

Letchworth Investments Limited

Registered No. 6742553

Report and Financial Statements

30 June 2009

Directors

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

Secretary

Dick Lynch, FCA

Auditors

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

Company Bankers

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

Solicitors

Laytons
Carmelite, 50 Victoria Embankment
Blackfriars
London EC4Y 0LS

Registrar

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

Registered Office

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74 Chancery Lane
London WC2A 1AD

Internet Website

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DIRECTORS' REPORT

The directors present their report and financial statements for the period from date of incorporation, 6 November 2008, to 30 June 2009.

The directors' report has been prepared in accordance with the special provisions of part 15 of the Companies Act 2006 relating to the directors report for small entities.

Principal activities and fair review of the business

Letchworth Investments Limited is a holding company. During the year, the Company acquired Fayrewood Limited (formerly Fayrewood plc), and Fayrewood Holdings Limited.

Fayrewood plc, whose shares were, until 13th February 2009, traded on the Alternative Investment Market (AIM) of the London Stock Exchange, acted as a holding company. The group of which it was the ultimate parent operated as a European computer peripherals and hardware distributor.

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

During the period the EGM was held and a resolution was passed approving the proposal to accept the offer. The Scheme was approved by the High Court. As a result Fayrewood Limited, delisted from the Alternative Investment Market (AIM) of the London Stock Exchange and re-registered as Fayrewood Limited, a private company.

Fayrewood plc engaged in the provision of consultancy services and this activity ceased in January 2009. The group is not engaged in any operating activity and this position is unlikely to change in the foreseeable future. Fayrewood Limited is now a wholly owned subsidiary of the company effective since 25 February 2009.

Results and Dividends

The loss after tax for the period amounted to £284,000.

The company received a dividend of £26,366,000 from its wholly owned subsidiary, Fayrewood Limited.

Supplier payment policy

It is the policy of the company to agree terms of payment with suppliers in advance and to abide by those terms. Normal terms are 30 days or less.

Directors during the financial period

The directors who held office during the period were

David Kleeman	(appointed 18 November 2008)
Sir Tim Chessells	(appointed 12 February 2009)
Richard Templeton	(appointed 12 February 2009)
Simon Wharmby	(appointed 12 February 2009)

Directors indemnity provisions

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

Employee Involvement

There are no employees in the company or the group.

Disclosure of Information to the Auditors

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

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for re-appointment of Ernst & Young LLP as auditor of the company.

By order of the board

Dick Lynch

Secretary

16 September 2009

Letchworth Investments Limited

Statement of directors' responsibilities
at 30 June 2009

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Letchworth Investments Limited

We have audited the financial statements of Letchworth Investments Limited for the period ended 30 June 2009 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Andy Glover (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 16 September 2009

Letchworth Investments Limited

Group profit and loss account

From date of incorporation to 30 June 2009

	<i>Notes</i>	<i>Incorporation to 30 June 2009 £000's</i>
Administrative expenses – acquisitions		(121)
Costs of sale of previously owned subsidiaries – discontinued activities		36
		<hr/>
Operating (loss) before interest and taxation:		
Acquisitions		(121)
Discontinued activities		36
		<hr/>
		(85)
Interest receivable	4	33
Interest payable	5	(337)
		<hr/>
Loss on ordinary activities before taxation		(389)
Taxation	6	(105)
		<hr/>
Loss on ordinary activities after taxation		(284)
		<hr/> <hr/>

There are no recognised gains or losses other than those shown in the profit and loss account above and therefore no separate statement of total recognised gains and losses is presented.

Reconciliation of group shareholders funds for the period ended 30 June 2009

	<i>2009</i> <i>£000's</i>
Total recognised gains and losses	(284)
Other movements:	
New shares issued	11
Share premium	2,938
Shareholders funds at 30 June 2009	<u>2,665</u>

Reconciliation of parent company shareholders funds for the period ended 30 June 2009

	<i>2009</i> <i>£000's</i>
Total recognised gains and losses	7,225
Other movements:	
New shares issued	11
Shareholders funds at 30 June 2009	<u>7,236</u>

The reserves of the parent company are not distributable.

