



Offer or elect for the Part Share Alternative. Fayrewood Shareholders are strongly advised to seek their own independent advice and to consider, inter alia, paragraph 6 below headed "Background to and reasons for the recommendation of the Transaction" and the risk factors set out in paragraph 3.3 below, before electing for the Part Share Alternative.

- Irrevocable undertakings to vote in favour of the Scheme and the resolutions at the Court Meeting and the General Meeting have been secured from the Directors amounting to, in aggregate, 4,143,205 Fayrewood Shares. In addition, irrevocable undertakings have been received from North Atlantic Value, Stefan Link, Richmond Nominees Limited and Simon Wharmby aggregating to 7,880,153 Fayrewood Shares. The irrevocable undertakings from the Directors are binding in all circumstances. The irrevocable undertakings from North Atlantic Value, Stefan Link, Richmond Nominees Limited and Simon Wharmby will only lapse if an Independent Competing Offer is made for the entire issued share capital of Fayrewood.

In aggregate, therefore, Fayrewood has received undertakings to vote in favour of the Resolutions in respect of 12,023,358 Fayrewood Shares, representing approximately 51.70 per cent. of the total issued share capital of Fayrewood.

- Furthermore, each of the Directors, Stefan Link, Richmond Nominees Limited and Simon Wharmby have given irrevocable undertakings to elect for the Part Share Alternative in respect their aggregate holding of 5,217,494 Fayrewood Shares. In addition North Atlantic Value has undertaken to elect for the Part Share Alternative in respect of 3,500,000 of its Fayrewood Shares. In aggregate therefore, Fayrewood has received elections for the Part Share Alternative in respect of 8,717,494 Fayrewood Shares representing 37.48 per cent of the total issued Fayrewood share capital.
- It is expected that the Scheme Document will be posted to Fayrewood Shareholders on 12 December 2008 and that the Scheme will become effective on 11 February 2009, subject to the satisfaction of the Conditions.

Commenting on the Transaction, David Kleeman, Chairman of Letchworth, said:

"Computer distribution was once one of the most exciting parts of the Stock Market. That has long passed. Acknowledging this change, the Board took the hard decision two and a half years ago to make available to Fayrewood Shareholders as much value in the Company as possible. Today's announcement marks the last substantial step in that strategy.

I believe the Transaction represents a fair offer to all Fayrewood Shareholders. It enables them either to obtain a full cash exit now or, via the Part Share Alternative, to receive some cash now but also to fully participate in the future economic fortunes of Fayrewood."

Commenting on the Transaction, Richard Templeton, Chairman of the Independent Board, said:

"This is the best offer for Fayrewood we have received and has been structured in such a way as to achieve our stated objective of delivering the maximum amount of cash back to Fayrewood Shareholders in the most timely and cost effective manner that is practical at this point in time. The Part Share Alternative allows Fayrewood Shareholders to receive some cash now and through the Letchworth Ordinary Shares, to receive their full entitlement to any additional cash that may be released in the future from the Remaining Assets."

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This summary should be read in conjunction with the full text of this announcement.

The Transaction will be subject to the conditions set out in Appendix I to this announcement and the full conditions and further terms which will be set out in the Scheme Document expected to be issued on 12 December 2008.

Appendix II contains the Guidance Letter from KBC Peel Hunt to the Letchworth Director.

Appendix III contains the sources and bases of information used in this announcement.

Appendix IV contains the definitions of certain expressions used in this announcement.

KBC Peel Hunt, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for Fayrewood (and for Letchworth solely in connection with the Guidance Letter) and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Fayrewood (or as appropriate, Letchworth) for providing the protections afforded to clients of KBC Peel Hunt nor for providing advice in relation to the matters described in this announcement.

This announcement is not intended to, and does not constitute or form any part of, an offer or invitation to sell or subscribe for or purchase any securities or solicitation of any vote or approval in any jurisdiction pursuant to the Transaction or otherwise. The Transaction will be made through the Scheme Document, which will contain the full terms and conditions of the Transaction (including details of how to vote in respect of the Transaction). Any acceptance of or other response to the Transaction should be made only on the basis of the information contained in the Scheme Document. Fayrewood Shareholders are advised to read the Scheme Document carefully, once it has been dispatched.

### **Notice to Overseas Persons**

The availability of the Transaction to Fayrewood Shareholders who are not resident in the United Kingdom may be affected by the laws of relevant jurisdictions. Fayrewood Shareholders who are not resident in the United Kingdom will need to inform themselves about and observe any applicable requirements.

The Transaction will be subject to the applicable rules and regulations of the London Stock Exchange and the City Code.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy securities, or the solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

#### Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of Letchworth or of Fayrewood, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant transaction. This requirement will continue until the date on which the Scheme becomes effective, the Transaction lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Letchworth or Fayrewood, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all "dealings" in "relevant securities" of Letchworth or of Fayrewood by Letchworth or Fayrewood, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

#### Forward Looking Statements

Certain statements in this announcement regarding the proposed Transaction between Letchworth and Fayrewood, the expected timetable for completing the Transaction, future financial and operating results, benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding Fayrewood's or Letchworth's future expectations, beliefs, goals or prospects constitute forward-looking statements. When used in this announcement, the words "believe", "anticipate", "should", "intend", "plan", "will", "expects", "estimates", "projects", "positioned", "strategy", and similar expressions or statements that are not historical facts, in each case as they relate to Letchworth and Fayrewood, the board of directors of either such company or the proposed transaction, are intended to identify those expressions or statements as forward-looking statements. By their nature, forward looking statements involve risk and uncertainty and the factors described in the context of such forward looking statements in this announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward looking statements.

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10 December 2008

RECOMMENDED OFFER BY LETCHWORTH INVESTMENTS LIMITED FOR FAYREWOOD PLC

1. Introduction

The board of Letchworth and the Independent Board are pleased to announce that they have today reached agreement on the terms of a recommended offer by Letchworth to acquire the entire issued share capital of Fayrewood.

The Cash Offer of 126 pence per Fayrewood Share in cash values the existing issued share capital of Fayrewood at approximately £29.30 million. In addition to the Cash Offer, the Transaction also includes the Part Share Alternative for Fayrewood Shareholders who wish to retain an indirect equity interest in Fayrewood. Shareholders who make no election for the Part Share Alternative will receive the Cash Consideration under the Cash Offer.

The Transaction is to be effected by means of a scheme of arrangement under Part 26 of the 2006 Act involving a reduction of capital, cancellation of share premium account and cancellation of capital redemption reserve under section 135 of the 1985 Act. The Scheme incorporates a capital reduction in order to create new distributable reserves and enable Fayrewood to pay dividends to Letchworth. The Scheme requires the approval of the Scheme Shareholders at the Court Meeting and the sanction of the Court. The reduction of capital forming part of the Scheme requires the passing of the Special Resolution by Fayrewood Shareholders and the subsequent confirmation of the Court.

2. Summary of the Transaction

It is intended that the Transaction will be implemented by way of the Scheme, the full details of which are set out in the Scheme Document. The purpose of the Scheme is to enable Letchworth to acquire the entire issued share capital of Fayrewood. Under the terms of the Scheme, the Scheme Shares will be cancelled and, upon the Scheme becoming effective, Scheme Shareholders will receive:

for each Scheme Share      126 pence in cash

The Cash Offer values the whole of the existing issued ordinary share capital of Fayrewood at approximately £29.30 million.

3. The Part Share Alternative

3.1 *Terms*

Under the Part Share Alternative, Fayrewood Shareholders may elect, in respect of some or all of their Fayrewood Shares, to receive a combination of cash and Letchworth Ordinary Shares instead of the cash consideration to which they would otherwise be entitled in respect of such Fayrewood Shares under the terms of the Cash Offer on the following basis:

for each Scheme Share      98 pence in cash and  
one Letchworth Ordinary Share

Fayrewood Shareholders who do not elect for the Part Share Alternative will be deemed to have accepted the Cash Offer.

3.2 *Valuation*

KBC Peel Hunt has provided to the Letchworth Director an estimate of the value of a Letchworth Ordinary Share (the “Best Estimate”).

As at 9 December 2008, based on the Assumptions and the various matters set out in the estimate so provided, the information KBC Peel Hunt have reviewed and the financial analysis they have undertaken, the Best Estimate of the value of one Letchworth Ordinary Share is 28 pence.

The Best Estimate is based on theoretical valuation techniques and is sensitive to changes in assumptions about, amongst other factors:

- (i) the relative take up of the Cash Offer and the Part Share Alternative;
- (ii) the discount rate applied to any distribution of the Remaining Assets;
- (iii) the level of any Claims estimated and successfully made under the SPAs or otherwise against the Group;
- (iv) the timing of any distribution of the Remaining Assets;
- (v) the Sterling/Euro exchange rate;
- (vi) the expected operating costs of the Group; and
- (vii) interest income of the Group.

The Best Estimate does not represent the actual value of a Letchworth Ordinary Share and a number of assumptions have been made. If the Assumptions prove too optimistic, it is possible that the actual value of a Letchworth Ordinary Share will be less than the Best Estimate and if the liabilities arising from Claims exceed the amount of the Remaining Assets, the value of a Letchworth Ordinary Share would be £Nil. Similarly, if the Assumptions prove too pessimistic the actual value of a Letchworth Ordinary Share may exceed the Best Estimate. The theoretical maximum value of a Letchworth Ordinary Share is approximately 99 pence, calculated by reference to the Remaining Assets divided by the number of Letchworth Ordinary Shares that would be issued based on the Take Up Assumption.

Further details of the information reviewed, assumptions relied upon and the methodologies employed in order to arrive at the Best Estimate are set out in the Guidance Letter.

The Guidance Letter containing the Best Estimate set out in Appendix II of this announcement has been provided solely for the use and benefit of the Letchworth Director. The Guidance Letter is not a formal valuation and should not be relied upon as such by any party and KBC Peel Hunt expressly disclaims any liability to any third party with respect to the contents. KBC Peel Hunt will not be responsible to anyone other than Letchworth for providing the protections afforded to clients of KBC Peel Hunt in connection with the Guidance Letter.

KBC Peel Hunt expresses no opinion or recommendation to any person as to whether or not they should accept the Cash Offer or elect for the Part Share Alternative. However, the Independent Directors, who have been so advised by KBC Peel Hunt, consider the terms of the Transaction to be fair and reasonable. In providing advice to the Independent Directors, KBC Peel Hunt has taken into account their commercial assessments.

Fayrewood Shareholders are strongly recommended to take their own independent financial advice in considering whether or not to elect for the Part Share Alternative.

### 3.3 Risk Factors

The attention of Fayrewood Shareholders who may be considering electing for the Part Share Alternative is drawn to certain risk factors and other investment considerations relevant to such an election as follows:

- Whilst the board of Letchworth will, where appropriate, vigorously defend all Claims and the Independent Board has taken a prudent approach to their estimation of liabilities from Claims, it is not known what other liabilities the Group will incur in the future either through Claims arising from the SPAs or otherwise. As referred to in the Guidance Letter set out in Appendix II of this announcement, the amount of the liabilities arising from Claims is a key element in assessing the likely cash available for distribution to Letchworth Ordinary Shareholders and therefore the value of a Letchworth Ordinary Share.
- A number of assumptions have been made in determining the Best Estimate as set out in the Guidance Letter, which may not prove to be correct. Consequently, there can be no guarantee that the Best Estimate will eventually be realised, and if liabilities arising from Claims exceed the amount of the Remaining Assets, Letchworth Ordinary Shareholders will receive no payment at all for their shares.
- Any increase in the actual take up of the Part Share Alternative compared to the Take Up Assumption may reduce the potential value of a Letchworth Ordinary Share.
- Any changes in the Euro/Sterling exchange rate will impact upon the Sterling value of the Remaining Assets. The Group currently has €8.5 million held in Euro deposits. To the extent that this is insufficient to discharge liabilities under the UMD, BM or BV SPAs, any weakening of Sterling against the Euro will effectively further increase the Company's liabilities denominated in Sterling and reduce the amount of the Remaining Assets. Further, any strengthening of Sterling against the Euro will negatively impact the value of the balance of any Euro denominated deposits which may be returned to the Company.
- The dates and manner of any distribution of the Remaining Assets by Letchworth is currently uncertain and depends upon a number of factors including: the outcomes of the Claims and the timing thereof, any Unknown Claims or other liabilities which may arise and the costs of defending any Claims or other liabilities of the Company or Letchworth.
- Letchworth is an unlisted company. Although Letchworth is considering applying for Letchworth Ordinary Shares to be traded on Sharemark, the trading facility designed for infrequently traded securities operated by The Share Centre Limited, Sharemark is not a recognised investment exchange. There are no plans to seek a public quotation on any recognised investment exchange or other market for the Letchworth Ordinary Shares. Consequently, Letchworth Ordinary Shares may be difficult to sell and the price of a Letchworth Ordinary Share obtainable through Sharemark may not necessarily reflect either its underlying value or the price obtainable were it traded on a recognised investment exchange.
- Letchworth will not be subject to the disclosure, corporate governance and shareholder protection requirements of any recognised investment exchange.

