



FAYREWOOD

PRELIMINARY RESULTS STATEMENT for the twelve months ended 31 December 2006

Fayrewood plc (“Fayrewood” or “the Group”), (AIM: FWY) the computer distributor, is pleased to announce its preliminary results for the twelve months ended 31 December 2006.

- Sales in the Niche Division increased to a record £458.3 million (2005: £430.3 million), an increase of 6.5%, despite a modest sales reduction in Spain.
- Adjusted pre-tax profits (see note 2) amounted to £9.26 million (2005: £12.68 million). Unadjusted pre-tax profits £16.00 million (2005: £18.23 million).
- Adjusted earnings per share (see note 5) of 12.67 pence (2005: 16.18 pence). On an unadjusted basis 25.8 pence (2005: 26.5 pence).
- Completion of the sale of UMD, the largest business within the Group, for a maximum cash consideration of €53.5 million.
 - €48.5 million paid on completion, with up to a further €5 million payable in June 2007.
 - A pre-acquisition dividend from UMD of €3.0 million.
- Sales of the continuing Niche Division businesses - £288.9 million (2005: £250.5 million) and operating profits of £4.56 million (2005: £2.80 million).
- The Board proposes a final dividend of 1.5 pence per share (2005: 1.1 pence), to make a total for the year of 2.5 pence per share (2005: 1.5 pence), an increase of 66%.
- Fayrewood intends to make available not less than £35 million in cash to shareholders later this year, subject to unforeseen circumstances.

Post review activity

- Fayrewood raises approximately €24.7 million, net of expenses, by the sale of the whole of its 27.5% equity interest in ComputerLinks AG on 26 March 2007.

On outlook, the Chairman, David Kleeman, stated: *“The sale of UMD for €48.5 million cash on completion and the removal of UMD’s bank debt has materially strengthened the Group’s balance sheet. This has been further strengthened with the €24.7 million proceeds from the sale of our interest in ComputerLinks. Subject to the satisfactory conclusion of discussions with our Board and advisors, we hope to make available not less than £35 million in cash to shareholders. An announcement confirming these details will be made in due course when plans have been formalised.*

Our UK and French businesses are expected to continue to perform with the usual seasonal patterns and we will continue to search for new franchises, an area where Banque Magnetique in particular has been successful. The challenge in 2007 will be to continue to secure growth and to improve management disciplines further.”

David Kleeman, Chairman
Fayrewood plc

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CHAIRMAN'S STATEMENT

During a year of significant strategic change, Fayrewood strengthened its balance sheet by reduced operational gearing, saw improved trading from the UK and French subsidiaries and disposed of UMD, our Spanish subsidiary. UMD's recent sale is the catalyst for an anticipated significant cash payment to shareholders later this year.

BUSINESS OVERVIEW

The Niche Division had another record year. Sales grew from £430.3 million in 2005 to £458.3 million in 2006, an increase of 6.5% over the previous year. Banque Magnetique increased its sales by approximately 20% over 2005, assisted by the successful introduction of new products, whilst Interface Solutions in Birmingham saw a sales increase of 9% over the levels achieved in 2005. With fairly stable margins and careful control of overheads, pre-tax profits in both the UK and France showed meaningful increases over previous years. Interface, after a patchy start, experienced its best results to date whilst under Fayrewood's ownership. The performance at UMD was disappointing. Trading conditions in Spain deteriorated during 2006, a feature also experienced by its local competitors. In the 12 months to 31 December 2006 UMD's sales fell by 4% compared to 2005 with pre-tax profits falling sharply from the levels achieved in 2004 and 2005.

DISPOSAL OF UMD

UMD has been a successful investment for Fayrewood following its acquisition in January 2002 for a total enterprise value of €29.0 million. During that time UMD's pre-tax profits increased from €5.6 million in 2001 to €11.7 million in the year to 31 December 2005.

