

**Fayrewood plc**  
Report and Financial Statements

31 December 2008

# Fayrewood plc

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Registered No. 3057247

## **Directors**

David Kleeman	Chairman
Sir Tim Chessells	Non Executive
Richard Templeton	Non Executive

## **Secretary**

Dick Lynch, FCA

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **AIM Nominated Stockbrokers and Advisers**

KBC Peel Hunt Limited  
111 Old Broad Street  
London EC2N 1PH

## **Company Bankers**

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

## **Solicitors**

Laytons  
Carmelite, 50 Victoria Embankment  
Blackfriars  
London EC4Y 0LS

## **Registrar**

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

## **Registered Office**

4<sup>th</sup> Floor  
74 Chancery Lane  
London WC2A 1AD

## **Internet Website**

[www.fayrewood.co.uk](http://www.fayrewood.co.uk)

## **Email**

[info@fayrewood.co.uk](mailto:info@fayrewood.co.uk)

# Fayrewood plc

## Directors' report

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The directors present their report and financial statements for the year ended 31 December 2008.

### Principal Activities

Fayrewood plc, whose shares were, until 13<sup>th</sup> February 2009, traded on the Alternative Investment Market (AIM) of the London Stock Exchange, acts as a holding company. The group operated as a European computer peripherals and hardware distributor.

During the year the group disposed of its last operating subsidiaries, Interface Solutions International Limited and Systems Loan Services Limited, and continued to provide consultancy services.

### Post balance sheet events

In December 2008 the company circulated a proposed Scheme of Arrangement to shareholders recommending an offer by Letchworth Investments Limited, a private company, for all of the shares in the company. The Scheme was subject to the approval of shareholders at an Extraordinary General Meeting (EGM) of the company and to the approval by the High Court.

Subsequent to the balance sheet date the EGM was held and a resolution was passed approving the proposal to accept the offer. The Scheme was approved subsequently by the High Court. As a result the company has, since the year end, paid a dividend of £26.4 million to Letchworth Investments Limited, delisted from the Alternative Investment Market (AIM) of the London Stock Exchange and re-registered as Fayrewood Limited, a private company.

The company is now, since the year end, a wholly owned subsidiary of Letchworth Investments Limited.

### Results and Dividends

The consolidated loss after tax for the year amounted to £952,000 (2007: profit £5,941,000).

The dividend paid on ordinary shares in the year was £696,113 (2007: £1,009,000). The board recommends that the interim dividend of 1.0 pence per share paid during the year is the final dividend for 2008.

### Review of the Business

#### Group key performance indicators

The combined key performance indicators, before intercompany consolidation, for the remaining wholly owned subsidiary undertakings, Interface Solutions International Limited and Systems Loan Services Limited, up to date of disposal are as follows:

	<i>To 24 July</i> 2008 £000's	2007 £000's	<i>To 24 July</i> 2008 %	2007 %
Turnover	66,922	129,585		
Gross Profit	4,832	10,037		
Gross profit as a percentage of turnover			7.2%	7.8%
(Loss)/earnings before interest (EBIT)*	(1,071)	732		
EBIT* as a percentage of turnover		(1.6%)		0.56%
Debt and inter-company borrowings	15,762	17,161		
Interest cover*			(1.58%)	1.51%

\* Before group management charges

### 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. In 2008, the group had an average of 42 days purchases outstanding in trade creditors (2007: 42 days).

### Directors, their interests and indemnity provisions

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

	<i>31 December 2008</i>	<i>31 December 2007</i>
	<i>Ordinary</i>	<i>Ordinary</i>
	<i>5p shares</i>	<i>5p shares</i>
Mario Legorburu (resigned 31 December 2008)	3,268,020	3,268,020
David Kleeman	832,681	832,681
Sir Tim Chessells	7,259	7,259
Richard Templeton	9,000	9,000
Keith Negal (resigned 31 December 2008)	30,245	30,245

Included in David Kleeman's holding is a non-beneficial interest in 4,000 (2007: 4,000) ordinary shares of 5p each.

A directors and officers insurance policy was in place during 2008 and remains in place. The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

### Risk

The group relies upon the existing controls within its systems and on the ongoing review and reassessment of risk by managers and the board in order to identify and appropriately limit risk exposure.

### Competitive Risk

During the year, the group disposed of its remaining operating subsidiaries and there no longer exists a competitive risk. However, prior to these disposals, the group was reliant upon ongoing supplier and customer relationships and applied the following policies:

Suppliers: distribution agreements with suppliers were generally not exclusive in any given territory and typically were renewable on an annualised basis. Product supply shortages may have adversely impacted the group's operations. Changes in terms with suppliers that had a significant impact on volume discounts, rebates, marketing incentives, stock rotation or price protection may have adversely impacted future profitability. The group was also dependent upon the ongoing research and development strategy of suppliers in order that such suppliers continued to offer appropriate products. In addition the group needed to identify new suppliers in order to complement its existing product portfolio as new technology applications developed.

Customers: typically placed orders with the group on a case-by-case basis rather than on long-term supply arrangements. Ongoing sales were therefore dependent upon the group offering competitively priced desirable products with appropriate service and support on a continuing basis.

Deterioration in demand for IT products may have lead to increased competition and impacted profitability.

### Financial Instrument Risks

Cash flow risk from variable interest rates: the group borrowed desired currencies primarily at floating rates of interest. This created the risk of variability in cash flow due to the uncertainty of future base interest rates. Floating rate facilities are reviewed regularly to assess their competitiveness. Interest rate changes may adversely impact future profitability.

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 was the strategic use of confidential trade receivables discounting which, by its nature, allowed the level of funding available to grow in direct proportion to the business. In addition the group made use of committed facilities to mitigate its liquidity risk.

Credit risk: is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies were aimed at balancing such losses against the benefits of the group's trading strategy and targets, and required that deferred terms were only granted to customers against which credit insurers offered adequate credit insurance or which demonstrated an appropriate payment history and satisfied credit worthiness procedures. Details of the group's debtors are shown in Note 16 to the financial statements.

Exchange rates: fluctuating exchange rates cause impact on the revaluation of assets and liabilities held in foreign currencies.

### Major Interests in Shares

On 31 December 2008, the following shareholders held a notifiable interest in the shares of Fayrewood plc:

	<i>No. of shares</i>	<i>% of ordinary shares held</i>
Hypolorba Sociedad Limitada	3,268,020	14.1%
J O Hambro	6,729,218	29.3%
David Kleeman	832,681	3.6%

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.

### International Financial Reporting Standards

In accordance with AIM listing rules, the group is preparing financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRS"). The principal accounting policies adopted by the group are set out in note 2 to the group accounts.

### Employee Involvement

Employees are encouraged to present their suggestions and views via forums and regular requests for input of ideas. Regular meetings are held between departmental managers and employees to allow a free flow of information and ideas.

**Disclosure of Information to the Auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**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

*Dick Lynch*

Secretary

24 March 2009

## **Statement of directors' responsibilities in relation to the Group financial statements**

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group 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 group financial statements of Fayrewood plc for the year ended 31 December 2008 which comprise the Group Income Statement, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement and the related notes 1 to 29. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Fayrewood plc for the year ended 31 December 2008.

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**

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group 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 group 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 group financial statements.

