



# FAYREWOOD

## INTERIM STATEMENT for the six months ended 30 June 2006

**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 2006.

### HEADLINES

Sales in the Niche Division increased by 15% to £210m (2005: £182m).

Pre-tax profits (adjusted) amounted to £3.4m (2005: £6.2m with ComputerLinks AG’s results consolidated for the first five months of the period and treated as an associate for the final month).

Pre tax profits (unadjusted) £3.0m (2005: £12.2m).

Adjusted earnings per share were 4.4 pence (2005: 7.1.pence).

Unadjusted earnings per share were 3.5 pence (2005: 19.2 pence).

Overall debt dropped by £10m from £39.7m as at 31 December 2005 to £29.7m at 30 June 2006.

The Board proposes a 150% increase in the interim dividend to one pence per share (2005: 0.4 pence).

ComputerLinks AG, in which Fayrewood holds a 27.5% equity interest, has performed strongly in the period to 30 June with pre tax profits of €5.9m (2005: €4.4m). We continue to be optimistic about its future progress.

On outlook, David Kleeman, Non-Executive Chairman stated:

“As is usual for the Group, we expect that trading in the second half of the year, and particularly the fourth quarter, will be significantly stronger than levels achieved in the first half.”

|                                       |               |
|---------------------------------------|---------------|
| David Kleeman, Non-Executive Chairman | 020 7430 9329 |
| Paul Griffiths, Chief Executive       | 0870 3515802  |
| Fayrewood plc                         |               |
| Oliver Scott                          |               |
| KBC Peel Hunt                         | 020 7418 8900 |
| Tim Anderson / Lisa Baderoon          |               |
| Buchanan Communications               | 020 7466 5000 |

**Note to Editors:**

**Fayrewood plc**

*Fayrewood is a market leading, wholesaler of globally sourced computer related products with businesses in Spain, France and the UK. Fayrewood also owns 27.5% of Computer Links AG, Europe's leading value-added distributor of computer security products.*

## CHAIRMAN'S STATEMENT

Fayrewood reports on the first half year, covering the period to 30 June 2006.

The performance in recent years has been difficult to repeat during the first six months of the current year in a background of increasingly testing market conditions Europe wide. Whilst profits fell, as forecast, improved working capital management has enabled the Group to reduce its indebtedness significantly during the period.

In the six months to 30 June 2006:

Sales in the Niche Division increased by 15% to £210 million (2005: £182 million).

Pre-tax profits (adjusted) amounted to £3.4 million (2005: £6.2 million with ComputerLinks AG's results consolidated for the first five months of the period and treated as an associate for the final month).

Pre tax profits (unadjusted) £3.0 million (2005: £12.2 million).

Adjusted earnings per share were 4.4 pence (2005: 7.1.pence).

Unadjusted earnings per share were 3.5 pence (2005: 19.2 pence).

Overall debt dropped by £10 million from £39.7million as at 31 December 2005 to £29.7 million at 30 June 2006.

The Board proposes a 150% increase in the interim dividend to one pence per share (2005: 0.4 pence).

ComputerLinks AG, in which Fayrewood holds a 27.5% equity interest, has performed strongly in the period to 30 June with pre tax profits of €5.9 million (2005: €4.4 million). We continue to be optimistic about its future progress.

The decrease in the adjusted earnings per share compared to 2005 is due to the reduced contribution from UMD, in Spain, the loss at Interface Solutions, in the UK, and the change in accounting treatment of our investment in ComputerLinks AG.

The divisional turnover and trading results are summarised as follows:

| £'000  | 6 months to<br>30 June 2006<br>(unaudited) | 6 months to<br>30 June 2005<br>(unaudited) | Change<br>% | 12 months to<br>31 December 2005<br>(audited) |
|--|--|--|-------------|---|
| <b>Niche Distribution</b>                                |  |  |             |   |
| Turnover   | 210,052                                    | 181,929                                    | 15%         | 430,263                                       |
| Operating profit before goodwill                         | 3,843                                      | 5,268                                      | -27%        | 12,066  |
| Central costs  | (584)                                      | (549)                                      |             | (1,321)                                       |
| Interest payable (net)                                   | (968)                                      | (875)                                      | -11%        | (1,675)                                       |
| Profit before taxation                                   | 2,291                                      | 3,844                                      | -40%        | 9,070   |
| Minority interest  | -  | (2)  |             | (2)   |
| Taxation   | (760)                                      | (1,147)                                    |             | (2,549)                                       |
| Profit after taxation                                    | 1,531                                      | 2,695                                      | -43%        | 6,519   |
| <b>ComputerLinks</b>                                     |  |  |             |   |
| Net profit attributable after<br>taxation and minorities | 703  | 900  | -22%        | 1,685   |
| <b>Total group profit after taxation<br/>(adjusted)*</b> | <b>2,234</b>                               | <b>3,595</b>                               | -38%        | <b>8,204</b>                                  |
| <b>Adjusted EPS (undiluted)*</b>                         | 4.4p                                       | 7.1p                                       |             | 16.2p   |
| <b>Adjusted EPS (diluted)*</b>                           | 4.3p                                       | 7.0p                                       |             | 15.8p   |

