

26 June 2008

AVESCO GROUP plc

INTERIM RESULTS

Avesco Group plc, the international provider of services to the corporate presentation, entertainment and broadcast markets, announces its interim results for the half year ended 31 March 2008.

KEY HIGHLIGHTS

Financial

- Seasonal major sporting events means results heavily weighted towards second half
- Interim revenue increased to £42.0m (2007: £3.1m*)
- Operating loss of £0.2m (2007: profit of £0.7m*)
- Basic loss per share of 1.7p (2007: profit of 191.0p including £30.7m profit on disposal of Complete Communications Corporation Limited)
- Interim dividend maintained at 2.5p per share

Operations

- Group's largest operation, Creative Technology ("CT"), performed well
- Beijing Olympics should ensure CT has 'one of its busiest summers ever'
- Full Service business, the most exposed to corporate discretionary spending, has started to show improved trading in the second half of the year
- Broadcast Services - Presteigne Charter set to benefit from UEFA Euro 2008 and the Beijing Olympic Games this summer

Post period

- Telecast Communications (UK) – trading as "Charter Broadcast" - bought for £2.1m cash
- £4.9m in cash received as part of deferred consideration and interest for Complete Communications

**In May 2007 InvestinMedia plc acquired Avesco plc through a recommended merger and changed its name to Avesco Group plc. Therefore the comparative figures in this statement relate to a period prior to the acquisition of Avesco plc.*

Ian Martin, Chief Executive, commented:

"We have continued to make steady progress despite some tough market conditions and we remain optimistic of a strong finish to the year which will be boosted by the UEFA Euro 2008 football championships and the Beijing Olympics.

"Looking forward, although we see a difficult period ahead, we continue to seek opportunities to enhance the capabilities of the Group through a proven organic growth strategy and, as the purchase of Charter demonstrates, via acquisition. Avesco has financial strength and better market positioning than its peers which should enable us to be more resilient in any downturn and to prosper in more positive markets."

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CHAIRMAN'S STATEMENT

Avesco Group plc continued to make steady progress despite challenging trading conditions during the six months ended 31 March 2008. Our strategy is to build our share of the events and broadcast markets, developing the quality and range of our services and exploiting the substantial knowledge, skills and resources available within the Group.

The successful acquisition of the Charter Broadcast businesses together with the potential demand from the European Championships and the Beijing Olympics in the second half of the year gives us optimism for a strong finish to the year.

RESULTS

In May 2007 InvestinMedia plc acquired Avesco plc through a recommended merger and changed its name to Avesco Group plc. Therefore the comparative figures in this statement relate to a period prior to the acquisition of Avesco plc.

These interim report and accounts have been prepared using International Financial Reporting Standards (IFRS) and the comparative figures restated accordingly. The main difference under IFRS for Avesco Group plc is in the treatment of goodwill and intangible assets:

- Under UK GAAP negative goodwill was held on the balance sheet and amortised over its useful economic life. Under IFRS the excess of the acquirer's interest in the fair value of acquiree's identifiable net assets is taken immediately to the income statement.
- Under IFRS intangible assets are recognised on the acquisition of Avesco plc and its subsidiaries in May 2007. IFRS requires that intangible assets meeting certain criteria be capitalised and amortised over the period of their useful economic life.

An explanation of the impact of IFRS on the Group's previously published financial statements is contained in the notes to the interim report and accounts. However, there is no substantial effect on trading results.

The scheduling of major sporting events that are key to some of our operations leaves the Group results weighted heavily towards the second half of the financial year with limited returns in the first half.

In the six months ended 31 March 2008, revenue increased to £42.0m (2007: £3.1m), reflecting the inclusion of the Avesco plc companies. In the first half of the year there was a small operating loss of £0.2m against a profit of £0.7m in the comparable six months. There was a loss for the period of £0.4m (2007: profit of £31.0m which included a £30.7m profit on the disposal of the Group's interest in Complete Communications Corporation Limited). Basic loss per share was 1.7p (2007: basic profit per share of 191.0p).

At the end of the period the Group had net borrowings of £20.0m and gearing of 42%.

DIVIDEND AND SHARE CAPITAL

The Board is maintaining the interim dividend at 2.5p (2007: 2.5p) which will be paid on 1 October 2008, to shareholders on the register at the close of business on 12 September 2008. The Board remains committed to a policy of steady dividend growth.

In October 2007 and January 2008, the Company used £1.0m from the proceeds of sale of its shares in 2waytraffic N.V. to buy back a total of 870,000 shares at an average price of £1.16 per share.

REVIEW OF BUSINESS

During the 6 months to 31 March 2008 we increased Group revenue on a like-for-like basis even though the period contained no market stimulus from global sporting events and some areas of flat demand. In some of our markets, we are exposed to an element of discretionary spending by clients and have seen some reduction in the smaller events which are not public facing. However, we have a strong presence in the larger public events which continue to be more resilient although competitive pressures have increased due to the cooling in client activity which, with rising transportation costs, has meant that we have had to work hard to maintain our contribution margins.

The Group's largest operation is Creative Technology ("CT"). CT has offices in North America (Los Angeles, San Francisco, Chicago and Las Vegas), Europe (London, Stuttgart and Düsseldorf), Middle East (Dubai) and now Asia (Shanghai). During the period, particularly in North America, CT performed well in an increasingly competitive market, producing an operating profit of £ 0.8m on turnover of £27.1m. This performance has been achieved despite the costs incurred in establishing CT China, where the business has made a promising start. We have recently taken a warehouse in Beijing in order to service the Olympics and other business in that region and we are in the process of establishing an operation in Hong Kong.

