

FOR IMMEDIATE RELEASE

15 MARCH 2006



FAYREWOOD

PRELIMINARY ANNOUNCEMENT OF AUDITED RESULTS

For the year ended 31 December 2005

Fayrewood plc ("Fayrewood" or "the Group"), the pan-European computer distributor, is pleased to announce its preliminary audited results for the year ended 31 December 2005.

Highlights:

- Sales increased in the Niche Division by 18.5%, growing from £363.3 million in 2004 to £430.3 million in 2005.
- We sold 1,169,000 shares in ComputerLinks AG, a significant part of our shareholding, for £11.1 million, before expenses, to produce a gain on disposal of £5.2 million.
- Adjusted profits before taxation (see note 2), amounted to £12.7 million. The ComputerLinks group was accounted for as a subsidiary for the first five months of the year and as an associate for the remainder of the year. (2004: £16.2 million consolidating a full 12 months contribution from ComputerLinks as a subsidiary). On an unadjusted basis, pre-tax profits were £18.3 million (2004: £15.1 million).
- Adjusted earnings per share were 16.2 pence (2004: 16.8 pence) (see note 3). Unadjusted earnings per share were 26.6 pence (2004: 15.5 pence).
- The Directors propose a final dividend of 1.1 pence (2004: 0.4 pence) to make a total for the year of 1.5 pence (2004: 0.7 pence), an increase of 114%.
- Adjusted post tax return on capital on the basis of shareholders' funds at the year end was 15.3%.

On outlook, David Kleeman, Chairman said:

"There is ample scope for growth in sales of technology products and we have every reason for believing that we will play an important and profitable role in the markets in which we operate."

For further information please contact:

David Kleeman, Chairman
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CHAIRMAN'S STATEMENT

For the year ended 31 December 2005

Fayrewood plc ("Fayrewood" or the "Group") achieved good results in a highly competitive trading backdrop. The key features for 2005 are:

- Sales increased in the Niche Division by 18.5%, growing from £363.3 million in 2004 to £430.3 million in 2005.
- We sold 1,169,000 shares in ComputerLinks AG, a significant part of our shareholding, for £11.1 million, before expenses, to produce a gain on disposal of £5.2 million.
- Adjusted profits before taxation (see note 2), amounted to £12.7 million. The ComputerLinks group was accounted for as a subsidiary for the first five months of the year and as an associate for the remainder of the year. (2004: £16.2 million consolidating a full 12 months contribution from ComputerLinks as a subsidiary). On an unadjusted basis, pre-tax profits were £18.3 million (2004: £15.1 million).
- Adjusted earnings per share were 16.2 pence (2004: 16.8 pence) (see note 3). Unadjusted earnings per share were 26.6 pence (2004: 15.5 pence).
- The Directors propose a final dividend of 1.1 pence (2004: 0.4 pence) to make a total for the year of 1.5 pence (2004: 0.7 pence), an increase of 114%.
- Adjusted post tax return on capital on the basis of shareholders' funds at the year end was 15.3%.

Our Niche Division had a record year. Sales grew organically from £363.3 million in 2004 to £430.3 million in 2005, an increase of 18.5% over the previous year. We operate in a tough market. We face strong competition and price deflation. This increase in sales therefore disguises, as was the case last year, the true underlying growth in volume and increased market penetration achieved by all our businesses within the Niche Division; and at a time when technology products tend to have a shorter life span.

The ComputerLinks Group

In June 2005, ComputerLinks, in which we formerly held a 50.1% interest, acquired the Scandinavian based SecureSoft group for a total consideration of approximately Euro 16 million. Much of the initial consideration was financed by an issue of shares, and we took the opportunity at the same time to place 1,169,000 of our shares at a price of Euro 14 per share, to produce a realised exceptional gain on disposal of £5.2 million. Overall, the exceptional gain totalled £6.5 million, including a gain on deemed disposal recognising the impact of the capital increase at a premium to net asset value. We retain a 27.5% interest in the enlarged share capital of ComputerLinks. The Scandinavian acquisition has been a success, and progress elsewhere within the ComputerLinks group gives us confidence for the future of our investment.

