



# FAYREWOOD

## INTERIM STATEMENT for the six months ended 30 June 2008

**Fayrewood plc** ("Fayrewood" or "the Group"), (AIM: FWY) announces its interim results for the six months ended 30 June 2008.

### HEADLINES

- Disposal of remaining operating subsidiaries since 30 June 2008.
- Cash on deposit, following disposals, of £36.0m, of which £31.2m is unencumbered.
- Pre-tax profit from continuing business £827,000 (2007: £441,000).
- Interim dividend maintained at 1p, payable on 21 October 2008 to shareholders on the register on 10 October 2008.

On the future David Kleeman, the Chairman, stated:

"The Group holds approximately £36m in cash on deposit, £14.2m of which has to be retained for varying temporary periods in the light of contractual terms governing the sale of businesses by Fayrewood over the last 2 years or so. We are actively exploring methods of returning the maximum amount of capital to shareholders in the most effective manner and we will be circulating the Group's formal proposals to shareholders in this regard as soon as practicable"

David Kleeman, Chairman 020 7430 9329

Fayrewood plc

Oliver Scott/Richard Kauffer

KBC Peel Hunt 020 7418 8900

Tim Anderson / Lisa Baderoon

Buchanan Communications 020 7466 5000

## **CHAIRMAN'S STATEMENT**

We started 2008 with two operating subsidiaries – Interface Solutions, a wholesale distributor of computer peripheral products, and where IBM and Lenovo were major suppliers, and Systems Loan Services, Interface's short term rental associate. We spent much of the first half of the year seeking a purchaser for these businesses, culminating in a sale to the SCH Group on 24 July. Details of the sale were circulated to shareholders on 4 July. A pro forma statement of net assets as at 30 June 2008, incorporating adjustments to reflect the sale of these two businesses, appears as an Appendix to this statement.

The Group holds approximately £36m in cash on deposit, £14.2m of which has to be retained for varying temporary periods in the light of contractual terms governing the sale of businesses by Fayrewood over the last 2 years or so. We are actively exploring methods of returning the maximum amount of capital to shareholders in the most effective manner and we will be circulating the Group's formal proposals to shareholders in this regard as soon as practicable.

The year started disappointingly for Interface, and indeed for the entire industry. Trading in January and February fell below budgeted levels. Whilst performance improved in March, the adverse trends experienced earlier re-emerged, and the sale negotiations with third parties were an additional distraction to be overcome. Interface suffered a loss in the six months to 30 June. After taking into account interest received on the Group's cash deposits and HQ expenses, the Group loss in the first half of the year amounted to £419,000. An interim dividend of 1p per share will be paid on 21 October 2008 to those shareholders on the register on 10 October 2008.

David Kleeman  
Chairman

29 September 2008

## Appendix to Chairman's statement dated 29 September 2008

Set out below is an unaudited pro forma statement of consolidated net assets as at 30 June 2008.

The unaudited pro forma statement of consolidated net assets has been prepared for illustrative purposes only to illustrate the effect on the net assets of the group at 30 June 2008 of the disposal of the remaining operating subsidiaries, Interface Solutions International Limited and Systems Loan Services Limited, which completed on 24 July 2008.

Because of the nature of pro forma financial information this pro forma statement of consolidated net assets addresses a hypothetical situation at 30 June 2008 and does not therefore represent the financial position or results of the group as at 30 June 2008.

The pro forma statement of consolidated net assets has been prepared on the basis described in the notes set out below and after making the adjustments described in those notes.