**Independent Auditors' Report to the members of Fayrewood plc**

**Opinion**

In our opinion:

- The group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- The group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the group financial statements.

Ernst & Young LLP

Registered auditor

London

24 March 2009

**Group income statement  
for the year ended 31 December 2008**

	<i>Notes</i>	<i>2008 £000's</i>	<i>2007 £000's</i>
Administrative income/(expenses)		<u>870</u>	<u>(112)</u>
<b>Group operating profit/(loss) from continuing operations</b>	5	<u>870</u>	<u>(112)</u>
Profit on sale of investments	15	41	137
Finance revenue	7	<u>1,677</u>	<u>1,078</u>
		<u>1,718</u>	<u>1,215</u>
<b>Profit from continuing operations before taxation</b>		2,588	1,103
Tax expense	9	<u>(287)</u>	<u>(62)</u>
<b>Profit for the year from continuing operations</b>		2,301	1,041
<b>Discontinued operations</b>			
(Loss)/profit for the year from discontinued operations	11	(3,253)	4,900
<b>(Loss)/profit for the year</b>		<u><u>(952)</u></u>	<u><u>5,941</u></u>
(Loss)/earnings per share - basic and diluted	12	(4.10p)	16.22p
Earnings per share: continuing - basic and diluted	12	9.91p	2.84p
(Loss)/earnings per share: discontinued - basic and diluted	12	(14.01p)	13.38p

**Group statement of changes in equity  
for the year ended 31 December 2008**

	<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 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
<b>Other movements:</b>							
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 1 January 2008	1,159	1,470	18,143	-	-	15,656	36,428
Loss for the year	-	-	-	-	-	(952)	(952)
Dividends paid	-	-	-	-	-	(696)	(696)
<b>Other movements:</b>							
Proceeds from issue of shares	4	-	83	-	-	-	87
Shared based payments	-	-	-	-	-	4	4
At 31 December 2008	<u>1,163</u>	<u>1,470</u>	<u>18,226</u>	<u>-</u>	<u>-</u>	<u>14,012</u>	<u>34,871</u>

**Share capital**

The balance classified as share capital is the nominal value of 5p per share for all of the shares in issue at the year end 23,257,116 (2007: 23,177,166).

**Capital redemption reserve**

The balance is the value at par of 5p of all of the shares purchased and cancelled by the group (29,411,593).

**Share premium account**

The balance is any premium paid on the issue of shares and the exercise of options.

# Fayrewood plc

## Group balance sheet at 31 December 2008

	<i>Notes</i>	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
<b>Non-current assets</b>			
Property, plant and equipment	13	-	802
Intangible assets	14	-	318
		<u>-</u>	<u>1,120</u>
<b>Current assets</b>			
Trade and other receivables	16	159	27,854
Inventories	17	-	13,237
Cash and short-term deposits	18	37,079	33,097
		<u>37,238</u>	<u>74,188</u>
<b>Total assets</b>		<u>37,238</u>	<u>75,308</u>
<b>Current liabilities</b>			
Trade and other payables	19	1,328	23,166
Financial liabilities	20	-	15,152
Corporation tax payable		289	62
		<u>1,617</u>	<u>38,380</u>
<b>Non-current liabilities</b>			
Provision	22	750	500
		<u>750</u>	<u>500</u>
<b>Total liabilities</b>		<u>2,367</u>	<u>38,880</u>
<b>Net assets</b>		<u>34,871</u>	<u>36,428</u>
<b>Capital and reserves</b>			
Called up share capital	23	1,163	1,159
Capital redemption reserve		1,470	1,470
Share premium account		18,226	18,143
Retained earnings		14,012	15,656
<b>Total equity</b>		<u>34,871</u>	<u>36,428</u>

**David Kleeman**  
Director

**Sir Tim Chessells**  
Director

**24 March 2009**

**Group cash flow statement  
for the year ended 31 December 2008**

	<i>Notes</i>	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
<b>Operating Activities</b>			
(Loss)/profit for the year		(952)	5,941
<i>Adjustments to reconcile profit for the year to net cash inflow from operating activities.</i>			
Effect of exchange rates on cash and cash equivalents		(1,837)	-
Tax on discontinued operations		-	1,164
Tax on continuing operations		287	62
Net finance costs		(1,076)	473
Loss on disposal of discontinued operation		1,583	2,915
Net profit on sale of investments		(41)	(138)
Net profit on sale of associates		-	(6,619)
Share of post tax profits of associates accounted for using the equity method.		-	(339)
Depreciation and impairment of property, plant and equipment		116	315
Amortisation and impairment of intangible assets		59	157
Share-based payments		4	30
Transfer from foreign currency translation reserve		-	1,253
Decrease in inventories		4,153	484
Decrease in trade and other receivables		5,304	13,484
Decrease in trade and other payables		(5,749)	(25,068)
Movement in provisions		250	(500)
Cash generated from operations		<u>2,101</u>	<u>(6,386)</u>
Income taxes paid		(60)	(891)
<b>Net cash flow from operating activities</b>		<u>2,041</u>	<u>(7,277)</u>
<b>Investing activities</b>			
Interest received		1,677	1,649
Disposal of subsidiary undertakings		(840)	8,738
Disposal of interest in associate		-	16,661
Payments to acquire property, plant and equipment		(168)	(586)
Receipts from sale of property, plant and equipment		-	29
Receipts from sale of investments		41	161
<b>Net cash flow from investing activities</b>		<u>710</u>	<u>26,652</u>

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**Group cash flow statement  
for the year ended 31 December 2008**

	<i>Notes</i>	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
<b>Financing activities</b>			
Interest paid		(601)	(2,122)
Dividends paid to equity shareholders of the parent		(696)	(1,016)
Share buy backs & dividend on Special Shares		-	(35,845)
Proceeds from share issues		87	378
Increase in loans		-	960
Increase/(repayment) in trade receivable finance		619	(2,022)
<b>Net cash flow from financing activities</b>		<u>(591)</u>	<u>(39,667)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>			
Effect of exchange rates on cash and cash equivalents		2,160	(20,292)
Cash and cash equivalents at the beginning of the year		1,837	490
		<u>33,082</u>	<u>52,884</u>
<b>Cash and cash equivalents at the year end</b>	18	<u>37,079</u>	<u>33,082</u>

## Notes to the group financial statements at 31 December 2008

### 1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of Fayrewood plc and its subsidiaries (the “Group”) for the year ended 31 December 2008 were authorised for issue by the board of directors on 24 March 2009 and the balance sheet was signed on the board’s behalf by David Kleeman and Sir Tim Chessells. Fayrewood plc is a public limited company incorporated and domiciled in England and Wales. The Company’s ordinary shares are traded on the Alternative Investment Market. As stated in note 29, the entity has delisted since the year end and is now called Fayrewood Limited.

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 2008.

### 2. Accounting Policies and Judgements

#### Basis of preparation

The group’s financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000’s) except when otherwise indicated. The functional currency of Banque Magnetique SAS is Euros. The functional currency of Fayrewood plc, Fayrewood Holdings Limited, Interface Solutions International Limited and Systems Loan Services Limited is Sterling.

The parent and ultimate parent of the Group at year end is considered to be Fayrewood plc a company incorporated in the UK. The registered office is 4<sup>th</sup> Floor, 74 Chancery Lane, London WC2A 1AD.