The sale of our ComputerLinks shares has resulted in a change in accounting treatment. As a consequence of our disposal, ComputerLinks' results have been consolidated as a subsidiary for five months only, with our remaining investment being treated as an associated company with effect from 1 June 2005. Comparative results for the previous year reflect the consolidation of ComputerLinks as a subsidiary for the full 12 month period. Fayrewood retains its two representatives on the ComputerLinks Supervisory Board.

The Niche Division

Our operational strategy within the Niche Division is to avoid competing with the main brands sold by the major European distributors which stock the widest range of computer peripheral equipment. The Niche Division concentrates therefore on seeking and securing a broadly balanced range of less globally known brands. We then seek long term relationships with suppliers by building market share for their products. At the same time, we provide a round-the-clock service to our customers. In short, distributors typically grow the market by targeting small and medium sized customers who would otherwise be more difficult for manufacturers to reach. The key to the Niche Division's success has been delivery, quality, services, support and reliability, and it is this that has produced the rapid increase in sales for the Division as a whole over the last four years. That growth has been achieved with only an additional £1.8 million of equity raised over the same period, which has resulted in our working capital needs increasing substantially.

Whilst national markets differ from one country to another, there is scope for benefit by securing closer integration of our three Niche group companies. The formation of a Niche Divisional Board in early 2005 has enabled us to share information better within the group, identify opportunities and risk, encourage and secure synergies, and improve systems with a view to maximising profitability. We recently appointed a senior executive based in Madrid at UMD's offices to act as our niche divisional co-ordinator. His initial tasks are to optimise stock level benefits within the division, reappraise existing and potential franchises, promote Redbell, our own label brand, roll out new franchises across the Group where practical and, where suppliers are shared, to seek the benefit of the Division's overall gross buying power. We have to anticipate constant pressure on margins and, to counter this we are, inter alia, developing and improving the working relationships that exist between the executives within our Niche Division at all levels; purchasing, sales, logistics, warehouse operations, management information systems and service to customers.

Working Capital

Success with these operational objectives should also result in more effective future use of working capital. Our balance sheet as at 31 December 2004 reflected £13.7 million of cash in ComputerLinks. With this cash eliminated by virtue of our shareholding in ComputerLinks now being treated on an associated basis, the overall net indebtedness as at 31 December 2004 amounted to £28.6 million. After taking account of the net proceeds from the sale of shares in ComputerLinks, the purchase of the minority interest in Banque Magnetique and capital expenditure, including the construction of UMD's new office and warehouse premises in Bilbao, overall net debt as at 31 December 2005 amounted to approximately £39.7 million, a net cash outflow of £11.1 million.

The sales growth of the Niche Division during 2005, and particularly in the seasonally strong fourth quarter, resulted in stocks and trade receivables rising significantly at the year end date. Creditor days reduced slightly. Each one day increase in stock and trade receivables and one day reduction in creditors impacts the Group's cash flow by approximately £1.8 million. To meet our cash needs, as customers seek to improve their own credit terms, whilst we seek to maximise volume rebates and early payment discounts from our suppliers, we make use of trade finance facilities. What has mattered primarily to date is not the size of the increase in overall indebtedness but the extent to which we have flexibility in headroom against the aggregate amount of our bank and trade finance facilities. As at 31 December 2005, drawn down borrowings totalled approximately 57% only of total available facilities.

However a priority for 2006 is to increase liquidity by reversing the cash absorption encountered in 2005, primarily in Spain, and early indications show good progress on this feature. Another priority is to reappraise existing franchises, especially in France and the UK, so as to secure increased contributions from our local businesses. During 2006 therefore there will be a constant focused emphasis on the effective use of working capital, as well as on the securing of synergistic benefits from within the Group. The confidence in our approach to these issues has resulted in the Board recommending more than a doubling of dividends for 2005 and a clear hope that further strong growth in dividends will be achieved in 2006 as well.

The board recommends the payment of a final dividend of 1.1 pence per share. This will be paid on 22 May 2006 to those shareholders on the register on 24 March 2006.