Letchworth Investments Limited

Group balance sheet at 30 June 2009

	<i>Notes</i>	<i>30 June 2009 £000's</i>
Fixed Assets		
Negative Goodwill	7	<u>(4,571)</u>
Current Assets		
Debtors	10	19
Cash at bank and in hand	11	<u>7,755</u>
		7,774
Creditors: amounts falling due within one year	12	<u>(53)</u>
Net current assets		<u>7,721</u>
Total Assets Less Current Liabilities		
Provisions for liabilities	13	<u>(485)</u>
Net assets		<u>2,665</u>
Capital and Reserves		
Called up share capital	16	11
Share premium	15	2,938
Profit and loss account	15	<u>(284)</u>
Shareholders equity	15	<u>2,665</u>

David Kleeman
Director
16 September 2009

Sir Tim Chessells
Director
16 September 2009

Letchworth Investments Limited

Parent company balance sheet

at 30 June 2009

	<i>Notes</i>	<i>30 June 2009 £000's</i>
Fixed Assets		
Investments	9	<u>7,241</u>
		<u>7,241</u>
Creditors: amounts falling due within one year	12	<u>(5)</u>
Total Assets Less Current Liabilities		<u>7,236</u>
Net assets		<u>7,236</u>
Capital and Reserves		
Called up share capital	16	11
Profit and loss account	15	<u>7,225</u>
Shareholders equity	15	<u>7,236</u>

David Kleeman
Director
16 September 2009

Sir Tim Chessells
Director
16 September 2009

Letchworth Investments Limited

Group cash flow statement

at 30 June 2009

	<i>Notes</i>	<i>30 June 2009 £000's</i>
<i>Net cash outflow from operating activities</i>	17(a)	(464)
Returns on investments and servicing of finance		33
<i>Acquisitions</i>		
Cash acquired with subsidiary undertaking		8,523
Increase in cash		<u>8,092</u>
Reconciliation of net cash to movement in net debt		
Increase in cash	17(b)	8,092
Change in net debt resulting from cash flows		<u>8,092</u>
Exchange differences		<u>(337)</u>
Movement in funds		<u>7,755</u>
Funds at incorporation		<u>-</u>
Funds at 30 June		<u>7,755</u>

Notes to the financial statements

at 30 June 2009

1. Accounting policies

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of Letchworth Investments Limited and all its subsidiary undertakings drawn up to 30 June. No profit and loss account is presented for Letchworth Investments Limited as permitted by section 408 of the Companies Act 2006. Fayrewood Limited has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Fayrewood Limited from the date of acquisition to 30 June 2009. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies and covered by forward contracts are translated into sterling at the contract rate; other monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates and assumptions. Where appropriate, details of estimates and assumptions used are set out in the relevant notes to the accounts.

Negative goodwill

Negative goodwill arising on acquisition is classified as a liability on the balance sheet. The negative goodwill is then recognised in the profit and loss accounts in the periods expected to be benefited.

Fixed asset investments

Fixed asset investments are carried at cost less any appropriate provision for diminution in value. The carrying values of unlisted investments and investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

In the parent company financial statements investments in subsidiaries are accounted for at the lower of lost and net reliable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:-

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

Notes to the financial statements

at 30 June 2009

Deferred taxation (continued...)

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Operating loss

Operating loss is arrived at after charging the following:

	<i>Incorporation to 30 June 2009 £000's</i>
Audit of the financial statements	22
Other fees to auditors – taxation services	11
	<u>33</u>

3. Staff costs and directors emoluments

	<i>Incorporation to 30 June 2009 £000's</i>
Aggregate emoluments in respect of qualifying services	<u>18</u>
In respect of the highest paid director – aggregate emoluments	<u>10</u>

The company did not have any employees, with the exception of the directors as noted above.

