

Fayrewood plc
PRELIMINARY RESULTS STATEMENT
for the twelve months ended 31 December 2007

Fayrewood plc (“Fayrewood” or “the Group”), (AIM: FWY) the computer distributor, announces its preliminary results for the twelve months ended 31 December 2007.

Highlights

2007 – IMPLEMENTATION OF VALUE REALISATION

- Pre-tax profit before gains from corporate disposals (see Note 2): £4.8m (2006: £9.2m)
- Group profit from continuing operations at the year end was £696,000 (2006: £271,000)
- Revenue for the 2007 businesses increased 3.1% to £298m (2006: £289m). The revenue from continuing operations at the year end was £130m.
- Pre-tax profit from the two distribution businesses of £3.0m (2006: £2.8m)
- Tender Offers returned £35m to shareholders through the acquisition of 29,166,593 shares at 120p per share
- ComputerLinks remaining shareholding sold for €24.7m net, yielding £6.6m profit.
- Disposal of Banque Magnetique S.A for €12.5 million
- Net cash at 31 December 2007 of £33.1 million
- Final Dividend of 2p (2006: 1.5p), making a total of 3.0p (2006: 2.5p)

Commenting on the announcement, David Kleeman, the Chairman stated:

“2007 was an important year for us which saw the sale of the balance of our holding in ComputerLinks and the disposal of Banque Magnetique. During the year, we were able to return £35 million to our shareholders. We continue our discussions with North Atlantic Value LLP in relation to a possible offer for the Group as part of our overall strategy of maximizing shareholder value and liquidity”

David Kleeman, Chairman
Fayrewood plc

020 7430 9329

Oliver Scott
KBC Peel Hunt

020 7418 8900

Tim Anderson / Lisa Baderoon
Buchanan Communications

020 7466 5000

During 2007, Fayrewood implemented its plan of value realisation. The remainder of our shareholding in ComputerLinks A.G. was sold. The company returned £35 million to shareholders through a Tender Offer. The disposal of Banque Magnetique S.A. was also completed in December, thereby leaving the Group at the year end with substantial cash resources and its UK division, Interface Solutions in Birmingham.

Business Overview:

Our wholesale computer peripherals distribution business in France, Banque Magnetique S.A., developed new product ranges in 2006, the full beneficial effect of which was experienced in 2007. Whilst sales overall grew quite modestly, the favourable product mix enabled gross operating margins to rise. As a result, Banque Magnetique's pre-tax profit before management fees increased by 64% to €4.8 million. During the second half of the year, the Company attracted the attention of Gem Logistics, a subsidiary of the Irish listed DCC Group, and in late December 2007, we completed the sale of Banque Magnetique for €12.5 million, €0.5 million of which will be paid on 30 June 2008. Our consolidated accounts incorporate the results of Banque Magnetique to the date of completion.

Interface Solutions in Birmingham had a more mixed year. The trading results appear initially to be disappointing. However, they reflect the cost of managerial restructuring, and significant reorganization expenses stemming from the detailed operational review undertaken by the relatively new management team led by Keith Negal, who was appointed as managing director of Interface in January 2007. The effect of these changes has put Interface into a stronger position than it has been since it was acquired nine years ago. The growth in sales in recent years and increased market share has resulted in improved and closer working relationships with suppliers. This, together with the recently introduced new internal IT and more effective management reporting systems should materially assist the Company's ability to generate more consistent and positive returns in the future.

Strategic Plans:

I mentioned in my Statement last year that, following the disposal of UMD in December 2006, the Board was reviewing the commercial reasoning for the retention of the Group structure at the time.

Fayrewood was one of the first companies to secure a listing on AIM, in July 1996. It then embarked on a strategic policy of acquiring a spread of businesses in a number of Western European countries specialising in the wholesale distribution of a wide range of computer peripheral equipment and specialist software.