Demand from the Beijing Olympics should ensure that CT has one of its busiest summers ever, mitigating any weakening in other markets, and we expect that CT will deliver a very acceptable outcome for the year.

The Full Service business made a loss of £0.6m at an operating level on increased turnover of £10.0m. This division has greater exposure to the discretionary spend of corporations and suffered accordingly. That said, the second half of the financial year has started to show improved trading.

Revenue at Broadcast Services of £4.9m resulted in a loss of £0.9m. Broadcast Services is composed of two businesses: Presteigne Charter (formerly Presteigne Broadcast Hire) and Fountain Studios. Of all the Group's businesses, the demand for Presteigne Charter services is the most correlated to major sporting events. With both UEFA Euro 2008 and the Olympic Games taking place this summer, demand is currently very strong and we expect to achieve a solid outcome in the full year result. The utilisation at Fountain Studios was lower than in the prior year although the studio was again home to "The X Factor" and since the period end, has just finished the second series of "Britain's Got Talent".

POST PERIOD

Since the end of March 2008, there have been a number of corporate developments at the Group.

In April 2008, we announced that we had acquired the entire issued share capital of Telecast Communications (UK) Limited, together with certain of its subsidiaries, trading as "Charter Broadcast", an outside broadcast services group, for £2.1m in cash. The acquired businesses have been combined with Presteigne Broadcast Hire and the enlarged business has been renamed as "Presteigne Charter". The planned integration of Charter Broadcast should give rise to substantial cost savings and the acquisition is expected to be immediately earnings enhancing.

The Charter Broadcast Group has a strong market reputation that will benefit from being consolidated within Avesco. The new Presteigne Charter operation will be able to offer a wider range of products and services to more customers. We are excited by the acquisition of Charter Broadcast and the potential it creates.

On 30 April 2008, the Group received £4.9m, being part of the deferred cash consideration and interest relating to the disposal of the Group's investment in Complete Communications Corporation Limited, which was completed in December 2006. Subject to any further warranty and indemnity claims, we expect to receive a similar and final payment at the end of 2008.

OUTLOOK

In the Annual Report published in December 2007, we assured shareholders that we would be alert as we felt even then that there was the possibility of a slowdown in the global economy that could gain traction as 2008 progressed. This instinct has proven to be correct.

Trading conditions for the first six months of the financial year have been tough although we remain confident of reporting another solid set of results for the full year in what has become a more demanding environment.

Looking beyond the current year, the prospects for the global economy and our industry in 2009 are at this point uncertain. In particular, we shall not have the benefit of any major international event to rival those of 2008. With this in mind, our planned level of capital expenditure has been dramatically reduced as we seek to capitalise on the cash generative nature of our businesses. Avesco has financial strength and better market positioning than its peers which should enable us to be more resilient in any downturn and to prosper in more positive markets.

PEOPLE

I would like to thank all our staff for their skill, hard work and dedication to the business. We cannot be more appreciative of what they are achieving.

CONCLUSION

Looking forward, although we anticipate a difficult period beyond this year, we continue to seek opportunities to enhance the capabilities of the Group through a proven organic growth strategy and, as the purchase of Charter demonstrates, via acquisition. I retain my optimism of the long-term prospects for Avesco but can assure you that we are attentive to the short-term challenge.

Michael Gibbins
Chairman
26 June 2008

**Unaudited consolidated income statement
For the six months ended 31 March 2008**

	Six months ended 31 March		Year ended 30
	2008	2007	September
	£000s	£000s	£000s
Continuing operations			
Revenue	42,009	3,116	33,176
Cost of sales	(27,472)	(1,142)	(19,554)
Gross profit	14,537	1,974	13,622
Operating expenses	(14,713)	(1,412)	(13,083)
Loss on disposal of investment	-	-	(574)
Other income	-	-	1,433
Other gains	-	153	153
Operating (loss)/profit	(176)	715	1,551
Finance income	373	320	829
Finance costs	(706)	(83)	(627)
Share of loss of associates	-	(535)	(554)
Impairment of associate	-	-	(1,057)
(Loss)/profit before income tax	(509)	417	142
Income tax expense	78	(98)	(632)
(Loss)/profit from continuing operations	(431)	319	(490)
Discontinued operations			
Profit from discontinued operations	-	30,661	31,731
(Loss)/profit for the financial period	(431)	30,980	31,241
	Pence per share	Pence per share	Pence per share
(Losses)/earnings per share for (losses)/profit attributable to the equity holders of the company			
- basic	(1.7)p	191.0p	157.4p
- diluted	(1.7)p	182.7p	152.0p
(Losses)/earnings per share for (losses)/profit from continuing operations attributable to the equity holders of the company			
- basic	(1.7)p	2.0p	(2.5)p
- diluted	(1.7)p	1.9p	(2.4)p

Alternative Performance Measures (Note 3.4)	Six months ended 31 March		Year ended 30
	2008	2007	September
	£000s	£000s	£000s
Operating (loss)/profit	(176)	715	1,551
Adjusted to exclude:			
Amortisation of acquired intangible assets	37	-	26
Loss on disposal of investment	-	-	574
Excess of the acquirer's interest in the fair value of acquiree's identifiable net assets released to the income statement	-	-	(1,433)
Fair value gain on investment in 2waytraffic N.V. under IAS 39	-	(153)	(153)
Trading operating (loss)/profit	(139)	562	565
	Pence per share	Pence per share	Pence per share
Adjusted earnings per share (Note 5)			
- basic	(1.6)p	1.0p	(7.4)p
- diluted	(1.6)p	1.0p	(7.2)p