	Actual 30 June 2008 Note 1 £000's	Adjustment Note 2 £000's	Adjustment Note 3 £000's	Proforma 30 June 2008 Note 4 £000's
Property, plant and equipment	-			-
Intangible assets	-			-
Investments	-			-
Deferred tax asset	-			-
<b>Current assets</b>				
Trade and other receivables	246		890	1,136
Inventories	-			-
Cash and short-term deposits	32,212	2,301	1,093	35,606
	<u>32,458</u>	<u>2,301</u>	<u>1,983</u>	<u>36,742</u>
<b>Assets in disposal group held for resale</b>	<u>32,411</u>	-	(32,411)	-
<b>Total assets</b>	<u>64,869</u>	<u>2,301</u>	<u>(30,428)</u>	<u>36,742</u>
<b>Current liabilities</b>				
Trade and other payables	91			91
Financial liabilities	-			-
Income tax payable	-			-
	<u>91</u>			<u>91</u>
<b>Non current liabilities</b>				
Financial liabilities	-			-
Provision	500			500
	<u>500</u>	-	-	<u>500</u>
<b>Liabilities in disposal group held for resale</b>	<u>28,646</u>	2,730	(31,376)	-
<b>Total liabilities</b>	<u>29,237</u>	<u>2,730</u>	<u>(31,376)</u>	591
<b>Net assets</b>	<u>35,632</u>	<u>(429)</u>	948	<u>36,151</u>

### Notes to pro forma statement of net assets

1. The consolidated net assets of the group as at 30 June 2008 have been extracted, without adjustment, from the interim financial statements at 30 June 2008 which follow.
2. This adjustment represents the trading results of Interface Solutions International Limited and Systems Loan Services Limited that were disposed of up to date of disposal 24 July 2008 and the partial repayment of the amount due to the parent company in that time.
3. This adjustment reflects the disposal of Interface Solutions International Limited and Systems Loan Services Limited on 24 July 2008, the full repayment of the amount due to Fayrewood plc, and the group profit on disposal.
4. No adjustment has been made for any events other than as described in Notes 2 and 3 above.

**UNAUDITED GROUP INCOME STATEMENT**  
**for the six months to 30 June 2008**

	<i>Note</i>	<i>6 months to 30 June 2008 £000's</i>	<i>6 months to 30 June 2007 £000's</i>	<i>12 months to 31 December 2007 £000's</i>
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Distribution and administrative expenses		(6)	(710)	(62)
<b>Group operating loss from continuing operations</b>		<b>(6)</b>	<b>(710)</b>	<b>(62)</b>
Profit on sale of investments		41	132	137
Finance revenue		792	1,019	1,078
Finance costs		-	-	(2)
<b>Profit from continuing operations before taxation</b>		<b>827</b>	<b>441</b>	<b>1,151</b>
Tax credit/(expense)		2	(76)	(62)
<b>Profit for the period from continuing operations</b>		<b>829</b>	<b>365</b>	<b>1,089</b>
<b>Discontinued operations</b>				
(Loss)/profit for the period from discontinued operations	2	(1,248)	6,208	4,852
<b>(Loss)/profit for the period</b>		<b>(419)</b>	<b>6,573</b>	<b>5,941</b>
(Loss)/earnings per share – basic and diluted	3	(1.8)p	13.1p	16.2p
Earnings per share continuing – basic and diluted	3	3.6p	0.7p	3.1p
(Loss)/earnings per share discontinued – basic and diluted	3	(5.4)p	12.4p	13.2p

**UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY**  
**from 1 January 2008 to 30 June 2008**

	<i>Share capital £000's</i>	<i>Capital redemption reserve £000's</i>	<i>Share premium account £000's</i>	<i>Foreign currency translation reserve £000's</i>	<i>Merger reserve £000's</i>	<i>Profit &amp; loss account £000's</i>	<i>Total £000's</i>
<b>At 1 January 2007</b>	2,580	-	17,813	(1,331)	6,355	39,403	64,820
Profit for the six months	-	-	-	-	-	6,573	6,573
Dividends paid	-	-	-	-	-	(3,994)	(3,994)
Movement on currency translation	-	-	-	(16)	-	-	(16)
<b>Other movements:</b>							
Proceeds from issue of shares	49	-	329	-	-	-	378
Share buy backs	(1,326)	1,326	-	-	-	(32,344)	(32,344)
Merger reserve realised on disposals	-	-	-	-	(6,172)	6,172	-
<b>At 30 June 2007</b>	1,303	1,326	18,142	(1,347)	183	15,810	35,417
Loss for the six months	-	-	-	-	-	(632)	(632)
Dividends paid	-	-	-	-	-	(233)	(233)
Movement on currency translation	-	-	-	875	-	-	875
<b>Other movements:</b>							
Proceeds from issue of shares	-	-	1	-	-	-	1
Share buy backs	(144)	144	-	-	-	(283)	(283)
Currency reserve realised on disposals	-	-	-	(781)	-	781	-
Merger reserve realised on disposal	-	-	-	-	(183)	183	-
Realised on disposals via income statement	-	-	-	1,253	-	-	1,253
Share based payments	-	-	-	-	-	30	30
<b>At 31 December 2007</b>	1,159	1,470	18,143	-	-	15,656	36,428
Loss for the six months	-	-	-	-	-	(419)	(419)
Dividends paid	-	-	-	-	-	(464)	(464)
<b>Other movements:</b>							
Proceeds from issue of shares	4	-	83	-	-	-	87
<b>At 30 June 2008</b>	1,163	1,470	18,226	-	-	14,773	35,632