At that time, there was a more limited recognition of the size of the potential market, its likely growth prospects, and the ever increasing applications for which technology would rapidly find a use. Fayrewood was thus able to purchase several successful businesses at an early stage of development, and which in the main had been founded by entrepreneurs who saw benefits in being part of a larger group. As market penetration for these technology products grew, and as end-users became increasingly familiar with technology and communications and consumer related products, Fayrewood experienced significant growth. Increasingly, it also faced major challenges. Products became generic more speedily, and competition heightened. Volumes grew substantially year on year as the whole market expanded, but margins dropped and costs increased. Additionally, suppliers sought to reduce credit terms, whilst customers sought extended credit and speedy delivery, which in turn impacted on stocks and working capital. These pressures further increased as e-businesses entered the market.

Fayrewood depended largely on the ability of its subsidiary management teams to anticipate market trends, to buy in force, and to benefit from the higher margins initially obtained before the market for the new products in question matured, with pricing pressures then re-emerging. Fayrewood was largely successful. In ten years, its Group sales expanded from £3 million at the time of its listing to almost £500 million, with pre-tax profits growing exponentially. Initially, investors were happy to support Fayrewood's strategy. By 2003, however, this enthusiasm had begun to wane. Potential investors viewed the industry with greater scepticism: it dealt in products which could become quickly obsolescent, competition was strong and margins were slim and under constant pressure. Customer confidence was dependent on an ability to supply in size at short notice. This, in turn, required distributors to have either a large equity base, or extensive trade financing in place with a speedy stock turn. Potential institutional investors questioned, therefore, whether an industry which suffered from high volumes and low margins could generate cash sufficiently to fund the costs of their growing activities. As a result, the valuation multiples attributable to wholesale distributors fell, thereby reducing Fayrewood's opportunity to extend its growth and geographic spread.

It became clear to the Board that retrenchment might not be an appropriate course, and that the aggregate net worth of Fayrewood Group businesses significantly exceeded the Group's market capitalisation. To enable that value to be retained for the benefit of Fayrewood shareholders, a change in strategy was called for. The sale of the underlying businesses commenced in June 2005, with the disposal of a substantial part of our shareholding in ComputerLinks AG, by then a fully listed company in Germany. This was followed by the disposal of UMD in late 2006, the sale of our remaining shares in ComputerLinks in March 2007, the sale of a number of minor investment stakes, and, in December 2007, the completion of the sale of Banque Magnetique. These disposals netted substantial gains over original book values, and enabled Fayrewood to return cash to its shareholders in the form of a Tender Offer in mid-2007, whilst still leaving Fayrewood with sizeable cash resources.

In November 2007, we were approached by our largest shareholder, North Atlantic Value LLP, in relation to a possible offer for the Group. This proposal is still under discussion and the Board will update shareholders when we reach a more definitive position. As with all such discussions, there can be no certainty of its outcome. However, in the event that no such offer is received from North Atlantic Value, the Board will explore other tax efficient methods of returning cash to shareholders.

Our aim over recent years has been to ensure that the value created for Fayrewood shareholders through the acquisition and growth of European distribution companies was retained by them following the sale of those businesses.

That value was largely created by leaving existing management of the acquired companies to continue to run them fairly autonomously. We are particularly grateful to our former subsidiary managing directors, Stephan Link, who was a director of Fayrewood for nine years, and who retired from the Board in 2007 following our disposal of the remainder of our shareholding in the ComputerLinks Group; Mario Legorburu, who founded and ran UMD so successfully, and Claude Dupont, whose business, Banque Magnetique, was our first purchase in 1996. On behalf of the Board and our shareholders, I would like to thank each of them for their immense contribution to the success of Fayrewood.

David Kleeman
Chairman.