**Unaudited consolidated balance sheet
As at 31 March 2008**

	31 March 2008 £000s	31 March 2007 £000s	30 September 2007 £000s
Assets			
Non-current assets			
Property, plant and equipment	48,002	6,797	44,190
Intangible assets	1,720	478	1,668
Investments in associates	-	1,076	-
Deferred income tax assets	2,079	645	2,079
Trade and other receivables	-	9,490	4,972
	51,801	18,486	52,909
Current assets			
Inventories	1,054	60	1,440
Trade and other receivables	30,069	1,740	20,582
Other financial assets at fair value through profit or loss	-	2,025	-
Cash and cash equivalents	2,189	17,798	8,651
	33,312	21,623	30,673
Total assets	85,113	40,109	83,582
Liabilities			
Non-current liabilities			
Borrowings and loans	15,398	-	9,391
Deferred income tax liabilities	1,418	512	1,429
Provisions for other liabilities and charges	339	-	381
	17,155	512	11,201
Current liabilities			
Trade and other payables	13,941	1,940	14,648
Current income tax liabilities	368	28	501
Borrowings and loans	6,726	-	7,545
	21,035	1,968	22,694
Total liabilities	38,190	2,480	33,895
Total assets less total liabilities	46,923	37,629	49,687
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	2,599	1,632	2,599
Share premium	23,286	12,489	23,286
Currency translation reserve	238	-	(11)
Retained earnings	20,800	23,508	23,813
Total equity	46,923	37,629	49,687

The notes on pages 8 to 24 form an integral part of this unaudited consolidated interim financial information.

**Unaudited consolidated statement of recognised income and expense
For the six months ended 31 March 2008**

	Six months ended 31 March		Year ended 30
	2008	2007	September
	£000s	£000s	£000s
Currency translation differences	249	-	(11)
Total income/(expense) recognised directly in equity	249	-	(11)
(Loss)/profit for the period	(431)	30,980	31,241
Total recognised (expense)/income for the period	(182)	30,980	31,230

**Unaudited consolidated cash flow statement
For the six months ended 31 March 2008**

	Six months ended 31 March		Year ended 30
	2008	2007	September
	£000s	£000s	£000s
Cash flows from operating activities			
Cash generated/(used) from operations	701	(118)	2,895
Net interest	(179)	142	(8)
Income tax paid	(76)	-	(99)
Net cash generated from operating activities	446	24	2,788
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	-	-	(6,664)
Purchases of property, plant and equipment	(10,680)	(97)	(12,093)
Proceeds from sale of property, plant and equipment	230	-	2,433
Proceeds from sale of investments	1,450	-	-
Discontinued operations	-	23,049	24,572
Net cash (used)/generated in investing activities	(9,000)	22,952	8,248
Cash flows from financing activities			
Purchase of treasury shares	(1,011)	-	-
Proceeds from borrowings	8,305	-	5,381
Repayments of borrowings	(3,653)	(5,500)	(7,758)
Dividends paid to company's shareholders	(648)	-	(568)
Net cash generated/(used) in financing activities	2,993	(5,500)	(2,945)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(5,561)	17,476	8,091
Cash, cash equivalents and bank overdrafts at beginning of period	8,476	322	322
Exchange (losses)/gains on cash and bank overdrafts	(911)	-	63
Cash, cash equivalents and bank overdrafts at end of period	2,004	17,798	8,476
Bank overdrafts	185	-	175
Cash, cash equivalents at end of period	2,189	17,798	8,651

Notes to interim report and accounts

1. General information

Avesco Group plc ('the Company') and its subsidiaries (together 'the Group') is an international media services business. The Group has subsidiaries around the world and sells mainly in the UK, the US and Europe.

The Company is a public limited company which is listed on the Alternative Investment Market and is incorporated and domiciled in the UK. The address of its registered office is Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, West Sussex, RH10 9NH.

The registered number of the Company is 01788363.

2. Status of interim report and accounts

The interim report and accounts are unaudited but have been reviewed by the auditors and their independent review report is set out on page 25. The interim report and accounts, which were approved by the Board of Directors on 26 June 2008, are not full accounts within the meaning of section 240 of the Companies Act 1985.

The figures for the year ended 30 September 2007 and the six months ended 31 March 2007 have been restated to comply with adopted International Financial Reporting Standards (IFRS) and are not the Group's statutory accounts for that financial year. Those accounts, which are prepared under UK GAAP, have been delivered to the Registrar of Companies. PricewaterhouseCoopers LLP, Avesco Group plc's auditors, reported on those accounts under section 235 of the Companies Act 1985. Their report was unqualified and did not contain a statement under section 237(2) or (3) of that Act.

3. Accounting policies

3.1 Adoption of IFRS

These interim results represent the first financial statements the Group has prepared in accordance with its accounting policies under IFRS and the comparatives for the prior year have been restated from UK GAAP to comply with IFRS. A description of how the Group's reported performance and financial position were affected by the change, including reconciliations from UK GAAP to IFRS for prior period results, is provided in note 9. For the purpose of the accounts, the date of transition to IFRS is 1 October 2006.

The rules for first time adoption of IFRS are set out in IFRS 1 'First time adoption of International Financial Reporting Standards'. In general, the Group is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. The standard allows a number of exemptions to this general principle to assist companies as they change to reporting under IFRS.