Early in 2006 Fayrewood was approached by Esprinet S.p.a., the largest I.T. distributor in Italy, which expressed interest in UMD. In October 2006 an agreement was entered into for the sale of UMD to Esprinet for a maximum cash consideration of €53.5 million, supplemented by the pre-acquisition dividend paid to Fayrewood by UMD of €3.0 million. In addition Esprinet took over responsibility for UMD's bank debt on completion. As a result, the enterprise value attributable to the sale of UMD amounted to approximately €68.5 million. €48.5 million has been paid to Fayrewood following completion of the disposal at the end of last year. As agreed the purchasers have retained €5 million which may be released after 22 June 2007, subject to adjustments relating to the value of stock and debtors of UMD as at 30 November 2006.

COMPUTERLINKS A.G.

ComputerLinks enjoyed its most successful year in 2006. Its full year results announced on 14 March 2007 showed a 41% increase in turnover of €396.7 million (2005: €279.3 million) with pre-tax profits up 37% to €15.3 million (2005: €11.1 million). The Scandinavian SecureSoft Group, acquired in 2005, has been integrated successfully and has met expectations. The US business, which started operations in mid-2005 has performed better than originally anticipated and new subsidiaries have recently commenced business in Australia and Canada. The outlook for 2007 for the enlarged ComputerLinks Group is encouraging.

Shareholders have been aware that the Fayrewood Board has been continually reviewing its equity position in ComputerLinks with the key focus of extracting the maximum value from our investment. We therefore took the decision following the recent announcement of ComputerLinks' financial results to dispose of our total shareholding of 27.5% in ComputerLinks at €13.55 per share. The total proceeds, including those derived from earlier share sales, has produced a gain of several times our investment. The proceeds will give added strength to Fayrewood's balance sheet, provide us with greater flexibility within our remaining operations, and form part of the anticipated cash payment to shareholders.

WORKING CAPITAL

A priority for 2006 was to increase liquidity substantially by reversing the working capital outflow we encountered in 2005, primarily in Spain. Early indications showed that good progress was being made and that progress continued during the remainder of 2006. The anticipated growth in 2007 of the remaining operations, Banque Magnetique and Interface Solutions, requires us to maintain that discipline.

With strengthened cash flow and the elimination of bank debt post the UMD disposal, the Board is recommending the payment of a final dividend of 1.5 pence per share (2005: 1.1 pence), which will be payable on 29 May 2007 to those shareholders on the register at the close of business on 10 April 2007. This makes a total for the year of 2.5 pence per share (2005: 1.5p), an increase of 66%.

THE BOARD

With the sale of UMD, Paul Griffiths, Chief Executive and David Gurr, the Group Finance Director, left the Board on 31 December 2006. The Board has been and remains most appreciative of their efforts over several years in developing the Group to the level and size we now see, and to the successful implementation of its acquisition plans of the past from which shareholders will now benefit. The cost of bringing their service contracts to a premature end has been fully provided for in the Group accounts.

It is not our intention to seek replacements. Dick Lynch, who has been with the Group for many years as Financial Controller, has taken on additional financial responsibilities, whilst Interface and Banque Magnetique will continue to have the degree of operational autonomy which they have customarily experienced. Keith Negal joined the Group in November and was appointed to the Board in early January this year with specific responsibility for Interface. He is now acting additionally as Interface's Managing Director.

With the contraction of the Group, we will be leaving our offices in Luton in the Spring and will relocate to Interface's offices in Birmingham. It is anticipated the Headquarters' costs in 2007 will be significantly reduced.

OUTLOOK

The sale of UMD, the receipt of €48.5 million, on account on completion and the removal of UMD's bank debt has materially strengthened the Group's balance sheet. This has been further enhanced with the proceeds from the sale of our interest in ComputerLinks. The Board is now considering, given the changed strategy of Fayrewood, the commercial reasons for retaining the current corporate structure.

We are additionally reviewing methods of passing back to our shareholders the maximum cash available and in the most effective manner. Discussions with our professional advisers on these and related subjects have been a continuing feature for several months. Subject to their satisfactory outcome, we hope to make available not less than £35 million in cash to shareholders, subject to unforeseen circumstances. A further announcement will be made when plans have been formalised later.

