

INTERIM STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007



FAYREWOOD

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Fayrewood plc ("Fayrewood" or the "Group"), (AIM: FWY) the pan-European computer distributor, is pleased to announce its interim results for the six months ended 30 June 2007.

HEADLINES

- Pre-tax profit before gains from corporate disposals: £1.5m.
- Sales, on a like for like basis, increased 8.8% to £136m (2006: £125.0m).
- Pre-tax profit from our two remaining distribution businesses amounted to £801,000 before management restructuring costs at Interface (2006 – a loss of £139,000).
- Tender Offers returned £35m to shareholders through the acquisition of 29,166,593 shares at 120p per share.
- ComputerLinks shareholding sold for €24.7m net, yielding €6.6m profit.
- After the return of £35m to shareholders the Group held cash and short term deposits of £23.8m at 30 June 2007.
- Interim dividend maintained at 1p, payable on 23 October to shareholders on the register on 5 October 2007.
- With effect from 1 January 2007, in accordance with AIM Rules, the Group is preparing financial statements under International Financial Reporting Standards ("IFRS"). The first time adoption notes and statements are included at note 6.

On outlook, David Kleeman, the Chairman stated:



"Fayrewood is well placed as it moves into the seasonally stronger second half. Banque Magnetique is performing ahead of expectations and the restructuring of Interface is proceeding. We have a strong balance sheet, a wide spread of shareholders and are aware of possible future corporate opportunities."

CHAIRMAN'S STATEMENT

I am pleased to report Fayrewood's interim results for the six months ended 30 June 2007, the first as a focused computer distribution business, following the sale in 2006 of UMD our subsidiary in Spain and the subsequent disposal of our 27.5% interest in ComputerLinks AG in March 2007. Fayrewood now has two subsidiaries, Banque Magnetique in France and Interface in England.

The most significant event in the period was the £35m cash return to shareholders via the Tender Offers. Despite this, the balance sheet remains strong with cash and short term deposits of £23.8m at 30 June 2007.

Whilst these changes render the comparable figures for the first six months of 2006 to be largely academic, our trading operations, Banque Magnetique and Interface, have both performed ahead of last year in what is customarily the weaker half of the year for both businesses – with a particularly strong outcome from Banque Magnetique.

Financial Highlights

- Pre-tax profit before gains from corporate disposals: £1.5m.
- Sales, on a like for like basis increased 8.8% to £136m (2006: £125.0m).
- Pre-tax profit from our two remaining distribution businesses amounted to £801,000 before management restructuring costs at Interface (2006 – a loss of £139,000).
- Tender Offers returned £35m to shareholders through the acquisition of 29,166,593 shares at 120p per share.
- ComputerLinks shareholding sold for €24.7m net, yielding £6.6m profit.
- After the return of £35m to shareholders the Group held cash and short term deposits of £23.8m at 30 June 2007.
- Interim dividend maintained at 1p, payable on 23 October 2007 to shareholders on the register on 5 October 2007.
- With effect from 1 January 2007, in accordance with AIM Rules, the Group is preparing financial statements under International Financial Reporting Standards ("IFRS"). The first time adoption notes and statements are included at note 6.

The overall pre-tax profit in the period, before the exceptional gain on the sale of ComputerLinks shares and the cost of resolving outstanding issues with Esprinet SpA, amounts to £1.5m. It includes the profit of the distribution businesses, bank interest received, and our share

of a proportionate part of the ComputerLinks Group profits after tax up to 26 March 2007 only, compared to the full six month period in 2006.

Banque Magnetique

It continued to build on its successes in 2006 and has enjoyed its best first half results ever. Growth in sales and in particular, profit, was well ahead of our forecasts. This performance stemmed, to a large degree, from the introduction last year of a new range of consumer electronic and GPS products. Results to date in the third quarter continue to be strong.

Interface

The new and strengthened management team at Interface has had a meaningful effect. Whilst the loss experienced in the first half exceeds budget it is less than the comparable loss in 2006, despite the cost of management restructuring. Interface has benefited from a more effective operational performance and the improved internal systems and controls in place. In addition, Interface is beginning to benefit from Fayrewood's strengthened balance sheet, and is attracting new trading opportunities not previously available.

UMD

We have, since 30 June 2007, reached agreement with Esprinet which acquired UMD, our subsidiary in Spain, last year on outstanding issues. Esprinet retained €5m from the consideration payable on completion pending the sale of stock held at 30 November 2006 and the collection of debtors. A total of €4.3m will be received by Fayrewood, and the bank guarantee, supported by a cash deposit with our bankers to meet unforeseen liabilities, will shortly be reduced from €8m to €6m, thereby increasing net free cash on the balance sheet.