\* See note 3

The Niche Division experienced mixed fortunes. Banque Magnetique, in France, performed ahead of our expectations and is confident on the outlook for its markets as we move towards the seasonally important final four months of the year. UMD, in Spain, has experienced tougher trading conditions, particularly in the last four months. Whilst sales increased by 5% the sales mix has been less favourable, to the detriment of margins. UMD believes that it can expect its customary strong final quarter of the year, where its higher margin electronic consumer products should have greater prominence. A disappointing feature for the Group has been Interface Solutions in the UK where the progress that we anticipated at the beginning of the year has not materialised, with increased losses compared to the same period last year. The performance of the core enterprise products division has been largely satisfactory but the outcome from the consumer division has not been. Operational changes can be expected over the coming months.

In the first half of the year, we placed strong emphasis on working capital management, including renegotiating terms of business with some of our suppliers. These improved terms are not fully reflected in the half year results with further benefits to come in the second half. Whilst the usual increase in activity that we experience in the final quarter of the year may lead to a higher working capital requirement at the year end, we believe that these initiatives have resulted in a step reduction in our working capital requirements compared to last year.

Having regard to this strengthened cash flow, the Board is proposing an interim dividend of one pence per share (2005: 0.4 pence), which will be payable on 16 October 2006 to those shareholders on the register at the close of business on 8 September 2006.

#### Outlook and summary

As is usual for the Group, we expect that trading in the second half of the year, and particularly the fourth quarter, will be significantly stronger than levels achieved in the first half. However, we do not anticipate that second half trading will be sufficiently strong to fully recover the shortfall against management expectations experienced in the first half. In the meantime the board is examining a number of options for the group with the aim of maximising shareholder value.

**David Kleeman**  
**Non-Executive Chairman**  
24 August 2006

**UNAUDITED GROUP PROFIT AND LOSS ACCOUNT**  
for the six months to 30 June 2006

|   | 6 months to<br>30 June<br>2006<br>£000's | 6 months to<br>30 June<br>2005<br>£000's | 12 months to<br>31 December<br>2005<br>£000's |
|---|--|--|---|
| <b>Turnover</b>   |  |  |   |
| Continuing operations   | 210,052                                  | 181,929                                  | 430,263                                       |
| ComputerLinks group – discontinued                              | -  | 56,514                                   | 56,514  |
|   | <u>210,052</u>                           | <u>238,443</u>                           | <u>486,777</u>                                |
| Cost of sales   | (195,071)                                | (213,401)                                | (444,381)                                     |
| Gross profit  | 14,981                                   | 25,042                                   | 42,396  |
| Distribution and administrative expenses                        | (12,054)                                 | (18,727)                                 | (30,387)                                      |
| <b>Group operating profit</b>                                   | <b>2,927</b>                             | <b>6,315</b>                             | <b>12,009</b>                                 |
| Share of operating profit in associate                          | 1,124                                    | 253                                      | 1,511   |
| Amortisation of goodwill arising on acquisition of associate    | (112)                                    | (19)                                     | (132)   |
| <b>Total operating profit: group and share of associate</b>     | <b>3,939</b>                             | <b>6,549</b>                             | <b>13,388</b>                                 |
| Net exceptional (loss)/gain on deemed disposal                  | (14)                                     | 1,318                                    | 1,308   |
| Net exceptional gain on disposal of holding in subsidiary       | -  | 5,244                                    | 5,244   |
| Interest receivable   | 38                                       | 68                                       | 181   |
| Interest payable  | (1,006)                                  | (930)                                    | (1,843)                                       |
| <b>Profit on ordinary activities before taxation</b>            | <b>2,957</b>                             | <b>12,249</b>                            | <b>18,278</b>                                 |
| Tax on profit on ordinary activities                            | (1,181)                                  | (1,990)                                  | (4,222)                                       |
| <b>Profit on ordinary activities after taxation</b>             | <b>1,776</b>                             | <b>10,259</b>                            | <b>14,056</b>                                 |
| Minority interest   | -  | (560)                                    | (560)   |
| <b>Profit attributable to the members of the parent company</b> | <b>1,776</b>                             | <b>9,699</b>                             | <b>13,496</b>                                 |
| Earnings per share – basic                                      | 3.5p                                     | 19.2p                                    | 27.2p   |
| Earnings per share – diluted                                    | 3.4p                                     | 18.7p                                    | 26.0p   |
| Earnings per share – adjusted                                   | 4.4p                                     | 7.1p                                     | 16.2p   |

