



# FAYREWOOD

## INTERIM STATEMENT for the six months ended 30 June 2005

**Fayrewood plc** (“Fayrewood” or “the Group”) is pleased to announce its interim results for the six months ended 30 June 2005. In June 2005 Fayrewood sold 1,169,000 shares in ComputerLinks AG, raising £11.1 million before expenses. Following this sale and the associated capital increase by ComputerLinks, Fayrewood’s shareholding has been reduced to 27.8%. The results of ComputerLinks have therefore been consolidated for five months only. ComputerLinks has been treated as an associated company as from 1 June onwards. The focus is now on the performance of the core niche distribution division.

### HIGHLIGHTS

#### **Niche distribution division**

- Turnover increased by 13% to £182 million
- Profit before taxation (adjusted) increased by 7.2% to £3.8 million
- Profit before taxation (unadjusted) increased by 6.4% to £3.5 million

#### **Group**

- Turnover increased by 4.2% to £238 million
- Turnover on a like for like basis increased by 10.7%
- Profit before taxation of £12.2 million (2004: £6.5 million)
- Earnings per share (unadjusted) - 19.2 pence (2004: 6.2 pence)
- Adjusted earnings per share increased by 1.4% to 7.1 pence
- Dividends – interim dividend increased by one third to 0.4 pence per share

On outlook, David Kleeman, Non-Executive Chairman stated:

“Trading in July and August, the quieter summer months, has followed the same patterns seen in the period to 30 June. As we increase the focus on the group’s core business of niche distribution, we expect the trend of turnover growth, mitigating the competitive market conditions, to continue for the remainder of the year through our traditionally more active trading period.”

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Oliver Scott	
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**Note to Editors:**

Fayrewood is a pan-European, market leading distributor of globally sourced computer hardware, computer software and other information technology and computer related products. The company is quoted on the Alternative Investment Market of the London Stock Exchange. Turnover has grown from £3 million on its entry to the Stock Market in 1996 to £507 million in 2004. For the year ended 31 December 2004, profit before tax (adjusted) amounted to £16.3 million, giving earnings per share of 16.8 pence (adjusted).

## **CHAIRMAN'S STATEMENT**

Fayrewood plc ("Fayrewood" or the "Group") reports on the first half year, covering the period to 30 June 2005.

Our core niche distribution operations, despite more competitive markets than had been anticipated at the beginning of the year, saw sales increase by 13.0% over the comparable period last year. Profit before taxation (adjusted for goodwill amortisation) for the niche division increased by 7.2% while unadjusted profits increased by 6.4%. In Spain we saw an enhanced performance from UMD while Interface Solutions in the UK saw sales growth as it benefited from IBM's server products increasing their market share. IBM's PCD division has been successfully transferred to Lenovo, giving increased sales potential as Lenovo introduce new products aimed at the retail and SMB sector. We have recently commenced the distribution of Lenovo products in France which should help the company increase sales in both its core retail market and also to resellers but it will take some time to return Banque Magnetique to the level of profits that we have enjoyed in the past.

During the period Fayrewood sold 1,169,000 shares in ComputerLinks AG for £11.1 million. Fayrewood had held a 50.1% interest until June 2005 when ComputerLinks made an important acquisition of the Securesoft Group. Securesoft operates four related businesses in each of the Scandinavian countries and has a similar product base and business strategy to ComputerLinks. This acquisition by ComputerLinks was partially funded by an issue of shares. This capital increase was heavily oversubscribed and Fayrewood took the opportunity to dispose of part of its shareholding, leaving the group with 27.75% of the enlarged share capital in ComputerLinks. Overall these transactions have resulted in an exceptional gain of £6.6 million. Fayrewood's remaining holding in ComputerLinks will continue to be a rewarding investment although we believe that the return on capital from our core niche operations will be higher. Fayrewood will retain its two representatives on the ComputerLinks Supervisory Board. ComputerLinks results have been consolidated for five months only, with our remaining investment being treated as an associated company from 1 June. The comparative results for the previous year reflect the consolidation of ComputerLinks for the full six month period.

ComputerLinks announce their six months results to the Frankfurt Stock Exchange today and also announce the formation of ComputerLinks North America, based in Austin, Texas.

Overall, with the change in accounting status of ComputerLinks, turnover has increased by 4.2% to £238.4 million (2004: £228.8 million). On a like for like basis turnover would have increased by 10.7%. Group profits, before tax, goodwill charges and profits on the sale of the ComputerLinks shares, amounted to £6.2 million (2004: £7.0 million). Adjusted earnings per share were 7.1 pence (2004: 7.0 pence), an increase of 1.4%. On an unadjusted basis profits before taxation were £12.2 million, giving earnings per share of 19.2 pence.

