

## Directors

Pierce Casey, FCA	Chairman
Paul Griffiths, FCA	Chief Executive
David Gurr, ACA	Finance Director
Claude Dupont	Managing Director Banque Magnetique SA
Stephan Link	Managing Director ComputerLinks AG
Jean-Charles Vasseur	Managing Director ComputerLinks SA
Mario Legorburu	Managing Director UMD SA
Peter Hammett	Managing Director Interface Solutions International Ltd
David Kleeman	Deputy Chairman - Non Executive

## Secretary

David Gurr, ACA

## Auditors

Ernst & Young LLP  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## AIM Nominated Stockbrokers and Advisers

Arbuthnot Securities  
(formerly Old Mutual Securities)  
2 Lambeth Hill  
London EC4V 4GG

## Company Bankers

Barclays Bank plc  
PO Box 729  
Eagle Point  
1 Capability Green  
Luton LU1 3US

## Solicitors

Matheson Ormsby Prentice  
3rd floor, Pinnacle House  
23-26 St Dunstan's Hill  
London EC3 8HN

## Registrar

Capita Registrars  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Registered Office

2nd Floor  
19/21 Clarendon Road  
Watford WD17 1JR

## Website

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## Email

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## Chairman's Statement

### For the 8 month period ended 31 December 2002

As announced in the interim results released on 11 December 2002, Fayrewood plc ("Fayrewood" or the "Group") has changed its year end to 31 December. The purpose of this changed year end is to align the year ends of all its group companies.

We are therefore reporting on the 8 month period to 31 December 2002. This statement provides audited figures for that period together with unaudited figures for the comparable period in 2001. It also provides unaudited proforma figures for the 12 months to 31 December 2002 and the audited figures for the financial year ended 30 April 2002.

The following commentary is confined to the performance of the Group for the 8 months to 31 December 2002 as compared to the 8 months to 31 December 2001.

I am pleased to report that in the 2 months following the 6 month period to 31 October 2002, Fayrewood continued to see the improvement in Group trading experienced in that period, resulting in a strong performance for those 8 months.

Group profits before tax and goodwill charges more than doubled to £6.5 million, on sales up 37% to £258 million. These figures were enhanced by the contribution from UMD SA, part of our Niche distribution division, acquired in January 2002 for a maximum consideration of £17.4 million. Adjusted earnings per share\* was 5.27 pence, compared to 0.83 pence.

The divisional turnover and results are summarised as follows:

	8 months to 31 December 2002 (audited) £000's	8 months to 31 December 2001 (unaudited) £000's	Change %	12 months to 31 December 2002 (unaudited) £000's	12 months to 30 April 2002 (audited) £000's
Turnover:					
Niche distribution	184,692	120,827	53	275,784	211,919
ComputerLinks	73,504	67,750	8	104,360	98,606
Total	258,196	188,577	37	380,144	310,525
Operating profit before goodwill charges:					
Niche distribution	4,295	836	414	5,476	2,017
ComputerLinks	4,021	3,666	10	5,595	5,240
Central costs	(913)	(492)	86	(1,352)	(931)
Total	7,403	4,010	85	9,719	6,326
Interest payable (net)	(1,166)	(977)		(1,444)	(1,255)
Non trading elements	242	-		(701)	(942)
<b>Profit before taxation and goodwill charges</b>	6,479	3,033	114	7,574	4,129
Taxation	(2,673)	(1,579)		(3,512)	(2,418)
Profit after taxation	3,806	1,454	162	4,062	1,711
Minority interests	(1,228)	(1,117)		(1,730)	(1,618)
Attributable profit before goodwill charges	2,578	337		2,332	93
<b>Adjusted earnings per share*</b>	5.27 pence	0.83 pence		6.80 pence	2.78 pence

# Chairman's Statement

## Goodwill

Following a review, by its separately quoted German subsidiary ComputerLinks, of the carrying value of its subsidiaries at 31 December 2002, ComputerLinks has decided to accelerate the amortisation of goodwill that arose on its acquisitions. This goodwill valuation adjustment is due to the continuing weakness of the IT industry, which is not expected to return to its original growth profile for the foreseeable future. The Group's share of the goodwill charges amounts to £16.1 million, of which £1.0 million is the goodwill charge for the 8 month period based on the standard policy of amortisation over 20 years. £15.1 million therefore represents an exceptional one off non-cash charge to the Fayrewood Group. In future, the Board anticipates an annual goodwill amortisation charge, after minority interests, of approximately £780,000.

## Cash Flow and Financial Position

In the 8 months to 31 December 2002 overall Group borrowings were reduced by £15.2 million. This was achieved by a combination of cash generative trading, prudent working capital management and the sale of a freehold property. The Group's cash, bank debt and trade receivables financing position at 31 December 2002 is summarised below:

	31 December 2002 (audited) £ million	30 April 2002 (audited) £ million	Change £ million
ComputerLinks - net cash	7.2	0.1	7.1
Niche distribution			
Bank loans and overdrafts (net of cash)	(3.2)	(6.9)	3.7
Trade receivables financing	(13.9)	(15.0)	1.1
	(17.1)	(21.9)	4.8
French property - net debt	0.0	(3.3)	3.3
Total net debt	(9.9)	(25.1)	15.2

## Management

Fayrewood also announces the appointment of Dick Lynch, a chartered accountant, as group company secretary and chief financial officer of the Niche distribution division, initially reporting to David Gurr, finance director. David Gurr will be taking a part-time academic sabbatical but will remain as an executive director of the Group, focusing on corporate strategy and development.

It is proposed that Paul Griffiths, chief executive, and David Gurr, finance director, will be granted share options over the course of the next few weeks.

## Dividend

As already announced, the interim dividend of 0.2 pence in respect of the 6 month period to 31 October 2002 will be paid on 7 April 2003 to those shareholders on the Register on 6 January 2003. In future, the Board intends to review dividend payments on an interim and final basis.

## Current Trading and Outlook

Group trading since the period end continues to be satisfactory despite the challenging market environment. The Board does not expect any significant improvement in the European IT market in 2003. Nevertheless, the Board believes the Group's businesses are well positioned in their respective market segments and, in the absence of any further deterioration in market conditions, the Board anticipates some further growth in Group profitability this year.

## Pierce Casey

Chairman

27 February 2003

\* Adjusted earnings per share is calculated by removing the Group's share of goodwill charges, amounts written off investments and the gain on the freehold property disposal.

# Directors' Report

The directors present their report and financial statements for the 8 month period ended 31 December 2002.

## Principal Activities

Fayrewood plc, whose shares are traded on the Alternative Investment Market of the London Stock Exchange, acts as a holding company for its trading subsidiaries, which form a pan-European computer software and hardware distributor with two operating divisions:

The Niche distribution division has subsidiaries in France, Spain and the UK. It is involved in the logistics based distribution of computers, computer peripherals and consumables. It has distribution contracts with many of the leading, worldwide IT manufacturers.

ComputerLinks operates in the three principal European markets of Germany, the UK and France. It also has offices in Switzerland, Ireland and Italy. ComputerLinks markets and distributes complex IT products in the following areas: e-Security, e-Business, Server-Based Computing and Internetworking. The major product partners include Check Point, Citrix, Nokia, Macromedia, RSA Security, ISS, Lucent, NetIQ, Symantec and Trend Micro.

## Results and Dividends

After the Group's share of goodwill charges of £16.1million (year to 30 April 2002 - £1.3m) the consolidated loss after tax for the period amounted to £13,490,000 (year to 30 April 2002 - loss of £1,200,000). The total cost of the dividend for the period was £91,000 (year to 30 April 2002 - £280,000).