Summary

Fayrewood is well placed as it moves into the seasonally stronger second half. Banque Magnetique is performing ahead of expectations and the restructuring of Interface is proceeding. We have a strong balance sheet, a wide spread of shareholders and are aware of possible future corporate opportunities.

David Kleeman

Chairman
25 September 2007

UNAUDITED GROUP INCOME STATEMENT
FOR THE SIX MONTHS TO 30 JUNE 2007

	6 months to 30 June 2007 £000's	6 months to 30 June 2006 £000's	12 months to 31 December 2006 £000's
Revenue	136,652	210,052	288,964
Cost of sales	(127,051)	(195,071)	(268,512)
Gross profit	9,601	14,981	20,452
Distribution and administrative expenses	(8,673)	(11,849)	(17,493)
Operating profit	928	3,132	2,959
Gain on disposal of subsidiary and deemed disposal of interest in associate	5,472	(14)	6,999
Sale of other investments	132	-	-
Finance revenue	737	248	35
Finance cost	(628)	(1,216)	(1,408)
Share of profit of an associate	339	703	1,741
Profit on ordinary activities before taxation	6,980	2,853	10,326
Income tax (expense)/credit	(407)	(752)	29
Profit for the period from continuing operations	6,573	2,101	10,355
Discontinued operations			
Income from discontinued operations before tax	-	-	4,725
Tax expense for discontinued operations	-	-	(1,642)
Income from discontinued operations after tax	-	-	3,083
Profit for the period	6,573	2,101	13,438
Earnings per share – basic	13.1p	4.1p	26.2p
Earnings per share – diluted	13.1p	4.0p	25.9p
Earnings per share – adjusted	1.9p	4.1p	12.7p

UNAUDITED GROUP BALANCE SHEET
AT 30 JUNE 2007

	30 June 2007 £000's	30 June 2006 £000's	31 December 2006 £000's
Non-current assets			
Intangible fixed assets	271	10,921	270
Property, plant and equipment	1,159	5,663	1,034
Trade investments	23	23	23
Investment in associate		8,896	9,703
Deferred tax assets	199	144	199
	1,652	25,647	11,229
Current assets			
Inventories	23,108	42,369	31,384
Trade debtors and other receivables	64,954	76,064	80,507
Cash and short term deposits	23,771	12,567	55,737
	111,833	131,000	167,628
Current liabilities	(75,727)	(97,242)	(112,241)
Net current assets	36,106	33,758	55,387
Total assets less current liabilities	37,758	59,405	66,616
Non current liabilities	(1,341)	(4,068)	(796)
Provision for liabilities and charges	(1,000)	-	(1,000)
Net assets	35,417	55,337	64,820
Equity attributable to equity holders of the parent			
Called up share capital	1,303	2,568	2,580
Share premium account	18,142	17,741	17,813
Capital redemption reserve	1,326	-	-
Foreign currency translation reserve	(2,382)	(926)	(2,366)
Other reserves	183	6,355	6,355
Retained earnings	16,845	29,599	40,438
	35,417	55,337	64,820

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM 1 JANUARY 2006 TO 30 JUNE 2007

	Share capital £000's	Share premium account £000's	Capital redemption reserve £000's	Foreign currency translation reserve £000's	Other reserves £000's	Retained earnings £000's	Total £000's
At 1 January 2006	2,557	17,667		(1,035)	6,355	28,041	53,585
Profit for the six months	-	-		-	-	2,101	2,101
Dividends	-	-		-	-	(564)	(564)
Movement on currency translation	-	-		109	-	-	109
Other movements:							
Proceeds from issue of shares	11	74		-	-	-	85
Expense of share based payments	-	-		-	-	21	21
At 30 June 2006	2,568	17,741	-	(926)	6,355	29,599	55,337
Profit for the six months	-	-		-	-	11,337	11,337
Dividends	-	-		-	-	(514)	(514)
Movement on currency translation	-	-		(1,440)	-	-	(1,440)
Other movements:							
Proceeds from issue of shares	12	72		-	-	-	84
Expense of share based payments	-	-		-	-	16	16
At 31 December 2006	2,580	17,813	-	(2,366)	6,355	40,438	64,820
Profit for the six months	-	-		-	-	6,573	6,573
Dividends on ordinary shares	-	-		-	-	(776)	(776)
Dividends on special shares	-	-		-	-	(3,218)	(3,218)
Movement on currency translation	-	-		(16)	-	-	(16)
Other movements:							
Proceeds from issue of shares	49	329		-	-	-	378
Shares purchased and cancelled	(1,326)		1,326			(31,826)	(31,826)
Tender offer costs						(518)	(518)
Expense of share based payments	-	-		-	-	-	-
Transfer to retained earnings					(6,172)	6,172	-
At 30 June 2007	1,303	18,142	1,326	(2,382)	183	16,845	35,417