The divisional turnover and trading results are summarised as follows:

	6 months to 30 June 2005 (unaudited) £' 000	6 months to 30 June 2004 (unaudited) £' 000	Change %	12 months to 31 December 2004 (audited) £' 000
<b>Niche Distribution:</b>				
Turnover	181,929	161,023	13.0	363,340
Operating profit before goodwill charges	5,268	4,783	10.1	11,576
Central costs	(548)	(503)	8.9	(999)
Interest payable (net)	(875)	(694)	26.1	(1,584)
Profit before taxation (adjusted)***	<u>3,845</u>	<u>3,586</u>	7.2	<u>8,993</u>
<b>ComputerLinks:</b>				
Turnover	56,514 *	67,763		143,326
Operating profit before goodwill charges as subsidiary	2,092 *	3,380		7,188
as associate **	253	-		-
	<u>2,345</u>	<u>3,380</u>		<u>7,188</u>
Interest receivable (net)	13	28		71
Profit before taxation (adjusted)***	<u>2,358</u>	<u>3,408</u>		<u>7,259</u>
<b>Total Group:</b>				
Profit before taxation (adjusted)***	6,203	6,994		16,252
Taxation (adjusted)***	(1,990)	(2,484)		(5,811)
Profit after taxation (adjusted)***	<u>4,213</u>	<u>4,510</u>		<u>10,441</u>
Minority interests (adjusted)***	(618)	(1,036)		(2,105)
Attributable profit (adjusted)***	<u>3,595</u>	<u>3,474</u>	3.5	<u>8,336</u>
Adjusted earnings per share – basic *** (see note 3)	<b>7.1p</b>	<b>7.0p</b>	1.4	<b>16.82p</b>

\* 5 month period

\*\* ComputerLinks treated as an associate from 1 June 2005

\*\*\* See note 3

## Financial position

The consolidated financial position strengthened during the period with net assets increasing to £48.8 million at 30 June 2005 (31 December 2004: £39.5 million). Net current assets decreased by £5.4 million to £28.7 million which is due to the ComputerLinks Group no longer being consolidated for accounting purposes. Our 27.75% interest in ComputerLinks is shown in our balance sheet as an “investment in associate”, the value of which represents 27.75% of ComputerLinks’ net assets.

Almost all the proceeds from the sale of the ComputerLinks’ shares have been used to reduce the trade finance indebtedness of the niche division.

The group's borrowings are summarised as follows:

	30 June 2005 £000's	31 December 2004 £000's	Change £000's
Bank borrowings net of cash balances	(10,540)	3,869	(14,409)
Trade receivables financing	(12,262)	(29,250)	16,988
	<hr/>	<hr/>	<hr/>
	(22,802)	(25,381)	2,579
UMD Office development project, Bilbao – loans	(2,683)	(3,226)	543
	<hr/>	<hr/>	<hr/>
Niche group net borrowings	(25,485)	(28,607)	3,122
	<hr/>	<hr/>	<hr/>
ComputerLinks – net cash	-	13,712	
	<hr/>	<hr/>	

## Dividend

It is proposed that an interim dividend of 0.4 pence per Fayrewood share, an increase of 33.3% over the interim dividend last year, will be paid on 17 October 2005 to those shareholders on the register as at the close of business on 2 September 2005.

## Corporate development and strategy

We have had a number of board changes. Pierce Casey, one of the founder directors of Fayrewood, stepped down as Chairman in early April and with effect from 1 June 2005, the board was restructured with three members leaving the board and the appointment of two new Non-Executive Directors, Sir Tim Chessells and Richard Templeton. The main Fayrewood board now concentrates on strategic issues, while the Niche Management board has operational responsibility for the day to day management of the core activities of the group.

We are seeking to expand the niche distribution division to territories where we are not already represented and we will maintain a keen interest in the development of ComputerLinks.

## Outlook

Trading in July and August, the quieter summer months, has followed the same patterns seen in the period to 30 June. As we increase the focus on the group's core business of niche distribution, we expect the trend of turnover growth, mitigating the competitive market conditions, to continue for the remainder of the year through our traditionally more active trading period.