The Board

The retirement of Pierce Casey, one of the founding directors of Fayrewood, early in 2005, prompted a number of internal structural changes. The overseeing of operational responsibilities, formerly undertaken by the parent Board, has been largely devolved to the Niche Divisional Board, chaired by Paul Griffiths, the Group's Chief Executive. This in turn prompted the retirement of Claude Dupont and Peter Hammett as main Board directors, and their appointment to the Niche Divisional Board. With David Gurr's return from sabbatical leave in 2005, Dick Lynch retired as Finance Director. I am however delighted to say that all three individuals remain operationally involved. The Board of Fayrewood now concentrates on strategic and financial planning. It has been strengthened by the appointment of Richard Templeton, who was formerly a director of Robert Fleming & Company and with which he spent more than 30 years, and Sir Tim Chessells, who has held a wide variety of very senior positions in both the public and private sector. Their advice was most helpful when we were approached by a non-industry third party late last summer with a highly leveraged indicative proposal which, after initial discussions, was not progressed.

Outlook

The Group has performed well in difficult markets. We will continue our search for new products and develop the growth of our own label range. Our challenge in 2006 is to secure growth and synergistic improvements while benefiting from tighter working capital disciplines. A strengthened balance sheet will serve us well as and when opportunities materialise. There is ample scope for growth in sales of technology products and we have every reason for believing that we will play an important and profitable role in the markets in which we operate.

David Kleeman
Chairman

14 March 2006

Note to Editors:

Fayrewood is a pan-European, market leading distributor of globally sourced computer hardware, computer software and other information technology and computer related products. The company is quoted on the Alternative Investment Market of the London Stock Exchange.

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	<i>2005</i> <i>£000's</i>	<i>2004</i> <i>£000's</i>
TURNOVER		
Continuing operations	430,263	363,340
ComputerLinks group – discontinued	56,514*	143,326
	<hr/>	<hr/>
Cost of sales	486,777 (444,381)	506,666 (451,835)
	<hr/>	<hr/>
Gross profit	42,396	54,831
Distribution costs	(6,591)	(6,178)
Administrative expenses	(23,796)	(31,828)
	<hr/>	<hr/>
OPERATING PROFIT		
Continuing operations	10,035	9,920
ComputerLinks group – discontinued	1,974*	6,905
	<hr/>	<hr/>
GROUP OPERATING PROFIT	12,009	16,825
Share of operating profit in associate	1,511	-
Amortisation of goodwill arising on associate	(132)	-
	<hr/>	<hr/>
TOTAL OPERATING PROFIT :		
GROUP AND SHARE OF ASSOCIATE	13,388	16,825
Gain/(loss) on disposal and deemed disposal of interest in investment	6,552	(208)
Bank interest receivable	181	191
Interest payable	(1,843)	(1,704)
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	18,278	15,104
Taxation	(4,222)	(5,451)
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14,056	9,653
Minority interests (equity)	(560)	(1,966)
	<hr/>	<hr/>
PROFIT ATTRIBUTABLE TO members of the parent company	13,496	7,68
	<hr/> <hr/>	<hr/> <hr/>

Fayrewood plc

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	<i>2005</i>	<i>2004</i>
	<i>£000's</i>	<i>£000's</i>
<i>Earnings per share - basic</i>	<i>26.62p</i>	<i>15.51p</i>
<i>- diluted</i>	<i>26.07p</i>	<i>14.84p</i>
<i>Adjusted earnings per share - basic</i>	<i>16.18p</i>	<i>16.82p</i>
<i>- diluted</i>	<i>15.85p</i>	<i>16.09p</i>
<i>Earnings per share: continuing - basic</i>	<i>13.10p</i>	<i>14.00p</i>
<i>- diluted</i>	<i>12.83p</i>	<i>13.40p</i>
<i>Earnings per share: discontinued - basic</i>	<i>0.60p</i>	<i>1.93p</i>
<i>- diluted</i>	<i>0.59p</i>	<i>1.84p</i>

See note 3

* 5 months to 31 May. The ComputerLinks group has been accounted for as an associate with effect from 1 June 2005.