27 March 2008

Fayrewood plc

Group income statement for the year ended 31 December 2007

	<i>Notes</i>	2007 £000's	2006 £000's
Revenue		129,585	122,282
Cost of sales		<u>(119,553)</u>	<u>(112,029)</u>
Gross profit		10,032	10,253
Selling and distribution costs		<u>(2,784)</u>	<u>(3,280)</u>
Administrative expenses		<u>(6,552)</u>	<u>(6,702)</u>
		<u>(9,336)</u>	<u>(9,982)</u>
Group operating profit from continuing operations		<u>696</u>	<u>271</u>
Profit on sale of investments		137	-
Finance revenue		1,078	26
Finance costs		<u>(975)</u>	<u>(539)</u>
		<u>240</u>	<u>(513)</u>
Profit/(loss) from continuing operations before taxation		936	(242)
Tax expense	3	<u>(62)</u>	<u>-</u>
Profit/(loss) for the year from continuing operations		874	(242)
Discontinued operations			
Profit for the year from discontinued operations	4	5,067	13,680
Profit for the year		<u>5,941</u>	<u>13,438</u>
Earnings per share			
- basic	5	16.22p	26.16p
- diluted	5	16.22p	25.86p
Earnings/(loss) per share: continuing			
- basic	5	2.39p	(0.47)
- diluted	5	2.39p	(0.47)
Earnings per share: discontinued			
- basic	5	13.84p	26.63p
- diluted	5	13.84p	26.32p

Fayrewood plc

Group statement of changes in equity for the year ended 31 December 2007

	<i>Share capital</i>	<i>Capital redemption reserve</i>	<i>Share premium account</i>	<i>Foreign currency translation reserve</i>	<i>Merger reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
At 1 January 2006	2,557	-	17,667	-	6,355	27,006	53,585
Profit for the year	-	-	-	-	-	13,438	13,438
Dividends paid	-	-	-	-	-	(1,078)	(1,078)
Movement on currency translation	-	-	-	(1,331)	-	-	(1,331)
Other movements:							
Proceeds from issue of shares	23	-	146	-	-	-	169
Shared based payments	-	-	-	-	-	37	37
At 1 January 2007	2,580	-	17,813	(1,331)	6,355	39,403	64,820
Profit for the year	-	-	-	-	-	5,941	5,941
Dividends paid	-	-	-	-	-	(4,227)	(4,227)
Movement on currency translation	-	-	-	859	-	-	859
Other movements:							
Proceeds from issue of shares	49	-	330	-	-	-	379
Share buy backs	(1,470)	(1,470)	-	-	-	(32,627)	(32,627)
Currency reserve realised on disposals	-	-	-	(781)	-	781	-
Merger reserve realised on disposals	-	-	-	-	(6,355)	6,355	-
Realised on disposals via income statement	-	-	-	1,253	-	-	1,253
Shared based payments	-	-	-	-	-	30	30
At 31 December 2007	1,159	1,470	18,143	-	-	15,656	36,428

Fayrewood plc

Group balance sheet at 31 December 2007

	2007 £000's	2006 £000's
Non-current assets		
Property, plant and equipment	802	1,034
Intangible assets	318	270
Investments	-	23
Investment in associate	-	9,703
Deferred tax asset	-	199
	<u>1,120</u>	<u>11,229</u>
Current assets		
Trade and other receivables	27,854	80,507
Inventories	13,237	31,384
Cash and short-term deposits	33,097	55,737
	<u>74,188</u>	<u>167,628</u>
Total assets	<u>75,308</u>	<u>178,857</u>
Current liabilities		
Trade and other payables	23,166	76,014
Financial liabilities	15,152	35,853
Income tax payable	62	374
	<u>38,380</u>	<u>112,241</u>
Non-current liabilities		
Financial liabilities	-	796
Provision	500	1,000
	<u>500</u>	<u>1,796</u>
Total liabilities	<u>38,880</u>	<u>114,037</u>
Net assets	<u>36,428</u>	<u>64,820</u>
Capital and reserves		
Called up share capital	1,159	2,580
Capital redemption reserve	1,470	-
Share premium account	18,143	17,813
Foreign currency translation reserve	-	(1,331)
Other reserves	-	6,355
Retained earnings	15,656	39,403
Total equity	<u>36,428</u>	<u>64,820</u>