### 3.4 *Securities law restrictions*

The availability of the Part Share Alternative to persons who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements. Any failure to comply with such applicable requirements may constitute a violation of the securities laws of any such jurisdictions. Under the terms of the Scheme, Letchworth has the right to deem a Scheme Shareholder not to have made an election under the Part Share Alternative in respect of such Scheme Shares as the Scheme Shareholder has purported to make such an election where Letchworth believes that the receipt of Letchworth Ordinary Shares by that Scheme Shareholder may infringe applicable legal or regulatory requirements or require Fayrewood or Letchworth to comply with any regulatory or other obligations which they consider to be unduly onerous or with which they are unable to comply.

Letchworth Ordinary Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state in the United States and may not be offered or sold directly or indirectly in or into the United States unless registered under the US Securities Act or issued pursuant to an exemption therefrom. Accordingly, notwithstanding the Part Share Alternative, all Fayrewood Shareholders who are US Persons shall receive cash only, and there shall be no issue of Letchworth Ordinary Shares to such Shareholders. Any US Holder who elects for the Part Share Alternative will be deemed not to have so elected and shall be paid the Cash Consideration to which he is entitled under the Cash Offer in respect of his Fayrewood Shares.

### 3.5 *Rights attaching to the Letchworth Ordinary Shares*

Letchworth's share capital is divided into two classes of shares, Letchworth Founder Shares of £1 each and Letchworth Ordinary Shares of 0.1p each. At the date of this announcement there are 100 Letchworth Founder Shares in issue and no Letchworth Ordinary Shares. Upon the Scheme becoming effective, Letchworth Ordinary Shares will be issued, the number of which will be determined by elections made under the Part Share Alternative.

Upon the issue of the Letchworth Ordinary Shares, the Letchworth Founder Shares will be converted into Letchworth Deferred Shares with no voting rights and effectively no economic interest in Letchworth or its assets.

All Letchworth Ordinary Shares will be held by those electing for the Part Share Alternative. In addition to the normal voting rights attaching to ordinary shares, the Letchworth Articles provide that in respect of certain matters, Letchworth will not be permitted to transact that business without the consent of the holders of a majority of the Letchworth Ordinary Shares. This is to ensure that, unless consent is otherwise given, the activities of Letchworth and its subsidiaries will be confined to the acquisition of Fayrewood in accordance with the proposed Scheme and thereafter the orderly realisation of the assets of Fayrewood.

These matters are specifically as follows:

- (i) the grant of any option or other right to subscribe for shares, and any alteration, increase, reduction, sub-division or consolidation of the authorised or issued capital of Letchworth or of any of its subsidiaries, or any variation of the rights attached to any of the shares for the time being in the capital of Letchworth or of any of its subsidiaries;
- (ii) the disposal by Letchworth of any of its subsidiaries or any substantial part thereof or the disposal of any share in the capital of any subsidiary of Letchworth;
- (iii) the acquisition of any interest in any share in the capital of any company by Letchworth or any of its subsidiaries;
- (iv) the acquisition or the commencement of any trade or business or the making of any investment by Letchworth or any of its subsidiaries other than, in the case of Letchworth, the acquisition of Fayrewood and the realisation of its assets and/or otherwise restricting, terminating, avoiding or procuring the release or reducing the duration of any liabilities, obligations, restrictions or undertakings under or arising from the SPAs;
- (v) Letchworth or any of its subsidiaries agreeing to incur any expense or liability (other than costs and expenses that reasonably arise from or are in connection with the acquisition of Fayrewood and the realisation of its assets and/or otherwise restricting, terminating, avoiding or procuring the release or reducing the duration of any liabilities, obligations, restrictions or undertakings under or arising from the SPAs) exceeding, in any financial year the aggregate of the income of Letchworth and its subsidiaries for that year and the sum of £300,000;
- (vi) the application by way of capitalisation of any sum in or towards paying up any share or

- loan capital of Letchworth;
- (vii) any alteration of the restrictions on the powers of the directors of Letchworth and its subsidiaries to borrow give guarantees or create charges;
  - (viii) the winding up of Letchworth; and
  - (ix) the redemption of any of Letchworth's shares or the entering into of a contract by Letchworth to purchase any of its shares.

The Letchworth Articles provide that it may be voluntarily wound up by way of an ordinary resolution of shareholders of Letchworth.

### 3.6 *Sharemark*

Letchworth is considering making an application for the Letchworth Ordinary Shares to be admitted to trading on Sharemark, the trading facility for infrequently traded shares operated by The Share Centre Limited which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Although a private limited company, Letchworth Ordinary Shares are tradeable through Sharemark. This will provide the Letchworth Ordinary Shareholders a facility for the sale of their shares which would be otherwise more difficult to achieve.

There are minimal admission criteria for admission to Sharemark as well as limited ongoing disclosure and corporate governance requirements.

The Sharemark system operates through an auction process whereby buyers and sellers input their orders through a stockbroker. On a periodic basis the auction takes place where buyers and sellers orders are matched and prices determined in accordance with supply and demand. There are no market makers and, subject to Letchworth agreeing the appropriate auction frequency on Sharemark, shares can be dealt on a daily, weekly, monthly or quarterly basis.

It is emphasised that Sharemark is not a recognised investment exchange, recognised clearing house or regulated market within the meaning of the Markets in Financial Instruments Directive, but is a Multilateral Trading Facility for shares in small companies which are ineligible for (or do not wish to) to meet the regulatory demands of a stock market quote on AIM or the Official List. Notwithstanding admission to Sharemark, there is no guarantee of any liquidity in shares traded on Sharemark and therefore that Letchworth Ordinary Shares may be sold when a Letchworth shareholder wishes to do so or at all. Furthermore there is no guarantee that the price set is reflective of the underlying value or the price that could be obtained for a share if the Letchworth Ordinary Shares were admitted to a recognised investment exchange. No application will be made for admission of the Letchworth Ordinary Shares to trading on a recognised investment exchange.

It is emphasised that whilst the Letchworth Director is considering an application to Sharemark, it is not guaranteed that such application will be made and/or admission will necessarily be granted.

## 4. Information on Fayrewood

In 2005 the Board embarked on a strategy of disposing of the Group's various business assets as it believed that such a strategy would maximise shareholder value. This strategy culminated in the sales of ISI and SLS which was approved by Shareholders on 24 July 2008.

As a result of the various Disposals it has made, Fayrewood now holds substantial cash balances but has potential liabilities under the SPAs. Further, under the terms of the UMD and ISI SPAs, Fayrewood has committed to retain approximately £6.22 million, based on the Exchange Rate, in segregated deposit arrangements as security in order to meet potential liabilities arising from claims made or that may be made against the Group under the SPAs or otherwise.

Details of the deposit arrangements and ongoing potential liabilities arising from warranty and indemnity claims as well as details of all potential and actual claims that the Company has been notified of in respect of each SPA are as set out below:

**(A) UMD SPA**

Pursuant to the UMD SPA the Group sold the entire issued share capital of its subsidiary UMD to the UMD Purchaser on 22 December 2006.

Under the terms of the UMD SPA, Fayrewood agreed to guarantee any potential liabilities arising from Warranty claims made by the UMD Purchasers. The maximum liability for any warranty claims, other than tax, made by the UMD Purchasers is €8 million. The final date for the UMD Purchasers to make any claims, other than relating to tax, against the Group is 23 December 2010. There is no cap and no time limit on any claims that can be brought by the UMD purchasers in relation to tax. However, the Independent Directors have been advised that under current regulations Spanish tax authorities may only investigate a company's affairs for a period of four years following the relevant tax payment date and therefore the Company should know whether any claims are likely in relation to tax by 25 July 2011.

Fayrewood has given a guarantee in relation to any Warranty claims made under the UMD SPA. This is supported by a €6 million guarantee by Barclays Bank Plc which is in turn supported by a €6 million deposit made by Fayrewood with Barclays Bank plc. All interest accruing on this deposit is for the benefit of Fayrewood. The guarantee, and therefore the deposit, will be released on 30 September 2011, subject to deduction of any amounts successfully claimed by the UMD Purchasers on or before that date, save that if any claims are outstanding at that date the guarantee will continue, and therefore the deposit will remain, for a further period of up to 12 months.

In relation to the UMD SPA, the following claims have been made against the Company by the UMD Purchasers:

- (a) claims in respect of a number of small matters were notified to the Company on 17 July 2008 by the UMD Purchasers, totalling €267,592.91. The Company responded to the claims that (i) notification had not been received in accordance with the requirements of the sale agreement and was therefore invalid and (ii) asking for details of the matters comprised within the claims. No reply has yet been received by the Company.
- (b) a claim in respect of tax in the sum of €88,996.07 has been notified by the UMD Purchasers but no further action has been taken. The Independent Directors believe that the subject matter of the claim was dealt with in the formalities of completion of the UMD SPA and that no further claim is allowed.

**(B) BM SPA**

Pursuant to the BM SPA, the Company sold the entire issued share capital of BM to the BM Purchasers on 21 December 2007. Under the terms of the BM SPA, the final date for the BM Purchasers to bring any Warranty claims against Fayrewood, other than those in relation to tax, is 31 December 2009 and any claims relating to tax were to have been brought within three months of the end of the relevant statutory tax limitation period.

Under the terms of this agreement, Fayrewood undertook for so long as there remained any liability under the BM SPA not to reduce its shareholders' funds below €12 million without the consent of the BM Purchaser (the "Shareholders' Funds Covenant").

However, by a variation agreement between the parties dated 8 December 2008, in consideration of the provision of warranty and indemnity insurance in respect of Unknown Claims in connection with the BM SPA purchased for the benefit of the BM Purchaser by the Company, the BM Purchaser has

agreed to (a) release the Company from the Shareholders' Funds Covenant, and (b) reduce the Company's liability under the warranties, the tax warranties and the tax covenant (but not express indemnities) to nil (other than in respect of claims arising from specified circumstances and certain matters specifically excluded from the cover under the insurance policies. In addition, the BM Purchaser agreed that to the extent that any residual liabilities of Fayrewood related to tax that such claims must be brought no later than 31 March 2011). The Company also agreed to place in a separate account the sum of €2.2 million until the matters specified below have been resolved.