UNAUDITED GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS TO 30 JUNE 2007

	6 months to 30 June 2007 £000's	6 months to 30 June 2006 £000's	12 months to 31 December 2006 £000's
Operating activities			
Total operating profit: Group and share of associate	1,477	3,939	10,304
Share of profits of associate	(548)	(1,012)	(2,645)
Depreciation of tangible fixed assets	171	414	850
Amortisation of goodwill	-	332	657
Share based payments	-	-	37
Decrease/(increase) in stocks	8,275	8,489	(1,369)
Decrease/(increase) in operating debtors and prepayments	15,555	26,395	(5,341)
(Decrease)/increase in operating creditors and accruals	(21,918)	(26,689)	26,456
Net cash inflow from operating activities	3,012	11,868	28,949
Returns on investment and servicing of finance			
Interest paid	(628)	(1,006)	(2,033)
Interest received	737	38	72
Dividends paid to Minority Interests	-	-	-
Dividends received from associate	-	443	443
	109	(525)	(1,518)
Taxation			
Net corporation tax and overseas tax paid	(776)	(275)	(3,399)
Capital Expenditure			
Payments to acquire tangible fixed assets	(297)	(438)	(759)
Sale of tangible fixed assets	-	-	2
	(297)	(438)	(757)
Acquisitions and disposals			
Net overdraft held by UMD SAU on disposal	-	-	632
Sale of shares in UMD SAU	(388)	-	32,655
Share buy back and dividend on Special Dividend Shares	(35,045)	-	-
Sale of shares in ComputerLinks AG	16,661	-	-
Costs on disposal of subsidiary	(759)	-	-
Sales of other investments	132	-	-
	(19,399)	-	33,287
Equity dividends paid	(658)	(553)	(1,072)
Net cash inflow/(outflow) before financing	(18,009)	10,077	55,490

UNAUDITED GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS TO 30 JUNE 2007 (CONTINUED)

	6 months to 30 June 2007 £000's	6 months to 30 June 2006 £000's	12 months to 31 December 2006 £000's
Net cash inflow/(outflow) before financing	(18,009)	10,077	55,490
Financing			
Issue of share capital by Fayrewood plc	378	85	169
Tender offer costs	(518)	-	-
Increase in bank loans	545	407	673
Repayment of bank loans	-	-	(869)
Decrease in other loans	-	-	-
Net decrease in Trade Receivables Financing debt	(14,124)	(6,038)	14,961
Net cash (outflow)/inflow from financing	(13,719)	(5,546)	14,934
(Decrease)/increase in cash in the period	(31,728)	4,531	70,424
Cash (outflow)/inflow from movement in loans	(545)	(407)	196
Cash inflow/(outflow) from movement in Trade Receivables Financing	14,124	6,038	(14,961)
Change in net debt resulting from cash flows	(18,149)	10,162	55,659
Loans held by UMD SAU on disposal	-	-	2,481
Exchange differences	-	(171)	650
Change in net debt in the period	(18,149)	9,991	58,790
Net funds/(debt) at beginning of period	19,088	(39,702)	(39,702)
Net funds/(debt) at end of period	939	(29,711)	19,088

NOTES

1. Financial Information

The financial information contained in this Interim Statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the 12 months to 31 December 2006 is taken from the audited statutory accounts prepared under UK GAAP which have been restated in accordance with IFRS (see note 6 below). The 2006 accounts on which the auditors issued an unqualified opinion have been sent to the Registrar of Companies.

2. Accounting Policies

From 1 January 2007 the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies are set out under 6 below – Adoption of International Financial Reporting Standards.

3. Earnings Per Ordinary Share

The calculation of earnings per ordinary share is based on a profit of £6,573,000 (June 2006 – £2,101,000) and on 50,131,308 (June 2006 – 51,284,961) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The diluted earnings per ordinary share is based on 50,141,181 (June 2006 – 52,110,662) ordinary shares.

4. Adjusted Results

Profit before taxation (adjusted), taxation (adjusted), profit after taxation (adjusted), minority interests (adjusted), attributable profit (adjusted) and adjusted earnings per share have been calculated by:

- Removing gain on disposal of subsidiary and deemed disposal of interest in associate £5,472,000 (2006 – loss £14,000).
- Removing sale of other investments £132,000 (2006 – nil).

5. Interim Results

Copies of these interim results will be sent to all shareholders. Copies will be available from 25 September 2007 at the company's registered office: Unit 4, Birmingham International Park, Starley Way, Marston Green, Solihull, B37 7GN. The document will be available on our website: www.fayrewood.co.uk, from 26 September 2007.