Fayrewood plc

Group cash flow statement for the year ended 31 December 2007

	2007 £000's	2006 £000's
Operating Activities		
Profit for the year	5,941	13,438
<i>Adjustments to reconcile profit for the year to net cash inflow from operating activities.</i>		
Tax on discontinued operations	1,164	1,612
Tax on continuing operations	62	-
Net finance costs	473	1,962
Loss/(gain) on disposal of discontinued operation	2,915	(7,012)
Net (profit)/loss on sale of investments	(138)	-
Net (profit)/loss on sale of associates	(6,619)	14
Share of post tax profits of associates and joint ventures accounted for using the equity method.	(339)	(1,741)
Depreciation and impairment of property, plant and equipment	315	827
Amortisation and impairment of intangible assets	157	24
Share-based payments	30	37
Transfer from foreign currency translation reserve	1,253	-
Decrease/(increase) in inventories	484	(1,369)
Decrease/(increase) in trade and other receivables	13,484	(6,003)
(Decrease)/increase in trade and other payables	(25,068)	26,225
Movement in provisions	(500)	1,000
Cash generated from operations	<u>(6,386)</u>	<u>29,014</u>
Income taxes paid	(891)	(3,462)
Net cash flow from operating activities	<u>(7,277)</u>	<u>25,552</u>
Investing activities		
Interest received	1,649	72
Dividend received from associate	-	444
Disposal of subsidiary undertakings	8,738	33,288
Disposal of interest in associate	16,661	-
Payments to acquire property, plant and equipment	(586)	(759)
Receipts from sale of property, plan and equipment	29	2
Receipts from sale of investments	161	-
Net cash flow from investing activities	<u>26,652</u>	<u>33,047</u>

	<i>2007</i>	<i>2006</i>
	<i>£000's</i>	<i>£000's</i>
Financing activities		
Interest paid	(2,122)	(2,035)
Dividends paid to equity shareholders of the parent	(1,016)	(1,072)
Share buy backs & dividend on Special Shares	(35,845)	
Proceeds from share issues	378	169
Increase/(repayment) in loans	960	(196)
(Repayment)/increase in trade receivable finance	(2,022)	14,961
Net cash flow from financing activities	<u>(39,667)</u>	<u>11,827</u>
(Decrease)/increase in cash and cash equivalents	(20,292)	70,426
Effect of exchange rates on cash and cash equivalents	490	50
Cash and cash equivalents at the beginning of the year	<u>52,884</u>	<u>(17,592)</u>
Cash and cash equivalents at the year end	<u><u>33,082</u></u>	<u><u>52,884</u></u>

Notes:

1. Basis of preparation

The financial information set out in this announcement does not constitute statutory accounts for the purposes of Section 240 Companies Act 1985. The financial information for the year ended 31 December 2006 has been extracted from the statutory accounts of Fayrewood plc for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under sections 237(2) or (3) of the Companies Act 1985. This preliminary announcement was approved by the board of directors on 26 March 2008. The financial statements in respect of the year end 31 December 2007 will be delivered to the Registrar of Companies in due course and will also be sent to shareholders. However an unmodified audit opinion has been issued.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2007.

For all periods up to and including the year ended 31 December 2006 the Group prepared its financial statements in accordance with UK generally accepted accounting principles ("UK GAAP"). This is the first year in which the Group has prepared its group financial statements under IFRS and the comparatives have been restated from UK GAAP accordingly. The Group issued, within its interim results on 25 September 2007, the impact of transition to IFRS including a detailed reconciliation from UK GAAP to IFRS of the 2006 income statement and balance sheet.

