

RNS Number : 7408L  
Fayrewood PLC  
16 January 2009

Fayrewood plc

('Fayrewood' or the 'Company')

Settlement of claim

Not for release, distribution or publication, in or into any jurisdiction where it is unlawful to do so.

Further to the announcements made on 30 December 2008 and 7 January 2009, with respect to claims from the ISI Purchasers totalling £4,564,754, the Company is pleased to report that agreement has been reached for the settlement of all present and (with limited exceptions) future, known and unknown claims arising from ISI SPA for a cash consideration of £2.0 million payable by Fayrewood (the 'Settlement').

The Independent Directors therefore have no reason to believe that the Court will not sanction the Scheme and Capital Reduction as proposed in the Scheme Document dated 12 December 2008.

The Offer

Despite the Settlement, the Offer remains the same as originally made to Shareholders on 10 December 2008 with each shareholder receiving:

for each Scheme Share      126 pence in cash

or

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

## Best Estimate

In the announcement released on 10 December 2008, KBC Peel Hunt provided a best estimate of the value of a Letchworth Ordinary Share ('Best Estimate'). As a result of the Settlement, the Best Estimate has been revised from 28 pence to 26 pence. No other assumptions have been amended in arriving at the revised Best Estimate.

In arriving at the original Best Estimate, KBC Peel Hunt assumed that if any capital set aside by the Company for meeting claims under the ISI SPA remained after 25 July 2009 (being the final date for the ISI purchaser to make any claims against Fayrewood, other than in relation to tax), these funds would be retained by Letchworth to augment its working capital, and to the extent not utilised returned to shareholders on liquidation of Letchworth.

As a result of the Settlement, the theoretical maximum value of a Letchworth Ordinary Share has also reduced from approximately 99 pence to approximately 76 pence. This is calculated by reference to the Remaining Assets, as adjusted to take account of the Settlement, divided by the number of Letchworth Ordinary Shares that would be issued based on the Take Up Assumption.

The revised Best Estimate does not represent the actual value of a Letchworth Ordinary Share and a number of assumptions have been made to calculate it. If the Assumptions prove too optimistic, it is possible that the actual value of a Letchworth Ordinary Share will be less than the revised 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 revised Best Estimate, although it could not exceed 76 pence, being the theoretical maximum value.

Further details of the information reviewed, assumptions relied upon and the methodologies employed in order to arrive at the revised Best Estimate are set out in the Guidance Letter, in Part 8 of the Scheme Document. The Guidance Letter containing the Best Estimate has been provided solely for the use and benefit of the Letchworth Directors. 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 its 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 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.

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

## Change of election

As stated in the announcement dated 7 January 2009, Shareholders for whom valid elections are received on or before 16 January 2009 may amend these, if they wish, by contacting Fayrewood's registrars, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who may be contacted on 0871 664 0321 or, from outside the UK, +44 20 8639 3399 ). Calls to the 087... number cost 10 pence per minute (including VAT) plus your service providers' network extras.

## Irrevocable undertakings to accept the Transaction

Irrevocable undertakings announced on 10 December 2008 in respect of elections for the Part Share Alternative remain unchanged despite the Settlement. Accordingly, Letchworth has undertakings from Fayrewood Shareholders (including all the Independent Directors) to elect for the Part Share Alternative in respect of 8,717,494 Fayrewood Shares, in aggregate, representing approximately 37.48 per cent. of the existing issued share capital of Fayrewood.

## Recommendation

The Independent Directors, who have been so advised by KBC Peel Hunt, still 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. However, as before, the Independent Directors 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. Fayrewood Shareholders are strongly advised to seek their own independent advice and to consider, amongst other things, paragraph 6 headed 'Background to and Reasons for the Recommendation of the Transaction' and the risk factors set out in paragraph 3.3 of Part 2 of the Scheme document, before making any such election.

## The timetable

The timetable remains the same as stated in the document sent to Fayrewood Shareholders:

Latest time for receipt of Form of Election and Electronic Election for the Part Share Alternative (1)	4.00 p.m. on 6 February 2009
Last day of dealings in, and for registration of transfers of, Fayrewood Shares (2)	9 February 2009

Scheme Record Time (2)	6.00 p.m. on 9 February 2009
Dealing in Fayrewood Shares suspended (2)	7.00 a.m. on 10 February 2009
Court Hearing (2)	10 February 2009
Effective Date of the Scheme (2)	11 February 2009
Cancellation of admission to trading on AIM of Fayrewood Shares (2)	12 February 2009
Latest date for dispatch of cheques or settlement through CREST in respect of the cash consideration due under the Scheme and, where applicable, certificates in respect of Letchworth Ordinary Shares (2)	within 14 days from the Effective Date

(1) CREST Shareholders who wish to elect for the Part Share Alternative must do so electronically.

(2) These times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and confirms the associated Reductions of Capital.

Unless otherwise stated, all references in this document to times are to London times.

The dates given are based on current expectations and may be subject to change. If any of the expected dates change, the Company will give adequate notice of the change by issuing an announcement through a Regulatory Information Service.

Unless the context otherwise requires, terms defined in the announcement dated 10 December 2008 have the same meaning in this announcement.

A copy of this announcement will be sent to all Fayrewood Shareholders and will also be made available on the Company's website.

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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 contains 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.

## 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.

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