The Group has taken advantage of the following exemptions:

- Business combinations that took place prior to the date of transition have not been restated.
- All cumulative translation differences that existed at the date of transition are set to nil.
- To apply the requirements of IFRS 2 'Share Based Payments', to schemes granted after 7 November 2002.
- Investments held at the opening balance sheet have been held at cost rather than revalued to market value.

For all accounting periods up to and including the year ended 30 September 2007, the Group has prepared its financial statements under UK GAAP. For accounting periods from 1 October 2007, the Group is required to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.

The Group's first results under this basis are its interim results for the six month period ended 31 March 2008. The Group's first annual report under IFRS will be for the year ending 30 September 2008.

3.2 Basis of preparation

The interim report and accounts of Avesco Group plc have been prepared in accordance with IFRS as adopted by the European Union, IFRIC interpretations, the Companies Act 1985 applicable to Companies reporting under IFRS and the AIM listing rules. The interim report and accounts have been prepared under the historic cost convention as modified by available for sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The interim report and accounts have been prepared on a going concern basis in accordance with the Group's accounting policies set out below which are based on the recognition and measurement principles of IFRS.

(a) Standards, amendments and interpretations to existing standards that are effective in 2008

IFRS 7 'Financial Instruments: Disclosures', and consequential amendments to IAS 1 'Presentation of Financial Statements' – Capital Disclosures, and IFRS 4 'Insurance Contracts' were adopted in 2007 by the European Union. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments, or disclosures relating to taxation and trade and other payables.

IFRIC 8 'Scope of IFRS 2' requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

IFRIC 10 'Interim Financial Reporting and impairment' prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

IAS 34 'Interim Financial Reporting' specifies the content of interim reports. The Group has elected not to adopt IAS 34 as allowed by the AIM rules.

(b) Standards, amendments and interpretations to existing standards that are effective in 2008 but not relevant

The following standards, amendments and interpretations to published accounts are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant for the Group's operations:

- IFRS 4 'Insurance Contracts'
- IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies'
- IFRIC 9 'Reassessment of Embedded Derivatives'
- IFRIC 11 'Group and Treasury Share Transactions' (effective for annual periods beginning on or after 1 March 2007).

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not adopted them early.

IAS 23 (Amendment) 'Borrowing Costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 October 2009 but it is currently not applicable to the Group as there are no qualifying assets.

IFRS 8 'Operating Segments' (effective from 1 January 2009.) IFRS 8 requires that entities adopt the 'management approach' to reporting the financial performance of its operating segments. This means that information will be reported in respect of those components of an entity for which separate financial information is available which management use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The amount of each operating segment item to be reported is the measure reported to the chief operating decision maker, which in some instances will be non-GAAP. The standard will require explanation of the basis on which the segment information is prepared and a reconciliation to the amount recognised in the consolidated financial statements. The Group will apply IFRS 8 from 1 October 2009.

IFRIC 14 - IAS 19 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 provides guidance on the amount of pension scheme surpluses that companies can include as a defined benefit asset in their balance sheets and also situations when a funding requirement, including the UK scheme specific funding, may give rise to additional liabilities. The Group will apply IFRIC 14 from 1 January 2008 but it is not expected to have any impact on the Group's financial statements.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following standards, amendments and interpretations to published accounts are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant for the Group's operations:

IFRIC 12, 'Service concession arrangements', applies to annual periods beginning on or after 1 January 2008. The interpretation applies to contractual arrangements whereby a private sector operator

participates in the development, financing, operation and maintenance of infrastructure for public sector services, for example, under PFI contracts. IFRIC 12 is not relevant to the Group's operations.

IFRIC 13, 'Customer loyalty programmes' applies to annual periods beginning on or after 1 July 2008. This interpretation provides guidance on how entities providing loyalty awards to customers should account for such programmes. IFRIC 13 is not relevant to the Group's operations.

3.3 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group (directly or indirectly) has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the consolidation from the date on which control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement for the period (see Note 3.8).

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 3.8).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement for the period, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

3.4 Alternative performance measures

The Group uses alternative non-Generally Accepted Accounting Practice ("non-GAAP") financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in these interim report and accounts.

a) *Adjusted operating (loss)/profit*

On the face of the consolidated income statement, 'adjusted operating (loss)/profit' is separately disclosed, being defined as operating (loss)/profit adjusted to exclude amortisation of acquired intangible assets, the loss on disposal of investments, excess of the acquirer's interest in the fair value of acquiree's identifiable net assets and the fair value gain on investments under IAS 39. The Directors believe that adjusted operating (loss)/profit is an important measure of the underlying performance of the Group.

b) *Adjusted earnings per share*

"Adjusted earnings per share" is calculated by dividing the (loss)/profit for the period excluding the amortisation and deferred tax effect of acquired intangible assets, the loss on disposal of investments, the excess of acquirer's interest in the fair value of acquiree's identifiable net assets, the fair value gain on investments under IAS 39 and the profit from discontinued operations. The Directors believe that adjusted earnings per share provides an important measure of the underlying earnings capacity of the Group.

3.5 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those in segments operating in other economic environments.