Our UK and French businesses are expected to continue to perform with the usual seasonal patterns and we will continue to search for new franchises, an area where Banque Magnetique in particular has been successful. The challenge in 2007 will be to continue to secure growth and to improve management disciplines further.

David Kleeman
Chairman

29 March 2007

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

	<i>Notes</i>	<i>2006</i>	<i>2005</i> <i>restated</i>
		<i>£000's</i>	<i>£000's</i>
TURNOVER			
Continuing operations		288,964	250,480
Discontinued operations		169,315	236,297
		<hr/>	<hr/>
Cost of sales		458,279 (424,666)	486,777 (444,381)
		<hr/>	<hr/>
Gross profit		33,613	42,396
Distribution costs		(7,752)	(6,591)
Administrative expenses		(18,202)	(23,845)
		<hr/>	<hr/>
OPERATING PROFIT			
Continuing operations		4,593	1,375
Discontinued operations		3,066	10,585
		<hr/>	<hr/>
GROUP OPERATING PROFIT			
Share of operating profit in associate		2,869	1,511
Amortisation of goodwill arising on associate		(224)	(132)
		<hr/>	<hr/>
TOTAL OPERATING PROFIT :			
GROUP AND SHARE OF ASSOCIATE			
		7,659	11,960
Gain on disposal of subsidiary and deemed disposal of interest in associate		7,653	6,552
Bank interest receivable		72	181
Interest payable		(2,033)	(1,843)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
		15,996	18,229
Taxation	4	(2,757)	(4,222)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
		13,239	14,007
Minority interests (equity)		—	(560)
		<hr/>	<hr/>
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY			
		13,239	13,447
		<hr/> <hr/>	<hr/> <hr/>

* 2005 figures restated for FRS20 treatment of share based payments. See note 3.

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2006

		2006	2005
	Notes	£000's	restated £000's
Earnings per share			
- basic	5	25.77p	26.52p
- diluted	5	25.47p	25.98p
Adjusted earnings per share - basic	5	12.67p	16.18p
- diluted	5	12.52p	15.85p
Earnings per share: continuing - basic	5	4.91p	1.36p
- diluted	5	4.85p	1.33p
Earnings per share: discontinued - basic	5	5.97p	12.24p
- diluted	5	5.90p	11.99p

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2006

	<i>2006</i>	<i>2005</i>
		<i>restated</i>
	<i>£000's</i>	<i>£000's</i>
Profit for the year excluding share of profits of associate	11,722	12,626
Share of associate's profit for the year	1,517	821
Exchange loss on re-translation of net assets of subsidiary undertakings	(1,332)	(139)
Exchange gain on foreign currency borrowings to finance investments	-	125
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	11,907	13,433
	<hr/>	<hr/>

GROUP BALANCE SHEET

at 31 December 2006

	2006	2005
	£000's	<i>restated</i> £000's
FIXED ASSETS		
Intangible fixed assets	-	10,512
Tangible fixed assets	1,304	6,050
Investments	23	23
Investment in associate – ComputerLinks group	9,479	8,670
	<hr/> 10,806	<hr/> 25,255
CURRENT ASSETS		
Stock - finished goods held for resale	31,384	50,671
Debtors	80,662	102,378
Cash at bank and in hand	55,737	9,816
	<hr/> 167,783	<hr/> 162,865
CREDITORS: amounts falling due within one year	(112,120)	(131,070)
NET CURRENT ASSETS	<hr/> 55,663	<hr/> 31,795
TOTAL ASSETS LESS CURRENT LIABILITIES	66,469	57,050
CREDITORS: amounts falling due after more than one year	(796)	(3,417)
PROVISION FOR LIABILITIES AND CHARGES:	(1,000)	-
	<hr/> 64,673	<hr/> 53,633
	<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES		
Called up share capital	2,580	2,557
Share premium account	17,813	17,667
Other reserves	6,355	6,355
Profit and loss account	37,925	27,054
	<hr/> 64,673	<hr/> 53,633
Shareholders equity	<hr/> <hr/>	<hr/> <hr/>