**UNAUDITED GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the six months to 30 June 2006

|  | 6 months to<br>30 June<br>2006<br>£000's | 6 months to<br>30 June<br>2005<br>£000's | 12 months to<br>31 December<br>2005<br>£000's |
|--|--|--|---|
| Profit for the period excluding share of profits of associate            | 1,199                                    | 9,552                                    | 12,675  |
| Share of associate's profit for the period                               | 577                                      | 147                                      | 821   |
| Exchange gain on re-translation of net assets of subsidiary undertakings | (109)                                    | (1,238)                                  | (139)   |
| Exchange gain on foreign currency borrowings to finance investments      | -  | 125                                      | 125   |
| <b>Total recognised gains relating to the period</b>                     | <b>1,667</b>                             | <b>8,586</b>                             | <b>13,482</b>                                 |

**UNAUDITED GROUP BALANCE SHEET  
at 30 June 2006**

|  | <i>30 June<br/>2006<br/>£000</i> | <i>30 June<br/>2005<br/>£000</i> | <i>31 December<br/>2005<br/>£000</i> |
|--|----------------------------------|----------------------------------|--------------------------------------|
| Intangible fixed assets  | 10,184                           | 10,841                           | 10,512                               |
| Tangible fixed assets  | 6,075                            | 4,626                            | 6,050                                |
| Trade investments  | 23                               | 23                               | 23                                   |
| Investment in associate  | 8,783                            | 7,794                            | 8,670                                |
|  | <u>25,065</u>                    | <u>23,284</u>                    | <u>25,255</u>                        |
| <b>Current assets</b>  |                                  |                                  |                                      |
| Stocks – finished goods held for resale                        | 42,369                           | 36,745                           | 50,671                               |
| Debtors  | 76,173                           | 60,569                           | 102,378                              |
| Cash at bank and in hand                                       | 12,567                           | 7,285                            | 9,816                                |
|  | <u>131,109</u>                   | <u>104,599</u>                   | <u>162,865</u>                       |
| <b>Creditors: Amount falling due within one year</b>           | <u>(97,064)</u>                  | <u>(75,891)</u>                  | <u>(131,070)</u>                     |
| <b>Net current assets</b>                                      | <u>34,045</u>                    | <u>28,708</u>                    | <u>31,795</u>                        |
| <b>Total assets less current liabilities</b>                   | 59,110                           | 51,992                           | 57,050                               |
| <b>Creditors: amounts falling due after more than one year</b> | <u>(4,068)</u>                   | <u>(3,233)</u>                   | <u>(3,417)</u>                       |
|  | <u>55,042</u>                    | <u>48,759</u>                    | <u>53,633</u>                        |
| Called up share capital  | 2,568                            | 2,540                            | 2,557                                |
| Share premium account  | 17,741                           | 17,523                           | 17,667                               |
|  | <u>20,309</u>                    | <u>20,063</u>                    | <u>20,224</u>                        |
| Shares to be issued as contingent acquisition consideration    | -                                | -                                | -                                    |
| Other reserves   | 6,355                            | 6,355                            | 6,355                                |
| Profit and loss account  | 28,378                           | 22,341                           | 27,054                               |
| Shareholders' funds : equity                                   | <u>55,042</u>                    | <u>48,759</u>                    | <u>53,633</u>                        |