3.6 Foreign currency translation

c) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling (£), which is the Company's functional and presentational currency.

d) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement for the period, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve as equity.

e) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i). assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii). income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii). all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold the cumulative amount of the exchange differences deferred in the separate component of equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

3.7 Property, plant and equipment

Property, plant and equipment is held at cost. The cost of property, plant and equipment includes those costs which are directly attributable to purchasing the assets and bringing them into working condition. The Group does not capitalise interest or internal costs as part of the cost of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates estimated to write off the cost to residual value using the straight line method over the following estimated useful economic lives:

Freehold land	Not depreciated
Freehold and long leasehold buildings	30 – 50 years
Short leasehold buildings	Remaining period of lease
Hire stock	2 – 10 years
Other plant and equipment	3 – 10 years

The Group reviews its depreciation rates regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.8 Intangible assets

a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in goodwill and intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

In accordance with IFRS 3 'Business Combinations', any excess of acquirer's interest in the fair value of acquiree's identifiable net assets is immediately recognised in the income statement.

b) *Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful economic lives (3 to 10 years).

Costs associated with developing and maintaining computer software programmes are recognised as an expense when incurred.

c) *Customer relationships*

Acquired customer relationships are recognised where their fair value can be reliably measured. These assets are considered to have finite lives and are amortised on a straight-line basis over their estimated useful economic lives.

d) *Start up costs*

All costs relating to the start up of new operations are recognised in the income statement as incurred.

e) *Website costs*

The Group uses websites principally for sales and marketing purposes rather than directly for generating revenue. Accordingly all website costs are recognised in the income statement as incurred.

3.9 Impairment of non current assets

The carrying amount of the Group's assets, other than inventories, deferred income tax assets (see separate accounting policies) are reviewed at each balance sheet date to determine whether there is any indication of

impairment. Assets that have an indefinite economic life are not subject to amortisation and are tested annually for impairment.

If an indicator of a possible impairment is noted, the need for any asset impairment provision is assessed by comparing the carrying value of the asset against the higher of fair value less costs to sell or value in use (recoverable amount). An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which they have separately identifiable cash flows (cash generating units).

Impairment losses recognised in the income statement in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (Groups of units) and then, to reduce the carrying amount of the other assets of the unit (Group of units) on a pro rata basis.

3.10 Financial assets

The Group classifies financial assets into the following categories: fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents.

c) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement for the period in which they arise. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other gains/(losses)' in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary securities classified as available for sale are recognised in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as net realised gains on financial assets under 'Other gains/(losses)'.

3.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a) fair value hedges (where the gain or loss on the hedging instrument and gains or losses on the hedged item arising from the hedged risk are recognised in profit or loss);
- b) cash flow hedges (where the gain or loss on the effective portion of the hedging instrument is taken to equity until the hedged transaction affects the income statement); or
- c) hedges of a net investment in a foreign operation (where the gain or loss on the effective portion of the hedging instrument is taken to equity to match the gain or loss on net assets).

The Group documents at the inception of the hedge identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of the hedge is recognised in the income statement within 'Finance costs'. The gain or loss relating to the ineffective portion of the hedge is recognised in the income statement within 'Other gains/(losses)'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the statement within 'Finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

b) *Cash flow hedge*

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Other gains/(losses)'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the hedge is recognised in the income statement within 'Finance costs'. The gain or loss relating to the ineffective portion of the hedge is recognised in the income statement within 'Other gains/(losses)'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Other gains/(losses)'.

c) *Net investment hedge*

Hedges of net investments in foreign operations are accounted similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Other gains/(losses)'.

d) *Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss*

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative financial instruments are recognised immediately in the income statement within 'Other gains/(losses)'.

3.12 Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Costs of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs and related production overheads. Cost excludes borrowing costs. Net realisable value is the estimated selling

price in the ordinary course of business, less applicable selling expenses. Provision is made for obsolete, slow moving and defective stock.

3.13 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance amount, and the amount of the loss is recognised in the income statement within 'Operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to 'Operating expenses' within the income statement.

3.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs (net of income taxes), is included in equity attributable to the Company's equity holders.

3.16 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3.19 Employee benefits

a) Pension and post retirement benefits

Costs in respect of defined contribution type pension arrangements are charged to the income statement on an accruals basis in line with the amounts payable in respect of the accounting period. The Group has no defined benefit pension arrangements other than statutory retirement benefits that accrue to employees of Action SAM. The statutory retirement benefits relating to the employees of Action SAM, in substance, are similar to a defined benefit pension arrangement and an accrual for the full potential liability is made at each reporting date. Action SAM has no pension scheme assets.

b) Long term incentive plan (LTIP) and employee share option scheme

The fair value of the employee services received in exchange for the grant of share options, LTIPs or shares is recognised as an expense. The total amount to be expensed rateably over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to the income statement, with a corresponding amount to equity. The proceeds received on exercise of the share options net of any directly attributable transaction costs are credited to equity. A charge is also recognised in respect of the employers' National Insurance contributions as a result of the Long Term Incentive Plan and share option scheme. The charge is based on the intrinsic value at the balance sheet date and is spread over the performance period.

3.20 Provisions

The Group holds provisions on the balance sheet for restructuring, reorganisation, property lease, dilapidation and onerous contracts. These provisions cover costs resulting from the strategic reorganisation and relocation of personnel across the Group, headcount reductions, dilapidation costs and onerous contracts. Provisions are recognised when a detailed formal plan has been drawn up and the main features of the plan have been announced to those affected by it. Where the time value of money would give rise to a material difference in the future cash outflows of the Group, the provisions are discounted at a rate to reflect the time value of money and the risks associated with the liability. Movements in the provision due to the passage of time are recognised within 'Finance income' or 'Finance costs'.