No Claim has been received to date by Fayrewood in respect of Warranties under the BM SPA. However, Fayrewood has been notified by the BM Purchasers of the following circumstances which may give rise to Claims and which are excluded from the above insurance cover:

- (a) following a routine tax audit in respect of the 2003 to 2005 period, the French tax authorities have indicated that certain tax reliefs which should have been claimed over the life of an asset were claimed as a single deductible sum in year one. There is a potential liability of up to €100,000 relating to interest in respect of this timing difference. The Independent Directors are currently reviewing the potential strength of any potential Claim;
- (b) the BM SPA provides that the Company will indemnify the BM Purchasers in respect of, first, certain aged stock which was held by Banque Magnetique on the date of the BM SPA and which had not been disposed of by 31 March 2009, and, second, any shortfall between the net amounts owing by or to be recovered from a certain supplier as at 30 September 2007 and the amount actually recovered by 31 March 2009. Fayrewood has been informed by the BM Purchasers that their review as at 31 October 2008 disclosed that there will be no liability in respect of these matters although the BM Purchaser reserves their rights pending their final review. On this basis, the Independent Directors do not believe there is a likelihood of any claims in this regard;
- (c) a claim has been made against BM by an agent of a former supplier in respect of sums alleged to be payable by BM in respect of stock alleged to have been supplied to BM. BM is defending the consequent legal action for approximately €1.8 million brought by the liquidator of the agent of the former supplier in respect of such sums and consequential losses. On a preliminary investigation of the substance of this issue, the Independent Directors have taken the view that the allegations do not form the basis of a liability; and
- (d) there is an unresolved discrepancy in a factoring account of BM of €82,000. At present, the Independent Directors have insufficient information from the notification by the BM Purchasers regarding the matter to form a view of the potential liability.

### **( C ) ISI SPA**

Pursuant to the ISI SPA, the Company sold the entire issued share capital of ISI and SLS to the ISI Purchaser on 25 July 2008. Fayrewood's maximum liability under the ISI SPA is £2 million. As well as standard warranties and a tax covenant, the ISI SPA contained provisions for the protection of the ISI Purchaser in relation to the value of stock at completion, collectability of debtors within 150 days of the completion date and the amount of trade creditors at completion (the "Stock and Debtor Protection Provisions"). The final date for the ISI Purchaser to bring any claims against Fayrewood, other than in relation to tax, is 25 July 2009 and the final date for any claims relating to tax is 31 March 2015. Of the purchase consideration, £1 million has been placed into an escrow account in order to meet any claims under the ISI SPA as required under the ISI SPA. Of this amount, £500,000 (less the amount of any settled or outstanding claims) will be released to the Company following six months from the completion date, with the balance (less the amount of any settled or outstanding claims) to be released to the Company on the anniversary of completion.

The Company has been notified that there were uncollected debtors in the region of £4 million as at the date 120 days after the ISI SPA completion date. The Independent Directors believe that the ISI Purchaser will make a claim against the Company under the Stock and Debtor Protection Provisions.

**(D) BV SPA**

Pursuant to the BV SPA Fayrewood Holdings Limited sold Fayrewood (Overseas Holdings) B.V. to Bft Nederland B.V. on 16 May 2007. Warranties and indemnities were given in the BV SPA by Fayrewood and Fayrewood Holdings Limited in relation to Fayrewood (Overseas Holdings) B.V. There is no time limit on claims under the BV SPA. No amounts are to be retained under the BV SPA.

As at the date of this announcement, other than as set out above, no Claims under the SPAs have been made or are pending or threatened against Fayrewood and Fayrewood has not been notified of, and the Independent Directors are not aware of, any other such Claims against Fayrewood. However the Independent Directors intend to make proper provision both for those Claims made and circumstances of which have been notified or of which they are otherwise aware and a further prudent reserve for any Unknown Claims and for cost and expenses in investigating and defending any Claims.

As a result of the above Disposals, the Company had cash of £36.6 million, based on the Exchange Rate, as at 1 December 2008. Of this amount, a total of £6.22 million, based on the Exchange Rate, is to be retained as follows:

- (a) the Company has contractually committed to retaining €6 million in the deposit account referred to in paragraph (A) above; and
- (b) £1 million is retained in the retention account referred to in paragraph (C) above.

The Independent Directors also intend to undertake to the Court in connection with the Capital Reduction that the Company will retain and not distribute on completion an additional sum of approximately £2.91 million, based on the Exchange Rate, (which includes the €2.2 million referred to in paragraph 4(B) above) for the protection of creditors, as described in more detail below in paragraph 12 of this announcement.

As a result, this means that a total of approximately £9.13 million, based on the Exchange Rate, being the Non-distributable Assets, will be retained by the Company in connection with the Claims referred to above. The Independent Directors consider that this amount represents an appropriate and prudent amount to be retained by the Company in connection with the Claims known to or anticipated by them at the date of this announcement.

In addition, the Independent Directors are required to retain an amount of approximately £1.30 million in order to meet the estimated costs of the Transaction, the costs of the insurance policy in relation to the BM SPA and ongoing operating costs of the Group to the extent that income receipts from the Remaining Assets are insufficient to meet such costs.

## 5. Current trading and Prospects

Fayrewood announced its interim results for the 6 months to 30 June 2008 on 29 September 2008 which included a pro forma statement of net assets, for illustrative purposes only, to show the effect of the disposals of ISI and SLS, which occurred since the last period end, as if this transaction had taken place as at 30 June 2008. A copy of the Company's interim results are included in the Scheme Document.

Since 25 July 2008, being the completion date for the disposals of ISI and SLS, save for small monthly fees from consultancy services charged to Prime Properties Developments Limited, Fayrewood has had no trading activities and its income has been bank interest.

The Independent Directors estimate that the cash balances of the Company on 1 December 2008 were £36.6 million, based on the Exchange Rate. Confirmation of the Company's cash balances has been provided by Ernst & Young LLP and is set out in the Scheme Document.

On 8 December 2008, the Company arranged insurance cover for the benefit of the BM Purchaser in respect of certain potential BM claims, that have not been notified, details of which are set out in paragraph 4 above.

## 6. Background to and reasons for the recommendation of the Transaction

The circular to Shareholders dated 4 July 2008 described the proposed strategy of the Company, being to explore methods of returning the maximum amount of capital to Shareholders.

The Board has, in the course of the year, committed substantial resource and time in investigating the best method of implementing this strategy including discussions with third parties about an offer for some or all of the Company's share capital, a further tender offer, a reverse takeover, various capital reorganisation options resulting in the issue and redemption of new classes of share capital. None of these approaches satisfactorily achieved the objectives of the Board's strategy referred to above.

In considering the merits of the Transaction, the Independent Directors have considered the following:

- the value, feasibility and timing issues of other possible transactions;
- it gives Fayrewood Shareholders the ability to either accept the Cash Offer or elect for the Part Share Alternative depending on their short and medium term liquidity requirements and their overall investment objectives;
- it allows Fayrewood Shareholders the possibility of a full exit from their Fayrewood Shares; and
- it provides Fayrewood Shareholders the opportunity to dispose of their Fayrewood Shares free of dealing costs.

The Independent Directors unanimously recommend that Fayrewood Shareholders vote in favour of the Resolutions. However, they make no recommendation as to whether to accept the Cash Offer or to elect for the Part Share Alternative. The decision of Fayrewood Shareholders in this regard will depend on their short and medium term liquidity requirements and on their overall investment objectives. In considering the merits of each, Fayrewood Shareholders should take into account the following:

The Cash Offer offers Fayrewood Shareholders:

- the immediate and certain benefits of cash compared to the alternative of being exposed to the risks of Claims which could substantially diminish, or even eliminate, the Remaining Assets;
- a combination of (i) their pro rata entitlement to the Initial Distribution Cash Assets, based upon the Take Up Assumption, which is equivalent to 116 pence per Fayrewood Share and (ii) their pro rata entitlement to the best estimate of the value of the Remaining Assets based on the Assumptions, representing the balance of 10 pence. As such it represents a premium of 9.09 per cent. to the Initial Distribution Cash Assets;
- a premium of 6.33 per cent. to the Closing Price of 118.5 pence on 9 December 2008, being the last Business Day prior to the date of this announcement;

- a premium of 9.57 per cent. to the Fayrewood share price of 115 pence per share on 3 July 2008, the last Business Day prior to the commencement of the Offer Period; and
- a premium of 7.78 per cent. to the average of Closing Price for the one month period prior to 9 December 2008, being the last Business Day prior to the date of this announcement.

However, Fayrewood Shareholders should note that by accepting the Cash Offer they will have no future equity participation in Fayrewood. To the extent that the actual value of a Letchworth Ordinary Share exceeds the Best Estimate, Fayrewood Shareholders who accept the Cash Offer will forego any right to participate in this upside. The theoretical maximum value of a Letchworth Ordinary Share is approximately 99 pence, calculated by reference to the Remaining Assets divided by the number of Letchworth Ordinary Shares that would be issued based on the Take Up Assumption.

The Part Share Alternative offers Fayrewood Shareholders the ability to retain an equity interest in Fayrewood and a cash amount of 98 pence per Fayrewood Share. The Part Share Alternative represents:

- a cash component which is a discount of 22.22 per cent. to the Cash Offer; plus
- a Letchworth Ordinary Share.

Those Fayrewood Shareholders who elect for the Part Share Alternative will be acquiring shares in an unlisted entity, the value of which is uncertain given the range of factors which will influence the proportion of the Remaining Assets which could ultimately be distributed to holders of Letchworth Shares.

The Best Estimate of a Letchworth Ordinary Share is 28 pence. However, if the Assumptions prove too optimistic, it is possible that the actual value of a Letchworth Ordinary Share will be less than the Best Estimate and if the liabilities arising from Claims exceed the amount of the Remaining Assets, the value of a Letchworth Ordinary Share would be £Nil. Similarly, if the Assumptions prove too pessimistic the actual value of a Letchworth Ordinary Share may exceed the Best Estimate. The theoretical maximum value of a Letchworth Ordinary Share is approximately 99 pence, calculated by reference to the Remaining Assets divided by the number of Letchworth Ordinary Shares that would be issued based on the Take Up Assumption.

Fayrewood Shareholders are recommended to consider carefully, in light of the own short and medium term liquidity requirements and investment objectives, whether they wish to elect for the Part Share Alternative and are strongly advised to seek their own independent advice and to consider, inter alia, the risk factors set out in paragraph 3.3 of this announcement before making any such election.

Having considered the advantages and disadvantages of accepting the Cash Offer versus electing for the Part Share Alternative, and having also taken into consideration their own liquidity requirements and investment objectives, the Independent Directors have all undertaken to elect for the Part Share Alternative. In making this decision, they recognise that the actual value of a Letchworth Ordinary Share may be more or less than the Best Estimate and in extreme cases, could be worth between £Nil and 99 pence.

## 7. Recommendation of the Transaction

The Independent Directors, who have been so advised by KBC Peel Hunt, consider the terms of the Transaction to be fair and reasonable. In providing advice to the Independent Directors, KBC Peel Hunt has taken into account their commercial assessments.

Accordingly, the Independent Directors unanimously recommend that Fayrewood Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings amounting to, in aggregate, 3,314,524 Fayrewood Shares, representing 14.25 per cent. of Fayrewood's existing issued share capital.

#### 8. Reasons for the Transaction and Strategy of Letchworth

As a result of the Disposals, the Company had, as at 1 December 2008, total cash assets of approximately £36.6 million (based on the Exchange Rate) (from which the costs of obtaining the BM insurance and costs of the Transaction will need to be deducted). It has been decided at this stage not to fully distribute those cash assets by way of members' voluntary liquidation because

- (a) £8.2 million of cash is subject to the deposit arrangement described in paragraph 4(A) and (B) above;
- (b) £1 million of cash is subject to the retention arrangements described in paragraph 4(B) above; and
- (c) the Company has various potential liabilities under the SPAs and the likely returns in the event of a members voluntary liquidation would, in the view of the Independent Directors, be both reduced and delayed due to the costs and time associated with such an arrangement and the fact that management of any Claims would be under the control of a third party that had less knowledge of and less ability to defend any such Claims.

Letchworth was formed in order to offer Fayrewood Shareholders the ability to obtain a full cash exit for their Fayrewood shareholding whilst also offering those Fayrewood Shareholders that elect for the Part Share Alternative the opportunity to receive some cash now, but also to participate in the ongoing risks and rewards associated with the Remaining Assets and potential Claims.

David Kleeman believes that given his knowledge and experience of the matters and circumstances surrounding the Claims, the Company under the control of Letchworth, would be better placed to deal with the Claims and minimise any liabilities in respect thereof than it would be under the control of an unrelated third party.