6. Adoption of International Financial Reporting Standards

Introduction

For all periods up to and including the year ended 31 December 2006 the Group prepared its financial statements in accordance with UK generally accepted accounting principles ("UK GAAP"). With effect from 1 January 2007, in accordance with AIM listing rules, we are preparing financial statements under International Financial Reporting Standards ("IFRS"). The Group's financial statements have been prepared in accordance with IFRS as adopted by the European Union. The principal accounting policies adopted by the Group are set out below.

In order to explain how the Group's reported performance and financial position are affected by this change, the following unaudited financial information is provided below:

- Consolidated balance sheets under IFRS as at 1 January 2006, 30 June 2006 and 31 December 2006.
- Consolidated income statements under IFRS for the six months to 30 June 2006 and year to 31 December 2006.
- Consolidated statements of changes in equity under IFRS for the six months to 30 June 2006 and six months to 31 December 2006.
- Reconciliation of consolidated balance sheets under IFRS to UK GAAP as at 1 January 2006, 30 June 2006 and 31 December 2006.
- Reconciliation of consolidated income statements under IFRS to UK GAAP for the six months to 30 June 2006 and for the year ending 31 December 2006.

It should be noted that, although this financial information has been prepared on the basis of IFRS expected to be in place for use by EU-listed companies as at 31 December 2007, these standards are subject to ongoing review and are, therefore, still subject to potential change. Information contained within this statement may require further updating for audit adjustments or subsequent amendments to IFRS, and related guidance.

The IFRS information contained in this statement is unaudited.

Transitional arrangements and transition date

The rules for first-time adoption of IFRS are set out in IFRS 1 First-time Adoption of International Financial Reporting Standards. Since the financial statements for the year to 31 December 2007 will include comparatives for the year to 31 December 2006, the Group's date of transition to IFRS will be 1 January 2006. As required by IFRS 1, estimates carried forward at the transition date, including but not limited to assessments of provisions and contingent liabilities (and, where applicable, adjusted to comply with IFRS) are consistent with estimates made prior to transition. In accordance with IFRS 1, the Group must define accounting policies compliant with IFRS at its first reporting date and apply these policies retrospectively to each period presented. IFRS 1 allows a number of optional exemptions and also contains certain mandatory exceptions to this principle in order to ease the transition requirements of first-time adoption.

The Group has applied the following exemptions available under IFRS 1:

- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 January 2006.
- A first time adopter may elect to measure individual items of property, plant and equipment at fair value or a revalued amount as deemed cost at the date of transition to IFRS. The Group reported property, plant and equipment on the historical cost basis under UK GAAP and has elected to treat depreciated historical cost as deemed cost on transition to IFRS.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2006.
- IFRS 2 Share-Based Payments has not been applied to any equity instruments granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that had vested as at 1 January 2006.
- The transitional provisions in IFRIC 4 Determining whether an Arrangement contains a Lease have been applied. This means that the Group has assessed whether arrangements contain a lease based on the facts and circumstances existing at 1 January 2006 rather than at the inception of the lease.

Key changes in accounting policies

The following notes highlight the main differences between UK GAAP and IFRS that have a material effect on the financial statements of the Group.

NOTES

(a) Goodwill

- i. Amortisation – Under UK GAAP, goodwill which arose on acquisitions after 1 May 1998 was capitalised as an intangible asset in the Consolidated Balance Sheet and amortised over its estimated economic life of 20 years. Under IFRS, capitalised goodwill is no longer amortised but is tested annually for impairment. Accordingly the amortisation charged against the Consolidated Income Statement for the year to 31 December 2006 of £879,000 has been reversed and added back to goodwill. This reversal included goodwill of £654,000 charged in respect of UMD SAU. As UMD SAU was disposed of during the period the increase in goodwill carried at the time of disposal resulted in a lower gain on disposal recorded under IFRS as compared with that under UK GAAP.
- ii. Goodwill in reserves – Under UK GAAP, goodwill on acquisitions prior to 1 May 1998 was taken directly to reserves, but would have been included in the determination of profit or loss on sale or closure of the business to which it relates. As required by IFRS 1, goodwill in reserves will no longer be included in the determination of profit or loss on sale or closure of the business to which it relates.

As permitted under IFRS 1, the Group has elected to deem the UK GAAP net book value of goodwill at 1 January 2006 of £14,619,000 as the IFRS cost of goodwill at transition date.

(b) Intangible assets

Under UK GAAP, software assets were included as part of the property, plant and equipment, whereas under IFRS, unless they are integral to another fixed asset, they are classified as intangible assets. In the balance sheet, a reclassification of £270,000 from property, plant and equipment to intangible assets was reflected under IFRS at 31 December 2006 (30 June 2006: £412,000; 1 January 2006: £261,000). There was no impact on either profit before taxation or net assets under IFRS.

