

EMBARGOED UNTIL 7.00am, 18 June 2010

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 2010.

KEY HIGHLIGHTS

- Cash generated of £4.2m (2009: £(2.2)m absorbed)
- Revenue increased by 15% to £54.8m (2009: £47.6m)
- EBITDA increased to £8.3m (2009: £6.1m)*
- Trading loss reduced to £1.1m (2009: £4.0m)*
- Operating loss of £1.7m (2009: £4.3m)
- Basic and diluted losses per share of 6.5p (2009: 15.9p)
- Net debt reduced to £17.5m (2009: £25.9m)

* As described in note 3, the Group uses certain non-GAAP alternative measures to assess underlying operating performance.

Ian Martin, Chief Executive, commented:

“It is encouraging to report that 2010 is developing far more positively after an exceptionally difficult 2009. As the year has progressed our clients’ outlook has become more upbeat and the Group’s order book for the summer period is much stronger. We are seeing significant business from the 2010 FIFA World Cup in South Africa and the World Expo in Shanghai and there has been a marked upturn in the North American market. The Board anticipates a profitable outcome for the financial year taken as a whole with continuing strong cash generation.”

For further information please contact:

Avesco Group plc

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Chairman's statement

In the first six months of the financial year ending September 2010, Avesco has continued to address the immediate challenge of the difficult economic conditions across its markets and has maintained a clear focus on its two key priorities.

Firstly, we have concentrated heavily upon cash generation and underlying cost control, the benefits of which are reflected in these results. Secondly, with an eye to the longer term, we have been careful to protect and maintain our full operational capability to ensure that we continue to deliver a first class service to our customers and to improve our market position.

The measures that we have taken leave the Avesco Group well placed both operationally and financially for a recovering market.

Financial Results

In the six months ended 31 March 2010, revenue was up 15% across the Group to £54.8m (2009: £47.6m). The effects of currency movements in the period were negligible. The trading loss (which excludes amortisation of acquired intangible assets, restructuring costs, impairment of property, plant and equipment and the impairment of goodwill) of £1.1m was a significant improvement on the prior period (2009: loss of £4.0m). The operating loss including amortisation of acquired intangible assets and restructuring costs was £ 1.7m (2009: loss of £4.3m). The charge for amortisation of acquired intangible assets and restructuring costs for the period was £0.7m (2009: £0.3m) and predominantly related to restructuring of Presteigne Charter Australia. After taking account of net interest costs of £ 0.7m (2009: £0.6m), the loss before tax was £2.5m (2009: loss of £4.9m). The basic and diluted loss per share was 6.5p (2009: loss per share of 15.9p).

The Group produced a 35% increase in EBITDA on trading operations to £8.3m (2009: £6.1m). Cash generated from the Group's operations improved to £8.2m (2009: £4.6m), which meant that even in a relatively challenging business environment we managed to generate £4.2m of free cash flow in the six months period (2009: net cash out flow of £2.2m). As a result, net debt at the end of the period reduced to £ 17.5m (2009: £25.9m) and with gearing at a very manageable 48% (2009: 53%), the Group remains in a healthy financial position.

On 31 March 2010, the net assets of the Group were £36.6m (2009: £ 48.8m) or £1.46 per share (2009: £1.95 per share).

Post-Period Development

The Group has an economic interest in the outcome of existing litigation brought by Celador International Ltd against The Walt Disney Company and others. After several years, the trial finally began on 1 June 2010 in the US District Court of

Riverside, California. A verdict is expected in July. The expected trial costs have been provided for in prior periods.

Current Outlook

It is encouraging to report that 2010 is developing far more positively after an exceptionally difficult 2009. As the year has progressed our clients' outlook has become more upbeat and the Group's order book for the summer period is much stronger. We are seeing significant business from the 2010 FIFA World Cup in South Africa and the World Expo in Shanghai and there has been a marked upturn in the North American market. Responding to faster than anticipated acceptance of our 3D camera technology we are accelerating our development in this area.

Capital expenditure will be higher than expected because we have brought forward the purchase of some LED screens to support our positioning for the 2012 London Olympics, as well as enhancing our capabilities for the intervening period.

The Board anticipates a trading profit for the financial year, with continuing strong cash generation.

People

I again would like to thank all of our employees throughout the Group for their support and efforts, which are greatly appreciated. It is the people within the Avesco Group that make the difference.

Conclusion

It is true to say that the Avesco Group has been tested by the market downturn over the last 18 months. However, we have throughout remained true to the principles that we believe in, offering a first class service and applying strong and prudent financial disciplines. We continue to build our market share and reputation. It would not be in keeping with our conservative nature to say that the current positive trends will be maintained but the signs are certainly encouraging.