**David Kleeman**  
**Non-Executive Chairman**  
 24 August 2005

**UNAUDITED GROUP PROFIT AND LOSS ACCOUNT**  
for the six months to 30 June 2005

	6 months to 30 June 2005 £000's	6 months to 30 June 2004 £000's	12 months to 31 December 2004 £000's
<b>Turnover</b>			
Continuing operations – ongoing	238,443	228,786	506,666
Cost of sales	(213,401)	(202,815)	(451,835)
Gross profit	<u>25,042</u>	<u>25,971</u>	<u>54,831</u>
Distribution and administrative expenses – excluding goodwill	(18,230)	(18,311)	(37,066)
<b>Operating profit before goodwill amortisation</b>	<b>6,812</b>	<b>7,660</b>	<b>17,765</b>
Goodwill amortised	(497)	(470)	(940)
<b>Group operating profit</b>	<b>6,315</b>	<b>7,190</b>	<b>16,825</b>
Share of operating profit in associate	253	-	-
Amortisation of goodwill arising on acquisition of associate	(19)	-	-
<b>Total operating profit: group and share of associate</b>	<b>6,549</b>	<b>7,190</b>	<b>16,825</b>
Net exceptional gain/(loss) on deemed disposal of ongoing operation	1,318	-	(208)
Net exceptional gain on disposal of holding in subsidiary	5,244	-	-
Bank interest receivable	68	75	191
Interest payable	(930)	(741)	(1,704)
<b>Profit on ordinary activities before taxation</b>	<b>12,249</b>	<b>6,524</b>	<b>15,104</b>
Tax on profit on ordinary activities	(1,990)	(2,484)	(5,451)
<b>Profit on ordinary activities after taxation</b>	<b>10,259</b>	<b>4,040</b>	<b>9,653</b>
Minority interest	(560)	(966)	(1,966)
Profit attributable to the members of the parent company	<u>9,699</u>	<u>3,074</u>	<u>7,687</u>
Dividend paid/declared	-	(150)	(349)
<b>Retained profit for the period</b>	<b>9,699</b>	<b>2,924</b>	<b>7,338</b>
Earnings per share – basic – see note 2	19.2p	6.2p	15.5p
– diluted – see note 2	18.7p	6.1p	14.8p
Adjusted earnings per share – basic – see note 3	7.1p	7.0p	16.8p
- diluted – see note 3	6.9p	6.7p	16.1p

**UNAUDITED GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND  
LOSSES**  
for the six months to 30 June 2005

	6 months to 30 June 2005 £000's	6 months to 30 June 2004 £000's	12 months to 31 December 2004 £000's
Profit attributable to the members of the parent company	9,699	3,074	7,687
Exchange (loss)/gain on re-translation of net assets of subsidiary undertakings	(1,238)	(1,212)	137
Exchange gain on foreign currency borrowings to finance investments	125	357	137
<b>Total recognised gains relating to the period</b>	<b>8,586</b>	<b>2,219</b>	<b>7,961</b>

**UNAUDITED GROUP BALANCE SHEET  
at 30 June 2005**

	30 June 2005 £000's	30 June 2004 £000's	31 December 2004 £000's
<b>Fixed assets</b>			
Intangible fixed assets	10,841	16,633	15,862
Tangible fixed assets	4,626	5,659	6,211
Trade investments	23	3	23
Investment in associate	7,794	-	-
	<u>23,284</u>	<u>22,295</u>	<u>22,096</u>
<b>Current assets</b>			
Stocks – finished goods held for resale	36,745	36,811	46,278
Debtors	60,569	73,107	110,719
Cash at bank and in hand	7,285	15,948	36,588
	<u>104,599</u>	<u>125,866</u>	<u>193,585</u>
<b>Creditors:</b> Amount falling due within one year	<u>(75,891)</u>	<u>(100,020)</u>	<u>(159,431)</u>
<b>Net current assets</b>	<u>28,708</u>	<u>25,846</u>	<u>34,154</u>
<b>Total assets less current liabilities</b>	51,992	48,141	56,250
<b>Creditors:</b> amounts falling due after more than one year	(3,233)	(2,677)	(3,866)
<b>Provision for liabilities and charges:</b> Deferred tax	-	-	(150)
	<u>48,759</u>	<u>45,464</u>	<u>52,234</u>
<b>Capital and reserves</b>			
Called up share capital	2,540	2,489	2,489
Share premium account	17,523	16,944	16,945
	<u>20,063</u>	<u>19,433</u>	<u>19,434</u>
Shares to be issued as contingent acquisition consideration	-	535	565
Other reserves	6,355	6,355	6,355
Profit and loss account	22,341	7,973	13,178
Shareholders' funds: equity	<u>48,759</u>	<u>34,296</u>	<u>39,532</u>
<b>Minority Interest (equity)</b>	-	11,168	12,702
	<u>48,759</u>	<u>45,464</u>	<u>52,234</u>