3.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax and other sales taxes, net of customer discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue recognised in the income statement but not yet invoiced is held on the balance sheet within 'Trade and other receivables'. Revenue invoiced but not yet recognised in the income statement is held on the balance sheet within 'Trade and other payables'. Revenue from the disposal of fixed assets is not treated as revenue.

Revenue can be split as follows:

a) Supply of services

Sales of services are recognised proportionally over the duration of the service or hire period, provided a right to consideration has been established.

b) Supply of goods

Revenue from the supply of goods is recognised as soon as all substantial risks and rewards relating to the title of the goods has been transferred to the customer.

3.22 Leases

a) Hire purchase contracts

A significant proportion of the Group's financing is provided by hire purchase contracts and finance leases. Throughout the interim report and accounts the term hire purchase refers to hire purchase contracts, finance leases and sale and leaseback arrangements with financial institutions and suppliers.

Where these arrangements result in substantially all the risks and rewards of ownership resting with the Group, the assets are included in the balance sheet at cost less depreciation and the present value of future payments is shown as a liability.

The interest element of these arrangements is charged to the income statement over the period of the arrangement in proportion to the balance of capital payments outstanding.

b) Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term. Where significant operating lease incentives (such as a rent free period in respect of properties) are received they are considered as an integral part of the net payment agreed for the use of the leased asset and recognised over the period of the lease on a straight line basis.

3.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. Segmental information

	Six months ended 31 March 2008 £000s	Six months ended 31 March 2007 £000s	Year ended 30 September 2007 £000s
Revenue			
Creative Technology	27,091	-	17,050
Full Service	10,020	-	7,328
Broadcast	4,898	3,116	8,798
Group revenue	42,009	3,116	33,176

	Six months ended 31 March 2008 £000s	Six months ended 31 March 2007 £000s	Year ended 30 September 2007 £000s
Operating (loss)/profit			
Creative Technology	754	-	(128)
Full Service	(595)	-	38
Broadcast	(876)	738	1,198
Head Office	578	(176)	(543)
Trading operating (loss)/profit	(139)	562	565
Amortisation of acquisition intangible assets	(37)	-	(26)
Loss on disposal of investment	-	-	(574)
Excess of acquirer's interest in the fair value of acquiree's identifiable net assets	-	-	1,433
Other gains	-	153	153
Operating (loss)/profit	(176)	715	1,551

The results for the year ended 30 September 2007 include the results of Avesco plc business for the period from acquisition on 17 May 2007.

5. Earnings per share

	Six months ended 31 March 2008 £'000	Six months ended 31 March 2007 £'000	Year ended 30 September 2007 £'000
(Loss)/profit for the period	(431)	30,980	31,241
Profit from discontinued operations	-	(30,661)	(31,731)
(Loss)/profit from continuing operations	(431)	319	(490)
Net effect of acquired intangible assets	20	-	21
Loss on disposal of investment	-	-	574
Excess of the acquirer's interest in the fair value of acquiree's identifiable net assets	-	-	(1,433)
Fair value gain on investment in 2waytraffic N.V. under IAS 39	-	(153)	(153)
Adjusted (loss)/profit	(411)	166	(1,481)
Weighted average number of shares			
For basic earnings per share (000's)	25,080	16,224	19,853
Effect of dilutive share options (000's)	-	733	706
For diluted earnings per share (000's)	25,080	16,957	20,559
(Losses)/earnings per share			
Basic	(1.7)p	191.0p	157.4p
Diluted	(1.7)p	182.7p	152.0p
Continuing operations basic	(1.7)p	2.0p	(2.5)p
Continuing operations diluted	(1.7)p	1.9p	(2.4)p
Adjusted basic	(1.6)p	1.0p	(7.4)p
Adjusted diluted	(1.6)p	1.0p	(7.2)p

Basic earnings per share have been calculated by dividing (loss)/profit for the period by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share have been calculated by dividing (loss)/profit for the period by the weighted average number of ordinary shares in issue during the period adjusted to assume conversion of all dilutive potential ordinary shares. Losses are not subject to dilution. Adjusted, basic and diluted earnings per share have been calculated as per note 3.4.

6. Interim and final dividends

An interim dividend in respect of the year ended 30 September 2007 of £648,000 (2.5p per share) was paid to shareholders in October 2007. A final dividend in respect of the year ended 30 September 2007 of £876,000 (3.5p per share) was paid to shareholders in April 2008.

An interim dividend in respect of the year ended 30 September 2008 of 2.5p per share will be paid on 1 October 2008 to shareholders on the register at the close of business on 12 September 2008.

7. Post balance sheet events

As previously announced, on 14 April 2008 Avesco Group plc acquired the entire issued share capital of Telecast Communications (UK) Limited, together with certain of its subsidiaries (the 'Charter Broadcast Group', an outside broadcast services group), for an initial consideration of £2.1m together with a contingent payment relating to the sale of an outside broadcast vehicle owned by the Australian subsidiary of the Charter Broadcast Group. In terms of the group structure the acquisition will be held as a wholly owned subsidiary of Avesco Holdings Limited.

Additional disclosures under IFRS have not been included in this report as it has not been practical to fully to complete the fair value exercise at the time of the interim report and accounts being authorised for issue.

On 30 April 2008, the Group received £4.9m, being part of the deferred cash consideration and interest relating to the disposal of the Group's investment in Complete Communications Corporation Limited, which was completed in December 2006. Subject to any further warranty and indemnity claims, we expect to receive a similar and final payment at the end of 2008.