4. Interest receivable

	<i>Incorporation to 30 June 2009 £000's</i>
Bank interest received	<u>33</u>

Letchworth Investments Limited

Notes to the financial statements

at 30 June 2009

5. Interest payable

	<i>Incorporation to 30 June 2009 £000's</i>
Foreign exchange loss on retranslation of cash deposit	<u>337</u>

6. Taxation

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	<i>Incorporation to 30 June 2009 £000's</i>
Current tax:	
UK corporation tax at 28%	(105)
Deferred tax:	
Origination and reversal of timing differences	-
Tax (credit)/charge in the profit and loss account	<u><u>(105)</u></u>

(b) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 28%. The differences are reconciled below:

	<i>30 June 2009 £000's</i>
Group loss on ordinary activities before tax	<u>(389)</u>
Group loss on ordinary activities multiplied by standard rate of corporation tax in UK of 28%	(109)
Non taxable income	(10)
Capital allowances in advance of depreciation	(1)
Unrecognised tax losses carried forward	17
Difference in tax rates on losses carried back	(2)
Total current tax	<u><u>(105)</u></u>

(c) Deferred tax

There is no deferred tax charge in the profit and loss account or recognised on the balance sheet.

Letchworth Investments Limited

Notes to the financial statements at 30 June 2009

7. Negative goodwill

	<i>£000's</i>
Cost:	
Upon incorporation	-
Acquisition of Fayrewood Limited (note 8)	<u>(4,571)</u>
As at 30 June 2009	<u>(4,571)</u>
Amortisation:	
Upon incorporation	-
Release during the period	<u>-</u>
As at 30 June 2009	<u>-</u>
Net book value of negative goodwill	
As at 30 June 2009	<u>(4,571)</u>

8. Acquisition of Fayrewood Limited

On 25 February 2009, Letchworth Investments acquired Fayrewood Limited (formerly Fayrewood plc) under a Scheme of Arrangement approved by the EGM of Fayrewood plc on 5 January 2009 and sanctioned by the High Court on 10 February 2009.

The acquisition was settled via consideration of £29,315,000. In accordance with the Scheme the acquisition was partly funded by receipt of a dividend from Fayrewood Limited.

Fayrewood shareholders were offered one of the following:

- Cash of £1.26 per share; or
- Cash of £0.98 per share and 1 Letchworth share.

This resulted in the issue of 10,492,127 Letchworth ordinary shares of 0.1p.

Analysis of the acquisition of Fayrewood Limited

Net assets at date of acquisition:

	<i>Book Value</i> <i>£000</i>	<i>Adjustment</i> <i>£000</i>	<i>Note</i>	<i>Fair Value</i> <i>£000</i>
Debtors	25	-		25
Cash	34,890	-		34,890
Creditors due within one year	(463)	184	1	(279)
Provisions for warranties	(750)	-		(750)
Net assets	<u>33,702</u>	<u>184</u>		33,886
Negative goodwill				<u>(4,571)</u>
Total consideration				<u>29,315</u>

Letchworth Investments Limited

Notes to the financial statements

at 30 June 2009

8. Acquisition of Fayrewood Limited (continued...)

Total consideration comprises the following:

	<i>£000</i>
Cash paid	26,366
Fair value of Letchworth shares	2,938
Nominal value of Letchworth shares	11
Total consideration	<u>29,315</u>

Notes:

- (1) Adjustment to reflect the split of the tax credit pre and post acquisition. Total credit for the period of £289k of which £184k related to the pre acquisition period.

Fayrewood Limited previously had a year end of 31 December 2008. As noted in the Directors Report, the year end has been altered to 30 June. Fayrewood Limited incurred a loss after tax of £1,263,000 in the six months ended 30 June 2009 (year to 31 December 2008 loss of £1,901,000) of which £984,000 arose in the period from 1 January 2009 to 25 February 2009. The summarised profit and loss account for the period from 1 January 2009 to the date of acquisition (25 February 2009) is as follows:

	<i>£000's</i>
Turnover	<u>4</u>
Operating loss	(1,303)
Interest receivable	135
Loss before tax	(1,168)
Taxation credit	184
Loss for the period	<u>(984)</u>

There were no other recognised gains and losses in the period.

With respect to the cash flow statement for the period ending 30 June 2009, this acquisition has contributed £464,000 to net cash outflow from operating activities and £33,000 inflow to return of investments and servicing of finance.