The principal accounting policies and judgements adopted by the Group are set out below.

#### Significant judgements and estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Measurement of charge for share based payments
- Provisions for warranties for subsidiaries disposed
- Supplier rebates

The calculation of the charge for share based payments is based on the Black Scholes pricing model which requires judgement on the volatility of the group’s share price.

Requirements for provisions in respect of warranties for subsidiaries disposed are assessed and evaluated at each year end on the basis of up to date information available.

The conditions and processes for claiming of rebates from suppliers can, in some instances, be complex. The eventual confirmation of compliance with some conditions from suppliers can, in some cases, take a number of months leading to a level of judgement being made on the carrying value in the balance sheet.

**Notes to the group financial statements  
at 31 December 2008**

**New standards and interpretations not applied**

The IASB and IFRIC have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

<b>International Accounting Standards</b>	<b>Effective date</b>
IFRS 2 Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3 Business Combinations (revised January 2008)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 32 and IAS 1 Amendment – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IFRS 1 and IAS 27 Amendment – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
2008 Annual Improvements to IFRS	1 January 2009
<b>International Financial Reporting Interpretations Committee (IFRIC)</b>	
IFRIC 15 – Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 October 2008

Whilst the revised IAS 1 will have no impact on the measurement of the Group's results or net assets it is likely to result in certain changes in the presentation of the Group's financial statements from 2009 onwards.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

The principal effects of changes to accounting policies during the year are as follows:

**Basis of consolidation**

The group financial statements consolidate the financial statements of Fayrewood plc and its subsidiary undertakings drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

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.

**Notes to the group financial statements  
at 31 December 2008**

**Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**Capital management**

The main objective of the company's capital management is to ensure that it maintains healthy capital ratios in order to support its balance sheet and remaining business. The capital of the company is monitored and provided by the group with would provide additional finance as necessary. The company is currently funded by equity only with no requirement for loans or debentures. The company and Group are not exposed to interest rate risk on external borrowings as there are none. The company and group are exposed to interest rate risk on cash deposits.

**Notes to the group financial statements  
at 31 December 2008**

**Intangible fixed assets**

Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses, as follows:

- computer software – 3 years;

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

**Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Office equipment and fittings	-	10% to 33% per annum
Motor vehicles	-	20% per annum
Leasehold improvements	-	Over the shorter of the lease term or useful life
Freehold buildings	-	3% per annum

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

**Leasing**

*Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Goods for resale – purchased cost on a first in first out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**Trade and other receivables**

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**Notes to the group financial statements  
at 31 December 2008**

**Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

**Trade receivable finance**

Movements on qualifying receivables are notified to the provider daily and a daily balance and availability is notified by the provider to the Group. Drawdowns are made as required by the group. The provider conducts periodic inspections in accordance with the agreement.

**Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

**Provisions**

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

**Notes to the group financial statements  
at 31 December 2008**

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is generally recognised on despatch of goods. The group also enters into bill and hold arrangements. In such instances the sale is recognised at the point at which the risks and rewards of the related stock are transferred to the purchaser provided that this transfer has been confirmed in writing by the purchaser.

**Supplier rebates**

Rebates claimed from suppliers are recognised when the transaction to which they relate occurs or the related target is achieved.

**Pensions**

Defined contributions are made to a group personal pension plan in accordance with scheme rules. Contributions are charged to the income statement as they become payable. The assets of the scheme are held separately from those of the group in an independently administered fund.

**Share based payments - Equity settled transactions**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. Fair value is determined by using the Black Scholes pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and, in turn, the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

## Notes to the group financial statements at 31 December 2008

### 3. Revenue

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

During the year, the group disposed of its remaining operating subsidiaries Interface Solutions International Limited and Systems Loan Services Limited.

The group operated within two geographic markets, the United Kingdom and Mainland Europe both of which are now discontinued.

	<i>UK Continuing Operations</i>	<i>UK Discontinued Operations</i>	<i>2008 Total</i>	<i>UK Continuing Operations</i>	<i>UK and Mainland Europe Discontinued Operations</i>	<i>2007 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>
Sale of goods and services	-	66,312	66,312	-	297,916	297,916
Finance revenue	<u>1,677</u>	<u>-</u>	<u>1,677</u>	<u>1,078</u>	<u>571</u>	<u>1,649</u>
	<u>1,677</u>	<u>66,312</u>	<u>67,989</u>	<u>1,078</u>	<u>298,487</u>	<u>299,565</u>

### 4. Segment information

During the year, the group disposed of its remaining operating subsidiaries and operates only in the UK through the parent company, Fayrewood plc, providing consultancy services and managing its balance sheet.

#### Year ended 31 December 2008

	<i>UK Continuing Operations £000's</i>	<i>UK Discontinued Operations £000's</i>	<i>Mainland Europe Discontinued Operations £000's</i>	<i>2008 Total £000's</i>
<b>Revenue</b>				
Sales to external customers	<u>-</u>	<u>66,312</u>	<u>-</u>	<u>66,312</u>
<b>Operating profit/loss</b>	870	(1,671)	-	(801)
Profit on sale of investment	41	-	-	41
Net finance revenue/(costs)	1,677	-	-	1,677
Loss on disposal of discontinued operations	-	(1,098)	(484)	(1,582)
<b>Profit/(loss) before taxation</b>	<u>2,588</u>	<u>(2,769)</u>	<u>(484)</u>	<u>(665)</u>
Tax expense	(287)	-	-	(287)
<b>Profit for the year</b>	<u>2,301</u>	<u>(2,769)</u>	<u>(484)</u>	<u>(952)</u>
<b>Assets and liabilities</b>				
<b>Total assets</b>	<u>37,238</u>			<u>37,238</u>
<b>Total liabilities</b>	<u>2,367</u>			<u>2,367</u>

**Notes to the group financial statements  
at 31 December 2008**
**4. Segment information (continued...)**

	<i>UK Continuing Operations £000's</i>	<i>2008 Total £000's</i>
<b><u>Other segment information</u></b>		
Capital expenditure:	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Depreciation	-	-
Warranty provision	750	750
Share-based payment expense	4	4

**Year ended 31 December 2007**

	<i>UK Continuing Operations £000's</i>	<i>UK and Mainland Europe Discontinued Operations £000's</i>	<i>2007 Total £000's</i>
<b>Revenue</b>			
Sales to external customers	-	297,916	297,916
<b>Results</b>			
<b>Operating (loss)/ profit</b>	(112)	4,825	4,713
Share of operating /profit of associate	-	339	339
Profit on sale of investment	137	-	137
Net finance revenue/(cost)	1,078	(1,551)	(473)
Gain on disposal of discontinued operations	-	3,704	3,704
Transfer from foreign currency exchange reserve	-	(1,253)	(1,253)
<b>Profit before taxation</b>	1,103	6,064	7,167
Tax expense	(62)	(1,164)	(1,226)
<b>Profit for the year</b>	1,041	4,900	5,941
<b>Assets and liabilities</b>			
<b>Total assets</b>	75,308		75,308
<b>Total liabilities</b>	38,880		38,880
<b>Other segment information</b>			
Capital expenditure:			
Property, plant and equipment	-	117	117
Intangible assets	-	190	190
Depreciation	2	315	317
Warranty provision	500	-	500
Share-based payment expense	30	-	30