Fayrewood plc

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2005

	<i>2005</i>	<i>2004</i>
	<i>£000's</i>	<i>£000's</i>
Profit for the year excluding share of profits of associate	12,675	7,687
Share of associate's profit for the year	821	-
Exchange (loss)/gain on re-translation of net assets of subsidiary undertakings	(139)	137
Exchange gain on foreign currency borrowings to finance investments	125	137
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	13,482	7,961

GROUP BALANCE SHEET
at 31 December 2005

	2005	2004
	£000 's	<i>restated*</i> £000 's
FIXED ASSETS		
Intangible fixed assets	10,512	15,862
Tangible fixed assets	6,050	6,211
Investments	23	23
Investment in associate – ComputerLinks group	8,670	-
	<u>25,255</u>	<u>22,096</u>
CURRENT ASSETS		
Stock - finished goods held for resale	50,671	46,278
Debtors	102,378	110,719
Cash at bank and in hand	9,816	36,588
	<u>162,865</u>	<u>193,585</u>
CREDITORS: amounts falling due within one year	<u>(131,070)</u>	<u>(159,232)</u>
NET CURRENT ASSETS	<u>31,795</u>	<u>34,353</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>57,050</u>	<u>56,449</u>
CREDITORS: amounts falling due after more than one year	<u>(3,417)</u>	<u>(3,866)</u>
PROVISION FOR LIABILITIES AND CHARGES:		
Deferred tax	-	(150)
	<u>53,633</u>	<u>52,433</u>
	<u><u>53,633</u></u>	<u><u>52,433</u></u>
CAPITAL AND RESERVES		
Called up share capital	2,557	2,489
Share premium account	17,667	16,945
Shares to be issued as contingent acquisition consideration	-	565
Other reserves	6,355	6,355
Profit and loss account	27,054	13,377
	<u>53,633</u>	<u>39,731</u>
Shareholders' funds: equity		
	<u>53,633</u>	<u>39,731</u>
MINORITY INTEREST (EQUITY)	-	12,702
	<u>53,633</u>	<u>52,433</u>
	<u><u>53,633</u></u>	<u><u>52,433</u></u>

* 2004 figures restated for FRS21 treatment of dividend.

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2005

	2005 £000's	2004 £000's
Net cash (outflow)/inflow from operating activities (see note 4)	(19,277)	9,295
Returns on investments and servicing of finance		
Interest paid	(1,837)	(1,654)
Interest received	181	191
Dividends paid to minority interests	(726)	(666)
	(2,382)	(2,129)
Taxation		
Corporation tax paid	(410)	(1,009)
Overseas tax paid	(3,254)	(5,142)
	(3,664)	(6,151)
Capital expenditure and financial investments		
Purchases of tangible fixed assets – land and buildings	(866)	(57)
– other	(1,338)	(1,556)
Sale of tangible fixed assets	3	73
Payment to acquire investment	-	(20)
	(2,201)	(1,560)
Acquisitions and disposals		
Additional shares in ComputerLinks AG	-	(301)
Additional shares in Banque Magnetique SAS	(646)	-
Deferred consideration for UMD SA	(1,050)	(959)
Issue of share capital by ComputerLinks AG	5,363	266
Cash held by ComputerLinks AG upon change to associate	(11,360)	-
Sale of shares in ComputerLinks AG	10,664	-
	2,971	(994)
Equity dividends paid	(420)	(255)
Net cash outflow before financing	(24,973)	(1,794)
Financing		
Issue of share capital	239	65
Increase in bank loans	2,282	2,624
Repayment of bank loans	(960)	(410)
Repayment of other loans	(1,474)	(360)
(Decrease)/increase in trade receivable finance	(10,605)	9,351
Net cash (outflow)/inflow from financing	(10,518)	11,270
(Decrease)/increase in cash in the year	(35,491)	9,476