**UNAUDITED GROUP STATEMENT OF CASH FLOWS**  
**for the six months to 30 June 2005**

	6 months to 30 June 2005 £000's	6 months to 30 June 2004 £000's	12 months to 31 December 2004 £000's
Operating profit	6,548	7,190	16,825
Depreciation of tangible fixed assets	588	659	1,350
Amortisation of goodwill	497	470	940
Increase in stocks	(2,851)	(1,471)	(15,887)
Decrease/(increase) in operating debtors and prepayments	27,885	18,983	(9,241)
(Decrease)/increase in operating creditors and accruals	(44,633)	(25,050)	15,308
Share of profits of associate	(233)	-	-
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(12,199)</u>	<u>781</u>	<u>9,295</u>
<b>Returns on investment and servicing of finance</b>			
Interest paid	(924)	(712)	(1,654)
Interest received	68	75	191
Dividends paid to Minority Interests	(725)	(666)	(666)
	<u>(1,581)</u>	<u>(1,303)</u>	<u>(2,129)</u>
<b>Taxation</b>			
Net corporation tax and overseas tax paid	(679)	(1,692)	(6,151)
<b>Capital Expenditure</b>			
Payments to acquire tangible fixed assets	(230)	(604)	(1,613)
Sale of tangible fixed assets	-	-	73
Payment to acquire investment	-	-	(20)
	<u>(230)</u>	<u>(604)</u>	<u>(1,560)</u>
<b>Acquisitions and disposals</b>			
Deferred consideration for UMD SA	(1,050)	(1,027)	(959)
Additional shares in Banque Magnetique SAS	(646)	-	-
Additional shares in ComputerLinks AG	-	-	(301)
Issue of share capital by ComputerLinks AG	5,363	-	266
Cash held by ComputerLinks AG upon change to associate	(11,360)	-	-
Sales of shares in ComputerLinks AG	10,664	-	-
	<u>2,971</u>	<u>(1,027)</u>	<u>(994)</u>
<b>Equity dividends paid</b>	(130)	(124)	(255)
<b>Net cash outflow before financing</b>	<u>(11,848)</u>	<u>(3,969)</u>	<u>(1,794)</u>
<b>Financing</b>			
Issue of share capital by Fayrewood plc	63	65	65
(Decrease)/increase in bank loans	(549)	755	2,214
Increase in other loans	-	-	(360)
Net (decrease)/increase in Trade Receivables Financing debt	(17,693)	(1,235)	9,351
<b>Net cash (outflow)/inflow from financing</b>	<u>(18,179)</u>	<u>(415)</u>	<u>11,270</u>
<b>(Decrease)/increase in cash in the period</b>	<u>(30,027)</u>	<u>(4,384)</u>	<u>9,476</u>
Cash outflow/(inflow) from movement in loans	549	(755)	(1,854)
Cash outflow/(inflow) from movement in Trade Receivables Financing	17,693	1,235	(9,351)
<b>Change in net debt resulting from cash flows</b>	<u>(11,785)</u>	<u>(3,904)</u>	<u>(1,729)</u>
<b>Exchange differences</b>	1,195	821	(180)
<b>Change in net debt in the period</b>	<u>(10,590)</u>	<u>(3,083)</u>	<u>(1,909)</u>
<b>Net debt at beginning of period</b>	(14,895)	(12,986)	(12,986)
<b>Net debt at end of period</b>	<u>(25,485)</u>	<u>(16,069)</u>	<u>(14,895)</u>

### **1. Financial Information**

The financial information contained in this Interim Statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the 12 months to 31 December 2004 is taken from the audited statutory accounts that have been sent to the Registrar of Companies and on which the auditors issued an unqualified opinion.

### **2. Earnings Per Ordinary Share**

The calculation of earnings per ordinary share is based on a profit of £9,699,000 (2004 – £3,074,000) and on 50,452,324 (2004 – 49,337,231) ordinary shares being the weighted average number of ordinary shares in issue during the period. The profit for the period includes a charge for goodwill amortisation of £516,000 (2004 - £470,000)

The diluted earnings per ordinary share is based on 51,735,754 (2004 – 50,650,106) ordinary shares.

### **3. Adjusted Results**

Profit before taxation (adjusted), taxation (adjusted), profit after taxation (adjusted), minority interests (adjusted), attributable profit (adjusted) and adjusted earnings per share have been calculated by:

- Removing goodwill amortisation of £516,000 (2004 - £470,000), or the Group's share of goodwill amortisation of £458,000 (2004 - £401,000) where appropriate.
- Removing the gain / loss on deemed disposal of investment of gain £1,318,000 (2004 – loss £208,000)
- Removing the gain on disposal of investment of £5,244,000 (2004 – nil)

The December 2004 adjusted results also reflect an increase in the taxation charge by adding back the first time recognition of a deferred tax asset.

### **4. Interim Results**

Copies of these interim results will be sent to all shareholders. Copies will be available from 24 August 2005 at Fayrewood's registered office, Unit 4, Birmingham International Park, Starley Way, Marston Green, Solihull, B37 7GN.