**Notes to the group financial statements  
at 31 December 2008**

**5. Group operating profit**

(a) Operating profit is stated after charging/(crediting):

	2008 £000's	2007 £000's
Depreciation of property, plant and equipment	<u>-</u>	<u>2</u>
Net foreign currency differences – gains	<u>1,886</u>	<u>822</u>
Operating lease payments - minimum lease payments	<u>4</u>	<u>-</u>
Increase in provision of impairment of trade receivables recognised in administrative expenses.	<u>-</u>	<u>12</u>

(b) Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2008 £000's	2007 £000's
Audit of the group financial statements	20	90
Other fees to auditors - auditing the accounts of subsidiaries	5	57
- other services relating to taxation	<u>87</u>	<u>100</u>
	<u>112</u>	<u>247</u>

**Notes to the group financial statements  
at 31 December 2008**

**6. Staff costs and directors emoluments**

(a) Staff costs

	2008 £000's	2007 £000's
Wages and salaries	2,673	7,606
Social security costs	342	1,752
Pensions	79	140
Expense of share based payments	4	30
	<u>3,098</u>	<u>9,528</u>

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

	2008 £000's	2007 £000's
Sales	55	69
Technical	10	11
Logistics	17	87
Administration	44	91
	<u>126</u>	<u>258</u>

**Compensation of key management personnel (including directors)**

	2008 £000's	2007 £000's
Short term employee benefits	<u>700</u>	<u>1,213</u>

(b) Directors' emoluments

Aggregate emoluments in respect of qualifying services	<u>442</u>	<u>624</u>
Number of directors who exercised share options	<u>-</u>	<u>-</u>
In respect of the highest paid director: Aggregate emoluments	<u>217</u>	<u>150</u>

During 2008 £130,128 (2007: £nil) was payable to directors as compensation for loss of office which is included in emoluments.

**7. Finance revenue**

	2008 £000's	2007 £000's
Bank interest received	<u>1,677</u>	<u>1,078</u>

**8. Finance costs**

Finance costs all relate to discontinued operations.

	2008 £000's	2007 £000's
Trade receivables finance interest	601	857
Interest to suppliers	-	118
	<u>601</u>	<u>975</u>



**Notes to the group financial statements  
at 31 December 2008**

(c) Unrecognised deferred tax assets

The Group has tax losses which arose in the UK of £6.0 million (2007: £4.1 million) that are available indefinitely for offset against future taxable gains. Deferred tax assets have not been recognised in respect of these losses as they are not expected to be utilised.

(d) Deferred tax

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

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
<b>Deferred tax liability</b>		
Accelerated capital allowances	-	69
	<u>-</u>	<u>69</u>

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
<b>Deferred tax asset</b>		
Tax losses carried forward	-	69
	<u>-</u>	<u>69</u>

The deferred tax included in the Group income statement is as follows:

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	-	12
Other temporary differences	-	(47)
Tax losses carried forward	-	35
	<u>-</u>	<u>-</u>

**Notes to the group financial statements  
at 31 December 2008**
**10. Dividends paid and proposed**

	2008 £000's	2007 £000's
Declared and paid during the year:		
Equity dividends on ordinary shares		
Final prior year dividend 2.0p (2007: 1.5p)	463	775
Interim for 2008 1.0p (2007: 1.0p)	233	234
Tender offer – (dividend on special shares)	-	3,218
Dividends paid	<u>696</u>	<u>4,227</u>

Proposed for approval by shareholders at the AGM:

Interim and final dividend for 2008: 1.0p (2007: 2.0p)

**11. Discontinued operations**

During the year, the group disposed of its remaining operating subsidiaries, Interface Solutions International Limited and Systems Loan Services Limited.

In 2007, the group disposed of the subsidiaries Fayrewood (Overseas Holdings) BV, Banque Magnetique SAS, SCI Guillaume and all its remaining shares in the associate Computerlinks AG.

The (loss)/profit on discontinued activities is comprised as follows:

	2008 £000's	2007 £000's
<b>ComputerLinks AG – Associate</b>		
Profit on disposal/(loss on deemed disposal)	-	6,619
Results after tax to date of disposal	<u>-</u>	<u>339</u>
	-	6,958
<b>UMD SAU – sold in December 2006</b>		
Additional disposal costs	(4)	-
Reduction in deferred disposal proceeds	-	(315)
Reduction in warranty provision	13	500
	<u>9</u>	<u>185</u>
<b>Fayrewood (Overseas Holdings) BV</b>		
Cost on disposal	-	(770)
Results to date of disposal	<u>-</u>	<u>(72)</u>
	-	(842)
<b>Banque Magnetique and SCI Guillaume</b>		
Loss on disposal	-	(2,330)
Additional disposal costs	(230)	-
Results to date of disposal	-	2,349
Increase in warranty provision	(263)	-
	<u>(493)</u>	<u>19</u>
<b>Transfer from foreign currency exchange reserve</b>	<u>-</u>	<u>(1,253)</u>
<b>Interface International and Systems Loan Services</b>		
Loss on disposal	(1,098)	-
Results to date of disposal (2007: for the year)	<u>(1,671)</u>	<u>(167)</u>
	<u>(2,769)</u>	<u>(167)</u>
<b>Total (loss)/profit from discontinued operations</b>	<u>(3,253)</u>	<u>4,900</u>

**Notes to the group financial statements  
at 31 December 2008**
**11. Discontinued operations (continued...)**

Combined results for Interface Solutions International Limited (ISI) and Systems Loan Services Limited (SLS) sold in 2008 up to date of disposal are as follows:

	<i>ISI and SLS</i>		<i>Others</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Revenue	66,312	129,585	-	168,331
Cost of sales	(61,481)	(119,553)	-	(156,073)
Gross profit	4,831	10,032	-	12,258
Selling and distribution costs	(1,887)	(2,784)	-	(1,741)
Administrative expenses	(4,015)	(6,440)	-	(6,500)
Operating (loss)/profit	(1,071)	808	-	4,017
Finance revenue	-	-	-	571
Finance costs	(601)	(975)	-	(1,147)
(Loss)/profit before tax	(1,672)	(167)	-	3,441
Tax expense	-	-	-	(1,164)
(Loss)/profit for the period	(1,672)	(167)	-	2,277
<b>Assets</b>				
Property, plant and equipment	1,114	1,120	-	269
Stock	9,084	13,241	-	19,116
Receivables and other debtors	22,022	27,320	-	42,344
Cash and short term deposits	-	-	-	-
	32,220	41,681	-	61,729
<b>Liabilities</b>				
Payables and other creditors	16,090	22,297	-	31,204
Interest bearing liabilities	15,619	15,116	-	23,103
	31,709	37,413	-	54,307
Net assets disposed of other than cash	511	4,268	-	7,422
<b>Cash and cash equivalents relating to the disposal</b>				
Deferred cash consideration	-	-	-	368
Cash	-	-	-	8,669
Cash and short term deposits in subsidiary on disposal	-	-	-	(3,256)
Net cash inflow from disposal	-	-	-	5,781

The net cash flows attributable to subsidiaries sold are as follows:

	<i>2008</i>	<i>2007</i>		
	<i>£000's</i>	<i>£000's</i>		
Operating cash flows	2,276	(2,592)	-	(7,262)
Investing cash flows including from disposal	(168)	(313)	-	5,598
Financing cash flows	(601)	(973)	-	(1,283)
	1,507	(3,878)	-	(2,947)

**Notes to the group financial statements  
at 31 December 2008**

**12. 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>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
Profit attributable to equity holders of the parent – continuing operations	2,301	1,041
(Loss)/profit attributable to equity holders of the parent – discontinued operations	<u>(3,253)</u>	<u>4,900</u>
(Loss)/profit attributable to equity holders of the parent	<u>(952)</u>	<u>5,941</u>
	<i>2008</i> <i>No. '000</i>	<i>2007</i> <i>No. '000</i>
Basic weighted average number of shares	23,218	36,619
Dilutive potential ordinary shares:		
Employee share options	-	3
Diluted weighted average number of shares	<u>23,218</u>	<u>36,622</u>

(Loss)/profit per share for the discontinued operations is derived from the net (loss)/profit attributable to equity holders of the parent from discontinuing operations of £(3,253,000) (2007: profit £4,900,000), divided by the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

(Loss)/earnings, basic and diluted, per ordinary share is (4.10)p (2007: earnings 16.22p)

Earnings, basic and diluted, per ordinary share from continuing operations is 12.09p (2007: 2.84p)

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

	<i>2008</i>	<i>2007</i>
Basic and diluted earnings per share from continuing operations	9.91p	2.84p

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

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
Profit for the year from continuing operations	<u>2,301</u>	<u>1,041</u>
Profit attributable to equity holders of the parent – continuing operations	<u>2,301</u>	<u>1,041</u>
Diluted profit from continuing operations attributable to equity holders of the parent	<u>2,301</u>	<u>1,041</u>

**Notes to the group financial statements  
at 31 December 2008**
**13. Property, plant and equipment**

	<i>Freehold land and buildings £000's</i>	<i>Leasehold improvements £000's</i>	<i>Office Equipment and Fittings £000's</i>	<i>Motor Vehicles £000's</i>	<i>Total £000's</i>
<b>Cost:</b>					
At 1 January 2007	-	1,032	1,400	78	2,510
Additions	-	9	116	171	296
Exchange rate adjustment	-	22	21	14	57
Disposals	-	-	(16)	(78)	(94)
Disposal on sale of subsidiary	-	(243)	(305)	(185)	(733)
At 31 December 2007	-	820	1,216	-	2,036
Additions	-	-	168	-	168
Exchange rate adjustment	-	-	-	-	-
Disposals	-	-	-	-	-
Disposal on sale of subsidiary	-	(820)	(1,384)	-	(2,204)
At 31 December 2008	-	-	-	-	-
<b>Depreciation:</b>					
At 1 January 2007	-	(514)	(919)	(43)	(1,476)
Charge for the year	-	(69)	(180)	(29)	(278)
Exchange rate adjustment	-	(17)	(17)	(3)	(37)
Disposals	-	-	16	48	64
Disposals on sale of subsidiary	-	205	261	27	493
At 31 December 2007	-	(395)	(839)	-	(1,234)
Charge for the year	-	(32)	(83)	-	(115)
Exchange rate adjustment	-	-	-	-	-
Disposals	-	-	-	-	-
Disposal on sale of subsidiary	-	427	922	-	1,349
At 31 December 2008	-	-	-	-	-
Net book value at 31 December 2008	-	-	-	-	-
Net book value at 31 December 2007	-	425	377	-	802
Net book value at 1 January 2007	-	518	481	35	1,034

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**Notes to the group financial statements  
at 31 December 2008**
**14. Intangible Assets**

	<i>Software</i> £000's	<i>Total</i> £000's
<b>Cost:</b>		
At 1 January 2007	737	737
Additions	202	202
Exchange rate adjustment	32	32
Disposal on sale of subsidiary	(315)	(315)
At 31 December 2007	<u>656</u>	<u>656</u>
Additions	-	-
Exchange rate adjustment	-	-
Disposal on sale of subsidiary	(656)	(656)
At 31 December 2008	<u>-</u>	<u>-</u>
<b>Depreciation and impairment:</b>		
At 1 January 2007	(467)	(467)
Charge for year	(128)	(128)
Exchange rate adjustment	(29)	(29)
Disposal	286	286
At 31 December 2007	<u>(338)</u>	<u>(338)</u>
Charge for year	(59)	(59)
Exchange rate adjustment	-	-
Disposal	397	397
At 31 December 2008	<u>-</u>	<u>-</u>
Net book value at 31 December 2008	<u>-</u>	<u>-</u>
Net book value at 31 December 2007	<u>318</u>	<u>318</u>
Net book value at 1 January 2007	<u>270</u>	<u>270</u>

**Notes to the group financial statements  
at 31 December 2008**

**15. Investments**

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
Unlisted investments (a)		-
Investment in associates (b)		-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

(a) Unlisted investments

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
Cost at 1 January	-	574
Disposals	-	(574)
At 31 December	<u>          </u>	<u>          </u>
Amounts written off at 1 January	-	551
Disposals	-	(551)
At 31 December	<u>          </u>	<u>          </u>
Net book value	<u>          </u>	<u>          </u>

During the year a further £41,000 was realised from the sale of unlisted investments.

(b) Associate – ComputerLinks AG

Reconciliation of movement in share of associate's assets

	<i>Share of net assets £000's</i>	<i>Share of goodwill £000's</i>	<i>Total £000's</i>
At 1 January 2007	5,794	3,909	9,703
Profit up to date of disposal - after tax	339	-	339
Disposal of interest	<u>(6,133)</u>	<u>(3,909)</u>	<u>(10,042)</u>
At 1 January 2008 and 31 December 2008	<u>          </u>	<u>          </u>	<u>          </u>

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

	<i>Proportion of voting rights and shares held</i>	<i>Principal Activity</i>
Fayrewood Holdings Limited	100%	Holding company

The subsidiary is incorporated in Great Britain.

**Notes to the group financial statements  
at 31 December 2008**

**16. Trade and other receivables**

	2008 £000's	2007 £000's
Trade receivables	-	23,818
Prepayments and accrued income	159	4,036
	<u>159</u>	<u>27,854</u>

Trade receivables are denominated in sterling.

For continuing operations out of the carrying amount of trade receivables of £nil (2007: £23,818,000) £nil (2007: £7,662,000) is against five major customers.