(c) Employee benefits

Under IAS 19 there is a requirement to recognise the monetary value of employee benefits accruing to employees but not yet settled; typically holiday pay. This requires the present value of employee benefits to be paid in the future for services to be provided up to the reporting date. Employees' holiday entitlement is aligned to the calendar year. Accordingly no holiday accrual is required at the financial year end. A holiday accrual has been recognised of £79,000 at 30 June 2006. The impact on the income statement is a decrease in profit before tax by £79,000 in the six months to 30 June 2006.

Under French statutory employment law employees are entitled to a lump sum retirement payment, from whichever company is their employer, upon retirement at or after the statutory retirement age. Historically such charges have been expensed as incurred. An accrual is charged evenly over each employee's period remaining until retirement, based on the best estimate of the proportion of employees that will remain with the Group until retirement. The impact for six months to 30 June 2006 is a charge of £23,000 and for the year to 31 December 2006 is a charge of £46,000. An opening accrual at 1 January 2006 of £75,000 has been applied as a catch up for previously un-accrued benefits for the revised policy.

(d) Associate reporting format

Share of profits in associate is required to be shown after appropriate tax. The impact of this is to transfer the relevant tax charge in the Income Statement from tax expense to share of profits in associate amounting to £421,000 for the six months to 30 June 2006 and £1,128,000 for the year to 31 December 2006.

(e) Discontinued business

The results for a discontinued business are required to be shown on the face of the Income Statement before and after relevant tax expense. For the year to 31 December 2006 this amounts to £4,725,000 profit before tax, tax expense of £1,642,000 and £3,083,000 profit after tax for the UMD business disposed of in the year. As UMD was not an available for sale business at 30 June 2006 there are no adjustments for that period.

(f) Reclassification of deferred tax asset

Deferred tax asset is required to be shown as a non-current asset and this has been reclassified from trade and other receivables in the amount of £136,000 at 1 January 2006, £144,000 at 30 June 2006 and £199,000 at 31 December 2006.

(g) Taxation

There is no difference in accounting for current taxation between UK GAAP and IFRS.

In respect of deferred taxation, under UK GAAP, the Group recognised deferred taxation only on timing differences that arose from the inclusion of gains and losses in tax assessment in periods different from those in which they were recognised in the financial statements. Under IAS 12 Income taxes, deferred tax is provided in full, using the liability method, on temporary

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differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax under both UK GAAP and IFRS is measured on a non-discounted basis.

The impact on the tax charge for the year ended 31 December 2006 is a credit of £17,000 (six months to 30 June 2006 – credit of £8,000) relating to the tax effect of other adjustments from UK GAAP to IFRS that do not impact the current tax liability. At 1 January 2006 the deferred tax asset has been increased by £44,000 in respect of the catch up accrual set out in (c) above.

Consolidated Balance Sheets prepared in accordance with IFRS

	As at 31 December 06 £000's Unaudited	As at 30 June 06 £000's Unaudited	As at 01 January 06 £000's Unaudited
Non-current assets			
Intangible fixed assets	270	10,921	10,773
Property, plant and equipment	1,034	5,663	5,789
Investments	23	23	23
Investment in an associate	9,703	8,896	8,670
Deferred tax assets	199	144	136
	11,229	25,647	25,391
Current assets			
Inventories	31,384	42,369	50,671
Trade and other receivables	80,507	76,064	102,269
Cash and short-term deposits	55,737	12,567	9,816
	167,628	131,000	162,756
Current liabilities			
Bank loans	346	263	483
Bank overdraft	2,853	25,833	27,408
Trade creditors	65,603	45,929	72,462
Corporation tax	374	4,340	3,847
Other taxes and social security costs	5,201	5,315	5,137
Other payables and accruals	5,200	3,432	3,593
Unpaid dividends	10	16	5
Trade receivables finance	32,654	12,114	18,210
	112,241	97,242	131,145
Net current assets	55,387	33,758	31,611
Non-current liabilities – bank and other loans	(796)	(4,068)	(3,417)
Provision for liabilities and charges	(1,000)	-	-
Net Assets	64,820	55,337	53,585
Equity attributable to equity holders of the parent			
Called up share capital	2,580	2,568	2,557
Share premium account	17,813	17,741	17,667
Other reserves	6,355	6,355	6,355
Retained earnings	38,072	28,673	27,006
	64,820	55,337	53,585

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Consolidated Income Statements prepared in accordance with IFRS

	Year ended 31 December 06 £000's Unaudited	Six months ended 30 June 06 £000's Unaudited
Revenue	288,964	210,052
Cost of sales	(268,512)	(195,071)
Gross profit	20,452	14,981
Selling and distribution costs	(4,957)	(3,604)
Administrative expenses	(12,536)	(8,245)
Operating profit	2,959	3,132
Gain on disposal of subsidiary and deemed disposal of interest in associate	6,999	(14)
Finance revenue	35	248
Finance costs	(1,408)	(1,216)
Share of profit of an associate	1,741	703
Profit before tax	10,326	2,853
Income tax income/(expense)	29	(752)
Profit for the period from continuing operations	10,355	2,101
Discontinued operations		
Profit from discontinued operations before tax	4,725	-
Tax expense for discontinued operations	(1,642)	-
Profit from discontinued operations after tax	3,083	-
Profit for the period	13,438	2,101