## Review of the Business and Future Developments

The review of the business and future developments is outlined in the Chairman's statement.

## Supplier Payment Policy

It is the policy of the company to agree terms of payment with suppliers in advance and to abide by those terms. At 31 December 2002, the Group had an average of 43 days purchases outstanding in trade creditors (30 April 2002 - 44 days).

## Directors and their Interests

The directors who held office during the year held the following interests in the share capital of the company:

	31 December 2002 Ordinary 5p shares	30 April 2002 Ordinary 5p shares
Pierce Casey	4,286,395	4,286,395
Mario Legorburu	4,012,100	4,012,100
David Kleeman	1,965,150	1,965,150
Paul Griffiths	410,555	410,555
Claude Dupont	457,446	457,446
Stephan Link	1,969,589	1,988,649
Jean-Charles Vasseur	967,990	967,990
David Gurr	-	-
Peter Hammett	30,000	30,000

Included in David Kleeman's holding is a non-beneficial interest in 5,150 ordinary shares of 5p each.

In addition, at 31 December 2002, 1,633,000 ordinary shares of 5p each represent outstanding deferred acquisition consideration owed to Mario Legorburu following the acquisition of UMD SA. David Kleeman holds 2,000 shares in ComputerLinks AG, being 0.03% of the entire issued share capital. Claude Dupont holds 3,333 shares in Banque Magnetique SA, being 10% of the entire issued share capital. Stephan Link and family are interested in 450,210 shares in ComputerLinks AG, being 7.7 % of the entire issued share capital. Jean-Charles Vasseur is the beneficial owner of 31,696 shares in ComputerLinks AG, being 0.54% of the entire issued share capital.

On 16 April 1999, Paul Griffiths was granted warrants to subscribe for 200,000 ordinary shares at a price of 77p. The warrants are exercisable at any time up to 29 June 2003.

On 18 January 1999, David Gurr was granted options under the Fayrewood Unapproved Option Scheme in respect of 25,000 ordinary shares at a price of 59.5p. The options are exercisable between 18 January 2002 and 18 January 2006. On 16 April 1999, David Gurr was granted warrants to subscribe for 50,000 ordinary shares at a price of 77p. The warrants are exercisable at any time up to 29 June 2003. On 11 January 2002, David Gurr was granted options under the Fayrewood Unapproved Option Scheme in respect of 100,000 ordinary shares at a price of 67p. The options are exercisable between 11 January 2005 and 10 January 2009. On 11 February 2002, David Gurr was granted options under the Fayrewood Unapproved Option Scheme in respect of 75,000 ordinary shares at a price of 64p. The options are exercisable between 11 February 2005 and 10 February 2009.

The average share price during the period was 36p.

## Major Interests in Shares

On 17 February 2003, the following shareholders held a notifiable interest in the shares of Fayrewood plc:

	No. of shares	% of ordinary shares held
Pierce Casey	4,286,395	9.4%
Hypolorba Sociedad Limitada	4,012,100	8.8%
Herald Investment Management (BNY (ocs)) Nominees Limited	3,125,000	6.9%
Channel Nominees Limited	1,969,589	4.4%
BMPS Nominees (CI) Limited	1,960,000	4.3%
Singer and Friedlander Talent Fund	1,473,750	3.2%

BMPS Nominees (CI) Limited holds shares in the company as a nominee. The beneficial owner of 960,000 of these ordinary shares is a company which is wholly owned by a discretionary family trust under which David Kleeman is a beneficiary. The remaining 1,000,000 shares are held as nominee for David Kleeman and his wife. Channel Nominees Limited holds shares in the company as a nominee. The beneficial owner of these shares is a company of which Stephan Link and his wife are the beneficial owners. Mario Legorburu and his wife are the beneficial owners of the shares held by Hypolorba Sociedad Limitada. These shareholdings are reflected in the directors' interests in the share capital of the company which are set out above.

## Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board

David Gurr

Secretary  
25 February 2003

## Statement of Directors' Responsibilities in Respect of the Financial Statements

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

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

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

# Independent Auditors' Report to the Members of Fayrewood plc

We have audited the company's financial statements for the period ended 31 December 2002 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group statement of cash flows, and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

## Respective responsibilities of directors and auditors

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

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

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

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

## Basis of audit opinion

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

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the Group as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

## Ernst & Young LLP

Registered Auditor  
London  
26 February 2003

## Group Profit & Loss Account for the period ended 31 December 2002

	Notes	Pre-Goodwill £000s	Goodwill £000's	8 months to 31 December 2002 Total £000's	12 months to 30 April 2002 Total £000s
<b>TURNOVER</b>	2	258,196	-	258,196	310,525
Cost of sales		(228,044)	-	(228,044)	(273,472)
Gross profit		30,152	-	30,152	37,053
Distribution and administrative expenses excluding goodwill	2	(22,749)	-	(22,749)	(30,727)
<b>OPERATING PROFIT BEFORE GOODWILL CHARGES</b>		<b>7,403</b>	<b>-</b>	<b>7,403</b>	<b>6,326</b>
Administrative expenses:					
- goodwill amortisation		-	(1,744)	(1,744)	(2,208)
- goodwill impairment	2	-	(29,370)	(29,370)	-
<b>OPERATING PROFIT / (LOSS)</b>	3	<b>7,403</b>	<b>(31,114)</b>	<b>(23,711)</b>	<b>4,118</b>
Gain on disposal of freehold property		242	-	242	-
Bank interest receivable		125	-	125	156
Interest payable	6	(1,291)	-	(1,291)	(1,411)
Amounts written off investments		-	-	-	(942)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>6,479</b>	<b>(31,114)</b>	<b>(24,635)</b>	<b>1,921</b>
Taxation	7	(2,673)	-	(2,673)	(2,418)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>3,806</b>	<b>(31,114)</b>	<b>(27,308)</b>	<b>(497)</b>
Minority interests (equity)		(1,228)	15,046	13,818	(703)
<b>PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>		<b>2,578</b>	<b>(16,068)</b>	<b>(13,490)</b>	<b>(1,200)</b>
Dividends	8	(91)	-	(91)	(280)
<b>RETAINED (LOSS) / PROFIT FOR THE YEAR</b>		<b>2,487</b>	<b>(16,068)</b>	<b>(13,581)</b>	<b>(1,480)</b>
<i>Earnings per share - basic</i>	9			(29.73)p	(3.49)p
<i>- diluted</i>	9			(29.73)p	(3.49)p

A statement of the movements on reserves can be found in note 18.