2. Pre-tax profits before gains from corporate disposals

This has been calculated as follows:

	Notes	2007 £000's	2006 £000's
Profit for the year after tax expense		5,941	13,438
Tax expense continuing operations		62	-
Tax on discontinued operations		1,373	2,740
Gains from corporate disposals	4	(2,451)	(6,999)
Sale of unquoted investments		(137)	-
Expense of share based payments		30	37
Pre-tax profits before gains from corporate disposals		<u>4,818</u>	<u>9,216</u>

3. Taxation

(a) Tax on profit

Tax charged in the income statement	2007 £000's	2006 £000's
Current income tax:		
UK corporation tax - continuing operations	-	-
- discontinued operations	-	-
Foreign tax - continuing operations	-	-
- discontinued operations	1,373	2,803
Current income tax charge	<u>1,373</u>	<u>2,803</u>
Amounts under provided in previous years	62	-
Total current income tax	<u>1,435</u>	<u>2,803</u>
Deferred tax:		
Origination and reversal of temporary differences	-	(63)
Total deferred tax	-	<u>(63)</u>
Tax charge in the income statement	<u>1,435</u>	<u>2,740</u>
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	62	-
Income tax expense on discontinued operations	<u>1,373</u>	<u>2,740</u>
	<u>1,435</u>	<u>2,740</u>

(b) Reconciliation of the total tax charge:

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%). The differences are reconciled below:

	2007 £000's	2006 £000's
Profit/(loss) from continuing operations before taxation	936	(242)
Gain/(loss) from discontinued operations before taxation	4,176	9,402
Gain on disposal of discontinued operations	<u>2,265</u>	<u>7,018</u>
Group accounting profit before income tax	<u>7,377</u>	<u>16,178</u>
Group accounting profit multiplied by the UK standard rate of corporation tax of 30% (2006: 30%)	2,213	4,853
Expenses not deductible for tax purposes	(402)	(279)
Non taxable gains on disposal of subsidiaries/investment	(721)	(2,105)
Differences in foreign tax rates	189	297
Share based payments	(131)	-
Unrecognised tax losses	225	122
Utilisation of previously unrecognised tax losses	-	(148)
Tax under provided in prior years	62	-
Total tax expense reported in the income statement	<u>1,435</u>	<u>2,740</u>

For the purposes of this reconciliation, tax expense on share of associates profit of £209,000 (2006: £1,128,000) is included in tax expense.

(c) Unrecognised tax deferred tax assets

The Group has tax losses which arose in the UK of £4.1 million (2006: £4.2 million) that are available indefinitely for offset against future taxable profits of the 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 and have arisen in subsidiaries that have been loss-making for some time.

The Group has a deferred tax asset of £2,000 (2006: £111,000) in respect of share-based payments. A deferred tax asset has not been recognised as the tax relief to be received by the Group has the effect of increasing tax losses only.

(d) Deferred tax

The deferred tax included in the Group balance sheet is as follows:

	2007 £000's	2006 £000's
Deferred tax liability		
Accelerated capital allowances	69	81
	<u>69</u>	<u>81</u>
Deferred tax asset		
Other temporary differences	-	246
Tax losses carried forward	69	34
	<u>69</u>	<u>280</u>

The deferred tax included in the Group income statement

	2007 £000's	2006 £000's
Deferred tax in the income statement		
Accelerated capital allowances	12	(31)
Other temporary differences	(47)	87
Tax losses carried forward	35	34
	<u>-</u>	<u>90</u>

4. Discontinued operations

On 26 March 2007, the group disposed of all of its remaining shares in the associate, ComputerLinks AG, for £16.9 million (€25.0 million) before costs.

On 15 May 2007, the group disposed of its interest in its non-operating subsidiary, Fayrewood (Overseas Holdings) BV for nil, equivalent to net asset value, before costs.

On 20 December 2007 the group disposed of its interest in French subsidiaries Banque Magnetique SAS and the non-operating SCI Guillaume for consideration of £9.0 million (€12.5 million) before costs.