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2006

	2006	2005 <i>restated</i>
	Notes	£000's
Net cash inflow/(outflow) from operating activities	6	£000's
		(19,277)
Dividend received from associate		-
		443
Returns on investments and servicing of finance		
Interest paid		(1,837)
Interest received		181
Dividends paid to minority interests		(726)
		(2,382)
		(1,961)
Taxation		
Corporation tax paid		(410)
Overseas tax paid		(3,255)
		(3,665)
		(3,399)
Capital expenditure and financial investments		
Purchases of tangible fixed assets – land and buildings		(866)
– other		(1,338)
Sale of tangible fixed assets		4
		(2,200)
		(759)
		(757)
Acquisitions and disposals		
Additional shares in Banque Magnetique SAS		(646)
Deferred consideration for UMD SAU		(1,050)
Issue of share capital by ComputerLinks AG		5,363
Cash held by ComputerLinks AG upon change to associate		(11,360)
Sale of shares in ComputerLinks AG		10,664
Net overdraft held by UMD SAU upon disposal		-
Sale of shares in UMD SAU		-
		32,655
		33,287
		2,971
Equity dividends paid		(420)
		(1,072)
Net cash inflow/(outflow) before financing		(24,973)
		55,490
Financing		
Issue of share capital		239
Increase in bank loans		2,282
Repayment of bank loans		(960)
Repayment of other loans		(1,474)
Increase/(decrease) in trade receivable finance		(10,605)
		14,961
Net cash inflow/(outflow) from financing		(10,518)
		14,934
Increase/(decrease) in cash in the year		(35,491)
		70,424

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2006

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2006 £000's	2005 £000's
Increase/(decrease) in cash in the year	70,424	(35,491)
Cash inflow from movement in loans	196	152
Cash (inflow)/outflow from movement in trade receivable finance	(14,961)	10,605
	<hr/>	<hr/>
Change in net debt resulting from cash flows	55,659	(24,734)
Loans held by UMD SAU upon disposal	2,481	-
Exchange differences	650	(73)
	<hr/>	<hr/>
Change in net debt in the year	58,790	(24,807)
Net debt at 31 December 2005	(39,702)	(14,895)
	<hr/>	<hr/>
Net funds/(debt) at 31 December 2006	<u>19,088</u>	<u>(39,702)</u>

Notes:

1. The financial information set out in this announcement does not constitute statutory accounts for the purposes of Section 240 Companies Act 1985. The financial information for the year ended 31 December 2005 has been extracted from the statutory accounts of Fayrewood plc for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under sections 237(2) or (3) of the Companies Act 1985. This preliminary announcement was approved by the board of directors on 28 March 2007. The financial statements in respect of the year end 31 December 2006 will be delivered to the Registrar of Companies in due course and will also be sent to shareholders. However an unmodified audit opinion has been issued.
2. Adjusted profit before taxation has been calculated as follows:

	<i>2006</i>	<i>2005</i> <i>restated</i>
	<i>£000's</i>	<i>£000's</i>
Unadjusted profit before taxation	15,996	18,229
Group's share of goodwill amortisation	881	957
Expense of share based payments	37	49
Gain on disposal of UMD SAU	(7,672)	–
Gain on disposal of ComputerLinks AG shares	-	(5,244)
Net loss/(gain) on deemed disposal of interest in associate and disposal on dissolution of subsidiary	19	(1,308)
Adjusted profit before taxation	<u>9,261</u>	<u>12,683</u>

3. The group has adopted FRS20 – Share-based payments, a new standard, during the year and comparative figures have been amended as required:

The adoption of FRS20 led to charges of:

- £51,000 relating to 2004 and prior
- £49,000 relating to 2005
- £37,000 relating to 2006

None of these charges had any net effect on the reserves of the group. These amounts reflect the charges, based on a Black Scholes valuation model, of share based payments in respect of an equity settled share option scheme.