Michael Gibbins
Chairman
17 June 2010

Unaudited consolidated income statement

For the six months ended 31 March 2010

	Six months ended 31 March		Year ended 30
	2010	2009	September
	£000s	£000s	£000s
Continuing operations			
Revenue	54,777	47,601	90,242
Cost of sales	(37,297)	(32,617)	(63,359)
Gross profit	17,480	14,984	26,883
Operating expenses	(19,216)	(19,280)	(38,992)
Operating loss	(1,736)	(4,296)	(12,109)
Finance income	2	91	93
Finance costs	(743)	(703)	(1,145)
Loss before income tax	(2,477)	(4,908)	(13,161)
Income tax credit / (expense)	846	930	(82)
Loss from continuing operations	(1,631)	(3,978)	(13,243)
Discontinued operations			
Loss from discontinued operations	-	-	(497)
Loss for the financial period	(1,631)	(3,978)	(13,740)

	Pence per share	Pence per share	Pence per share
Losses per share for losses attributable to the equity holders of the company			
- basic	(6.5)p	(15.9)p	(54.9)p
- diluted	(6.5)p	(15.9)p	(54.9)p
Losses per share for losses from continuing operations attributable to the equity holders of the company			
- basic	(6.5)p	(15.9)p	(52.9)p
- diluted	(6.5)p	(15.9)p	(52.9)p

Unaudited consolidated statement of comprehensive income

For the six months ended 31 March 2010

	Six months ended 31 March		Year ended 30
	2010	2009	September
	£000s	£000s	£000s
Loss for the period	(1,631)	(3,978)	(13,740)
Other comprehensive income			
Currency translation differences	(367)	782	239
Cash flow hedges	-	(164)	(164)
Deferred tax liability on cash flow hedges	-	41	41
Total comprehensive expense for the period	(1,998)	(3,319)	(13,624)

Non-GAAP Alternative Performance Measures (note 3)

	Six months ended 31 March		Year ended 30
	2010	2009	September
	£000s	£000s	£000s
Operating loss	(1,736)	(4,296)	(12,109)
Adjusted to exclude:			
Amortisation of acquired intangible assets (IFRS 3)	182	87	449
Restructuring costs	487	237	657
Impairment of property, plant and equipment (IAS 36)	-	-	342
Impairment of goodwill (IAS 36)	-	-	891
Trading loss	(1,067)	(3,972)	(9,770)
Net finance costs	(741)	(612)	(1,052)
Income tax credit / (expense)	846	930	(82)
Trading loss after net finance costs and income tax credit / (expense)	(962)	(3,654)	(10,904)
Adjusted losses per share	Pence per share	Pence per share	Pence per share
- basic	(3.8)p	(14.6)p	(43.6)p
- diluted	(3.8)p	(14.6)p	(43.6)p

Unaudited consolidated balance sheet
As at 31 March 2010

	31 March 2010 £000s	31 March 2009 £000s	30 September 2009 £000s
Assets			
Non-current assets			
Property, plant and equipment	53,733	65,605	56,780
Intangible assets	506	2,128	749
Deferred income tax assets	4,391	4,293	3,565
Trade and other receivables	308	243	109
	58,938	72,269	61,203
Current assets			
Inventories	1,238	1,359	892
Trade and other receivables	23,092	20,706	16,256
Current income tax assets	67	462	-
Cash and cash equivalents	6,218	2,568	4,531
	30,615	25,095	21,679
Total assets	89,553	97,364	82,882
Liabilities			
Non-current liabilities			
Borrowings and loans	17,846	20,832	18,956
Deferred income tax liabilities	1,578	1,568	1,613
Provisions for other liabilities and charges	514	386	475
	19,938	22,786	21,044
Current liabilities			
Trade and other payables	26,345	17,787	16,519
Current income tax liabilities	433	285	151
Borrowings and loans	5,901	7,670	6,637
Provisions for other liabilities and charges	361	-	-
	33,040	25,742	23,307
Total liabilities	52,978	48,528	44,351
Total assets less total liabilities	36,575	48,836	38,531
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	2,599	2,599	2,599
Share premium	23,286	23,286	23,286
Other reserves	251	1,161	618
Retained earnings	10,439	21,790	12,028
Total equity	36,575	48,836	38,531

Unaudited consolidated statement of changes in equity
For the six months ended 31 March 2010