Consolidated Statement of Changes in Equity prepared in accordance with IFRS

	Share capital £000's	Share premium account £000's	Foreign currency translation reserve £000's	Other reserves £000's	Retained earnings £000's	Total £000's
At 1 January 2006	2,557	17,667	(1,035)	6,355	28,041	53,585
Profit for the six months	-	-	-	-	2,101	2,101
Dividends	-	-	-	-	(564)	(564)
Movement on currency translation	-	-	109	-	-	109
Other movements:						
Proceeds from issue of shares	11	74	-	-	-	85
Expense of share based payments	-	-	-	-	21	21
At 30 June 2006	2,568	17,741	(926)	6,355	29,599	55,337
Profit for the six months	-	-	-	-	11,337	11,337
Dividends	-	-	-	-	(514)	(514)
Movement on currency translation	-	-	(1,440)	-	-	(1,440)
Other movements:						
Proceeds from issue of shares	12	72	-	-	-	84
Expense of share based payments	-	-	-	-	16	16
At 31 December 2006	2,580	17,813	(2,366)	6,355	40,438	64,820

Consolidated Cash Flow Statements prepared in accordance with IFRS

There is no impact, apart from presentational differences, to the consolidated cash flow statements on transition to IFRS.

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Accounting Policies

Basis of preparation

The Group's financial statements have been prepared in accordance with IFRS as adopted by the European Union.

The Group financial statements are presented in Great British pounds sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The functional currency of Banque Magnetique SAS is Euros and of Fayrewood plc, Fayrewood Holdings Limited and Interface Solutions International Limited is pounds sterling.

The parent and ultimate parent of the Group is considered to be Fayrewood plc a company incorporated in the UK. The registered office is Birmingham International Park, Starley Way, Marston Green, Solihull, Birmingham, B37 7GN.

The principal accounting policies adopted by the Group are set out below.

Principle activities

Fayrewood plc, whose shares are traded on the Alternative Investment Market of the London Stock Exchange, acts as a holding company. The Group operates as a European computer peripherals and hardware distributor.

The niche distribution division has subsidiaries in France and the UK. It is involved in the distribution of computers, computer peripherals and consumables. It has contracts with many of the leading, worldwide IT manufacturers including BenQ, IBM, Lenovo and Logitech. The Spanish subsidiary within the niche distribution division was disposed of on 22 December 2006.

On 26 March 2007 the Fayrewood Group sold its entire shareholding in the ComputerLinks group.

Basis of consolidation

The Group financial statements consolidate the financial statements of Fayrewood plc and its subsidiary undertakings drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee

so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Entities other than subsidiary undertakings, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates.

Interests in associates

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of individual investments. The Group income statement reflects the share of the associate's results after tax. The statement of changes in equity reflects the Group's share of any income and expense recognised by the associate outside profit and loss. Any goodwill arising on the acquisition of an associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortised. To the extent that the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Significant judgements and estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of goodwill and the measurement of deferred tax assets.

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. This involves an estimation of future cash flows and choosing a suitable discount rate.

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The measurement of deferred tax assets requires an assessment of the probability of future taxable profits arising against which the losses creating the potential deferred tax asset can be offset.

In making this assessment the Group considers both the historic volatility of profits and the forecast profit or loss for the next 12 months.

Foreign currency translation

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Goodwill and acquisitions

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Goodwill arising on acquisitions prior to 1 May 1998 has been written off to reserves. Goodwill arising on acquisitions post 1 May 1998 is capitalised and up to 31 December 2005 was amortised over the period of its estimated useful life, which the directors considered to be 20 years. From 1 January 2006 goodwill recognised as an asset is recorded as at its carrying amount under UK GAAP and is not amortised.

The cost of acquisitions includes the fair value of the consideration paid, the fair value of loan notes, the market value of shares issued as consideration on the date the offer became unconditional, plus expenses. The amount of contingent consideration which will become payable in the future if certain performance criteria are met is also included in cost of acquisitions based on directors' projections. The cash element of contingent consideration is included at its discounted value. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it. Goodwill arising on acquisitions prior to 1 May 1998 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of.

Intangible fixed assets

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred. Expenditure relating to clearly defined and identifiable development projects is recognised as an intangible asset only after all the following criteria are met:

- the project's technical feasibility and commercial viability can be demonstrated;
- the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- the correlation between development costs and future revenues has been established.