9. Investments

	<i>Shares in Subsidiary Undertakings £000's</i>
Cost:	
Upon incorporation	-
Acquisition of Fayrewood Limited (note 8)	26,376
At 30 June 2009	<u>26,376</u>
Provisions:	
Upon incorporation	-
Impairment of investment in Fayrewood Limited	(19,135)
At 30 June 2009	<u>(19,135)</u>
Net book value:	
At 30 June 2009	<u>7,241</u>

Letchworth Investments Limited

Notes to the financial statements

at 30 June 2009

9. Investments (continued...)

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

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

10. Debtors

	<i>Group 30 June 2009 £000's</i>	<i>Company 30 June 2009 £000's</i>
Other debtors	19	-
	<u>19</u>	<u>-</u>

11. Cash at bank and in hand

	<i>Group 30 June 2009 £000's</i>	<i>Company 30 June 2009 £000's</i>
Cash at bank and in hand	151	-
Short term deposits	7,604	-
	<u>7,755</u>	<u>-</u>

Included in short term deposits are amounts in respect of guarantees and commitments issued by the subsidiary company Fayrewood Limited to the following companies:

	<i>30 June 2009 £000's</i>
Yedraint S.L. €6 million	5,102
Gem Logistics Limited €2.2 million	1,871
	<u>6,973</u>

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

12. Creditors - amounts falling due within one year

	<i>Group 30 June 2009 £000's</i>	<i>Company 30 June 2009 £000's</i>
Amount owed to subsidiary undertaking	-	2
Other creditors and accruals	53	3
	<u>53</u>	<u>5</u>

Notes to the financial statements

at 30 June 2009

13. Provisions

	<i>Provisions for warranties</i> £000's
Arising on acquisition	750
Exchange adjustment	(89)
Utilised	(230)
Arising during the period	54
At 30 June 2009	<u>485</u>

The provisions for warranties relate to claims and potential claims from the purchasers of the two former subsidiaries, UMD SAU and Banque Magnetique SAS. It is the policy of the group to fully contest any claims where justified and to make appropriate provisions for any foreseen exposure.

14. Parent company profit and loss account

The profit of the parent company, Letchworth Investments Limited, was £7.225m in the current period. As noted in the equity reconciliation below, these reserves are non distributable.

15. Reconciliation of movements in shareholders equity

	<i>Share capital</i> £000's	<i>Share premium</i> £000's	<i>Profit and loss account</i> £000's	<i>Total</i> £000's
Group				
Loss for the period			(284)	(284)
Issue of shares (note 8)	11	2,938	-	2,949
At 30 June 2009	<u>11</u>	<u>2,938</u>	<u>(284)</u>	<u>2,665</u>
Company				
Profit for the period			7,225	7,225
Proceeds from issue of shares	11	-	-	11
	<u>11</u>	<u>-</u>	<u>7,225</u>	<u>7,236</u>

The reserves of the parent company are not distributable.

Letchworth Investments Limited

Notes to the financial statements at 30 June 2009

16. Authorised and issued share capital

	<i>30 June 2009 No.</i>	<i>30 June 2009 £000's</i>
Authorised:		
Deferred shares of £1 each	<u>100</u>	<u>-</u>
Ordinary shares of 0.1p each	<u>23,258,000</u>	<u>23</u>
Allotted, called up and fully paid:		
Ordinary shares of 0.1p each	<u>10,492,127</u>	<u>11</u>
Deferred shares	<u>100</u>	<u>-</u>

On 25 February 2009, Letchworth Investments acquired Fayrewood Limited (formerly Fayrewood plc) under a Scheme of Arrangement approved by the EGM of Fayrewood plc on 5 January 2009 and sanctioned by the High Court on 10 February 2009.

The acquisition was settled via cash consideration of £26,366,000. In accordance with the Scheme, the acquisition was funded by receipt of a dividend from Fayrewood Limited.

Fayrewood shareholders were offered one of the following:

- Cash of £1.26 per share; or
- Cash of £0.98 per share and 1 Letchworth share.

This resulted in the issue of 10,492,127 Letchworth ordinary shares of 0.1p.

17. Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash flow from operating activities

	<i>June 2009 £000's</i>
Group operating loss	(85)
Decrease in debtors	6
Decrease in creditors	(120)
Decrease in warranties provision	<u>(265)</u>
Net cash from operating activities	<u>(464)</u>

(b) Analysis of debt

	<i>At Incorporation £000's</i>	<i>Cash Flow £000's</i>	<i>Exchange differences £000's</i>	<i>At 30 June £000's</i>
Cash at bank and in hand	<u>-</u>	<u>8,092</u>	<u>(337)</u>	<u>7,755</u>