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2005

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>2005</i> <i>£000's</i>	<i>2004</i> <i>£000's</i>
(Decrease)/increase in cash in the year	(35,491)	9,476
Cash inflow/(outflow) from movement in loans	152	(1,854)
Cash inflow/(outflow) from movement in trade receivable finance	10,605	(9,351)
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Change in net debt resulting from cash flows	(24,734)	(1,729)
Exchange differences	(73)	(180)
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Change in net debt in the year	(24,807)	(1,909)
Net debt at 31 December 2004	(14,895)	(12,986)
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Net debt at 31 December 2005	<u>(39,702)</u>	<u>(14,895)</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.
2. Adjusted results – adjusted profit before taxation and adjusted earnings per share have been calculated by:
 - Removing goodwill amortisation of £957,000 (2004: £940,000) or the Group's share of goodwill amortisation of £900,000 (2004: £801,000) where appropriate
 - Removing the gain on disposal and deemed disposal of interest in investment £6,552,000 (2004: loss, £208,000)
 - Adjusting the taxation charge by removing a deferred tax charge of £360,000 (2004: credit £360,000) in respect of tax losses.
3. The calculation of earnings per ordinary share is based on a profit of £13,856,000 (2004: £7,843,000) and on 50,703,249 (2004: 49,564,663) ordinary shares being the weighted average number of ordinary shares in issue during the year.

	2005			2004		
	<i>Net profit attributable to ordinary share holders</i> £000's	<i>Ordinary shares</i>	<i>Profit per share</i>	<i>Net profit attributable to ordinary share holders</i> £000's	<i>Ordinary shares</i>	<i>Profit per share</i>
Basic EPS	£13,496	50,703,249	26.62p	£7,687	49,564,663	15.51p
Dilutive effect of options		1,053,917			2,245,265	
Diluted EPS	£13,496	51,757,166	26.07p	£7,687	51,809,928	14.84p
Adjusted EPS	£8,204	50,703,249	16.18p	£8,336	49,564,663	16.82p
Diluted adjusted EPS	£8,204	51,757,166	15.85p	£8,336	51,809,928	16.09p
EPS: continuing	£6,641	50,703,249	13.10p	£6,940	49,564,663	14.00p
Diluted EPS: continuing	£6,641	51,757,166	12.83p	£6,940	51,809,928	13.40p
EPS: discontinued	£303	50,703,249	0.60p	£955	49,564,663	1.93p
Diluted EPS: discontinued	£303	51,757,166	0.59p	£955	51,809,928	1.84p

The dilutive effect of the options is based on the additional shares that would need to be issued to raise the same amount of money as exercising the options at the average share price for the period of £1.20 (2004: £1.23). Since the year end options in respect of 102,300 shares have been exercised by employees.

	2005	2004
Unadjusted net profit attributable to shareholders	13,496	7,687
Group's share of goodwill amortisation	900	801
Gain on disposal of ComputerLinks AG shares	(5,244)	-
Net (gain)/loss on deemed disposal of interest in investment	(1,308)	208
Movement in deferred tax asset in respect of losses carried forward	360	(360)
Adjusted net profit attributable to shareholders	8,204	8,336

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

	2005 £000's	2004 £000's
Total operating profit: group and share of associate	13,388	16,825
Share of profits of associate	(1,379)	-
Depreciation	992	1,350
Goodwill amortisation	825	940
Increase in debtors	(15,094)	(15,887)
Increase in stocks	(15,636)	(9,241)
(Decrease)/increase in creditors	(2,373)	15,308
Net cash (outflow)/inflow from operating activities	<u>(19,277)</u>	<u>9,295</u>

With effect from 1 June 2005 the ComputerLinks group assets are no longer consolidated on a line by line basis. At 1 June 2005 the ComputerLinks group had debtors of £20.7 million, stock of £10.5 million, creditors (net of deferred consideration) of £19.6 million (See note 12). The working capital movements noted above reflect the gross movement in debtors, stock and creditors having allowed for the de-consolidation of the ComputerLinks group.

5. Copies of this announcement are available for the next 14 days from the company's offices at 960 Capability Green, Luton, Bedfordshire, LU1 3PE.