Letchworth intends to realise the maximum cash return to Letchworth Ordinary Shareholders as soon as practicable. In order to achieve this, the Group intends, where appropriate, to vigorously defend any claims made against it under the SPAs or otherwise and to the extent possible reduce the duration of the warranty and indemnity liabilities in order that the Non-distributable Assets can be released earlier than is currently required under the SPAs. Whilst Letchworth is optimistic that the Group under the control of Letchworth will be able to minimise any liabilities arising under the SPAs or any other potential liabilities that the Group may suffer in relation to any other matters, they also consider that it will be able to defend such claims more effectively as a private company.

In addition, the Independent Directors and the Letchworth Director believe that as a small quoted company with no operating activities, there is little merit in maintaining Fayrewood's public market listing and that Fayrewood's cost base could be significantly reduced by becoming a private company.

Letchworth intends to keep costs of operating the Group to a minimum. However, given the uncertainty of future interest rates, and therefore interest income receivable from Fayrewood's cash held on deposit, it is assumed that such income will be insufficient to meet ongoing operating costs of the Group. Therefore, the Group has set aside an additional sum which the Independent Directors consider is sufficient to meet any such additional cash requirements of the Group prior to the return of cash to Letchworth Ordinary Shareholders.

#### 9. Information relating to Letchworth

Letchworth was incorporated in England and Wales on 6 November 2008 with registered number 6742553. The registered office of Letchworth is 5th Floor Carmelite 50 Victoria Embankment London EC4Y 0LS. The authorised share capital of Letchworth is £23,358 divided into 100 Letchworth Founder Shares and 23,258,000 Letchworth Ordinary Shares. The total number of Letchworth shares in issue as at the date of this announcement is 100 Letchworth Founder Shares. At the date of this announcement there are no Letchworth Ordinary Shares in issue and since it is not known what the take up by Fayrewood Shareholders of the Part Share Alternative will be, it is not known what the total Letchworth Ordinary Shares will be until the Effective Date.

Letchworth was formed in order to offer Fayrewood Shareholders the ability to realise their investment in Fayrewood Shares at a premium to the prevailing market price whilst also offering Shareholders the opportunity to choose to participate in the ongoing risks and rewards associated with the cash assets held for distribution and potential warranty and liability claims.

Immediately following the Effective Date, Simon Wharmby, Sir Tim Chessells and Richard Templeton will join David Kleeman on the board of Letchworth.

The Letchworth Director will draw no salary from Letchworth and the fees of the remaining Directors of Fayrewood will be significantly reduced from 1 January 2009 from which date David Kleeman's service company will be paid an annual fee of £60,000 (reduced from £100,000 per annum) and Richard Templeton and Sir Tim Chessells will each be paid £15,000 per annum (reduced in each case from £25,000 per annum).

Following implementation of the Scheme, the Letchworth Founder Shares will be converted into Letchworth Deferred Shares and the Letchworth Ordinary Shares will be owned by the Fayrewood Directors, North Atlantic Value, Stefan Link, Richmond Nominees Limited and Simon Wharmby (each of whom having irrevocably undertaken to elect for the Part Share Alternative in respect of part or all of their Fayrewood Shares) and, subject to valid elections being made, those other Fayrewood Shareholders who elect for the Part Share Alternative.

As referred to above, Letchworth is considering applying for the admission of the Letchworth Ordinary Shares to trading on Sharemark.

Following Completion, Letchworth's strategy is to maximise the return of assets to Letchworth Ordinary Shareholders, further details of which are set out in paragraph 8 above.

Further information on the Letchworth Articles and the rights attached to the Letchworth Shares are set out in paragraph 3.5 of this announcement.

#### 10. Irrevocable undertakings to accept the Transaction

In aggregate, Letchworth has received undertakings to vote in favour of the Resolutions from Fayrewood Shareholders in respect of 12,023,358 Fayrewood Shares representing approximately 51.70 per cent. of the existing issued share capital of Fayrewood. Of this, Letchworth has received undertakings from Fayrewood Shareholders to elect for the Part Share Alternative in respect of 8,717,494 Fayrewood Shares representing approximately 37.48 per cent. of the existing issued share capital of Fayrewood.

Details of these undertakings are as follows:

Each of the Directors has given irrevocable undertakings to Letchworth in respect of their entire holdings of Fayrewood Shares, amounting to in aggregate 4,143,205 Fayrewood Shares, representing in aggregate approximately 17.81 per cent. of Fayrewood's existing issued share capital, to vote in favour of the Resolutions. These irrevocable undertakings are binding in all the circumstances.

In addition, Letchworth has received irrevocable undertakings to vote in favour of the Resolutions from North Atlantic Value, Stefan Link, Richmond Nominees Limited and Simon Wharmby amounting in aggregate to 7,880,153 Fayrewood Shares representing approximately 33.88 per cent. of the existing issued share capital of Fayrewood.

The irrevocable undertakings given by North Atlantic Value, Stefan Link, Richmond Nominees Limited and Simon Wharmby will lapse, *inter alia*, if: (i) the Scheme terminates, lapses or is withdrawn; or (ii) a person other than Letchworth (or any person acting in concert with it) announces an offer for Fayrewood pursuant to Rule 2.5 of the City Code at a price per Fayrewood Share representing an improvement, in financial terms, as at the date of such Rule 2.5 announcement, of at least 10 per cent. to the price per Fayrewood Share available pursuant to the Transaction.

The following table sets out the Directors who have provided irrevocable undertakings to vote in favour of the Scheme, the number of Fayrewood Shares that these Directors held at the date of this announcement and in what proportions they have accepted the Cash Offer or elected for the Part Share Alternative.

<i>Shareholder</i>	<i>Shares held subject to irrevocable undertakings in respect of the Resolutions</i>	<i>% of total votes to be cast at the Meetings</i>	<i>Election for Part Share Alternative</i>	<i>Election for Cash Offer</i>
Mario Legorburu	3,268,020	14.05	3,268,020	Nil
David Kleeman	828,681	3.56	828,681	Nil
Keith Negal	30,245	0.13	30,245	Nil
Richard Templeton	9,000	0.04	9,000	Nil
Sir Tim Chessells	7,259	0.03	7,259	Nil
TOTAL	4,143,205	17.81	4,143,205	Nil

The following table sets out the other Fayrewood Shareholders who have provided irrevocable undertakings to vote in favour of the Scheme, the number of Fayrewood Shares that these other Shareholders held at the date of this announcement and in what proportions they have accepted the Cash Offer or elected for the Part Share Alternative.

<i>Shareholder</i>	<i>Shares held subject to the irrevocable undertakings in respect of the Resolutions</i>	<i>% of total votes to be cast at the Meetings</i>	<i>Election for Part Share Alternative</i>	<i>Election for Cash Offer</i>
North Atlantic Value Fund LLP	6,805,864	29.26	3,500,000	3,305,864
Stefan Link	474,289	2.04	474,289	Nil
Richmond Nominees Limited	400,000	1.72	400,000	Nil
Simon Wharmby	200,000	0.86	200,000	Nil
TOTAL	7,880,153	33.88	4,574,289	3,305,864

## 11. Directors Management and Employees

Save for the Directors, the Company has no employees.

On 31 December 2008, Mario Legorburu and Keith Negal will step down from the Board of the Company as a result of which the Board of Fayrewood will comprise David Kleeman, Sir Tim Chessells and Richard Templeton.

Following the Scheme becoming effective, Simon Wharmby, Sir Tim Chessells and Richard Templeton will join David Kleeman on the Board of Letchworth. The Letchworth Director and the subsequently appointed directors will draw no salary from Letchworth.

Simon Wharmby has been an institutional and corporate stockbroker for some 35 years with Sheppards, Charles Stanley and Corporate Synergy and currently at Strand Partners. He co-authored a North Sea Oil & Energy review for some 20 years prior to concentration on a broader range of new AIM issues. He is a member of the Securities Institute and a former LSE member.

Save as disclosed in this announcement, the effect of the Scheme on the interests of the Fayrewood Directors will not differ from its effect on the interests of any other Fayrewood Shareholder.

## 12. Structure of the Transaction

### (a) *Introduction*

The Transaction will be effected by means of a scheme of arrangement between Fayrewood and the Scheme Shareholders under Part 26 of the 2006 Act involving a reduction of capital and cancellations of share premium account and capital redemption reserve under section 135 of the 1985 Act. The terms of the Scheme are set out in full in the Scheme Document. The purpose of the Scheme is to provide for Letchworth to become the owner of the entire issued and to be issued share capital of Fayrewood. This is to be achieved by the cancellation of the Scheme Shares held by Scheme Shareholders and the application of the reserve arising from such cancellation in paying up in full the number of New Fayrewood Shares which have an aggregate nominal value equal to the aggregate nominal value of the Scheme Shares cancelled, and issuing the same to Letchworth. Holders of Scheme Shares will then receive cash on the basis set out in paragraph 2 above or cash and Letchworth Ordinary Shares on the basis set out in paragraph 3 above.

The Cash Offer and the cash element of the Part Share Alternative will be financed out of the cash currently held by Fayrewood. As part of the Scheme, the Company will undertake a capital reduction under section 135 of the 1985 Act, pursuant to which Fayrewood's share premium account, capital redemption reserve and part of its issued share capital will be cancelled (the "Capital Reduction") for the purposes of creating additional distributable reserves to enable Fayrewood to declare and pay upon the Scheme becoming effective a dividend to Letchworth equal to the amount of cash required to satisfy the cash consideration payable to Scheme Shareholders under the Scheme.

For the Scheme (including the Capital Reduction) to become effective, a Special Resolution implementing the Scheme must be passed by Fayrewood Shareholders at the General Meeting and the Scheme must be approved by a majority in number of those Scheme Shareholders present and voting either in person or by proxy at the Court Meeting representing 75 per cent. or more in value of all Scheme Shares held by such Scheme Shareholders.

The Scheme also requires the sanction of the Court, as well as satisfaction or waiver of the other Conditions set out in Appendix II of this announcement. The Scheme will become effective in accordance with its terms on delivery of an office copy of the Court Order to the Registrar of Companies. The Reductions of Capital involved in the Scheme requires the approval of the Special Resolution at the General Meeting and the subsequent confirmation of the Court. The Reductions of Capital will take effect on the registration of the Court Order by the Registrar of Companies. Upon the Scheme becoming effective, it will be binding on all Fayrewood Shareholders, irrespective of whether or not, being entitled to do so, they attended or voted at the Court Meeting or the General Meeting.

If the Scheme becomes effective, New Fayrewood Shares will be issued to Letchworth fully paid and free from all liens, equitable interests, charges, encumbrances and other third party rights of any nature whatsoever and together with all rights attaching to them, including the right to receive and retain all dividends and distributions (if any) declared, made or payable after the Effective Date. Fayrewood will not declare, make or pay any dividends or distributions prior to the Effective Date.

On the Effective Date, share certificates in respect of Fayrewood Shares will cease to be valid and should be destroyed. In addition, on the Effective Date, entitlements to Fayrewood Shares held within the CREST system will be cancelled.

*(b) The Meetings*

Before the Court's approval can be sought to sanction the Scheme, the Scheme will require approval by the holders of Scheme Shares at the Court Meeting and the passing of the Special Resolution by Fayrewood Shareholders at the General Meeting to approve the Reductions of Capital and other related issues.

*The Court Meeting*

The Court Meeting, which has been convened for 10.00 a.m. on 5 January 2009, is being held at the direction of the Court to seek the approval of Scheme Shareholders for the Scheme (with or without modification).

At the Court Meeting, voting will be by way of a poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of those Scheme Shareholders present and voting, either in person or by proxy, representing 75 per cent. or more in value of all Scheme Shares held by such Scheme Shareholders.

*The General Meeting*

The General Meeting has been convened for 10.15 a.m. on 5 January 2009 (or as soon thereafter as the Court Meeting has been concluded or adjourned), to consider and, if thought fit, pass a special resolution (which requires votes in favour representing at least 75 per cent. of the votes cast) to approve:

- (A) the giving of authority to the Directors to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (B) the cancellation of the share premium account of the Company, the capital redemption reserve of the Company and £1,104,713.01 paid up on the ordinary share capital of the Company;
- (C) the reclassification of the Company's share capital into X Shares and Y Shares;
- (D) the reduction of the Company's share capital equal to the nominal value of the Scheme Shares which are to be cancelled pursuant to the Scheme and the subsequent issue of New Fayrewood Shares to Letchworth (or their nominee(s)) in accordance with the Scheme;
- (E) the giving of authority to the Directors pursuant to section 80 of the 1985 Act to allot securities in the Company; and
- (F) the declaration and payment of a dividend to the holder of the New Fayrewood Shares.