## Group Statement of Total Recognised Gains & Losses for the period ended 31 December 2002

	Notes	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
Loss for the period		(13,490)	(1,200)
Exchange difference on re-translation of net assets of subsidiary undertakings	18	950	68
Unrealised gain on deemed disposal and other changes in Minority Interest	18	-	87
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD</b>		<u>(12,540)</u>	<u>(1,045)</u>

## Group Balance Sheet at 31 December 2002

	Notes	31 December 2002 £000's	30 April 2002 £000's
<b>FIXED ASSETS</b>			
Intangible fixed assets	10	17,573	48,687
Tangible fixed assets	11	3,637	6,969
Investments	12	3	3
		<u>21,213</u>	<u>55,659</u>
<b>CURRENT ASSETS</b>			
Stock - finished goods held for resale		29,764	28,377
Debtors	13	72,620	58,488
Cash at bank and in hand	14	12,390	15,765
		<u>114,774</u>	<u>102,630</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(99,541)</u>	<u>(93,193)</u>
<b>NET CURRENT ASSETS</b>		<u>15,233</u>	<u>9,437</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>36,446</u>	<u>65,096</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	<u>(2,306)</u>	<u>(4,506)</u>
		<u>34,140</u>	<u>60,590</u>
<b>MINORITY INTEREST (EQUITY)</b>		<u>(8,953)</u>	<u>(22,771)</u>
		<u>25,187</u>	<u>37,819</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,268	2,268
Share premium account	18	14,294	14,294
		<u>16,562</u>	<u>16,562</u>
Shares to be issued as contingent acquisition consideration	18	1,653	1,653
Other reserves	18	6,355	15,550
Profit and loss account	18	617	4,054
Shareholders' funds: equity	18	<u>25,187</u>	<u>37,819</u>

Paul Griffiths

David Gurr

Directors

25 February 2003

## Balance Sheet at 31 December 2002

	Notes	31 December 2002 £000's	30 April 2002 £000's
<b>FIXED ASSETS</b>			
Tangible fixed assets	11	2	5
Investments	12	33,735	41,441
		<u>33,737</u>	<u>41,446</u>
<b>CURRENT ASSETS</b>			
Debtors:	13		
Amounts falling due after one year		-	375
Amounts falling due within one year		215	145
Cash at bank and in hand		125	362
		<u>340</u>	<u>882</u>
<b>CREDITORS: amounts falling due within one year</b>	15	(6,104)	(6,085)
<b>NET CURRENT LIABILITIES</b>		<u>(5,764)</u>	<u>(5,203)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		27,973	36,243
<b>CREDITORS: amounts falling due after more than one year</b>	16	(1,731)	(1,686)
		<u>26,242</u>	<u>34,557</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,268	2,268
Share premium account	18	14,294	14,294
		<u>16,562</u>	<u>16,562</u>
Shares to be issued as deferred acquisition consideration	18	1,653	1,653
Other reserves	18	7,855	15,728
Profit and loss account	18	172	614
Shareholders funds: equity	18	<u>26,242</u>	<u>34,557</u>

**Paul Griffiths**  
**David Gurr**

Directors

25 February 2003

## Group Statement of Cash Flows for the period ended 31 December 2002

	Notes	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
<b>Net cash inflow from operating activities</b>	3(b)	18,532	3,650
<b>Returns on investments and servicing of finance</b>			
Interest paid		(1,212)	(1,411)
Interest received		124	156
Dividends paid to Minority Interests		-	(168)
		(1,088)	(1,423)
<b>Taxation</b>			
Corporation tax paid		(1,992)	(1,699)
Overseas tax paid		(339)	(993)
		(2,331)	(2,692)
<b>Capital expenditure and financial investments</b>			
Purchases of tangible fixed assets		(1,160)	(1,816)
Sale of tangible fixed assets		2,290	58
Purchase of unlisted shares		-	(4)
		1,130	(1,762)
<b>Acquisitions</b>			
Net cash acquired on purchase of subsidiary undertakings		-	(761)
Purchase of subsidiary undertakings during the period		-	(6,269)
Deferred consideration for UMD SA		(598)	(1,060)
		(598)	(8,090)
<b>Equity dividends paid</b>		(91)	(490)
<b>Net cash inflow / (outflow) before financing</b>		15,554	(10,807)
<b>Financing</b>			
Exercise of share options	18	-	34
Issue of share capital by Fayrewood plc	18	-	5,468
Share issue costs	18	-	(278)
Decrease in bank loans		(13,713)	(547)
(Decrease) / Increase in factored debt		(1,464)	2,975
<b>Net cash (outflow) / inflow from financing</b>		(15,177)	7,652
<b>Increase / (decrease) in cash in the period</b>	14	377	(3,155)

# Group Statement of Cash Flows for the period ended 31 December 2002

## Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
<b>Increase / (decrease) in cash in the period</b>		377	(3,155)
Cash outflow from movement in loans		1,913	547
Cash outflow / (inflow) from movement in factored debt		1,464	(2,975)
Loan notes repaid		11,800	-
Change in net debt resulting from cash flows		15,554	(5,583)
Loans acquired on acquisition of subsidiary		-	(471)
Exchange differences		(320)	31
Change in net debt in the period		15,234	(6,023)
<b>Net debt at 30 April 2002 / 30 April 2001</b>	14	(25,121)	(19,098)
<b>Net debt at 31 December 2002 / 30 April 2002</b>	14	(9,887)	(25,121)

## 1. Accounting Policies

### Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Apart from the matter highlighted in the policy on 'Foreign currencies' below all the requirements of the Companies Act 1985 have been complied with.

### Basis of consolidation

The Group financial statements consolidate the financial statements of Fayrewood plc and its subsidiary undertakings for the period ended 31 December 2002. In accordance with the exemption allowed by section 230 of the Companies Act 1985 the company has not presented its own profit and loss account.

### Fixed asset investments

Fixed asset investments are carried at cost less any appropriate provision for diminution in value. The carrying values of unlisted investments and investments in subsidiaries are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

### Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life. Depreciation rates are as follows:

Office equipment and fittings	- 10% to 33% per annum
Motor vehicles	- 20% per annum
Leasehold improvements	- Over unexpired life of lease
Freehold land	- 0%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is derived from purchase cost on a first-in, first-out basis.

### 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 has been capitalised and will be written off over the period of its estimated useful life, which the directors consider to be 20 years. Negative goodwill arising on acquisitions is written back to the profit and loss account evenly over the periods in which the non-monetary assets are being recovered. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable. The cost of acquisitions represents 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 included in the financial statements based on directors' projections. The cash element of contingent consideration is included at its discounted value. The acquisitions during the year have been accounted for using the acquisition method.

## 1. Accounting Policies (continued)

### Deferred taxation

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

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

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

### Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

### Foreign currencies

#### *Company*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### *Group*

On consolidation the balance sheets of the overseas subsidiaries are translated at the year end rate of exchange. The profit and loss accounts are translated at the average rate of exchange for the relevant periods. The exchange differences arising are taken directly to reserves.

Exchange differences arising on long term monetary items are recognised in the profit and loss account. The recognition of exchange gains relating to long term monetary items in the profit and loss account is recommended by SSAP 20 in order to give a true and fair view, but is technically contrary to the Companies Act requirement that only profits realised at the balance sheet date shall be included in the profit and loss account.

An exchange loss of £100,000 (12 months to 30 April 2002 – gain of £13,000) relating to the restatement of a long term monetary liability in respect of deferred acquisition consideration has been included in the December 2002 profit and loss account.

### Forward foreign currency contracts

The Group uses forward currency contracts to reduce exposure to foreign exchange rates on some purchases from suppliers. The minimum criteria for adopting hedge accounting are:

- the contract must hedge part or all of a foreign currency liability.
- the contract must be in the same currency as the hedged item.
- the contract must reduce the risk to exposure of foreign currency exchange movements on the Group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the gains and losses on the related financial liabilities.

### Pensions

The Group makes payments to a group personal pension plan for most employees at Interface Solutions International Limited and Unipalm, and into private pensions for certain Fayrewood executives. Contributions are charged to the profit and loss account as they become due.

## 2. Turnover and Segmental Analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, all of which are continuing, stated net of value added tax.

The Group operates in two principal areas of activity, Niche distribution and the ComputerLinks group. The Group operates within two geographic markets, the United Kingdom and Mainland Europe.