**UNAUDITED GROUP BALANCE SHEET**  
at 30 June 2008

	30 June 2008	30 June 2007	31 December 2007
Note	£000's	£000's	£000's
<b>Non-current assets</b>			
Property, plant and equipment	-	1,159	802
Intangible assets	-	271	318
Investments	-	23	-
Deferred tax asset	-	199	-
	<u>-</u>	<u>1,652</u>	<u>1,120</u>
<b>Current assets</b>			
Trade debtors and other receivables	246	64,954	27,854
Inventories	-	23,108	13,237
Cash and short term deposits	32,212	23,771	33,097
	<u>32,458</u>	<u>111,833</u>	<u>74,188</u>
<b>Assets in disposal groups held for resale</b>	2 <u>32,411</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>64,869</u>	<u>113,485</u>	<u>75,308</u>
<b>Current liabilities</b>			
Trade and other payables	91	54,231	23,166
Financial liabilities	-	21,491	15,152
Income tax payable	-	5	62
	<u>91</u>	<u>75,727</u>	<u>38,380</u>
<b>Non current liabilities</b>			
Financial liabilities	-	1,341	-
Provision	500	1,000	500
	<u>500</u>	<u>2,341</u>	<u>500</u>
<b>Liabilities in disposal groups held for resale</b>	2 <u>28,646</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>29,237</u>	<u>78,068</u>	<u>38,880</u>
<b>Net assets</b>	<u>35,632</u>	<u>35,417</u>	<u>36,428</u>
<b>Capital and reserves</b>			
Called up share capital	1,163	1,303	1,159
Capital redemption reserve	1,470	1,326	1,470
Share premium account	18,226	18,142	18,143
Foreign currency translation reserve	-	(2,382)	-
Other reserves	-	183	-
Retained earnings	14,773	16,845	15,656
	<u>35,632</u>	<u>35,417</u>	<u>36,428</u>

**UNAUDITED GROUP CASH FLOW STATEMENT**  
for the six months to 30 June 2008

	6 months to 30 June 2008 £000's	6 months to 30 June 2007 £000's	12 months to 31 December 2007 £000's
<b>Operating Activities</b>			
(Loss)/profit for the period	(419)	6,573	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	(355)	-	-
Tax on discontinued operations	-	-	1,164
Tax on continuing operations	(2)	407	62
Net finance costs	(250)	(109)	473
Loss/(gain) on disposal of discontinued operation	5	-	2,915
Net profit on sale of investments	(41)	(132)	(138)
Net profit on sale of associates	-	(5,472)	(6,619)
Share of post tax profits of associates accounted for using the equity method.	-	(339)	(339)
Depreciation and impairment of property, plant and equipment	96	107	315
Amortisation and impairment of intangible assets	78	64	157
Share-based payments	-	-	30
Transfer from foreign currency translation reserve	-	-	1,253
Decrease in inventories	4,255	8,275	484
Decrease in trade and other receivables	5,527	15,555	13,484
Decrease in trade and other payables	(5,087)	(21,918)	(25,068)
Movement in provisions	-	-	(500)
Cash generated from operations	3,807	3,011	(6,386)
Income taxes paid	(60)	(776)	(891)
<b>Net cash flow from operating activities</b>	<b>3,747</b>	<b>2,235</b>	<b>(7,277)</b>
<b>Investing activities</b>			
Interest received	792	737	1,649
Disposal of subsidiary undertakings	(5)	(1,147)	8,738
Disposal of interest in associate	-	16,661	16,661
Payments to acquire property, plant and equipment	(162)	(297)	(586)
Receipts from sale of property, plant and equipment	-	-	29
Receipts from sale of investments	41	132	161
<b>Net cash flow from investing activities</b>	<b>666</b>	<b>16,086</b>	<b>26,652</b>
<b>Financing activities</b>			
Interest paid	(542)	(628)	(2,122)
Dividends paid to equity shareholders of the parent	(464)	(658)	(1,016)
Share buy backs & dividend on Special Shares	-	(35,563)	(35,845)
Proceeds from share issues	87	378	378
Repayment of borrowings	(4,641)	(13,579)	(1,062)
<b>Net cash flow from financing activities</b>	<b>(5,560)</b>	<b>(50,050)</b>	<b>(39,667)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,147)</b>	<b>(31,729)</b>	<b>(20,292)</b>
Effect of exchange rates on cash and cash equivalents	355	-	490
Cash and cash equivalents at the beginning of the period	33,082	52,884	52,884
<b>Cash and cash equivalents at the end of the period</b>	<b>32,290</b>	<b>21,155</b>	<b>33,082</b>