*(c) The Capital Reduction*

For the purposes of creating additional distributable reserves to enable Fayrewood to declare and pay upon the Scheme becoming effective a dividend to Letchworth equal to the amount of cash required to satisfy the cash consideration payable to Scheme Shareholders under the Scheme, the Scheme includes the Capital Reduction. Pursuant to the Capital Reduction, the Company's share premium account, capital redemption reserve and part of its issued share capital will be cancelled.

In order to obtain the Court's confirmation of the Capital Reduction, the Company will need to demonstrate to the satisfaction of the Court that none of its creditors (other than those who have consented to it) will be prejudiced by the Capital Reduction.

For these purposes, potential liabilities in connection with warranties and indemnities given in the SPAs must be considered. There are set out at paragraph 4 of this announcement details of possible claims against the Company under the SPAs. In order to demonstrate to the Court that such potential creditors will not be prejudiced, the Company proposes to undertake to the Court to retain and not distribute the sum of approximately £2.91 million, based on the Exchange Rate, which is the sum the Independent Directors consider to be a prudent amount to be retained in connection with such potential liabilities, until the earlier of the date upon which the Company can terminate all its obligations in accordance with their terms and the dates on which the Company's potential liabilities under each SPA expire.

*(d) Share Capital Reorganisation*

The Scheme will include a reorganisation of the share capital of Fayrewood whereby, in accordance with the terms of the Scheme, each Fayrewood Share will be reclassified as either an X Share or a Y Share as detailed in Scheme Document.

As a result of the share capital reorganisation the X Shares will carry the right to receive Cash Consideration under the Cash Offer and the Y Shares will carry the right to receive the Reduced Cash Consideration and Letchworth Ordinary Shares under the Part Share Alternative.

Following the reclassification of the Scheme Shares, and upon the reduction of capital, the X Shares and the Y Shares will be cancelled. Fayrewood Shareholders will then be entitled to receive Cash Consideration under the Cash Offer and/or Reduced Cash Consideration and Letchworth Ordinary Shares in accordance with their holdings of respectively, X Shares and Y Shares immediately prior to such cancellation. No temporary documents of title will be issued in respect of the X Shares or the Y Shares.

*(e) Conditions to the Transaction*

The Conditions to the Transaction are set out in full in Appendix 1 of this announcement. In summary, the implementation of the Transaction is conditional upon:

- (i) the Scheme becoming effective by not later than 31 March 2009 or such later date as may be agreed in writing by Fayrewood and Letchworth (and, if appropriate, as the Court may approve) failing which the Scheme will lapse;
- (ii) approval of the Scheme by a majority in number of the Scheme Shareholders representing 75 per cent. or more in value of the Scheme Shares entitled to be present and voting, either in person or by proxy, at the Court Meeting, or at any adjournment thereof;
- (iii) the Special Resolution being duly passed by the requisite majority at the General Meeting or at any adjournment thereof; and
- (iv) the sanction of the Scheme with or without modification, on terms acceptable to Fayrewood and Letchworth, and the subsequent confirmation of the Reductions of Capital therein and the delivery of an office copy of the Court Order and the minute of

such reductions attached thereto and being delivered for registration to the Registrar of Companies by Fayrewood and being registered by the Registrar of Companies.

The Transaction is also conditional upon the other Conditions set out in Appendix I of this announcement, which are not otherwise summarised in paragraphs (i) to (iv), being satisfied or waived.

*(f) Sanction of the Scheme by the Court*

Under the Companies Acts, the Scheme requires the sanction of the Court and the Reductions of Capital require the confirmation of the Court. The Court Hearing is expected to be held on 10 February 2009. Letchworth has confirmed that it will be represented by counsel at the Court Hearing so as to consent to the Scheme and to undertake to the Court to be bound thereby.

The Scheme will become effective in accordance with its terms on delivery of an office copy of the Court Order to the Registrar of Companies and the registration by him of the Court Order.

If the Scheme becomes effective, it will be binding on all Fayrewood Shareholders irrespective of whether or not, being entitled to do so, they attended or voted in favour of the Scheme at the Court Meeting or in favour of the Special Resolution at the General Meeting. If the Scheme does not become effective by 31 March 2009 (or such later date (if any) as Letchworth and Fayrewood may agree and, if appropriate, the Court may approve) the Scheme will not become effective and the Scheme will not proceed.

13. Financing of the Transaction

The Cash Offer and the cash element of the Part Share Alternative will be financed out of the cash currently held by Fayrewood.

As part of the proposed Scheme, the Company will undertake the Capital Reduction, pursuant to which Fayrewood's share premium account, capital redemption reserve and part of its issued share capital will be cancelled for the purposes of creating additional distributable reserves to enable Fayrewood to declare and pay upon the Scheme becoming effective a dividend to Letchworth equal to the amount of cash required to satisfy the cash consideration payable to Scheme Shareholders under the Scheme.

The Scheme includes the declaration of a dividend in the sum of up to £26.86 million payable to Letchworth upon the Scheme becoming effective.

Taking into account the above, KBC Peel Hunt is therefore satisfied that the necessary financial resources are available to Letchworth to enable it to satisfy the cash amounts to be paid to Shareholders on Completion under the Cash Offer and Part Share Alternative of the Transaction.

14. Suspension and Cancellation of Admission to Trading of Fayrewood Shares

Application will be made to the London Stock Exchange for Fayrewood Shares to be suspended from trading on AIM with effect from 7.00 a.m. on the date of the Court Hearing. If the Scheme becomes effective based on the expected timetable set out in the Scheme Document, the last day of dealings in Fayrewood Shares on the London Stock Exchange is expected to be 9 February 2009 (being the dealing day immediately prior to the Court Hearing Date). The cancellation of admission to trading on AIM of the Fayrewood Shares is expected to be effective from 7.00 a.m. on 12 February 2009.

It is expected that, after cancellation of admission to trading on AIM of the Fayrewood Shares, Fayrewood will be re-registered as a private company.

15. Interests in Fayrewood Shares

Save for David Kleeman's holdings of Fayrewood Shares neither Letchworth nor the Letchworth Director nor, so far as the Letchworth Director is aware, any person acting in concert with Letchworth for the purposes of the Transaction, owns or controls or holds any option to purchase, or has any arrangement in relation to Fayrewood Shares or securities convertible or exchangeable into Fayrewood Shares or options (including traded options) in respect of, or has entered into any derivative referenced to, any such shares. For these purposes, "arrangement" includes any indemnity or option arrangement, any agreement or understanding, formal or informal, of whatever nature, relating to Fayrewood Shares which may be an inducement to deal or refrain from dealing in such shares.

## 16. Implementation Agreement

On 9 December 2008 Letchworth and Fayrewood entered into the Implementation Agreement, which sets out the arrangements for the implementation of the Scheme and governs the relationship of the parties in relation to the acquisition of Fayrewood by Letchworth until the Scheme becomes effective.

Amongst other things, the parties have agreed in the Implementation Agreement:

- (a) to procure that their respective Boards will use all reasonable endeavours to implement the Scheme and the other matters to be considered at the Court Meeting and the General Meeting;
- (b) to have due regard to, and to take due account of, all reasonable requests from the other in relation to such matters;
- (c) that the parties will cooperate with a view to obtaining and complying with all statutory or regulatory approvals, consents and/or waivers and any regulatory clearances or approvals necessary or desirable in connection with the Scheme; and
- (d) that neither party will make any announcement without the prior written consent of the other (save as required by law or regulatory body).

Implementation of the Scheme is subject to the Conditions being satisfied prior to 31 March 2009. Pending satisfaction of the Conditions, Fayrewood has agreed (among other things):

- (a) to carry on business in the same manner as prior to the date of the Implementation Agreement; and
- (b) not to pay any dividend, not to alter the authorised or issued share capital or (save as contemplated by the Scheme) amend the memorandum and articles of association of Fayrewood or any member of the Fayrewood Group.

The Implementation Agreement provides that Fayrewood will be entitled to withdraw from the Scheme in the event of a higher competing offer being made. The Implementation Agreement will terminate with immediate effect if any required Shareholder approval is not obtained, the Conditions become incapable of being satisfied or are not satisfied or waived, the Scheme has not become effective by 31 March 2009 or if the Scheme lapses or is withdrawn.

## 17. Inducement Fee

Fayrewood has agreed to pay to Letchworth an inducement fee, equal to the amount of all professional costs and expenses properly incurred by Letchworth in connection with the Transaction subject to a maximum amount of £50,000 (inclusive of any VAT which is not recoverable by the Company), if the Scheme does not become unconditional and effective.

The inducement fee shall not be payable if Letchworth withdraws the Transaction in writing (other than as a result of (i) the Independent Directors withdrawing their recommendation of the Transaction; or (ii) a competing offer being announced after the date of this announcement and becoming unconditional; or (iii) the Board failing to take all necessary steps to implement the Scheme).

#### 18. Overseas Shareholders

The availability of the Transaction and the Scheme to persons resident in, or citizens of, jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements. It is the responsibility of each of the Overseas Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental exchange control or other consents which may be required or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This announcement has been prepared for the purposes of complying with English law and the City Code and the information disclosed may be different from that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England.

The availability of the Part Share Alternative to persons who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements. Any failure to comply with such applicable requirements may constitute a violation of the securities laws of any such jurisdictions. Under the terms of the Scheme, Letchworth has the right to deem a Scheme Shareholder not to have made an election under the Part Share Alternative in respect of such Scheme Shares as the Scheme Shareholder has purported to make such an election where Letchworth believes that the receipt of Letchworth Ordinary Shares by that Scheme Shareholder may infringe applicable legal or regulatory requirements or require Fayrewood or Letchworth to comply with any regulatory or other obligations which they consider to be unduly onerous or with which they are unable to comply.

Letchworth Ordinary Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state in the United States and may not be offered or sold directly or indirectly in or into the United States unless registered under the US Securities Act or issued pursuant to an exemption therefrom. Accordingly, notwithstanding the Part Share Alternative, all Fayrewood Shareholders who are US Persons shall receive cash, and there shall be no issue of Letchworth Ordinary Shares to such Shareholders. Any US Holder who elects for the Part Share Alternative will be deemed not to have so elected and shall be paid the cash consideration to which he is entitled under the Cash Offer in respect of his Fayrewood Shares.

#### 19. General

The Scheme Document and proxy forms for the Meetings, will be sent to Fayrewood Shareholders in due course.

Enquiries:

Letchworth Investments

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Fayrewood

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The Transaction will be subject to the conditions set out in Appendix I to this announcement and the full conditions and further terms which will be set out in the Scheme Document expected to be issued in due course.

Appendix II contains the Guidance Letter from KBC Peel Hunt

Appendix III contains the sources and bases of information used in this announcement.

Appendix IV contains the definitions of certain expressions used in this announcement.

KBC Peel Hunt, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for Fayrewood and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Fayrewood for providing the protections afforded to clients of KBC Peel Hunt nor for providing advice in relation to the matters described in this announcement.

Further Information on the Transaction

The availability of the offer in connection with the Transaction to Fayrewood Shareholders who are not resident in the United Kingdom may be affected by the laws of relevant jurisdictions. Fayrewood Shareholders who are not resident in the United Kingdom will need to inform themselves about and observe any applicable requirements.