8. Distribution of interim report and accounts

Copies of this interim report and accounts are being sent to all shareholders and additional copies are available either from the Company's web site (www.avesco.com) or from the Company's registered office: Avesco Group plc, Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, West Sussex, RH10 9NH. Telephone: +44 (0) 1293 583 400. Fax: +44 (0) 1293 583 410. E-mail: mail@avesco.com.

9. Explanation of transition to IFRS

As stated in the accounting policies, these are the Group's first interim report and accounts prepared in accordance with IFRS.

In preparing its opening IFRS balance sheet, comparative information for the six month period ended 31 March 2007 and for the 12 month period ended 30 September 2007, the Group has adjusted amounts previously reported in accordance with UK GAAP.

The details of how the transition from UK GAAP to IFRS has affected the Group's financial position and performance are set out in the tables below. The transition to IFRS has not had a material cash effect on the Group. An explanation of the adjustments are as follows:

9.1 Opening balances as at 30 September 2006

a) *Fair value adjustment*

Following the acquisition of Fountain Television Limited in September 2006, the subsequent fair value exercise resulted in the formation of £340,000 of goodwill which has been pushed back into the opening balance sheet and frozen at the date of acquisition.

b) *Investment in Complete Communications Corporation Limited (CCCL)*

As at 30 September 2006, the Group had made clear its intentions to dispose of its investment in CCCL. Under IFRS such assets are classified in a separate category, 'Available for sale' on the balance sheet. As previously announced CCCL was subsequently disposed of in December 2006.

9.2 Six months ended 31 March 2007

a) *Investment in 2waytraffic N.V.*

The Group's investment in 2waytraffic N.V. has been classified at fair value through the profit or loss in accordance with IAS 39 resulting in a £153,000 credit to the income statement.

b) *Treatment of goodwill*

Previously under UK GAAP, goodwill was amortised through the profit and loss account over its useful economic life. Under IFRS, goodwill is not amortised but instead subject to annual impairment reviews. Hence the goodwill amortisation of £24,000 has been reversed.

9.3 12 months ended 30 September 2007

a) *Investment in 2waytraffic N.V.*

Refer explanation 9.2 a) above.

b) *Treatment of goodwill*

Refer explanation 9.2 b) above.

c) *Disposal of investment in 2waytraffic N.V.*

As mentioned above under IFRS the investment in 2waytraffic N.V. was fair valued as at 31 March 2007. The resulting increase in carrying value as at 31 March 2007 has resulted in the loss on disposal being recognised during the 12 months to 30 September 2007 increasing to £574,000.

d) *Recognition of intangible assets*

IFRS requires that intangible assets are recognised separately from goodwill arising on acquisition and where they meet certain capitalisation criteria. This has resulted in initial recognition of intangible assets of £707,000. They will be amortised over their useful economic life.

In addition, IFRS requires that all capitalised software costs be classified as intangible assets. Under UK GAAP these were classified as fixed assets. This has resulted in the reclassification of £239,000 of software costs as intangible assets.

e) Treatment of negative goodwill

Under UK GAAP negative goodwill was held on the balance sheet and amortised over its useful economic life. IFRS requires that the excess of acquirer's interest in the fair value of acquiree's identifiable net assets be taken immediately to the income statement. The impact of the reversal of negative goodwill is a credit to the Income Statement of £1,433,000.

f) Deferred tax

Under IFRS a deferred tax liability is recognised in the financial statements on property revaluations arising as a result of acquisition fair value adjustments and recognition of intangible assets. Deferred tax liabilities recognised on intangible assets are being unwound over the useful economic life of the intangible assets, resulting in a credit to the Income Statement of £7,000.

g) Operating leases

The treatment of lease incentives differs between IFRS and UK GAAP. Under UK GAAP lease incentives are spread until the first rent review. However under IFRS lease incentives are spread over the entire term of the lease. The impact of this adjustment is a debit to the Income Statement of £22,000.

**Reconciliation of reported equity and net assets
As at 30 September 2006**

	As reported UK GAAP £000s	9.1 a) £000s	9.1 b) £000s	As restated IFRS £000s
Assets				
Non-current assets				
Property, plant and equipment	7,232	(340)		6,892
Intangible assets	-	340		340
Investments in associates	5,889		(4,278)	1,611
Deferred income tax assets	645			645
	13,766	-	(4,278)	9,488
Current assets				
Available for sale financial assets	-		4,278	4,278
Inventories	62			62
Trade and other receivables	488			488
Cash and cash equivalents	322			322
	872	-	4,278	5,150
Total assets	14,638	-	-	14,638
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	512			512
	512	-	-	512
Current liabilities				
Trade and other payables	1,219			1,219
Current income tax liabilities	220			220
Borrowings and loans	5,500			5,500
	6,939	-	-	6,939
Total liabilities	7,451	-	-	7,451
Total assets less total liabilities	7,187	-	-	7,187
Equity				
Capital and reserves attributable to equity holders of the company				
Ordinary shares	1,632			1,632
Share premium	12,489			12,489
Retained earnings	(6,934)			(6,934)
Total equity	7,187	-	-	7,187

Reconciliation of reported profits For the 6 months ended 31 March 2007

	As reported UK GAAP £000s	9.2 a) £000s	9.2 b) £000s	As restated IFRS £000s
Continuing operations				
Revenue	3,116			3,116
Cost of sales	(1,142)			(1,142)
Gross profit	1,974	-	-	1,974
Operating expenses	(1,436)		24	(1,412)
Other gains	-	153		153
Operating profit	538	153	24	715
Finance income	320			320
Finance costs	(83)			(83)
Share of loss of associates	(535)			(535)
Profit before income tax	240	153	24	417
Income tax expense	(98)			(98)
Profit from continuing operations	142	153	24	319
Discontinued operations				
Profit from discontinued operations	30,661			30,661
Profit for the financial period	30,803	153	24	30,980