Turnover, Group pre-tax results, and net assets are analysed by area of activity below:

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
<b>GROUP TURNOVER</b>		
Niche distribution	184,692	211,919
ComputerLinks group	73,504	98,606
<b>Total Group turnover</b>	<b>258,196</b>	<b>310,525</b>
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit before goodwill charges:		
Niche distribution	4,295	2,017
ComputerLinks group	4,021	5,240
	8,316	7,257
Common costs	(913)	(931)
<b>Profit before goodwill charges</b>	<b>7,403</b>	<b>6,326</b>
Goodwill amortisation - Niche distribution	(409)	(205)
- ComputerLinks group	(1,335)	(2,003)
Goodwill impairment - ComputerLinks group	(29,370)	-
<b>Operating (loss) / profit</b>	<b>(23,711)</b>	<b>4,118</b>
Gain on disposal of freehold property	242	-
Interest:		
Niche distribution	(864)	(1,036)
ComputerLinks group	(140)	(243)
Common interest	(162)	24
<b>Total Group net interest</b>	<b>(1,166)</b>	<b>(1,255)</b>
Investments written down	-	(942)
<b>Group (loss)/profit on ordinary activities before taxation</b>	<b>(24,635)</b>	<b>1,921</b>

## 2. Turnover and Segmental Analysis (continued)

	31 December 2002 £000's	30 April 2002 £000's
<b>NET ASSETS BEFORE MINORITY INTEREST</b>		
Segment net assets:		
Niche distribution	24,845	22,498
ComputerLinks group	16,041	44,057
	40,886	66,555
Unallocated net liabilities	(6,746)	(5,965)
	<u>34,140</u>	<u>60,590</u>
Unallocated net liabilities comprise:-		
Cash at bank and in hand	126	381
Proposed dividend	(91)	(91)
Sundry debtors and creditors	(2,614)	(1,526)
Tangible fixed assets	2	4
Contingent discounted acquisition consideration	(4,172)	(4,736)
Investment in unlisted shares	3	3
	<u>(6,746)</u>	<u>(5,965)</u>

Turnover and Group profit on ordinary activities before tax, are analysed by geographical area as follows:

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
<b>TURNOVER BY DESTINATION:</b>		
Mainland Europe	186,131	195,714
UK	69,257	110,791
Other	2,808	4,020
	<u>258,196</u>	<u>310,525</u>
Turnover by origin:		
Mainland Europe	186,778	195,729
UK	71,418	114,796
	<u>258,196</u>	<u>310,525</u>

## 2. Turnover and Segmental Analysis (continued)

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit before goodwill charges:		
Mainland Europe	7,103	5,277
UK	1,303	1,980
Operating profit before common costs	8,316	7,257
Common costs	(913)	(931)
Profit before goodwill charges	7,403	6,326
Goodwill amortisation	(1,744)	(2,208)
Goodwill impairment	(29,370)	-
Operating (loss) / profit	(23,711)	4,118
Gain on disposal of freehold property	242	-
Net interest	(1,166)	(1,255)
Amounts written off investments	-	(942)
<b>Group (loss) / profit on ordinary activities before taxation</b>	<b>(24,635)</b>	<b>1,921</b>
<b>COST OF SALES AND OPERATING EXPENSES</b>		
<i>Distribution costs</i>		
Continuing operations:	3,812	4,101
<i>Administrative expenses (including goodwill charge)</i>		
Continuing operations:	50,051	28,834

Distribution and administration costs relating to sales staff commissions, stock provisions and marketing income have been re-analysed in the prior period resulting in a net re-classification of £1,736,000 from administrative expenses to distribution costs.

## 3. Operating (Loss) / Profit

8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
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**(a) Operating (loss) / profit is stated after charging / (crediting):**

Auditors' remuneration - audit services	159	206
- non-audit services	17	283
Depreciation of owned fixed assets	1,029	1,255
Loss on disposal of fixed assets	-	33
Goodwill amortisation	1,744	2,208
Goodwill impairment	29,370	-
Operating lease rentals - other operating leases	720	851
- plant and machinery	369	537
Exchange rate loss / (gain) on contingent consideration due on acquisition of subsidiary undertakings	100	(13)

**(b) Reconciliation of operating (loss) / profit to net cash inflow from operating activities:**

Operating (loss) / profit	(23,711)	4,118
Depreciation	1,029	1,255
Loss on disposal of fixed assets	-	33
Goodwill amortisation	1,744	2,208
Goodwill impairment	29,370	-
(Increase) / decrease in debtors	(9,393)	5,881
(Increase) / decrease in stocks	(124)	4,256
Increase / (decrease) in creditors	19,617	(14,101)
Net cash inflow from operating activities	18,532	3,650

#### 4. Directors' Remuneration

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
Fees (see below)	121	133
Other emoluments	639	687
Pension costs	23	30
	<u>783</u>	<u>850</u>

Pension costs relate to contributions to Personal Pension Plans for 2 (12 months to 30 April 2002 – 2) directors.

The amounts in respect of the highest paid director are as follows:

Emoluments	119	154
Pension costs	-	18

Fees include the following:

During the period, the Group was charged a total of £83,333 (12 months to 30 April 2002 - £100,000) by Adelaide Capital Corp. Limited, a company controlled by Pierce Casey, for his services as a director, £23,333 (12 months to 30 April 2002 - £28,355) by Daman Financial Services Limited, a company owned and controlled by David Kleeman, for the services of David Kleeman as a director, and £11,965 by PH-Associates SARL, a company owned and controlled by Peter Hammett, for the services of Peter Hammett as a director.

Paul Griffiths and David Gurr hold warrants and options in respect of the company's ordinary shares, details of which are disclosed in the director's report.

## 5. Employees (Including Executive Directors)

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
Wages and salaries	10,960	15,078
Social security costs	2,127	3,064
Pensions	159	248
	<u>13,246</u>	<u>18,390</u>

The average monthly number of employees during the year was made up as follows:

	8 months to 31 December 2002 No.	12 months to 30 April 2002 No.
Sales	271	230
Technical	77	69
Logistics	106	79
Administration	164	144
	<u>618</u>	<u>522</u>

The number of employees at the year end was made up as follows:

Sales	267	277
Technical	79	76
Logistics	110	101
Administration	159	170
	<u>615</u>	<u>624</u>

Of the 615 employees, 182 are based in the UK.

## 6. Interest Payable

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
Bank loans and overdrafts	816	831
Trade receivables finance interest	397	526
Notional interest payable on contingent acquisition consideration	78	54
	<u>1,291</u>	<u>1,411</u>

## 7. Taxation

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
(a) Tax on (loss) / profit on ordinary activities		
The taxation charge is made up as follows:		
<i>Current tax</i>		
UK corporation tax	463	1,064
Overseas taxation - current year	2,262	1,354
- prior year over provision	(52)	-
Tax on (loss) / profit on ordinary activities	<u>2,673</u>	<u>2,418</u>

### (b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 30% (12 months to 30 April 2002 – 30%). The differences are reconciled below:

<i>(Loss) / profit on ordinary activities</i>	<u>(24,635)</u>	<u>1,921</u>
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (12 months to 30 April 2002 – 30%)	(7,391)	576
Items disallowed for tax purposes (including goodwill amortisation)	9,314	857
Losses arising in the UK not relievable against current tax	427	856
Higher taxes on overseas earnings	375	129
Tax overprovided in prior year	(52)	-
	<u>2,673</u>	<u>2,418</u>

The Group has tax losses arising in the UK of approximately £2.9 million (30 April 2002 - £1.9 million) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

## 8. Dividends

	8 months to 31 December 2002 £000's	12 months to 30 April 2002 £000's
Interim dividend declared 0.2p		
(12 months to 30 April 2002 - 0.63p) on ordinary shares	91	189
Proposed final dividend for 2 month trading period nil		
(12 months to 30 April 2002 - 0.2p) on ordinary shares	-	91
	<u>91</u>	<u>280</u>

## 9. Earnings per Ordinary Share

The calculation of earnings per ordinary share is based on a loss of £13,490,000 (12 months to 30 April 2002 – loss of £1,200,000) and on 45,373,833 (12 months to 30 April 2002 - 34,382,307) ordinary shares being the weighted average number of ordinary shares in issue during the year.