The Transaction will be subject to the applicable rules and regulations of the London Stock Exchange plc and the City Code.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy securities, or the solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

City Code

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of Letchworth or of Fayrewood, all "dealings" in any "relevant securities" of that company (including by means of an

option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant transaction. This requirement will continue until the date on which the Scheme becomes effective, the Transaction lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Letchworth or Fayrewood, they will be deemed to be a single person for the purpose of Rule 8.3. Under the provisions of Rule 8.1 of the City Code, all "dealings" in "relevant securities" of Letchworth or of Fayrewood by Letchworth or Fayrewood, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the Business Day following the date of the relevant transaction. A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk). "Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities. Terms in quotation marks are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

#### Forward Looking Statements

Certain statements in this announcement regarding the proposed transaction between Letchworth and Fayrewood, the expected timetable for completing the transaction, future financial and operating results, benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding Fayrewood's or Letchworth's future expectations, beliefs, goals or prospects constitute forward-looking statements. When used in this announcement, the words "believe", "anticipate", "should", "intend", "plan", "will", "expects", "estimates", "projects", "positioned", "strategy", and similar expressions or statements that are not historical facts, in each case as they relate to Letchworth and Fayrewood, the board of directors of either such company or the proposed transaction, are intended to identify those expressions or statements as forward-looking statements. By their nature, forward looking statements involve risk and uncertainty and the factors described in the context of such forward looking statements in this announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward looking statements.

## Appendix I

### Conditions and Further Terms of the Transaction

1. The Transaction will be conditional upon the Scheme becoming unconditional and effective, subject to the City Code, by not later than 31 March 2009 or such later date as Letchworth, Fayrewood and (if required) the Court may agree in writing.

Subject to the requirements of the Panel, implementation of the Scheme will be conditional upon the following matters and accordingly the necessary action to make the Scheme effective will not be taken unless the following conditions are satisfied or waived by Letchworth at or prior to the Court Hearing Date:

- (a) approval by a majority in number of the Independent Scheme Shareholders representing three fourths or more in value of the Independent Scheme Shares, present and voting, either in person or by proxy, at the Court Meeting or at any adjournment of that meeting;
  - (b) the resolution required to implement the Scheme and other matters set out in the notice of General Meeting, being passed at the General Meeting or at any adjournment of that meeting; and
  - (c) the sanction of the Scheme with or without modification, on terms acceptable to Fayrewood and Letchworth and the confirmation of the Reductions of Capital by the Court, and the delivery of an office copy of the Court Order to the Registrar of Companies by Fayrewood and such order and the minute of reduction approved by the Court attached to it being registered by the Registrar of Companies.
2. Fayrewood and Letchworth have agreed that, subject as stated in paragraph 4 below, the Transaction is also conditional upon the following matters in this paragraph 2 and, accordingly, the necessary action to make the Scheme effective will not be taken unless the following conditions are satisfied or waived, as referred to below at or prior to the Scheme being sanctioned by the Court and the Scheme becoming effective (and in this paragraph 2 references to any matter or thing material and adverse (or any similar such phrase) shall be material if it (i) is of such an amount that the Directors believe that such amount when aggregated with the Claims described in paragraph 4 of this announcement renders the amount of the Non-distributable Assets insufficient for the purposes of ensuring that creditors are not prejudiced by the Capital Reduction and as a result the ability of Fayrewood to declare and pay to Letchworth a dividend sufficient to allow Letchworth to satisfy the cash consideration payable under the Scheme is impaired, or (b) impairs in any way the ability of the Company to distribute sufficient funds to Letchworth to enable Letchworth to satisfy the cash payable under the Scheme):
    - (a) save as disclosed in the announcement of its interim results for the six months ended 30 June 2008 or Fayrewood's report and accounts for the year ended 31 December 2007, or as publicly announced by Fayrewood by the delivery of an announcement to a Regulatory Information Service prior to 10 December 2008, or as fairly disclosed in writing by Fayrewood to Letchworth prior to 10 December 2008, or as known or ought reasonably to be known to David Kleeman at or prior to 10 December 2008, or otherwise which occurs as a result of a matter or act of any member of the Fayrewood Group which occurs with the acquiescence of David Kleeman (such public announcements, disclosures, information or acts or matters being referred to in these terms and conditions as being "**revealed**"), there being no provision of any agreement, authorisation, arrangement, franchise, consent, lease, licence, permit or other instrument to which any member of the Fayrewood Group is a party or by or to which any such member or any of its assets is or may be

bound, entitled or subject, which as a result of the Transaction or because of a change in the control or management of any member of the Fayrewood Group or otherwise, is or is reasonably likely to result (in any case to an extent which is materially adverse in the context of the Fayrewood Group taken as a whole) in:

- (i) any indebtedness, actual or contingent, of any such member being or becoming repayable or capable of being declared repayable immediately or earlier than its stated maturity date;
  - (ii) any such agreement, authorisation, arrangement, franchise, consent, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being or becoming capable of being terminated or adversely modified or affected or any onerous obligation arising or any materially adverse action being taken or arising or any obligation or liability arising thereunder;
  - (iii) the rights, liabilities, obligations or interests of any such member in or with any other person, firm, company or body (or any arrangements or agreements relating to such rights, liabilities, obligations, interests or business) being terminated, modified or adversely affected;
  - (iv) any material assets or interests of, or any asset the use of which is enjoyed by, any such member being or falling to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any such member otherwise than in the ordinary course of business;
  - (v) the creation of any mortgage, charge or other security interest over the whole or any part of the property or assets of any such member or any such mortgage, charge or security (whenever created, arising or having arisen) becoming enforceable or being enforced;
  - (vi) the value or the financial position of any member of the Fayrewood Group being materially prejudiced or adversely affected;
  - (vii) any liability of any member of the Fayrewood Group to make any severance, termination, bonus or other payment of any of its officers or other senior executives; or
  - (viii) any such member ceasing to be able to carry on business under any name under which it presently does, and no event having occurred which, under any provision of any such agreement, authorisation, arrangement, franchise, consent, lease, licence, permit or other instrument to which any member of the Fayrewood Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject, might reasonably be expected to result in any of the events referred to in this condition (a) to an extent which is material in the context of the Fayrewood Group taken as a whole;
- (b) no government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative or investigative body or authority (including, without limitation, any national anti-trust or merger control authority), court, trade agency, professional body, association, institution or any other body or person whatsoever in any jurisdiction (each a **“Third Party”** and all collectively **“Third Parties”**) having instituted, implemented or threatened (in writing and addressed to a member of the Fayrewood Group), or having decided to institute, implement or threaten (in writing and addressed to a member of the Fayrewood Group), any action, proceeding, suit, investigation, enquiry or reference or having made, proposed or

enacted any statute, regulation, order or decision or taken any steps which is reasonably likely to, as the case may be:

- (i) make the Transaction or its implementation or the change of control of Fayrewood void, illegal and/or unenforceable under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, challenge, frustrate, delay or interfere with the same, or impose additional material conditions or obligations with respect thereto, or otherwise require material amendment to the terms of the Transaction (including, without limitation, taking any steps which would result in Letchworth being required to dispose of all or some of its Fayrewood Shares or restrict the ability of Letchworth to exercise voting rights in respect of some or all of such Fayrewood Shares);
- (ii) require the divestiture by Letchworth or by any member of the Fayrewood Group of all or any material portion of their respective assets or properties or impose any limitation on the ability of any of them to own any of their respective assets or property (or any part thereof) to an extent which is material to Letchworth or in the context of the Fayrewood Group taken as a whole, respectively;
- (iii) impose any limitation on, or result in a delay in, the ability of Letchworth or any member of the Fayrewood Group directly or indirectly to acquire or hold or exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities (or the equivalent) in any member of the Fayrewood Group or to exercise management control over any such member;
- (iv) otherwise adversely affect any or all of the assets, profits, financial position or prospects of any member of the Fayrewood Group to an extent which is material in the context of the Fayrewood Group taken as a whole;
- (v) save pursuant to the Transaction, require Letchworth or any member of the Fayrewood Group to offer to acquire any shares or other securities (or the equivalent) in any member of the Fayrewood Group owned by any Third Party;

and all applicable waiting and other time periods during which any such Third Party could decide to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference under the laws of any relevant jurisdiction or enact any such statute, regulation, order or decision or take any steps having expired, lapsed or been terminated;

- (c) all material authorisations, orders, recognitions, grants, determinations, consents, licences, confirmations, clearances, certificates, permissions and approvals (each an “**Authorisation**”) which are necessary or considered appropriate by Letchworth (Letchworth acting reasonably in considering whether any such Authorisation is appropriate) in any relevant jurisdiction for or in respect of the Transaction (including, without limitation, its implementation) having been obtained, in terms and in a form reasonably satisfactory to Letchworth for all appropriate Third Parties or from any persons or bodies with whom any member of the Fayrewood Group has entered into contractual arrangements, in each case where the absence of such Authorisation from such a person might have a material adverse effect on the Fayrewood Group taken as a whole and all such Authorisations remaining in full force and effect and there being no notice or intimation of any intention to revoke, withdraw, withhold, suspend, restrict, modify, amend or not to renew any of the same in any case to an extent which is materially adverse in the context of the Fayrewood Group taken as a whole;

- (d) save as revealed, no member of the Fayrewood Group having since 1 October 2008:
- (i) (save as between Fayrewood and wholly-owned subsidiaries of Fayrewood, or for options granted, or on the exercise of rights to subscribe for Fayrewood Shares pursuant to the exercise of options granted or the exercise of rights under the Fayrewood Share Option Schemes on or prior to the date hereof or for the issue of any Fayrewood Shares pursuant to the Scheme), issued, agreed to issue, authorised or proposed the issue or grant of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities or redeemed, purchased or reduced or announced any proposal to redeem, purchase or reduce any part of its share capital;
  - (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise other than to Fayrewood or wholly-owned subsidiaries of Fayrewood;
  - (iii) (save for transactions between Fayrewood and wholly-owned subsidiaries of Fayrewood) merged with or demerged any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any rights, title or interest in any asset (including shares and trade investments), or authorised or proposed or announced any intention to propose any merger, demerger, acquisition, disposal, transfer, mortgage, charge or the creation of any security interest over the same (other than in the ordinary course of business);
  - (iv) (save as between Fayrewood and wholly-owned subsidiaries of Fayrewood) made, authorised or proposed, or announced an intention to propose, any change in its share or loan capital including the purchase or redemption of any of its own shares;
  - (v) issued, authorised or proposed the issue of or made any change in or to any debentures or incurred or increased any indebtedness or become subject to a liability (actual or contingent) which in any case is outside the ordinary course of business and material in the context of the Fayrewood Group taken as a whole;
  - (vi) save in connection with the Transaction, entered into, implemented, effected, varied, authorised or proposed or announced its intention to enter into or vary any contract, reconstruction, amalgamation, scheme, commitment, merger, demerger or other similar transaction or arrangement, in each case otherwise than in the ordinary course of business, which in any case is material in the context of the Fayrewood Group taken as a whole;
  - (vii) terminated or varied the terms of any agreement or arrangement between any member of the Fayrewood Group and any other person in a manner which is reasonably likely to have a material adverse effect on the financial position of the Fayrewood Group taken as a whole;
  - (viii) proposed, agreed to provide or modified the terms of any share option scheme;
  - (ix) entered into or changed the terms of any contract, agreement or arrangement with any director or senior executives of any member of the Fayrewood Group which is material in the context of the whole of the Fayrewood Group taken as a whole;
  - (x) taken or proposed any corporate action or had any legal proceedings instituted or threatened against it in writing or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, trustee, administrator, administrative receiver or similar officer of all or any material part of its assets and revenues or any analogous or equivalent steps or

proceedings in or under the laws of any jurisdiction having occurred or there having been appointed any analogous person in any jurisdiction which in any case is material in the context of the Fayrewood Group taken as a whole;