Reconciliation of reported equity and net assets As at 31 March 2007

	As reported UK GAAP £000s	9.2 a) £000s	9.2 b) £000s	As restated IFRS £000s
Assets				
Non-current assets				
Property, plant and equipment	6,797			6,797
Intangible assets	454		24	478
Investments in associates	1,076			1,076
Deferred income tax assets	645			645
Trade and other receivables	9,490			9,490
	18,462	-	24	18,486
Current assets				
Inventories	60			60
Trade and other receivables	1,740			1,740
Other financial assets at fair value through profit or loss	1,872	153		2,025
Cash and cash equivalents	17,798			17,798
	21,470	153	-	21,623
Total assets	39,932	153	24	40,109
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	512			512
	512	-	-	512
Current liabilities				
Trade and other payables	1,940			1,940
Current income tax liabilities	28			28
	1,968	-	-	1,968
Total liabilities	2,480	-	-	2,480
Total assets less total liabilities	37,452	153	24	37,629
Equity				
Capital and reserves attributable to equity holders of the company				
Ordinary shares	1,632			1,632
Share premium	12,489			12,489
Retained earnings	23,331	153	24	23,508
Total equity	37,452	153	24	37,629

**Reconciliation of reported profits
For the 12 months ended 30 September 2007**

	As reported UK GAAP £000s	9.3 a) £000s	9.3 b) £000s	9.3 c) £000s	9.3 d) £000s	9.3 e) £000s	9.3 f) £000s	9.3 g) £000s	Other £000s	As restated IFRS £000s
Continuing operations										
Revenue	33,176									33,176
Cost of sales	(19,554)									(19,554)
Gross profit	13,622	-	-	-	-	-	-	-	-	13,622
Operating expenses	(13,004)		46		(26)	(99)		(22)	22	(13,083)
Loss on disposal of investment	(421)			(153)						(574)
Other income	-					1,433				1,433
Other gains	-	153								153
Operating profit	197	153	46	(153)	(26)	1,334	-	(22)	22	1,551
Finance income	829									829
Finance costs	(598)								(29)	(627)
Share of loss of associates	(554)									(554)
Impairment of associate	(1,057)									(1,057)
(Loss)/profit before income tax	(1,183)	153	46	(153)	(26)	1,334	-	(22)	(7)	142
Income tax expense	(717)						85			(632)
Loss from continuing operations	(1,900)	153	46	(153)	(26)	1,334	85	(22)	(7)	(490)
Discontinued operations										
Profit from discontinued operations	31,731									31,731
Profit for the financial period	29,831	153	46	(153)	(26)	1,334	85	(22)	(7)	31,241

**Reconciliation of reported equity and net assets
As at 30 September 2007**

	As reported UK GAAP £000s	9.3 a) £000s	9.3 b) £000s	9.3 c) £000s	9.3 d) £000s	9.3 e) £000s	9.3 f) £000s	9.3 g) £000s	Other £000s	As restated IFRS £000s
Assets										
Non-current assets										
Property, plant and equipment	44,197				(239)				232	44,190
Intangible assets	(509)		46		915	1,216				1,668
Deferred income tax assets	2,079									2,079
Trade and other receivables	4,972									4,972
	50,739	-	46	-	676	1,216	-	-	232	52,909
Current assets										
Inventories	1,440									1,440
Trade and other receivables	20,582									20,582
Other financial assets at fair value through profit or loss	-	153		(153)						-
Cash and cash equivalents	8,651									8,651
	30,673	153	-	(153)	-	-	-	-	-	30,673
Total assets	81,412	153	46	(153)	676	1,216	-	-	232	83,582
Liabilities										
Non-current liabilities										
Borrowings and loans	9,208								183	9,391
Deferred income tax liabilities	1,031						398			1,429
Provisions for other liabilities and charges	381									381
	10,620	-	-	-	-	-	398	-	183	11,201
Current liabilities										
Trade and other payables	14,521					(72)		199		14,648
Current income tax liabilities	501									501
Borrowings and loans	7,489								56	7,545
	22,511	-	-	-	-	(72)	-	199	56	22,694
Total liabilities	33,131	-	-	-	-	(72)	398	199	239	33,895
Total assets less total liabilities	48,281	153	46	(153)	676	1,288	(398)	(199)	(7)	49,687
Equity										
Capital and reserves attributable to equity holders										
Ordinary shares	2,599									2,599
Share premium	23,286									23,286
Retained earnings	22,396	153	46	(153)	676	1,288	(398)	(199)	(7)	23,802
Total equity	48,281	153	46	(153)	676	1,288	(398)	(199)	(7)	49,687

Independent review report to Avesco Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report and accounts for the six months ended 31 March 2008, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes. We have read the other information contained in the interim report and accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report and accounts are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the interim report and accounts in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements.

This interim report and accounts has been prepared in accordance with the basis set out in note 3. As disclosed in note 3, the next annual financial statements of the Company will be prepared in accordance with IFRSs as adopted by the European Union. The accounting policies are consistent with those that the Directors intend to use in the next annual financial statements.

The maintenance and integrity of the Avesco Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve a consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report and accounts based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report and accounts for the six months ended 31 March 2008 are not prepared, in all material respects, in accordance with the basis set out in note 3 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
26 June 2008
Gatwick