	Share capital account £000s	Share premium account £000s	Other reserves £000s	Retained earnings £000s	Total £000s
Balance at 1 October 2009	2,599	23,286	618	12,028	38,531
Total comprehensive income for the period	-	-	(367)	(1,631)	(1,998)
	2,599	23,286	251	10,397	36,533
Transactions with owners in their capacity as owners:					
LTIP and share options	-	-	-	42	42
Balance at 31 March 2010	2,599	23,286	251	10,439	36,575

	Share capital account £000s	Share premium account £000s	Other reserves £000s	Retained earnings £000s	Total £000s
Balance at 1 October 2008	2,599	23,286	502	26,644	53,031
Total comprehensive income for the period	-	-	659	(3,978)	(3,319)
	2,599	23,286	1,161	22,666	49,712
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	-	-	(876)	(876)
Balance at 31 March 2009	2,599	23,286	1,161	21,790	48,836

	Share capital account £000s	Share premium account £000s	Other reserves £000s	Retained earnings £000s	Total £000s
Balance at 1 October 2008	2,599	23,286	502	26,644	53,031
Total comprehensive income for the period	-	-	116	(13,740)	(13,624)
	2,599	23,286	618	12,904	39,407
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	-	-	(876)	(876)
Balance at 30 September 2009	2,599	23,286	618	12,028	38,531

Unaudited consolidated cash flow statement
For the six months ended 31 March 2010

	Six months ended 31 March		Year ended 30
	2010	2009	September
	£000s	£000s	£000s
Cash flows from operating activities			
Cash generated from operations	8,694	5,115	11,206
Net interest paid	(650)	(274)	(740)
Income tax received / (paid)	178	(207)	(116)
Net cash generated from operating activities	8,222	4,634	10,350
Cash flows from investing activities			
Purchases of property, plant and equipment	(4,489)	(11,943)	(16,335)
Proceeds from sale of property, plant and equipment	513	2,067	4,806
Proceeds from sale of investments	-	3,700	3,700
Net cash used in investing activities	(3,976)	(6,176)	(7,829)
Cash flows from financing activities			
Proceeds from borrowings	2,578	7,053	9,185
Repayments of borrowings	(4,490)	(5,365)	(9,646)
Dividends paid to company's shareholders	-	(626)	(876)
Net cash (used) / generated in financing activities	(1,912)	1,062	(1,337)
Net increase / (decrease) in cash, cash equivalents and bank overdrafts			
	2,334	(480)	1,184
Cash, cash equivalents and bank overdrafts at beginning of period	3,882	4,704	4,704
Exchange losses on cash and bank overdrafts	(465)	(2,407)	(2,006)
Cash, cash equivalents and bank overdrafts at end of period	5,751	1,817	3,882
Bank overdrafts	467	751	649
Cash, cash equivalents at end of period	6,218	2,568	4,531

Notes to the 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 in the UK, the US, Europe, China, Singapore, Dubai and Australia.

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 appended to this document. The interim report and accounts, which were approved by the Board of Directors on 17 June 2010, are not full accounts within the meaning of section 434 of the Companies Act 2006.

The figures for the year ended 30 September 2009 have been extracted from the audited annual report and accounts that have been delivered to the Registrar of Companies. PricewaterhouseCoopers LLP, Avesco Group plc's auditors, reported on those accounts under section 495 of the Companies Act 2006. Their report was unqualified and did not contain a statement under section 498 of that Act.

3. Basis of preparation

The interim report and accounts have been prepared using the accounting policies to be applied in the annual report and accounts for the year ending 30 September 2010. These are consistent with those included in the previously published annual report and accounts for the year ended 30 September 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

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) Trading profit/loss

'Trading profit/loss' is separately disclosed, being defined as operating profit adjusted to exclude amortisation of acquired intangible assets, restructuring costs, impairment of property, plant and equipment and the impairment of goodwill. The Directors believe that adjusted operating profit/loss 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 profit for the period excluding the amortisation of acquired intangible assets, restructuring costs, impairment of property, plant and equipment, impairment of goodwill and the profit from discontinued operations and all related taxation effects. The Directors believe that adjusted earnings per share provides an important measure of the underlying earnings capacity of the Group.