- (xi) been unable, or admitted in writing that it is unable, to pay its debts generally or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business in any case which is or would be material in the context of the Fayrewood Group taken as a whole;
  - (xii) made any material alteration to its memorandum or articles of association or other incorporation documents (other than pursuant to the Scheme); made or agreed or consented to any significant change to the terms of the trust deeds constituting pension schemes established for its directors and/or employees or their dependents or to the benefits which accrue or to the pensions which are payable thereunder or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a corporation which would be material in the context of the Fayrewood Group taken as a whole;
  - (xiii) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) to enter into any agreement, commitment or arrangement or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this condition (d);
- (e) save as revealed:
- (i) no adverse change or deterioration having occurred in the assets, financial position or profits or prospects of any member of the Fayrewood Group which is material in the context of the Fayrewood Group taken as a whole;
  - (ii) no claim being made, and no circumstance having arisen which is likely to lead to a claim being made, under the insurance of any member of the Fayrewood Group which is or might have a material adverse effect on the taken as a whole;
  - (iii) no claim having been made or threatened and no litigation, arbitration proceedings, prosecution or other legal or regulatory proceedings or investigation having been instituted, announced, implemented or threatened in writing by or against or remaining outstanding against any member of the Fayrewood Group or to which any member of the Fayrewood Group is or is likely to become a party (whether as plaintiff, defendant or otherwise) which has or might have a material adverse effect on the Fayrewood Group taken as a whole;
  - (iv) no contingent or other liability of any member of the Fayrewood Group having arisen or become apparent or increased which in any such case is or might reasonably be expected materially or adversely to affect any member of the Fayrewood Group which in any such case is or might be material and adverse in the context of the Fayrewood Group taken as a whole;
  - (v) (other than as a result of the Transaction) no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened in writing, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the Fayrewood Group which in any such case is or might be material and

adverse in the context of the Fayrewood Group taken as a whole;

- (f) except as revealed or fairly disclosed in writing by Fayrewood to Letchworth in each case prior to the date of the Announcement and to the extent material in any case in the context of the Fayrewood Group taken as a whole:
- (i) any past or present member of the Fayrewood Group has not received any notice from a Third Party to the effect that it has not complied with all applicable legislation or regulations of any applicable jurisdiction, all obligations in permits with regard to, and all contractual provisions relating to, the protection of the environment including relating to the storage, carriage, disposal, discharge, spillage or leak of waste or disposal or emission of any hazardous substance or any substance likely to impair the environment or harm human health which non-compliance would be likely to give rise to any material liability or cost (whether actual or contingent) on the part of any member of the Fayrewood Group or Letchworth;
  - (ii) any past or present member of the Fayrewood Group has not received any notice from a Third Party that there is or is likely to be any obligation or liability (whether actual or contingent) to make good, repair, reinstate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Fayrewood Group under any environmental legislation, regulation, notice or circular or under any Third Party in any jurisdiction and which is material in the context of the Fayrewood Group taken as a whole.

3. Fayrewood and Letchworth have agreed that, subject as stated in paragraph 4 below, the Transaction is also conditional upon the Conditions in paragraph 2 above being satisfied at or waived prior to the time the office copy of the Court Order is delivered to the Registrar of Companies and, accordingly, the office copy of the Court Order will not be delivered to the Registrar of Companies and the Scheme will not become effective unless such Conditions are satisfied or waived at such time.

#### 4. Other terms of the Transaction

Subject to the requirements of the Panel, Letchworth reserves the right to waive, in whole or in part, all or any of the above conditions except condition 1.

Subject to the requirements of the Panel, the Transaction will lapse and the Scheme will not become effective unless the conditions set out above are fulfilled or satisfied or (if capable of waiver) waived by Letchworth or, where appropriate, have been determined by Letchworth in its reasonable opinion to be or to remain satisfied by the Court Hearing Date or such date as Fayrewood and Letchworth may agree and the Court may approve.

Each of conditions 2 (a) to (f) shall be regarded as a separate condition and shall not be limited by reference to any other condition.

If Letchworth is required by the Panel to make an offer for Fayrewood Shares under the provisions of Rule 9 of the Code, Letchworth may make such alterations to the conditions as are necessary to comply with the provisions of that Rule, including (without limitation) an acceptance condition of more than 50 per cent. of the Fayrewood Shares to which the Takeover Offer relates.

The Transaction and the Scheme will be governed by English law. The City Code applies to the Transaction.

## Appendix II

### Guidance Letter

The Director  
Letchworth Investments Limited  
5th Floor Carmelite  
50 Victoria Embankment  
London  
EC4Y 0LS

9 December 2008

#### **Recommended offer by Letchworth Investments Ltd for Fayrewood plc**

Dear Sir,

You have requested our opinion as to our best estimate of the value of a Letchworth Ordinary Share (the "Best Estimate") in connection with the Transaction.

Capitalised terms used in this letter will, unless otherwise stated, have the same meaning given to them in the announcement to be made by Fayrewood on 10 December 2008 in relation to the Scheme ("the Announcement").

Under the terms of the Transaction:

- (a) the Cash Offer will be made on the basis that Fayrewood Shareholders will receive 126 pence in cash for each Fayrewood Share held by them, which values the entire issued share capital of Fayrewood at £29.30 million; and
- (b) Fayrewood Shareholders will be entitled to elect, in respect of some or all of their Fayrewood Shares, to receive 98 pence in cash and one Letchworth Ordinary Share for each Fayrewood Share instead of the cash to which they would otherwise be entitled under the Cash Offer.

Our Best Estimate is dependent, inter alia, upon the take up of the Part Share Alternative by Fayrewood Shareholders. In determining our Best Estimate, we have assumed that all Fayrewood Shareholders will opt for the Cash Offer other than those who have irrevocably undertaken to elect for the Part Share Alternative as set out above representing approximately 37.48 per cent. of the total issued share capital of the Company.

Our Best Estimate as at 9 December 2008, is also based upon the estimated net present value of the expected Remaining Assets available for distribution on the Subsequent Distribution Dates. In determining these amounts, KBC Peel Hunt has made a number of assumptions including (but not limited to):

- the likely liabilities arising from the Known Claims. The Boards of Letchworth and Fayrewood have confirmed that all Claims will be vigorously defended where they consider it appropriate and in the best interests of Letchworth Ordinary Shareholders, to maximise their return;
- liabilities arising from Unknown Claims which are made following the date of this letter;
- legal and other costs relating to responding to, handling, contesting and settling any claims;

- the expected financial position of the Group on the Effective Date and thereafter including income from, and operating and other costs of, the Group until the Subsequent Distribution Dates;
- the Subsequent Distribution Dates;
- the valuation techniques used to determine the net present value of the Remaining Assets. In assessing this present value, KBC Peel Hunt has used a discounted cash flow model. The discount rate, which reflects the time value of money and risks associated with the distribution of the Remaining Assets, applied to such model has a significant effect on the present value of the Remaining Assets;
- the Euro/Sterling exchange rate which relate to liabilities payable in respect of the UMD, BV and BM Warranties;
- no account has been taken of the dealing costs a holder of Letchworth Ordinary Shares might incur and it has been assumed that there is no dealing spread (the difference between a buying and selling price quoted by a market maker); and
- we have not taken account of the effects of any taxation exemptions, allowances or relief's available for the purposes of income, capital gains, inheritance or any other applicable tax, duty or levy.

In arriving at our Best Estimate, we have, among other things:

- (i) reviewed certain publicly available financial statements and financial information relating to Fayrewood;
- (ii) reviewed certain information provided by the Independent Directors relating to the strength of Known Claims and the likelihood of Unknown Claims arising, including correspondence, notices and other documentation relating to the management of claims in relation to the SPAs;
- (iii) discussed and reviewed certain financial projections provided by the Independent Directors and other Fayrewood employees concerning the anticipated financial position, prospects and cash flows of the Group;
- (iv) held discussions with David Kleeman, the Independent Directors of Fayrewood and Fayrewood consultants regarding the likely outcome and risks associated with each of the Known Claims;
- (v) held discussions with David Kleeman about the ongoing costs associated with the running and operation of Letchworth; and
- (vi) considered any other appropriate information.

The Best Estimate does not represent the actual value of a Letchworth Ordinary Share and a number of assumptions have been made in producing it.

We have relied on, and assumed, without independent verification, the accuracy and completeness of the information reviewed by us for the purposes of this opinion.

It has been assumed that, save for any liabilities associated with the Transaction, Letchworth has no material assets or liabilities. As a result we have not made any independent valuation or appraisal of the business, operational or financial condition, including the assets and liabilities of Letchworth, nor have we sought or been provided with any such valuation or

appraisal. Furthermore, we have commissioned no independent legal investigation of, and we have received no independent legal advice in relation to, the strength of Known Claims, likelihood of Unknown Claims or otherwise. Accordingly, we make no representation or warranty, express or implied, in this regard. The Best Estimate is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at 9 December 2008 (being the date of this letter and the latest practicable date prior to the release of the Announcement).

On the basis of and subject to the foregoing, if a Letchworth Ordinary Share had been in issue as at 9 December 2008 (being the date of this letter and the last practicable business day prior to the publication of the Announcement), our Best Estimate would have been approximately 28 pence.

If the Assumptions prove too optimistic, it is possible that the actual value of a Letchworth Ordinary Share will be less than the Best Estimate and if the liabilities arising from Claims exceed the amount of the Remaining Assets, the value of a Letchworth Ordinary Share would be £Nil. Similarly, if the Assumptions prove too pessimistic the actual value of a Letchworth Ordinary Share may exceed the Best Estimate. The maximum theoretical value of a Letchworth Ordinary Share is approximately 99 pence, calculated by reference to the Remaining Assets divided by the number of Letchworth Ordinary Shares that would be issued based on the Take Up Assumption.

The Best Estimate, as contained in this letter, is not a formal valuation and should not be relied upon as such by any party and KBC Peel Hunt expressly disclaims any liability to any third party with respect to the contents of this letter. KBC Peel Hunt will not be responsible to anyone other than Letchworth for providing the protections afforded to clients of KBC Peel Hunt, in connection with this Guidance Letter.

In providing the Best Estimate, KBC Peel Hunt expresses no opinion or recommendation to any person as to whether or not they should make any election for the Part Share Alternative. However, the Independent Directors, who have been so advised by KBC Peel Hunt, consider the terms of the Transaction to be fair and reasonable. In providing advice to the Independent Directors, KBC Peel Hunt has taken into account their commercial assessments.

Yours faithfully

Oliver Scott

Director of Corporate Finance

For and on behalf of KBC Peel  
Hunt Ltd

## **Appendix III**

### **Bases of Calculation and Sources of Information**

1. The value placed by the cash element of the Transaction on the existing issued share capital, and other statements made by reference to the existing share capital, of Fayrewood are based on 23,257,116 according to Rule 26 disclosure Fayrewood Shares in issue, being the number of shares in issue publicly stated by Fayrewood on 17 October 2008.
2. Unless otherwise stated, the financial information and other information on Fayrewood included in this announcement has been extracted or derived, without material adjustment, from the audited consolidated financial statements or unaudited interim statements, for Fayrewood for the relevant financial periods.
3. Unless otherwise stated, all historic share prices quoted for Fayrewood Shares have been sourced from the Daily Official List and represent closing middle market prices for Fayrewood Shares on the relevant dates.