Trade receivables are non-interest bearing and are generally on 30-90 days' terms and are shown net of a provision for impairment. As at 31 December 2008, trade receivables at nominal value of £nil (2007: £240,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2008 £000's	2007 £000's
At 1 January	240	326
Charge for the year	-	333
Amounts written off	-	(12)
Disposal of subsidiary	(240)	(407)
At 31 December	<u>-</u>	<u>240</u>

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	<i>Neither past due nor impaired</i>		<i>Past due but not impaired</i>			
	<i>Total</i> £000's	£000's	<i>&lt;30 days</i> £000's	<i>30-60 days</i> £000's	<i>60-90 days</i> £000's	<i>90 days</i> £000's
2008	-	-	-	-	-	-
2007	23,818	14,493	6,995	1,314	349	667

**17. Inventories**

	2008 £000's	2007 £000's
Goods for resale	<u>-</u>	<u>13,237</u>

**Notes to the group financial statements  
at 31 December 2008**
**18. Cash and short term deposits**

	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>
Cash at bank and in hand	(13)	2,913
Short term deposits	37,092	30,184
	<u>37,079</u>	<u>33,097</u>

Included in short term deposits are amounts in respect of guarantees and commitments issued by the parent company as follows:

	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>
IBM UK Financial Services Limited	-	5,000
Yedraint S.L. €6 million (2006: €8 million)	5,841	4,421
Gem Logistics Limited €2.2 million (2007: nil)	2,142	-
	<u>7,983</u>	<u>9,421</u>

Yedraint S.L. and Gem Logistics Limited are the purchasers of the subsidiaries UMD SAU and Banque Magnetique SAS respectively.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>
Cash at bank and in hand		2,913
Short term deposits	37,092	30,184
Bank overdrafts	(13)	(15)
	<u>37,079</u>	<u>33,082</u>

**19. Trade and other payables**

	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>
Trade payables	-	18,807
Other payables	1,328	4,359
	<u>1,328</u>	<u>23,166</u>

Other payables includes an amount of £1,000,000 in respect of settlement of warranty claims by the purchasers of Interface Solutions International Limited and Systems Loan Services Limited agreed after the year end. The total agreed settlement was for £2,000,000 with the remaining £1,000,000 being repaid out of an escrow account held jointly by both parties' solicitors following the completion of the sale in July 2008.

Contingent liabilities are described in note 26. At 31 December 2007, specific debentures issued by the group and bank guarantees provided in respect of creditors due within one year were as follows:

IBM United Kingdom Financial Services Limited held a debenture over the assets of Fayrewood plc to secure credit facilities granted to Interface Solutions International Limited. They also had a charge on a cash deposit of £nil (2007: £5m) held by Fayrewood plc. At the year end the indebtedness was £nil (2007 - £13,903,000).

**Notes to the group financial statements  
at 31 December 2008**

**20. Financial liabilities**

*Current*

	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>
Bank overdrafts	-	15
Interest bearing trade receivables finance	-	15,137
	<u>-</u>	<u>15,152</u>

At 31 December 2007, Lloyds TSB Commercial Finance held a debenture over the assets of Interface Solutions International Limited in the UK to secure trade receivables finance facilities. Fayrewood plc guaranteed the indebtedness of Interface to Lloyds TSB with a limit of £4.75m. At the year end the amount due to Lloyds TSB was £nil (2007: £15,137,000).

**21. Obligations under leases**

**Operating lease arrangements where the group is lessee**

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>
Not later than one year	-	268
After one year but not more than five years	-	1,073
After five years	-	1,901
	<u>-</u>	<u>3,242</u>

**22. Provisions**

	<b>Warranties</b>	
	<i>2008</i>	<i>2007</i>
	<i>£000's</i>	<i>£000's</i>
At 1 January	500	-
Addition	250	1,000
Released	-	(500)
At 31 December 2008	<u>750</u>	<u>500</u>

These provisions relate to claims and potential claims from the purchasers of UMD SAU and Banque Magnetique SAS in respect of warranties given under Share Purchase Agreements in 2006 and 2007 respectively. It is the policy of the group to fully contest any claims where justified and to make appropriate provisions under IAS 37.

**Notes to the group financial statements  
at 31 December 2008**

**23. Authorised and issued share capital**

*Authorised*

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
Ordinary shares of 5p each	<u>2,750</u>	<u>2,750</u>

*Allotted, called up and fully paid*

	<i>2008</i> <i>£000's</i>	<i>2007</i> <i>£000's</i>
Ordinary shares of 5p each	<u>1,163</u>	<u>1,159</u>

During the year 80,000 ordinary shares of 5p each were issued at 109.0p on the exercise of share options

	2008 No. '000's	2007 No. '000's	2008 £000's	2007 £000's
Ordinary shares of 5p each				
At 1 January	23,177	51,610	1,159	2,580
Issued on exercise of options	80	979	4	49
Tender offer – purchased and cancelled	-	(29,167)	-	(1,458)
Other shares purchased and cancelled	-	(245)	-	(12)
At 31 December	<u>23,257</u>	<u>23,177</u>	<u>1,163</u>	<u>1,159</u>

**Notes to the group financial statements  
at 31 December 2008**
**24. Share based payments**

Fayrewood plc has issued options under the Fayrewood Unapproved Option Scheme to subscribe for ordinary shares of 5p in the company. The exercise price and number of shares to which options relate and movements during the year are as follows:

<i>Option exercise price</i>	<i>Balance as at 31 December 2008 No. 000s</i>	<i>Exercised during year No.000s</i>	<i>Expired/ forfeited during year No. 000s</i>	<i>Balance as at 31December 2007 No. 000s</i>	<i>Expiry date</i>
57p				-	30 September 2008
57p	-		5	5	30 September 2008
67p				-	31 December 2007
64p				-	31 December 2007
23.5p				-	9 August 2009
33p				-	31 December 2007
33p				-	31 December 2008
32p				-	3 April 2010
32p				-	3 April 2010
109p	-	80	35	115	28 April 2012 <sup>(1)</sup>
109p	-		70	70	28 April 2012 <sup>(2)</sup>
109p	-		15	15	14 December 2012 <sup>(3)</sup>
	<u>-</u>	<u>80</u>	<u>125</u>	<u>205</u> <sup>(4)</sup>	
Exercisable at 31 December 2008	<u>-</u>				
Weighted average exercise price	-	109.0p	106.9p	107.7p	

(1) Earliest exercise date \* 29 April 2008

(2) Earliest exercise date \* 29 April 2009

(3) Earliest exercise date \* 15 December 2008

\* Under certain circumstances options may become exercisable at an earlier date.

(4) Included within this balance are options over 5,000 (2007: 5,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

The highest share price during the year was £1.25. The lowest share price during the year was £1.08. The closing share price at 31 December 2008 was £1.14 (2007: £1.20). The exercise price of all share options is the closing market price on the day of grant.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

	2008	2007
Dividend yield (declared)	0.86%	1.85%
Historical volatility	(1.74)%	11.22%
Risk-free interest rate	4.64	5.51%
Daily weighted average closing share price	£1.16	£1.083

A vesting period of 3 years (2007: 3 years) is applicable according to the terms of grant.

The expense recognised for share-based payments for the year to 31 December 2008 is £4,000 (2007: £30,000)

**Notes to the group financial statements  
at 31 December 2008**

**25. Capital commitments**

There were no capital commitments contracted for at 31 December 2008 (2007: nil).

**26. Contingent liabilities**

The company has given guarantees and issued comfort letters, within the normal course of business, on behalf of its subsidiary, Interface Solutions International Limited. All the amounts covered by these guarantees and letters are included in the group balance sheet. Details of debentures and bank guarantees issued by the company in relation to ongoing trading can be found in notes 19 and 20. On 22 December 2006, Barclays Bank issued a bank guarantee for €8 million (£5.4 million), reduced during 2007 to €6 million (£5.8 million), on behalf of Fayrewood plc to Esprinet SpA as security in respect of representations and warranties made upon the sale of UMD SAU. Any claims under these warranties must be made before September 2011.