## NOTES TO THE INTERIM ACCOUNTS

### 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 2007 is taken from the audited statutory accounts. The 2007 accounts on which the auditors issued an unqualified opinion have been sent to the Registrar of Companies.

### 2. Discontinued operations

On 4 July 2008 the company announced that it was disposing of its remaining operating subsidiaries Interface Solutions International limited and Systems Loan Services Limited. At 30 June 2008 the final negotiations for the sale were in progress and the two subsidiaries were classified as a disposal group held for sale.

The income statement for the comparative periods of 6 months to 30 June 2007 and 12 months to 31 December 2007 includes the results of the disposal group in discontinued operations. The results of Banque Magnetique S.A., which was disposed of in December 2007, for the 6 months to June 2007 are also included in discontinued operations for that period.

The (loss)/profit from discontinued operations is comprised of the following:

	<i>6 months to 30 June 2008 £000's</i>	<i>6 months to 30 June 2007 £000's</i>	<i>12 months to 31 December 2007 £000's</i>
Revenue	61,650	136,652	129,585
Cost of sales	(57,239)	(127,051)	(119,553)
Gross profit	4,411	9,601	10,032
Selling and distribution costs	(1,646)	(1,840)	(2,784)
Administrative expenses	(3,471)	(6,123)	(6,490)
Operating (loss)/profit	(706)	1,638	758
Finance costs	(542)	(910)	(973)
(Loss)/profit	(1,248)	728	(215)
Tax expense	-	(331)	-
Results of the disposal group	(1,248)	397	(215)
Share of profit of associate	-	339	-
Gain on disposal of subsidiaries and deemed disposal of interest in associate	-	5,472	5,067
(Loss)/profit from discontinued operations	(1,248)	6,208	4,852

The major classes of assets and liabilities of the disposal group at 30 June 2008 were as follows:

	<i>30 June 2008 £'000</i>
<b>Assets</b>	
Property, plant and equipment	772
Intangibles	335
Trade and other receivables	22,082
Inventories	8,983
Cash and short term deposits	239
Assets classified as held for resale	<u>32,411</u>
<b>Liabilities</b>	
Trade and other payables	17,989
Financial liabilities	10,657
Liabilities classified as held for resale	<u>28,646</u>

**3. (Loss)/Earnings per Ordinary Share**

The calculation of (loss)/earnings per ordinary share is based on a loss of £419,000 (June 2007 – profit £6,573,000) and on 23,178,929 (June 2007 – 50,131,308) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The diluted (loss)/earnings per ordinary share is based on 23,184,187 (June 2007 – 50,141,181) ordinary shares.

**5. Interim Results**

Copies of these interim results will be sent to all shareholders. Copies will be available from 29 September 2008 at the company's head office at Dorchester House, Station Road, Letchworth, Herts SG6 3AW or from the registered office, 4<sup>th</sup> Floor, 74 Chancery Lane, London WC2A 1AD. The document will be available on our website, [www.fayrewood.co.uk](http://www.fayrewood.co.uk), from 29 September 2008.