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses, as follows:

- computer software – three years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

NOTES

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

Land and buildings are recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of the revaluation. Fair value is based on periodic valuations by an external independent valuer and is determined from market-based evidence by appraisal. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Office equipment and fittings	– 10% to 33% per annum
Motor vehicles	– 20% per annum
Leasehold improvements	– over the shorter of the lease term or useful life
Freehold land	– 0%
Freehold buildings	– 3% per annum

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Leasing

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve

a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e.

the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of materials. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

NOTES

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Derivative financial instruments and hedging

Hedge accounting is not applied by the Group.

Pensions

The Group makes payments to a defined contribution group personal pension plan for most employees at Interface Solutions International Limited and into private defined contribution pensions for certain Fayrewood plc executives.

Under French statutory employment law employees are entitled to a lump sum retirement payment, from whichever company is their employer, upon retirement at or after the statutory retirement age. An accrual is calculated half yearly and charged evenly over each employee's period remaining until retirement, based on the best estimate of the proportion of employees that will remain with the Group until retirement. The calculation and charge is assessed so that the liability to every employee at date of retirement has been fully provided.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value

of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue is generally recognised on despatch of goods. The Group also enters into bill and hold arrangements. In such instances the sale is recognised at the point at which the risks and rewards of the related stock are transferred to the purchaser provided that this transfer has been confirmed in writing by the purchaser.

Rendering of services

Revenue from the installation of software or IT Hardware is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income

Revenue is recognised as interest accrues (using the effective interest method-that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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Share based payments – equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. Fair value is determined by using the Black Scholes pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and, in turn, the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification.

Where an equity-settled award is cancelled it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002 the Group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity-settled awards.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRS)

	Effective date
IFRS 7 Financial Instruments: Disclosures	1 January 2007
IFRS 8 Operating Segments	1 January 2009
IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 23 Borrowing Costs	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC) Effective date

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8 Scope of IFRS	21 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10 Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes Annual periods beginning	1 July 2008
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

NOTES

Reconciliations of UK GAAP financial information to IFRS Consolidated Balance Sheet as at 1 January 2006

	Reported under UK GAAP £000's	Employee benefits £000's	Software classification £000's	Deferred Tax asset £000's	Reported under IFRS £000's
Non-current assets					
Intangible fixed assets	10,512		261		10,773
Property, plant and equipment	6,050		(261)		5,789
Investments	23				23
Investment in an associate	8,670				8,670
Deferred tax assets	-	27		109	136
	25,255	27	-	109	25,391
Current assets					
Inventories	50,671				50,671
Trade and other receivables	102,378			(109)	102,269
Cash and short-term deposits	9,816				9,816
	162,865	-	-	(109)	162,756
Current liabilities					
Current instalments of interest-bearing loans	483				483
Interest-bearing bank overdrafts	27,408				27,408
Trade payables	72,462				72,462
Overseas tax	3,847				3,847
Other taxes and social security costs	5,137				5,137
Other payables and accruals	3,518	75			3,593
Unpaid dividend	5				5
Interest-bearing trade receivables finance	18,210				18,210
	131,070	75	-		131,145
Net current assets	31,795	(75)		(109)	31,611
Non-current liabilities – bank and other loans	(3,417)				(3,417)
Net Assets	53,633	(48)	-	-	53,585
Equity attributable to equity holders of the parent					
Called up share capital	2,557				2,557
Share premium account	17,667				17,667
Other reserves	6,355				6,355
Retained earnings	27,054	(48)			27,006
	53,633	(48)	-	-	53,585

Reconciliations of UK GAAP financial information to IFRS Consolidated Balance Sheet as at 30 June 2006

	Reported under UK GAAP £000's	Goodwill £000's	Employee benefits £000's	Software classification £000's	Deferred tax asset £000's	Reported under IFRS £000's
Non-current assets						
Intangible fixed assets	10,184	325		412		10,921
Property, plant and equipment	6,075			(412)		5,663
Investments	23					23
Investment in an associate	8,783	113				8,896
Deferred tax assets			35		109	144
	25,065	438	35	-	109	25,647
Current assets						
Inventories	42,369					42,369
Trade and other receivables	76,173				(109)	76,064
Cash and short-term deposits	12,567					12,567
	131,109	-	-	-	(109)	131,000
Current liabilities						
Current instalments of interest-bearing loans	263					263
Interest-bearing bank overdrafts	25,833					25,833
Trade payables	45,929					45,929
Overseas tax	4,340					4,340
Other taxes and social security costs	5,315					5,315
Other payables and accruals	3,254		178			3,432
Unpaid dividend	16					16
Interest-bearing trade receivables finance	12,114					12,114
	97,064	-	178	-		97,242
Net current assets	34,045		(178)		(109)	33,758
Non-current liabilities – bank and other loans	(4,068)					(4,068)
Provision for liabilities and charges						
Net Assets	55,042	438	(143)	-	-	55,337
Equity attributable to equity holders of the parent						
Called up share capital	2,568					2,568
Share premium account	17,741					17,741
Other reserves	6,355					6,355
Retained earnings	28,378	438	(143)			28,673
	55,042	438	(143)	-	-	55,337

