings Limited. Copies of the group financial statements of Hewlett-Packard Holdings Limited can be obtained from Cain Road, Bracknell, Berkshire RG12 1HN.