The profit on discontinued activities is comprised as follows:

	2007 £000's	2006 £000's
ComputerLinks AG – Associate		
Profit on disposal/(loss on deemed disposal)	6,619	(19)
Results after tax to date of disposal	<u>339</u>	<u>1,741</u>
	<u>6,958</u>	<u>1,722</u>
UMD SAU – sold in December 2006		
Profit on disposal	-	7,018
Results after tax to date of disposal	-	3,684
Reduction in deferred disposal proceeds	(315)	-
Reduction in warranty provision	<u>500</u>	<u>-</u>
	<u>185</u>	<u>10,702</u>
Fayrewood (Overseas Holdings) BV		
Cost on disposal	(770)	-
Results to date of disposal	<u>(72)</u>	<u>(56)</u>
	<u>(842)</u>	<u>(56)</u>
Banque Magnetique and SCI Guillaume		
Loss on disposal	(2,330)	-
Results to date of disposal	<u>2,349</u>	<u>1,312</u>
	<u>19</u>	<u>1,312</u>
Transfer from foreign currency exchange reserve	<u>(1,253)</u>	<u>-</u>
Total profit from discontinued operations	<u><u>5,067</u></u>	<u><u>13,680</u></u>

This is analysed for 2007 as follows:

Profit on disposals	2,451
Results to date of disposals	<u>2,616</u>
Total profit from discontinued operations	<u><u>5,067</u></u>

5. Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<i>2007</i>	<i>2006</i>
	<i>£000's</i>	<i>£000's</i>
Profit/(loss) attributable to equity holders of the parent – continuing operations	874	(242)
Profit/(loss) attributable to equity holders of the parent – discontinued operations	5,067	13,680
Profit attributable to equity holders of the parent	<u>5,941</u>	<u>13,438</u>
	<i>2007</i>	<i>2006</i>
	<i>No. '000</i>	<i>No. '000</i>
Basic weighted average number of shares	36,619	51,366
Dilutive potential ordinary shares:		
Employee share options	<u>3</u>	<u>606</u>
Diluted weighted average number of shares	<u>36,622</u>	<u>51,972</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Profit/(loss) per share for the discontinued operations is derived from the net profit attributable to equity holders of the parent from discontinuing operations of £5,067,000 (2006: £13,680,000), divided by the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

Earnings per ordinary share 16.22p.

Earnings per share from continuing operations 2.39p.

The amounts for earnings per share from continuing operations are as follows:

	<i>2007</i>	<i>2006</i>
	<i>£000's</i>	<i>£000,s</i>
Basic earnings/(loss) per share from continuing operations	2.39p	(0.47)
Diluted earnings/(loss) per share from continuing operations	2.39p	(0.47)

Net profit from continuing operations and attributable to equity holders of the parent is derived as follows:

	<i>2007</i>	<i>2006</i>
	<i>£000's</i>	<i>£000's</i>
Profit for the year from continuing operations	<u>874</u>	<u>(242)</u>
Profit attributable to equity holders of the parent – continuing operations	<u>874</u>	<u>(242)</u>
Diluted profit from continuing operations attributable to equity holders of the parent	<u>874</u>	<u>(242)</u>

6. Dividend

The board recommends the payment of a final dividend of 2.0 pence per share. This will be paid, subject to shareholder approval, on 4 June 2008 to those shareholders on the register on 2 May 2008 and will be recorded in the financial statements for the year ending 31 December 2008.

7. Availability of report and accounts

The group's full report and accounts will be dispatched to shareholders as soon as is practicable. Copies will also be available on the group's website, www.fayrewood.co.uk and on request from the group's head office at Birmingham International Park, Starley Way, Marston Green, Solihull, B37 7GN.

8. Annual General Meeting

The annual general meeting is to be held on 28 May 2008. Notice of the AGM will be dispatched to shareholders with the group's report and accounts.