## Appendix IV

### Definitions

The following definitions apply throughout this announcement unless the context otherwise requires:

<b>1985 Act</b>	means the Companies Act 1985, as amended
<b>2006 Act</b>	means the Companies Act 2006
<b>Assumptions</b>	the assumptions underlying the determination of the Best Estimate as set out in the Guidance Letter
<b>Best Estimate</b>	the best estimate of the value of a Letchworth Ordinary Share as referred to in the Guidance Letter
<b>BM</b>	Banque Magnetique SAS, a wholly owned subsidiary of the Company immediately prior to completion of the BM SPA
<b>BM Purchasers</b>	Gem Logistics Limited and Gem Distribution Limited
<b>BM SPA</b>	the sale and purchase agreements entered into between Fayrewood and the BM Purchasers on 9 November 2007 relating to the sale of BM, a wholly owned subsidiary of Fayrewood
<b>Board or Fayrewood Board</b>	the Directors of Fayrewood as at the date of this announcement
<b>Business Day</b>	a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the City of London
<b>BM SPA</b>	the sale and purchase agreements entered into between Fayrewood and the BM Purchasers on 9 November 2007 relating to the sale of Banque Magnetique SA, a wholly owned subsidiary of Fayrewood
<b>BV SPA</b>	the sale and purchase agreements entered into between Fayrewood and Bft Nederland B.V. on 16 May 2007 relating to the sale of Fayrewood (Overseas Holdings) BV, a wholly

	owned subsidiary of Fayrewood
<b>Capital Reduction</b>	the cancellation of share premium account, cancellation of capital redemption reserve and the reduction of the share capital of the Company under section 135 of the 1985 Act as provided for in paragraph 12 of this announcement
<b>Capita Registrars</b>	a trading name of Capita Registrars Limited
<b>Cash Consideration</b>	the cash consideration due to a Fayrewood Shareholder under the Cash Offer in connection with the cancellation of his Scheme Shares pursuant to the Scheme
<b>Cash Offer</b>	that part of the Transaction that constitutes an offer by Letchworth for Fayrewood Shares which is solely in cash
<b>certificated form or in certificated form</b>	in relation to a share, not in uncertificated form in CREST
<b>City Code</b>	the City Code on Takeovers and Mergers
<b>Claims</b>	claims made against the Group in connection with the Warranties and otherwise
<b>Closing Price</b>	middle market closing price of a Fayrewood Share as derived from the Daily Official List
<b>Companies Acts</b>	together the 1985 Act and the 2006 Act
<b>Completion</b>	completion of the payment of cash consideration due to Fayrewood Shareholders in accordance with the Scheme
<b>Completion Date</b>	the date of Completion
<b>Conditions</b>	the conditions of the Transaction set out in Appendix 1 of this announcement
<b>Court</b>	the High Court of Justice in England and Wales
<b>Court Hearing</b>	the hearing by the Court of the application to confirm the Reductions of Capital and sanction the Scheme and to grant the Court Order

<b>Court Hearing Date</b>	the date of commencement of the Court Hearing
<b>Court Meeting</b>	the meeting of the Scheme Shareholders to be convened by order of the Court pursuant to Part 26 of the 2006 Act to consider and, if thought fit, approve the Scheme including any adjournment hearing
<b>Court Order</b>	the order of the Court confirming the Reductions of Capital under section 137 of the 1985 Act and sanctioning the Scheme under Part 26 of the 2006 Act
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Uncertificated Securities Regulations 2001 (SI2001 No. 3755)
<b>CRESTCo</b>	Euroclear Limited
<b>Daily Official List</b>	the daily official list of the London Stock Exchange
<b>Directors or Fayrewood Directors</b>	the directors of Fayrewood and Director means any of them
<b>Disposals</b>	the sale of the various subsidiary companies of the Company pursuant to the SPAs
<b>Effective Date</b>	the day on which the Scheme becomes effective in accordance with the terms of the Scheme
<b>Exchange Rate</b>	is £1 = €1.15 (and vice versa)
<b>Financial Services Authority or FSA</b>	the Financial Services Authority of the UK in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of FSMA
<b>Fayrewood or the Company</b>	Fayrewood plc a company incorporated in England and Wales with registered number 03057247
<b>Fayrewood Artides</b>	the articles of association of Fayrewood

	from time to time
<b>Fayrewood Shares</b>	ordinary shares of 5 pence each in the capital of Fayrewood
<b>Fayrewood Shareholders or Shareholders</b>	the holders of Fayrewood Shares
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>General Meeting</b>	the extraordinary general meeting of the Fayrewood Shareholders to be held in connection with the Scheme, notice of which is set out in the Scheme Document
<b>Group or Fayrewood Group</b>	Fayrewood and its subsidiaries, and, following the Effective Date, shall include Letchworth
<b>Guidance Letter</b>	the letter from KBC Peel Hunt to the Letchworth Director set out in Appendix II of this announcement and in the Scheme Document
<b>HMRC</b>	HM Revenue & Customs
<b>IFRS</b>	International Financial Reporting Standards as adopted by the European Union
<b>Implementation Agreement</b>	the implementation agreement made between Fayrewood and Letchworth dated 9 December 2008 relating to, amongst other things, the implementation of the Transaction and the Scheme
<b>Independent Board or Directors</b>	each of Sir Tim Chessells, Richard Templeton, Keith Negal and Mario Legorburu each of whom is a non-executive Director of Fayrewood not having a conflict of interest in relation to the Transaction
<b>Independent Competing Offer</b>	an offer made by or on behalf of a third party for the entire issued ordinary share capital of Fayrewood at a price per Fayrewood Share which exceeds the amount of the Cash Offer by ten per cent. or more
<b>Inducement Fee Agreement</b>	the inducement fee agreement entered into between Fayrewood and Letchworth on 18 November 2008

<b>Initial Distribution Cash Assets</b>	the total gross cash assets of the Company available for distribution by the Company as at 1 December 2008, (being the total gross cash assets of the Company less the Remaining Assets)
<b>ISI</b>	Interface Solutions International Limited, being a wholly owned subsidiary of Fayrewood immediately prior to completion of the ISI SPA
<b>ISI Purchasers</b>	Specialist Computer Holdings Plc and Prime Properties Developments Limited
<b>ISI SPA</b>	the sale and purchase agreement entered into between (1) the Company and (2) the ISI Purchasers on 3 July 2008 for the sale of ISI and SLS;
<b>KBC Peel Hunt</b>	KBC Peel Hunt Ltd
<b>Known Claims</b>	all claims notified to Fayrewood under the SPAs or those that the Directors of Fayrewood anticipate are likely to be made
<b>Letchworth</b>	Letchworth Investments Limited, a company incorporated in England and Wales with registered number 6742553
<b>Letchworth Articles</b>	the articles of association of Letchworth
<b>Letchworth Director</b>	David Kleeman and following the Effective Date any director or directors of Letchworth from time to time
<b>Letchworth Founder Shares</b>	100 Founder shares of £1 each in the share capital of Letchworth
<b>Letchworth Ordinary Shares</b>	ordinary shares of 0.1 pence each in the capital of Letchworth
<b>Letchworth Deferred Shares</b>	deferred shares of £1 each in the share capital of Letchworth ordinary upon the conversion of the Letchworth Founder Shares
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Meetings</b>	the Court Meeting and the General Meeting and Meeting means either of them

<b>New Fayrewood Shares</b>	the new ordinary shares of 5 pence each in the capital of Fayrewood to be issued and credited as fully paid pursuant to the Scheme
<b>Non-distributable Assets</b>	cash assets of the Company which are the subject of retention obligations under the SPAs and to undertakings to the Court in connection with the Capital Reduction
<b>North Atlantic Value</b>	North Atlantic Value LLP
<b>Notice of Court Meeting</b>	means the notice of court meeting set out in the Scheme Document
<b>Notice of General Meeting</b>	the notice of General Meeting set out in the Scheme Document
<b>Offer Period</b>	the date commencing on 4 July 2008 and ending on the Effective Date
<b>Overseas Shareholders</b>	Fayrewood Shareholders whose registered addresses are outside the UK or who are citizens or residents of countries other than the UK
<b>Panel</b>	The Panel on Takeovers and Mergers
<b>Part Share Alternative</b>	the facility provided under the Transaction whereby a Fayrewood Shareholder may elect, in respect of some or all of their Fayrewood Shares, to receive 98 pence in cash per Fayrewood Share plus one Letchworth Ordinary Share, together in lieu of the cash consideration to which he would otherwise be entitled under the terms of the Cash Offer
<b>Pounds or £ or sterling</b>	UK pounds sterling, the lawful currency of the UK
<b>Recognised investment exchange</b>	an investment exchange recognised by the FSA
<b>Reduced Cash Consideration</b>	the cash consideration payable by Letchworth for the cancellation of Scheme Shares where the holder of the Scheme Shares has elected for the Part Share Alternative
<b>Reductions of Capital</b>	the Capital Reduction and the reduction of

	the share capital of Fayrewood associated with the cancellation and extinguishing of the Scheme Shares provided for in clause 3 of the Scheme under section 135 of the 1985 Act
<b>Registrar of Companies</b>	the Registrar of Companies in England and Wales
<b>Regulatory Information Service</b>	any of the services set out in schedule 12 of the Listing Rules
<b>Remaining Assets</b>	the assets to be retained by the Company at Completion being the Non-distributable Assets and the sum to be retained in respect of operating costs as described in paragraph 4 of this announcement
<b>Resolutions</b>	the resolutions to be proposed at the Meetings to give effect to the Scheme
<b>Scheme Document</b>	the document proposed to be despatched by Fayrewood to Fayrewood Shareholders containing the terms and conditions of the Transaction, an explanatory statement in relation to the Scheme and certain information about Fayrewood and Letchworth and containing the Scheme and notices of the Meetings
<b>Scheme or Scheme Arrangement</b>	the scheme of arrangement proposed to be made under Part 26 of the 2006 Act between Fayrewood and the holders of Scheme Shares as set out in the Scheme Document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Fayrewood and Letchworth and incorporating a reduction of capital under section 135 of the 1985 Act
<b>Scheme Shareholders</b>	the holders of Scheme Shares

**Scheme Shares**

means:

(i) the Fayrewood Shares in issue at the date of this announcement;

(ii) any Fayrewood Shares issued after the date of this announcement and before the Voting Record Time; and

(iii) any Fayrewood Shares issued at or after the Voting Record Time but on or before the Scheme record time (expected to be at 6:00pm on 9 February 2009) in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme, save in each case any Fayrewood Share(s) registered in the name of Letchworth

**Share Capital Reclassification**

the reclassification of the Fayrewood Shares into X Shares and Y Shares as provided for in clause 2 of the Scheme

**Special Resolution**

means the special resolution set out in the Notice of General Meeting to be proposed at the General Meeting to approve, amongst other things, the Scheme

**SLS**

Systems Loan Services Limited, being a wholly owned subsidiary of Fayrewood immediately prior to completion of the ISI SPA

**SPAs  
Stock and Debtor Provisions**

the BM, BV, UMD and ISI SPAs has the meaning given in paragraph 4(C) of this announcement

**Subsequent Distribution Dates**

the dates on which Letchworth makes further cash distributions from the Remaining Assets

**Subsidiary and subsidiary undertaking**

have the meanings given by the 2006 Act

**Take Up Assumption**

the assumption made for the purposes of the Estimate of Value that Fayrewood Shareholders will elect for the Part Share Alternative in respect of such number of Fayrewood Shares as shall equal 37.48 per cent. of the total issued share capital of Fayrewood

**Transaction**

the offer to be made by Letchworth to acquire the entire issued ordinary share

	capital of Fayrewood by way of the Cash Offer and the Part Share Alternative
<b>UMD</b>	UMD S.A.U., a wholly owned subsidiary of Fayrewood immediately prior to completion of the UMD SPA
<b>UMD Purchasers</b>	Yedraint, S.L.U. and Esprinet, SpA
<b>UMD SPA</b>	the sale and purchase agreement entered into between Fayrewood (Overseas Holdings) BV and the UMD Purchasers on 17 October 2006 relating to the sale of UMD SAU
<b>Uncertificated or in uncertificated form</b>	in relation to a share, recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>United Kingdom or UK</b>	means the United Kingdom of Great Britain and Northern Ireland
<b>Unknown Claims</b>	claims made against the Group in connection with the SPAs and otherwise which may in the future be made but are currently unknown by Fayrewood
<b>US Exchange Act</b>	persons resident in the United States shall be determined as provided in Rule 12g5-1 of the US Exchange Act, except that securities held on record by a broker, dealer, bank or nominee for any of them for the accounts of customers resident in the United States shall be counted as held in the United States by the number of separate accounts for which the securities are held the United States Securities Exchange Act of 1934, as amended, and rules and regulations thereunder
<b>US Holder</b>	a holder of the applicable security including a US Person who is resident in the United States, where securities held on record by
<b>US Person</b>	a US Person as defined in Rule 902(k) under Regulation S of the US Securities Act, including, but not limited to, any natural person in the United States

**US Securities Act**

the United States Securities Act of 1933, as amended, and rules and regulations thereunder

**Voting Record Time**

6.00 p.m. on the day which is two days before the date of the Court Meeting or, if such Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the day of such adjourned meeting

**Warranty(ies)**

warranties given in the SPAs (and includes, where relevant, any indemnities and, in the case of the ISI SPA, the Stock and Debtor Protection Provisions)