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Reconciliations of UK GAAP financial information to IFRS (continued)

Consolidated Balance Sheet as at 31 December 2006

	Reported under UK GAAP £000's	Goodwill £000's	Employee benefits £000's	Software classification £000's	Deferred tax asset £000's	Reported under IFRS £000's
Non-current assets						
Intangible fixed assets				270		270
Property, plant and equipment	1,304			(270)		1,034
Investments	23					23
Investment in an associate	9,479	224				9,703
Deferred tax assets			44		155	199
	10,806	224	44	-	155	11,229
Current assets						
Inventories	31,384					31,384
Trade and other receivables	80,662				(155)	80,507
Cash and short-term deposits	55,737					55,737
	167,783	-	-	-	(155)	167,628
Current liabilities						
Current instalments of interest-bearing loans	346					346
Interest-bearing bank overdrafts	2,853					2,853
Trade payables	65,603					65,603
Overseas tax	374					374
Other taxes and social security costs	5,201					5,201
Other payables and accruals	5,079		121			5,200
Unpaid dividend	10					10
Interest-bearing trade receivables finance	32,654					32,654
	112,120	-	121	-	-	112,241
Net current assets	55,663		(121)		(155)	55,387
Non-current liabilities -						
bank and other loans	(796)					(796)
Provision for liabilities and charges	(1,000)					(1,000)
Net Assets	64,673	224	(77)	-	-	64,820
Equity attributable to equity						
holders of the parent						
Called up share capital	2,580					2,580
Share premium account	17,813					17,813
Other reserves	6,355					6,355
Retained earnings	37,925	224	(77)			38,072
	64,673	224	(77)	-	-	64,820

Reconciliations of UK GAAP financial information to IFRS

Consolidated Income Statement for the six months to 30 June 2006

	Reported under UK GAAP £000's	Goodwill £000's	Share options £000's	Employee benefits £000's	Associate reporting format £000's	Reported under IFRS £000's
Revenue	210,052					210,052
Cost of sales	(195,071)					(195,071)
Gross margin	14,981					14,981
Selling and distribution costs	(3,604)					(3,604)
Administrative expenses	(8,121)		(21)	(103)		(8,245)
Operating profit before goodwill	3,256		(21)	(103)		3,132
Amortisation of goodwill	(329)	329				
Operating profit	2,927	329	(21)	(103)		3,132
Gain on disposal of subsidiary and deemed disposal of interest in associate	(14)					(14)
Finance revenue	248					248
Finance costs	(1,216)					(1,216)
Share of profits in associate (UK GAAP gross, IFRS net of tax)	1,012	112			(421)	703
Profit before tax	2,957	441	(21)	(103)	(421)	2,853
Income tax expense	(760)			8		(752)
Tax on associate profits	(421)				421	
Profit on ordinary activities after taxation	1,776	441	(21)	(95)	-	2,101

NOTES

Reconciliations of UK GAAP financial information to IFRS (continued)

Consolidated Income Statement for the year to 31 December 2006

	Reported under UK GAAP £000's	Goodwill £000's	Employee benefits £000's	Associate reporting format £000's	Discontinued reporting format £000's	Reported under IFRS £000's
Revenue	458,279				(169,315)	288,964
Cost of sales	(424,666)				156,154	(268,512)
Gross margin	33,613				(13,161)	20,452
Selling and distribution costs	(7,752)				2,796	(4,956)
Administrative expenses	(17,545)		(45)		5,053	(12,537)
Operating profit before goodwill	8,316		(45)		(5,312)	2,959
Amortisation of goodwill	(657)	657				
Operating profit	7,659	657	(45)		(5,312)	2,959
Gain on disposal of subsidiary and deemed disposal of interest in associate	7,653	(654)				6,999
Finance revenue	72				(60)	12
Finance costs	(2,033)				648	(1,385)
Share of profits in associate (UK GAAP gross, IFRS net of tax)	2,645	224		(1,128)		1,741
Profit before tax	15,996	227	(45)	(1,128)	(4,724)	10,326
Income tax expense	(1,629)		17		1,641	29
Tax on associate profits	(1,128)			1,128		
Profit for the year from						
continuing operations	13,239	227	(28)		(3,083)	10,355
Discontinued operations						
Profit for the year from discontinued operations					3,083	3,083
Profit for the year	13,239	227	(28)	-	-	13,438

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