	Net loss attributable to ordinary share holders	8 months to 31 December 2002 Ordinary shares	Loss per share	Net loss attributable to ordinary share holders	12 months to 30 April 2002 Ordinary shares	Loss per share
Weighted average number of shares	£13,490,000	45,373,833	(29.73)p	£1,200,000	34,382,307	(3.49)p
Dilutive effect of warrants and options (i)		-			-	
Diluted EPS	£13,490,000	<u>45,373,833</u>	(29.73)p	£1,200,000	<u>34,382,307</u>	(3.49)p

(i) The dilutive effect of the warrants and options, disclosed in Note 17, 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 £0.36 (12 months to 30 April 2002 - £0.97). The number of ordinary shares of dilutive effect for the period ended 31 December 2002 is 151,665, however as there is a loss per share in the period, no dilution arises.

## 10. Intangible Fixed Assets

Group	Notes	Positive goodwill £000's	Negative goodwill £000's	Total £000's
<b>Cost:</b>				
At 30 April 2002 and 31 December 2002		53,179	(106)	53,073
<b>Amortisation and impairment charges:</b>				
At 30 April 2002		(4,492)	106	(4,386)
Amortisation charge during the period		(1,744)	-	(1,744)
Impairment charge during the period		(29,370)	-	(29,370)
At 31 December 2002		(35,606)	106	(35,500)
<b>Net book value:</b>				
At 31 December 2002		<u>17,573</u>	<u>-</u>	<u>17,573</u>
At 30 April 2002		<u>48,687</u>	<u>-</u>	<u>48,687</u>

Following a review, by its separately quoted German subsidiary ComputerLinks, of the carrying value of its subsidiaries at 31 December 2002, ComputerLinks has decided to accelerate the amortisation of goodwill that arose on its acquisitions by £29,370,000. £9,195,000 has been set off against unrealised gains recorded in earlier periods (see note 18). The discount factor applied during the impairment review leading to the charge was 15.8%.

## 11. Tangible Fixed Assets

<i>Group</i>	Freehold land £000's	Leasehold improvements and property £000's	Office equipment and fittings £000's	Motor vehicles £000's	Total £000's
<b>Cost:</b>					
At 30 April 2002	1,392	3,473	4,585	100	9,550
Additions	-	33	1,122	5	1,160
Exchange rate adjustment	(7)	6	174	6	179
Disposals	(1,385)	(2,470)	(132)	(7)	(3,994)
At 31 December 2002	-	1,042	5,749	104	6,895
<b>Depreciation:</b>					
At 30 April 2002	-	488	2,073	20	2,581
Charge for the period	-	198	818	13	1,029
Exchange rate adjustment	-	89	73	3	165
Disposals	-	(422)	(93)	(2)	(517)
At 31 December 2002	-	353	2,871	34	3,258
<b>Net book value:</b>					
At 31 December 2002	-	689	2,878	70	3,637
At 30 April 2002	1,392	2,985	2,512	80	6,969

£ 1.9 million of proceeds from the disposal of fixed assets were received after the period end.

<i>Company</i>	Office equipment £000's
<b>Cost:</b>	
At 30 April 2002 and 31 December 2002	13
<b>Depreciation:</b>	
At 30 April 2002	8
Charge for the period	3
At 31 December 2002	11
<b>Net book value:</b>	
At 31 December 2002	2
At 30 April 2002	5

## 12. Investments

<i>Group</i>	Unlisted investments £000's	Loans £000's	Total £000's
<b>Cost:</b>			
At 30 April 2002	995	50	1,045
Disposals	(492)	-	(492)
At 31 December 2002	503	50	553
<b>Amounts written off:</b>			
At 30 April 2002	992	50	1,042
Disposals	(492)	-	(492)
At 31 December 2002	500	50	550
<b>Net book value:</b>			
At 31 December 2002	3	-	3
At 30 April 2002	3	-	3

<i>Company</i>	Shares in subsidiary undertakings £000's	Other unlisted investments £000's	Total £000's
<b>Cost:</b>			
At 30 April 2002	41,813	554	42,367
Additions	375	-	375
At 31 December 2002	42,188	554	42,742
<b>Amounts written off:</b>			
At 30 April 2002	375	551	926
Amounts written off during the period	8,081	-	8,081
At 31 December 2002	8,456	551	9,007
<b>Net book value:</b>			
At 31 December 2002	33,732	3	33,735
<b>Net book value:</b>			
At 30 April 2002	41,438	3	41,441

Amounts written off shares in subsidiary undertakings relate to Expotus plc (£208,000) and ComputerLinks AG (£7,873,000). The write-off against ComputerLinks AG has been set off against unrealised gains recorded in earlier periods and does not affect distributable reserves (see note 18).

## 12. Investments (continued)

During the period the ComputerLinks Group established a new subsidiary in Italy – ComputerLinks s.r.l.. The company was incorporated with Euro 50,000 of share capital held, 99% by ComputerLinks AG and 1% by Computrain EDV – Trading GmbH. In France, ComputerLinks SAS was merged with ComputerLinks SA during the period.

Details of the company's investments in ordinary shares in group companies are as follows:

<i>Name of company</i>	<i>Country of incorporation if not Great Britain</i>	<i>Proportion of voting rights and shares held</i>	<i>Principal activity</i>
ComputerLinks SA	France	51%#	Computer services
ComputerLinks AG	Germany	51%*	Computer services
ComputerLinks AG	Switzerland	51%#	Computer services
ComputerLinks (UK) Limited (trading as Unipalm)		51%#	Computer services
Computrain EDV-Training GmbH	Germany	51%#	Computer services
ComputerLinks s.r.l.	Italy	51%#	Computer services
Banque Magnetique SA	France	90%^	Computer services
UMD SA	Spain	100%	Computer services
Interface Solutions International Limited		100%	Computer services
Expotus plc		100%	Professional audio systems
Fayrewood Holdings Limited		100%	Holding company
Fayrewood (Overseas Holdings) BV	Holland	100%+	Holding company
Realtime IT Limited		100%	Computer services
SCI Guillaume	France	90%~	Property development

+ shares are held by Fayrewood Holdings Limited.

\* 42% of shares are held by Fayrewood (Overseas Holdings) BV and 9% are held by Fayrewood plc.

^ shares are held by Fayrewood (Overseas Holdings) BV.

# shares are held by ComputerLinks AG (Germany). ComputerLinks AG holds 100% of the shares but Fayrewood plc's effective share is 51%.

~ shares are held by Banque Magnetique SA. Banque Magnetique SA holds 100% of the shares but Fayrewood plc's effective share is 90% by virtue of the fact that Fayrewood plc owns 90% of the issued share capital of Banque Magnetique SA.

ComputerLinks AG is quoted on the Frankfurt stock exchange in Germany. At 31 December 2002 the market value of the shares held by the Group was £7.2m.