**27. Other related party transactions**

Keith Negal is a director of Turnbull & Garbutt Limited which provided corporate and accounting services to the subsidiaries. The amount charged in the year was £116,830 (2007: £9,000).

**28. Financial instruments and risk**

The group's principal financial instruments comprise bank loans, overdrafts, trade receivables finance, 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.

During the year, 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, no forward contracts existed.

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's policy is to manage its cost of borrowing and return on cash deposits primarily by using variable rates. The group's objective is to manage exposure to changes in interest rates. This exposure is managed by reviewing regularly on a bi-annual basis to assess their competitiveness.

**Notes to the group financial statements  
at 31 December 2008**
**28. Financial instruments and risk (continued...)**
**Interest rate risk profile of financial assets**

The interest rate profile of the financial assets of the group was as follows:

	<i>Floating rate financial assets</i>	<i>Fixed rate financial assets</i>	<i>2008 Total</i>	<i>Floating rate financial assets</i>	<i>Fixed rate financial assets</i>	<i>2007 Total</i>
	£000's	£000's	£000's	£000's	£000's	£000's
Sterling	28,795	-	28,795	25,376	-	25,376
Euro	8,284	-	8,284	7,721	-	7,721
Total	<u>37,079</u>	<u>-</u>	<u>37,079</u>	<u>33,097</u>	<u>-</u>	<u>33,097</u>

Floating rate financial assets comprise short-term cash deposits. The benchmark rate for floating rate financial assets is the group's marginal cost of borrowing.

**Interest rate risk profile of financial liabilities**

The interest rate profile of the financial liabilities of the group was as follows:

	<i>Floating rate financial liabilities</i>	<i>Fixed rate financial liabilities</i>	<i>2008 Total</i>	<i>Floating rate financial liabilities</i>	<i>Fixed rate financial liabilities</i>	<i>2007 Total</i>
	£000's	£000's	£000's	£000's	£000's	£000's
Sterling	-	-	-	15,152	-	15,152
Euro	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,152</u>	<u>-</u>	<u>15,152</u>

The floating rate financial liabilities comprise:

- Sterling denominated bank overdrafts that bear interest at nil% (2007: 1.25%) above base
- Sterling denominated trade receivables finance that bears interest at nil% (2007: 1.25%) above base

The benchmark rate for determining interest payments for floating rate financial liabilities in the UK is nil% (2007: 1.15%) above base.

**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 trade receivables discounting which, by its nature, allows the level of funding available to grow in direct proportion to the business. In addition the group makes use of committed facilities to mitigate its liquidity risk. Undrawn committed facilities are detailed below.

The group's financial liabilities are all repayable on demand.

**Notes to the group financial statements  
at 31 December 2008**

**28. Financial instruments and risk (continued...)**

*Maturity of financial liabilities*

The maturity profile of the group's financial liabilities was as follows:

	2008 £000's	2007 £000's
In one year or less, or on demand	-	15,152
In more than one year but not more than two	-	-
In more than two years, but not more than five	-	-
In more than five years	-	-
	<u>-</u>	<u>15,152</u>

*Borrowing facilities*

The group has no borrowing facilities available to it as none are required.

**29. Post balance sheet events**

In December 2008 the company circulated a proposed Scheme of Arrangement to shareholders recommending an offer by Letchworth Investments Limited, a private company, for all of the shares in the company. The Scheme was subject to the approval of shareholders at an Extraordinary General Meeting (EGM) of the company and to the approval by the High Court.

Subsequent to the balance sheet date the EGM was held and a resolution was passed approving the proposal to accept the offer. The Scheme was approved subsequently by the High Court. As a result the company has, since the year end, paid a dividend of £26.4 million to Letchworth Investments Limited, delisted from the Alternative Investment Market (AIM) of the London Stock Exchange and re-registered as Fayrewood Limited, a private company.

The company is now, since the year end, a wholly owned subsidiary of Letchworth Investments Limited.

**Fayrewood plc**  
Company Financial Statements

31 December 2008

**Statement of Directors' responsibilities in relation to the Parent Company financial statements.**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 Company, 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAYREWOOD PLC**

We have audited the parent company financial statements of Fayrewood Ltd. for the year ended 31 December 2008, which comprise the Balance Sheet and the related notes 1 to 12. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Fayrewood plc for the year ended 31 December 2008.

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 auditor's 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**

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the parent company directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company'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 parent company 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 parent company financial statements.

**Opinion**

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

Ernst & Young LLP

Registered auditor

London

24 March 2009

**Company balance sheet  
at 31 December 2008**

	<i>Notes</i>	<i>2008 £000's</i>	<i>2007 £000's</i>
<b>Fixed Assets</b>			
Investments	2	25,668	28,868
		<u>25,668</u>	<u>28,868</u>
<b>Current Assets</b>			
Debtors	3	159	2,544
Cash at bank and in hand	4	37,079	33,061
		<u>37,238</u>	<u>35,605</u>
<b>Creditors:</b> amounts falling due within one year	5	<u>(27,287)</u>	<u>(26,598)</u>
<b>Net current assets</b>		<u>9,951</u>	<u>9,007</u>
<b>Total Assets Less Current Liabilities</b>		35,619	37,875
<b>Provisions for liabilities and charges</b>	5	750	500
<b>Net assets</b>		<u>34,869</u>	<u>37,375</u>
<b>Capital and Reserves</b>			
Called up share capital	7	1,163	1,159
Capital redemption reserve		1,470	1,470
Share premium account		18,226	18,143
Profit and loss account		14,010	16,603
Shareholders equity	6	<u>34,869</u>	<u>37,375</u>

**David Kleeman**  
Director

**Sir Tim Chessells**  
Director

**24 March 2009**

**Notes to the company financial statements  
at 31 December 2008**

**1. Accounting policies**

**Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounts standards.

**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 if events or changes in circumstances indicate the carrying value may not be recoverable.

**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:-

- Provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- 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.

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.

**2. Investments**

	<i>Shares in Subsidiary Undertakings £000's</i>
Cost:	
At 31 December 2007	30,204
Additions	-
Disposals	(3,200)
At 31 December 2008	<u>27,004</u>
Provisions:	
At 31 December 2007	(1,336)
Disposals	-
Impairment	-
At 31 December 2008	<u>(1,336)</u>
Net book value:	
At 31 December 2008	<u>25,668</u>
At 31 December 2007	<u>28,868</u>

**Notes to the company financial statements  
at 31 December 2008**

**2. Investments (continued...)**

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

	<i>Proportion of voting rights and shares held</i>	<i>Principal Activity</i>
Fayrewood Holdings Limited	100%	Holding company

During the year, the company disposed of its 100% investments in Interface Solutions International Limited and Systems Loan Services Limited. The subsidiary is incorporated in England.