Except for the change due to the adoption of FRS20 the preliminary announcement is prepared on the same basis as the 2005 audited financial statements.

4(a) The taxation charge is made up as follows:

	2006 £000's	2005 £000's
<i>Current tax</i>		
UK corporation tax – current year	-	439
Overseas taxation – current year	1,677	2,908
– prior year under provision	-	3
	<hr/>	<hr/>
Group current tax	1,677	3,350
Share of associate's current tax	1,128	558
	<hr/>	<hr/>
Total current tax	2,805	3,908
Deferred tax	(48)	314
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>2,757</u>	<u>4,222</u>

4(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are reconciled below:

	2006 £000's	2005 <i>restated</i> £000's
Profit on ordinary activities	15,996	18,229
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 – 30%)	4,799	5,468
Net items disallowed for tax purposes (including goodwill amortisation) / (tax credits)	16	(209)
Non taxable gains on disposal and deemed disposal of subsidiary and on interest in associate	(2,296)	(1,977)
Accelerated capital allowances in excess of depreciation	(32)	(9)
Relief from UK losses brought forward not previously recognised	(148)	-
Losses arising in the UK not relievable against current tax	122	236
Losses arising overseas not relievable against current tax	-	21
Other short-term timing differences	47	32
Higher taxes on overseas earnings	297	343
Net tax under provided in prior year	-	3
	<hr/>	<hr/>
Total current tax	<u>2,805</u>	<u>3,908</u>

5. The calculation of earnings per ordinary share is based on a profit of £13,239,000 (2005 restated: £13,447,000) and on 51,366,455 (2005: 50,703,249) ordinary shares being the weighted average number of ordinary shares in issue during the year.

	2006			2005 restated		
	<i>Net profit attributable to ordinary share holders £000's</i>	<i>Ordinary shares</i>	<i>Profit per share</i>	<i>Net profit attributable to ordinary share holders £000's</i>	<i>Ordinary shares</i>	<i>Profit per share</i>
Basic EPS	13,239	51,366,455	25.77p	13,447	50,703,249	26.52p
Dilutive effect of options		605,741			1,053,917	
Diluted EPS	13,239	51,972,196	25.47p	13,447	51,757,166	25.98p
Adjusted EPS	6,504	51,366,455	12.67p	8,204	50,703,249	16.18p
Diluted adjusted EPS	6,504	51,972,196	12.52p	8,204	51,757,166	15.85p
EPS: continuing	2,519	51,366,455	4.91p	6,689	50,703,249	1.36p
Diluted EPS: continuing	2,519	51,972,196	4.85p	6,689	51,757,166	1.33p
EPS: discontinued	3,067	51,366,455	5.97p	6,206	50,703,249	12.24p
Diluted EPS: discontinued	3,067	51,972,196	5.90p	6,206	51,757,166	11.99p

	2006 £000's	2005 £000's
Unadjusted net profit attributable to shareholders	13,239	13,447
Group's share of goodwill amortisation	881	900
Expense of share based payments	37	49
Gain on disposal of UMD SAU	(7,672)	-
Gain on disposal of ComputerLinks AG shares	-	(5,244)
Net loss/(gain) on deemed disposal of interest in associate and disposal on dissolution of subsidiary	19	(1,308)
Movement in deferred tax asset in respect of losses carried forward	-	360
Adjusted net profit attributable to shareholders	6,504	8,204

6. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities:

	2006	2005
	<i>£000's</i>	<i>restated £000's</i>
Total operating profit: group and share of associate	10,304	13,339
Share of profits of associate	(2,645)	(1,379)
Depreciation	850	992
Goodwill amortisation	657	825
Share based payment expense	37	49
Increase in debtors	(5,341)	(15,094)
Increase in stocks	(1,369)	(15,636)
Increase/(decrease) in creditors	26,456	(2,373)
Net cash inflow/(outflow) from operating activities	<u>28,949</u>	<u>(19,277)</u>

7. Copies of this announcement are available for the next 14 days from the company's offices at Birmingham International Park, Starley Way, Marston Green, Solihull, B37 7GN.