## 13. Debtors

	31 December 2002 £000's	Group 30 April 2002 £ 000's	31 December 2002 £ 000's	Company 30 April 2002 £ 000's
<b>Amounts falling due after more than one year:</b>				
Amounts owed by subsidiary undertakings	-	-	-	375
<b>Amounts falling due within one year:</b>				
Trade debtors	64,004	52,609	-	-
Amounts owed by subsidiary undertakings	-	-	203	77
Other debtors and prepayments	8,616	5,879	12	68
	<u>72,620</u>	<u>58,488</u>	<u>215</u>	<u>145</u>

## 14. Analysis of Net Debt

Analysis of balances as shown in the Group balance sheet and changes during the period:

	1 May 2002 £000's	Cash flow £000's	Exchange differences £000's	31 December 2002 £000's
Cash at bank and in hand	15,765	(3,127)	(248)	12,390
Bank overdrafts	(10,759)	3,504	(285)	(7,540)
Cash	5,006	377	(533)	4,850
Loans	(3,348)	1,913	626	(809)
Loan notes (secured)	(11,800)	11,800	-	-
Trade receivables finance	(14,979)	1,464	(413)	(13,928)
	<u>(25,121)</u>	<u>15,554</u>	<u>(320)</u>	<u>(9,887)</u>

The opening loan note liability of £11.8 million, issued in connection with the acquisition of Unipalm, was repaid in full on 13 May 2002.

## 15. Creditors: amounts falling due within one year

	31 December 2002 £ 000's	Group 30 April 2002 £ 000's	31 December 2002 £ 000's	Company 30 April 2002 £ 000's
Current instalment due on loans	234	528	-	-
Loan notes	-	11,800	-	-
Bank overdrafts	7,540	10,759	-	-
Trade creditors	56,681	37,440	-	-
Amounts owed to subsidiary undertaking	-	-	2,584	1,663
UK Corporation tax	354	1,915	-	907
Overseas tax	3,800	1,730	-	-
Other taxes and social security costs	5,966	4,399	-	-
Other creditors and accruals	6,762	4,823	988	374
Proposed dividend	91	91	91	91
Discounted contingent acquisition consideration	4,185	4,729	2,441	3,050
Trade receivables finance	13,928	14,979	-	-
	<u>99,541</u>	<u>93,193</u>	<u>6,104</u>	<u>6,085</u>

Barclays Bank plc holds a debenture over the assets of Fayrewood plc and Expotus plc to secure overdraft facilities granted to Fayrewood plc, Expotus plc and Interface Solutions International Limited. As at 31 December 2002, the net overdraft was £1,514,000 (30 April 2002 - £ nil).

The trade receivables finance was provided by two organisations, one in France and one in the UK. The interest rate charged in France is 0.75% above EURIBOR and in the UK varied between 1.15% and 1.5% above LIBOR. The total interest charged during the year under these facilities was £397,000 (12 months to 30 April 2002 - £526,000). Commission fees in France vary according to the level of trade receivables finance utilisation but were 0.58% of total trade receivables finance including credit insurance. An annual fee of £25,000 is charged in the UK.

## 16. Creditors: amounts falling due after more than one year

	31 December 2002 £ 000's	Group 30 April 2002 £ 000's	31 December 2002 £ 000's	Company 30 April 2002 £ 000's
Discounted contingent acquisition consideration	1,731	1,686	1,731	1,686
Bank loans	575	2,820	-	-
	<u>2,306</u>	<u>4,506</u>	<u>1,731</u>	<u>1,686</u>

	31 December 2002 £000's	Group Bank loans 30 April 2002 £ 000's
<b>Amounts repayable within:</b>		
1 year to 2 years	244	488
2 years to 5 years	331	1,364
More than 5 years	-	968
	<u>575</u>	<u>2,820</u>

	31 December 2002 £000's	Group Contingent acquisition consideration 30 April 2002 £ 000's	31 December 2002 £000's	Company Contingent acquisition consideration 30 April 2002 £ 000's
<b>Amounts repayable within:</b>				
1 year to 2 years	883	860	883	860
2 years to 5 years	848	826	848	826
	<u>1,731</u>	<u>1,686</u>	<u>1,731</u>	<u>1,686</u>

Comfort letters have been issued by Fayrewood plc to Societe Generale and Barclays Bank plc in respect of facilities advanced to Banque Magnetique SA of Euro 0.76 million and Euro 3.05 million respectively. At 31 December 2002 the balance outstanding on these facilities was Euro 0.42 million and Euro 0.29 million respectively.

## 17. Share Capital

	31 December 2002 £	30 April 2002 £
<b>Authorised:</b>		
Ordinary shares of 5p each	<u>2,750,000</u>	<u>2,750,000</u>
	31 December 2002 No.	30 April 2002 No.
	31 December 2002 £	30 April 2002 £
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of 5p each	<u>45,373,833</u>	<u>45,373,833</u>
	<u>2,268,691</u>	<u>2,268,691</u>

1.1 million additional ordinary shares of 5p will be issued to the vendors of UMD SA in March 2003 following the achievement of performance targets for the year ended 31 December 2002. A further 1.6 million shares may be issued as conditional deferred share consideration if performance targets are met for the years ending 31 December 2003 and 31 December 2004. UMD SA was acquired by Fayrewood plc in January 2002.

No options were exercised during the period.

Fayrewood plc has issued warrants and options (under the Fayrewood Unapproved Option Scheme) to subscribe for ordinary shares of 5p in the company:

<i>Warrants Exercise price</i>	Number of shares to which warrants relate as at 31 December 2002 No. 000's.	Number of shares to which warrants relate as at 30 April 2002 No. 000's.	Earliest exercise date	Expiry date
77p	<u>250</u>	<u>250</u>	immediate	29 June 2003
<i>Options Exercise price</i>	Number of shares to which options relate as at 31 December 2002 No. 000's.	Number of shares to which options relate as at 30 April 2002 No. 000's.	Earliest exercise date (a)	Expiry date
50p	-	15	12 January 2001	12 January 2005
55p	145	145	27 April 2003	27 April 2005
55p	141	141	27 April 2001	27 April 2005
59.5p	92	100	18 January 2002	18 January 2006
59p	-	7	1 April 2002	1 April 2006
57p	400	400	1 October 2005	30 September 2008
57p	80	90	1 October 2004	30 September 2008
67p	100	100	11 January 2005	10 January 2009
64p	75	75	11 February 2005	10 February 2009
23.5p	440	-	10 August 2006	9 August 2009
	<u>1,473</u>	<u>1,073</u>		

(a) Under certain circumstances options may become exercisable at an earlier date.

## 18. Reconciliation of Shareholders' Funds and Movements On Reserves

<i>Group</i>	Share capital £000's	Share premium account £000's	Shares to be issued relating to contingent acquisition consideration £000's	Other reserves £000's	Profit and loss account £000's	Total £000's
At 1 May 2001	1,504	9,500	-	11,520	5,464	27,988
Loss for the year	-	-	-	-	(497)	(497)
Minority Interest	-	-	-	-	(703)	(703)
Dividends	-	-	-	-	(280)	(280)
Movement on currency translation	-	-	-	-	68	68
<b>Other movements:</b>						
Proceeds from issue of shares	427	5,041	-	-	-	5,468
Cost of issue of shares	-	(278)	-	-	-	(278)
Exercise of share options	3	31	-	-	-	34
Shares issued as initial						
acquisition consideration	257	-	-	3,035	-	3,292
Shares issued as deferred						
acquisition consideration	77	-	-	910	-	987
Shares to be issued as						
contingent acquisition consideration	-	-	1,653	-	-	1,653
Goodwill written off on deemed disposals	-	-	-	(2)	2	-
Unrealised gain and other						
changes in Minority Interest	-	-	-	87	-	87
At 1 May 2002	2,268	14,294	1,653	15,550	4,054	37,819
Loss for the period	-	-	-	-	(27,309)	(27,309)
Minority Interest	-	-	-	-	13,818	13,818
Dividends	-	-	-	-	(91)	(91)
Movement on currency translation	-	-	-	-	950	950
<b>Other movements:</b>						
Impairment of goodwill offset against						
unrealised gains from earlier period	-	-	-	(9,195)	9,195	-
At 31 December 2002	<u>2,268</u>	<u>14,294</u>	<u>1,653</u>	<u>6,355</u>	<u>617</u>	<u>25,187</u>

£3,928,000 of goodwill has previously been eliminated against reserves (30 April 2002 - £3,928,000).