**3. Debtors**

	<i>2008 £000's</i>	<i>2007 £000's</i>
Amount owed by subsidiary undertaking	-	2,010
Other debtors	159	534
	<u>159</u>	<u>2,544</u>

**4. Cash at bank and in hand**

	<i>2008 £000's</i>	<i>2007 £000's</i>
Cash at bank and in hand	(13)	2,009
Short term deposits	37,092	31,052
	<u>37,079</u>	<u>33,061</u>

Included in short term deposits are amounts in respect of guarantees and commitments issued by the company as follows:

	<i>2008 £000's</i>	<i>2007 £000's</i>
IBM UK Financial Services Limited	-	5,000
Yedraint S.L. €6 million (2006: €8 million)	5,841	4,421
Gem Logistics Limited €2.2 million (2007: nil)	2,142	-
	<u>7,983</u>	<u>9,421</u>

Yedraint S.L. and Gem Logistics Limited are the purchasers of the subsidiaries UMD SAU and Banque Magnetique SAS respectively.

**Notes to the company financial statements  
at 31 December 2008**
**5. Creditors**
**(a) Amounts falling due within one year**

	2008 £000's	2007 £000's
Amount owed to subsidiary undertaking	25,669	25,729
Other creditors and accruals	1,329	869
Corporation tax due	289	-
	<u>27,287</u>	<u>26,598</u>

Other creditors and accruals includes an amount of £1,000,000 in respect of settlement of warranty claims by the purchasers of Interface Solutions International Limited and Systems Loan Services Limited after the year end. The total agreed settlement was for £2,000,000 with the remaining £1,000,000 being repaid out of the escrow account held jointly by both parties' solicitors following the completion of the sale in July 2008.

**(b) Amounts falling due after more than one year**

Provision for warranties on sale of UMD SAU and Banque Magnetique SAS	<u>750</u>	<u>500</u>
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The provisions for warranties relate to claims and potential claims from the purchasers of the two former subsidiaries. It is the policy of the company to fully contest any claims where justified and to make appropriate prudent provisions.

**6. Reconciliation of movements in shareholders equity**

	<i>Share capital</i> £000's	<i>Capital Redemption Reserve</i> £000's	<i>Share premium account</i> £000's	<i>Merger reserve</i> £000's	<i>Profit and loss account</i> £000's	<i>Total</i> £000's
At 1 January 2007	2,580	-	17,813	7,136	3,953	31,482
Profit for the year					42,338	42,338
Dividends paid					(4,227)	(4,227)
<b>Other movements:</b>						
Proceeds from issue of shares	49	-	330	-	-	379
Share based payments					30	30
Share buy backs	(1,470)	1,470			(32,627)	(32,627)
Merger reserve released on disposals				(7,136)	7,136	-
At 1 January 2008	<u>1,159</u>	<u>1,470</u>	<u>18,143</u>	<u>-</u>	<u>16,603</u>	<u>37,375</u>
Loss for the year					(1,901)	(1,901)
Dividends paid					(696)	(696)
<b>Other movements:</b>						
Proceeds from issue of shares	4		83			87
Share based payments					4	4
At 31 December 2008	<u>1,163</u>	<u>1,470</u>	<u>18,226</u>	<u>-</u>	<u>14,010</u>	<u>34,869</u>

## Notes to the company financial statements at 31 December 2008

### 7. Authorised and issued share capital

Authorised

	2008 £000's	2007 £000's
Ordinary shares of 5p each	<u>2,750</u>	<u>2,750</u>
Allotted, called up and fully paid		
	2008 £000's	2007 £000's
Ordinary shares of 5p each	<u>1,163</u>	<u>1,159</u>

During the year, 80,000 ordinary shares of 5p each were issued at 109p on the exercise of share options.

### 8. Share based payments

The company has issued options under the Fayrewood Unapproved Option Scheme to subscribe for ordinary shares of 5p in the company. The exercise price and number of shares to which options relate and movements during the year are as follows:

<i>Option exercise price</i>	<i>Balance as at 31 December 2008 No. 000s</i>	<i>Exercised during year No.000s</i>	<i>Expired/ forfeited during year No. 000s</i>	<i>Balance as at 31December 2007 No. 000s</i>	<i>Expiry date</i>
57p	-			-	30 September 2008
57p	-		5	5	30 September 2008
67p	-			-	31 December 2007
64p	-			-	31 December 2007
23.5p	-			-	9 August 2009
33p	-			-	31 December 2007
33p	-			-	31 December 2008
32p	-			-	3 April 2010
32p	-			-	3 April 2010
109p	-	80	35	115	28 April 2012 <sup>(1)</sup>
109p	-		70	70	28 April 2012 <sup>(2)</sup>
109p	-		15	15	14 December 2012 <sup>(3)</sup>
	<u>-</u>	<u>80</u>	<u>125</u>	<u>205</u> <sup>(4)</sup>	
Exercisable at 31 December 2008	<u>-</u>				
Weighted average exercise price	-	109.0p	106.9p	107.7p	

(1) Earliest exercise date \* 29 April 2008

(2) Earliest exercise date \* 29 April 2009

(3) Earliest exercise date \* 15 December 2008

\* Under certain circumstances options may become exercisable at an earlier date.

(4) Included within this balance are options over 5,000 (2007: 5,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

**Notes to the company financial statements  
at 31 December 2008**

**8. Share based payments (continued...)**

The highest share price during the year was £1.25. The lowest share price during the year was £1.08. The closing share price at 31 December 2008 was £1.14 (2007: £1.20). The exercise price of all share options is the closing market price on the day of grant.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

	2008	2007
Dividend yield (declared)	0.86%	1.85%
Historical volatility	(1.74)%	11.22%
Risk-free interest rate	4.64%	5.51%
Daily weighted average closing share price	£1.16	£1.083

A vesting period of 3 years (2007: 3 years) is applicable according to the terms of grant.

The expense recognised for share-based payments for the year to 31 December 2008 is £4,000 (2007: £30,000)

**9. Contingent liabilities**

On 19 December 2006, Barclays Bank (Spain) issued a bank guarantee for Euro 8 million (£5.4 million) on behalf of Fayrewood plc to Esprinet SpA as security in respect of representations and warranties made upon the sale of UMD SAU. During 2007 this guarantee was reduced to Euro 6 million (£5.8 million).

**10. Related party transactions**

The Company has taken the exemption in FRS 8 not to disclose transactions with other Group Companies. Keith Negal is a director of Turnbull & Garbutt Limited which provided corporate and accounting services to a subsidiary. The amount charged in the year was £116,830 (2007: £9,000).

**11. Auditors' remuneration**

The company paid £20,000 (2007: £20,000) to its auditors in respect of the audit of the financial statements of the company.

Fees paid to Ernst & Young LLP for non-audit services to the Company itself are not disclosed in the individual accounts of Fayrewood plc because group financial statements are prepared which are required to disclose such fees on a consolidated basis.

**12. Post balance sheet events**

In December 2008 the company circulated a proposed Scheme of Arrangement to shareholders recommending an offer by Letchworth Investments Limited, a private company, for all of the shares in the company. The Scheme was subject to the approval of shareholders at an Extraordinary General Meeting (EGM) of the company and to the approval by the High Court.

Subsequent to the balance sheet date the EGM was held and a resolution was passed approving the proposal to accept the offer. The Scheme was approved subsequently by the High Court. As a result the company has, since the year end, paid a dividend of £26.4 million to Letchworth Investments Limited, delisted from the Alternative Investment Market (AIM) of the London Stock Exchange and re-registered as Fayrewood Limited, a private company.

The company is now, since the year end, a wholly owned subsidiary of Letchworth Investments Limited.