**UNAUDITED GROUP STATEMENT OF CASH FLOWS**  
**for the six months to 30 June 2006**

|  | 6 months to<br>30 June<br>2006<br>£000's | 6 months to<br>30 June<br>2005<br>£000's | 12 months to<br>31 December<br>2005<br>£000's |
|--|--|--|---|
| Total operating profit : Group and share of associate    | 3,939                                    | 6,549                                    | 13,388  |
| Share of profits of associate                            | (1,012)                                  | (234)                                    | (1,379)                                       |
| Depreciation of tangible fixed assets                    | 414                                      | 588                                      | 992   |
| Amortisation of goodwill                                 | 332                                      | 497                                      | 825   |
| Decrease/(increase) in stocks                            | 8,489                                    | (2,851)                                  | (15,636)                                      |
| Decrease/(increase) in operating debtors and prepayments | 26,395                                   | 27,885                                   | (15,094)                                      |
| Decrease in operating creditors and accruals             | (26,689)                                 | (44,633)                                 | (2,373)                                       |
| <b>Net cash inflow from operating activities</b>         | <u>11,868</u>                            | <u>(12,199)</u>                          | <u>(19,277)</u>                               |
| <b>Returns on investment and servicing of finance</b>    |  |  |   |
| Interest paid  | (1,006)                                  | (924)                                    | (1,837)                                       |
| Interest received  | 38                                       | 68                                       | 181   |
| Dividends paid to Minority Interests                     | -  | (725)                                    | (726)   |
| Dividends received from associate                        | 443                                      | -  | -   |
|  | <u>(525)</u>                             | <u>(1,581)</u>                           | <u>(2,382)</u>                                |
| <b>Taxation</b>  |  |  |   |
| Net corporation tax and overseas tax paid                | <u>(275)</u>                             | <u>(679)</u>                             | <u>(3,665)</u>                                |
| <b>Capital Expenditure</b>                               |  |  |   |
| Payments to acquire tangible fixed assets                | (438)                                    | (230)                                    | (2,204)                                       |
| Sale of tangible fixed assets                            | -  | -  | 4   |
|  | <u>(438)</u>                             | <u>(230)</u>                             | <u>(2,200)</u>                                |
| <b>Acquisitions and disposals</b>                        |  |  |   |
| Deferred consideration for UMD SA                        | -  | (1,050)                                  | (1,050)                                       |
| Additional shares in Banque Magnetique SAS               | -  | (646)                                    | (646)   |
| Issue of share capital by ComputerLinks AG               | -  | 5,363                                    | 5,363   |
| Cash held by ComputerLinks AG upon change to associate   | -  | (11,360)                                 | (11,360)                                      |
| Sales of shares in ComputerLinks AG                      | -  | 10,664                                   | 10,664  |
|  | <u>-</u>                                 | <u>2,971</u>                             | <u>2,971</u>                                  |
| <b>Equity dividends paid</b>                             | <u>(553)</u>                             | <u>(130)</u>                             | <u>(420)</u>                                  |
| <b>Net cash inflow/(outflow) before financing</b>        | <u>10,077</u>                            | <u>(11,848)</u>                          | <u>(24,973)</u>                               |
| <b>Financing</b>   |  |  |   |
| Issue of share capital by Fayrewood plc                  | 85                                       | 63                                       | 239   |
| Increase/(decrease) in bank loans                        | 407                                      | (549)                                    | 1,322   |
| Decrease in other loans                                  | -  | -  | (1,474)                                       |
| Net decrease in Trade Receivables Financing debt         | (6,038)                                  | (17,693)                                 | (10,605)                                      |
| <b>Net cash outflow from financing</b>                   | <u>(5,546)</u>                           | <u>(18,179)</u>                          | <u>(10,518)</u>                               |
| <b>Increase /(decrease) in cash in the period</b>        | <u>4,531</u>                             | <u>(30,027)</u>                          | <u>(35,491)</u>                               |
| Cash (outflow)/inflow from movement in loans             | (407)                                    | 549                                      | 152   |
| Cash inflow from movement in Trade Receivables Financing | 6,038                                    | 17,693                                   | 10,605  |
| <b>Change in net debt resulting from cash flows</b>      | <u>10,162</u>                            | <u>(11,785)</u>                          | <u>(24,734)</u>                               |
| Exchange differences                                     | (171)                                    | 1,195                                    | (73)  |
| <b>Change in net debt in the period</b>                  | <u>9,991</u>                             | <u>(10,590)</u>                          | <u>(24,807)</u>                               |
| Net debt at beginning of period                          | (39,702)                                 | (14,895)                                 | (14,895)                                      |
| <b>Net debt at end of period</b>                         | <u>(29,711)</u>                          | <u>(25,485)</u>                          | <u>(39,702)</u>                               |

## **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 2005 is taken from the audited statutory accounts that have been sent to the Registrar of Companies and on which the auditors issued an unqualified opinion.

## **2. Earnings Per Ordinary Share**

The calculation of earnings per ordinary share is based on a profit of £1,776,000 (2005 – £9,699,000) and on 51,284,961 (2005 – 50,452,324) ordinary shares being the weighted average number of ordinary shares in issue during the period. The profit for the period includes a charge for goodwill amortisation of £444,000 (2005 - £516,000)

The diluted earnings per ordinary share is based on 52,110,662 (2005 – 51,735,754) ordinary shares.

## **3. 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 goodwill amortisation of £444,000 (2005 – £516,000), or the Group's share of goodwill amortisation of £444,000 (2005 – £458,000) where appropriate  
removing the loss on deemed disposals of £14,000 (2005 – gain of £1,318,000)  
removing the gain on disposal of investment of nil (2005 - £5,244,000)

The December 2005 adjusted results also reflect a decrease in the taxation charge by removing the effect of deferred tax asset de-recognition.

## **4. Interim Results**

Copies of these interim results will be sent to all shareholders. Copies will be available from 24 August 2006 at Fayrewood's registered office, Unit 4, Birmingham International Park, Starley Way, Marston Green, Solihull, B37 7GN.