## 18. Reconciliation of Shareholders' Funds and Movements On Reserves (continued)

<i>Company</i>	Share capital £000's	Share premium account £000's	Shares to be issued relating to contingent acquisition consideration £000's	Other reserves £000's	Profit and loss account £000's	Total £000's
At 1 May 2001	1,504	9,500	-	11,783	3,385	26,172
Loss for the year	-	-	-	-	(2,491)	(2,491)
Dividends	-	-	-	-	(280)	(280)
<b>Other movements:</b>						
Proceeds from issue of shares	427	5,041	-	-	-	5,468
Cost of issue of shares	-	(278)	-	-	-	(278)
Exercise of share options	3	31	-	-	-	34
Shares issued as initial acquisition consideration	257	-	-	3,035	-	3,292
Shares issued as deferred acquisition consideration	77	-	-	910	-	987
Shares to be issued as contingent acquisition consideration	-	-	1,653	-	-	1,653
At 1 May 2002	2,268	14,294	1,653	15,728	614	34,557
Loss for the period including unrealised losses on investments	-	-	-	-	(8,224)	(8,224)
Dividends	-	-	-	-	(91)	(91)
<b>Other movements:</b>						
Realisation of previously unrealised gains	-	-	-	(7,873)	7,873	-
At 31 December 2002	<u>2,268</u>	<u>14,294</u>	<u>1,653</u>	<u>7,855</u>	<u>172</u>	<u>26,242</u>

## 19. Capital Commitments

There were no capital commitments contracted for at 31 December 2002 (30 April 2002 – nil):

## 20. Other Financial Commitments

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

<i>Group</i>	31 December 2002 £000's	Land and buildings 30 April 2002 £000's	31 December 2002 £000's	Other 30 April 2002 £000's
Operating leases which expire:				
within one year	394	314	111	79
in two to five years	492	513	290	427
in more than five years	669	216	-	-
	<u>1,555</u>	<u>1,043</u>	<u>401</u>	<u>506</u>

## 21. Other Directors' Interests

At 31 December 2002, the following deferred acquisition consideration was outstanding to Mario Legorburu following the acquisition of UMD SA on 9 January 2002: deferred cash consideration of £4,574,000 plus 1,633,000 ordinary shares of Fayrewood plc (based on an exchange rate of 1Euro : 0.65 £ Sterling).

Between 15 April 2002 and 5 September 2002, ComputerLinks AG, a subsidiary of Fayrewood plc, extended loans totalling £175,000 to Jean-Charles Vasseur, a director of Fayrewood plc. The loan bears interest at a rate of 5.5% per annum.

## 22. Contingent Liabilities

The company has given guarantees, within the normal course of business, on behalf of its subsidiaries, Interface Solutions International Limited and Banque Magnetique SA. All the amounts guaranteed are included in the Group balance sheet.

Elsa AG, formerly a supplier to Banque Magnetique SA, entered into administration in May 2002. A claim relating to transactions between Banque Magnetique SA and Elsa AG has been made against Banque Magnetique SA by a third party who provided confidential invoice discounting to Elsa AG. Having taken legal advice the directors believe that no additional liabilities need to be provided.

### 23. Other Related Party Transactions

At 31 December 2002 Expotus plc had a balance of £332,000 (30 April 2002 - £169,000) outstanding from Audient plc, a company in which Fayrewood holds convertible loan stock. This balance was included in other debtors and prepayments (see note 13). During the year Expotus plc made total purchases of £373,000 from Audient plc. All transactions were carried out at arms length.

UMD SA is a tenant of Inmomyn SL, a company in which Mario Legorburu, a director of Fayrewood plc, has a beneficial interest. In the period, total rental of £186,000 has been charged to UMD SA by Inmomyn SL. The rental agreements were made on an arms length basis. The balance outstanding to Inmomyn SL from UMD SA at 31 December 2002 was £9,000 (30 April 2002 - £20,000).

### 24. Derivatives and Other Financial Instruments

The Group's principal financial instruments, comprise bank loans, overdrafts, deferred contingent consideration, factored debt, warrants and options, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations. Short term debtors and creditors, with the exception of deferred consideration, are excluded from the following note.

During the period, the Group has entered into derivative transactions, in the form of forward currency contracts, in order to manage currency risks from the Group's operations. At the year end contracts existed to acquire US\$9.3 million (30 April 2002 - US\$15.7 million). An unrealised exchange loss of £59,000 (12 months to 30 April 2002 - loss of £74,000) was associated with these contracts at the period end.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

#### Interest Rate Risk

The Group borrows desired currencies primarily at floating rates of interest. At the year end all fixed rate financial rate liabilities related to discounted deferred consideration. The Group considers fixed and floating facilities at the point of inception and subsequent renewal dates. Floating rate facilities are also reviewed regularly on a bi-annual basis to assess their competitiveness.

#### Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 December 2002 was as follows:

	Floating rate financial £000's	Fixed rate financial £000's	31 December 2002 Total as at £000's	Floating rate financial £000's	Fixed rate financial £000's	30 April 2002 Total as at £000's
Sterling	5,014	-	5,014	13,092	-	13,092
Euro	6,463	-	6,463	2,110	-	2,110
Swiss Franc	913	-	913	563	-	563
Total	<u>12,390</u>	<u>-</u>	<u>12,390</u>	<u>15,765</u>	<u>-</u>	<u>15,765</u>

## 24. Derivatives and Other Financial Instruments (continued)

### Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 December 2002 was as follows:

	Floating rate financial £000's	Fixed rate financial £000's	Total as at 31 December 2002 £000's	Floating rate financial £000's	Fixed rate financial £000's	Total as at 30 April 2002 £000's
Sterling	6,963	-	6,963	20,284	-	20,284
Euro	15,314	5,058	20,372	20,602	5,622	26,224
Swiss Franc	-	858	858	-	793	793
Total	<u>22,277</u>	<u>5,916</u>	<u>28,193</u>	<u>40,886</u>	<u>6,415</u>	<u>47,301</u>

The fixed rate financial liabilities comprise:

- Deferred contingent consideration in Swiss Francs and Euros discounted at between 4% and 5%.

The floating rate financial liabilities comprise:

- Sterling denominated bank overdrafts that bear interest at 1.75% above base
- Euro denominated overdrafts that bear interest at rates based on 0.7% to 1.0% above EURIBOR
- Euro denominated loans that bear interest at rates based on 0.25% to 1.2% above EURIBOR
- Sterling denominated factored debt that bears interest at 1.5% above base
- Euro denominated trade receivables finance debt that bears interest at 0.75% above EURIBOR

### Liquidity Risk

The Group's objective is to maintain a balanced working capital cycle to ensure that the level of funding required does not exceed that available. An important element of this objective is the strategic use of confidential invoice discounting and factoring which, by its nature, allows the level of funding available to grow in direct proportion to the business.

### Maturity of Financial Liabilities

The maturity profile of the Group's financial liabilities at 31 December 2002 was as follows:

	31 December 2002 £000's	30 April 2002 £000's
In one year or less, or on demand	25,887	42,795
In more than one year but not more than two	1,127	1,348
In more than two years, but not more than five	1,179	2,190
In more than five years	-	968
	<u>28,193</u>	<u>47,301</u>

### Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 2002 in respect of which all conditions precedent had been met at that date are as follows:

	31 December 2002 £000's	30 April 2002 £000's
In one year or less, or on demand	<u>16,015</u>	<u>12,666</u>

## 24. Derivatives and Other Financial Instruments (continued)

### Foreign Currency Risk

As is common with high technology products in mainland Europe a significant proportion of purchases are made in US dollars. The local management appraise the current level of volatility of US dollar exchange rates and the likely direction of any movement based on their bankers' forecasts and the recent changes in the exchange rate which is monitored daily. Foreign currency hedging may then be undertaken to cover existing liabilities.

The standard terms with suppliers ensures that all currency exposures on purchases mature within 60 days of arising. A rapid turnover of stock minimises the risk of holding stock that is overpriced relative to current local currency purchasing.

The minimum criteria for entering a forward foreign currency contract are:

- the contract must hedge part or all of a foreign currency liability.
- the contract must be in the same currency as the hedged item.
- the contract must reduce the risk to exposure of foreign currency exchange movements on the Group's operations.

The final decision whether to enter into a forward contract is made by local management depending upon the latest exchange rate forecasts from their bankers and the proportion of the operations liabilities that are not covered by forward exchange contracts.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the gains and losses on the related financial liabilities.

### Foreign exchange risk profile of financial liabilities

Functional currency of group operation	Euro £000's	US dollar £000's	Net foreign currency liability at 31 December 2002 Total £000's
Sterling	4,172	-	4,172
Euro	-	9,174	9,174
Total	<u>4,172</u>	<u>9,174</u>	<u>13,346</u>

The amounts shown take into account the effect of forward contracts.

### Fair values of financial assets and financial liabilities

Other than the foreign exchange contracts noted above the directors consider that there is minimal difference between the carrying value of the Group's financial assets and financial liabilities and that of their fair value for the period ended 31 December 2002.



# Fayrewood plc Contact Details

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## ComputerLinks Group

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Managing Directors  
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Notice is hereby given that the Annual General Meeting of Fayrewood plc (the "Company") will be held at Chartered Accountants Hall, Moorgate Place, London, EC2P 2BJ on 28 May 2003 at 11am for the purpose of considering, and if thought fit, passing the following resolutions:

## Ordinary Resolutions

- 1) To receive and adopt the audited accounts for the period ended 31 December 2002 together with the Directors' and Auditors' Reports.
- 2) To confirm the interim dividend on the ordinary shares for the period ended 31 December 2002.
- 3) To re-elect Paul Griffiths, a Director retiring by rotation, as a Director.
- 4) To re-elect David Gurr, a Director retiring by rotation, as a Director.
- 5) To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.
- 6) In substitution for any existing authority subsisting at the date of this resolution (save for any authority granted in relation to the acquisition of UMD SA at an extraordinary general meeting of the Company held on 7 January 2002, and save to the extent that the same may already have been exercised but for any such powers granted by statute), the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 (the "Act") up to an aggregate nominal amount of £116,263, provided that this authority shall expire on the date of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby has not expired.
- 7) That the Company be and is hereby authorised to enter into, at any time before the date of the next Annual General Meeting ("the Expiry Date"), contracts for the purchase of not more than 4,650,550 ordinary shares of 5p each in the capital of the Company at a price per share which, in the case of any such contract is:
  - a) no higher than 5 per cent above such a share's middle market quotation derived from the Daily Official List of The Stock Exchange for the ten days immediately preceding the date when the contract is entered into, being days on which The Stock Exchange is open for the transaction of business, and
  - b) no lower than 5p, and so that the Company may complete any such purchase after the Expiry Date if the contract of purchase was entered into before the Expiry Date.

# Notice of Annual General Meeting

## Special Resolution

8) That, subject to the approval of the preceding Resolution 6, the Directors be and are hereby empowered to the exclusion of and in substitution for any other such power previously granted to them and subsisting at the date of this Resolution (save for the extent that the same may already have been exercised and for any such powers granted by statute) to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority confirmed by Resolution 6 set out in the notice to this meeting, as if Section 89(1) of the Act did not apply to such allotment, provided that the power shall expire on the date of the next Annual General Meeting of the Company and shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £116,263, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By Order of the Board

David Gurr

Secretary  
23 April 2003

Registered office: Second Floor, 19/21 Clarendon Road, Watford, WD17 1JR

## Notes

1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, and on a poll, to vote instead of him. A proxy need not be a member.

2) A form of proxy is enclosed with this notice. To be valid, the proxy should be completed in accordance with the notes thereon and must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time appointed for the meeting.

3) Copies of all Directors' contracts of service and the register of Directors' interests maintained under section 325 of the Companies Act 1985 are available for inspection during normal business hours at the Company's registered office.

I/We

(Block letters please)

Of

Being (a) member(s) of the above named Company, hereby appoint the Chairman of the Meeting or

As my/our proxy to vote and act for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11am on 28 May 2003, and at any adjournment thereof.

I/we wish this proxy to be used in conjunction with those resolutions to be proposed at the Annual General Meeting which are listed below, in the manner set out below, and in conjunction with any other business transacted at the meeting.

Date

Signature

Please indicate with an X in the spaces below how you wish the proxy to vote. Unless otherwise instructed, the proxy will at his/her discretion vote as he/she thinks fit or abstain from voting in relation to all business of the Meeting.

### Ordinary Resolutions

For                      Against

- |   |                          |                          |
|---|--------------------------|--------------------------|
| 1) To receive and adopt the audited accounts for the period ended 31 December 2002, together with the Directors' and Auditors' Reports. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) To confirm the interim dividend for the period ended 31 December 2002.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) To re-elect Paul Griffiths, a Director retiring by rotation as a Director.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) To re-elect David Gurr, a Director retiring by rotation as a Director.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 6) To authorise the Directors to allot new Fayrewood shares pursuant to Section 80(1) of the Company Act 1985.                          | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) To authorise a market purchase of not more than 4,650,550 Ordinary 5p shares in accordance with Section 166 Companies Act 1985.      | <input type="checkbox"/> | <input type="checkbox"/> |

### Special Resolution

- |   |                          |                          |
|---|--------------------------|--------------------------|
| 8) To authorise the Directors to allot equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment. | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|--------------------------|

#### Notes

- |  |  |  |
|--|--|--|
| <p>1) This form is for the use of shareholders only and will be used only in the event of a poll being directed or demand.</p> <p>2) You may, if you wish, delete the words "the Chairman of the Meeting" and substitute the name(s) of your choice. Please initial any such alteration.</p> | <p>3) To be effective the form must be lodged at the registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not later than 48 hours before the time appointed for the holding of the meeting.</p> | <p>4) In case of a corporation, the form must be executed under seal or under the hand of an officer or attorney or other person duly authorised.</p> <p>5) In the case of a joint holders, the first named should sign.</p> |
|--|--|--|



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MB122

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Capita Registrars (Proxies)  
PO Box 25  
Beckenham  
Kent BR3 4BR

First fold



Second fold