4. Segmental information

	Six months ended 31 March		Year ended 30
	2010	2009	September
	£000s	£000s	£000s
Revenue			
Creative Technology	32,138	29,408	53,270
Full Service	10,461	10,178	19,292
Broadcast	12,178	8,015	17,680
Group revenue	54,777	47,601	90,242
Creative Technology	(79)	(1,198)	(4,519)
Full Service	(822)	(1,054)	(2,725)
Broadcast	29	(1,691)	(2,461)
Head Office	(195)	(29)	(65)
Trading loss	(1,067)	(3,972)	(9,770)
Amortisation of acquired intangible assets (IFRS 3)	(182)	(87)	(449)
Restructuring costs	(487)	(237)	(657)
Impairment of property, plant and equipment (IAS 36)	-	-	(342)
Impairment of goodwill (IAS 36)	-	-	(891)
Operating loss	(1,736)	(4,296)	(12,109)

5. Earnings before interest, taxation, depreciation and amortisation ('EBITDA')

	Six months ended 31 March		Year ended 30
	2010	2009	September
	£000s	£000s	£000s
Trading loss	(1,067)	(3,972)	(9,770)
Depreciation	9,167	9,949	19,641
Amortisation of software	151	144	302
EBITDA on trading operations	8,251	6,121	10,173

6. Earnings per share

	Six months ended 31 March		Year ended 30
	2010	2009	September
	£000s	£000s	£000s
Loss for the period	(1,631)	(3,978)	(13,740)
Profit from discontinued operations	-	-	497
Loss from continuing operations	(1,631)	(3,978)	(13,243)
Amortisation of acquired intangible assets (IFRS 3)	182	87	449
Restructuring costs	487	237	657
Impairment of property, plant and equipment (IAS 36)	-	-	342
Impairment of goodwill (IAS 36)	-	-	891
Trading loss after net finance costs and income tax credit	(962)	(3,654)	(10,904)
Loss from discontinued operations	-	-	(497)
Weighted average number of shares (net of treasury shares)			
For basic earnings per share (000's)	25,023	25,023	25,023
Effect of dilutive share options (000's)	-	-	-
For diluted earnings per share (000's)	25,023	25,023	25,023
Losses per share			
Basic	(6.5)p	(15.9)p	(54.9)p
Diluted	(6.5)p	(15.9)p	(54.9)p
Continuing operations basic	(6.5)p	(15.9)p	(52.9)p
Continuing operations diluted	(6.5)p	(15.9)p	(52.9)p
Adjusted basic	(3.8)p	(14.6)p	(43.6)p
Adjusted diluted	(3.8)p	(14.6)p	(43.6)p
Discontinuing operations basic	-	-	(2.0)p
Discontinuing operations diluted	-	-	(2.0)p

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

Adjusted earnings per share have been calculated by dividing adjusted loss for the period by the weighted average number of ordinary shares in issue during the period.

There is no dilution of shares in any of the above periods of account as the share price was less than the option price at the period end and the Group's results showed a loss for the above periods.

7. Analysis of net debt

Group	At 1 October 2009 £000s	Cash flow £000s	Other non cash changes £000s	Currency translation differences £000s	At 31 March 2010 £000s
Cash at bank and in hand	4,531	2,168	-	(481)	6,218
Bank overdrafts	(649)	166	-	16	(467)
Net cash	3,882	2,334	-	(465)	5,751
Bank loans due in more than one year	(13,700)	(719)	-	(137)	(14,556)
Hire purchase obligations due in less than one year	(5,988)	3,097	(2,475)	(66)	(5,432)
Hire purchase obligations due in more than one year	(5,256)	(466)	2,475	(45)	(3,292)
Net debt	(21,062)	4,246	-	(713)	(17,529)

Group	At 1 October 2008 £000s	Cash flow £000s	Other non cash changes £000s	Currency translation differences £000s	At 31 March 2009 £000s
Cash at bank and in hand	4,845	93	-	(2,370)	2,568
Bank overdrafts	(141)	(573)	-	(37)	(751)
Net cash	4,704	(480)	-	(2,407)	1,817
Bank loans due in more than one year	(14,225)	1,000	-	(1,034)	(14,259)
Finance lease obligations due in less than one year	(5,712)	2,014	(2,957)	(264)	(6,919)
Finance lease obligations due in more than one year	(4,613)	(4,702)	2,957	(215)	(6,573)
Net debt	(19,846)	(2,168)	-	(3,920)	(25,934)

Group	At 1 October 2008 £000s	Cash flow £000s	Other non cash changes £000s	Currency translation differences £000s	At 30 September 2009 £000s
Cash at bank and in hand	4,845	1,685	-	(1,999)	4,531
Bank overdrafts	(141)	(501)	-	(7)	(649)
Net cash	4,704	1,184	-	(2,006)	3,882
Bank loans due in more than one year	(14,225)	1,150	-	(625)	(13,700)
Hire purchase obligations due in less than one year	(5,712)	5,436	(5,585)	(127)	(5,988)
Hire purchase obligations due in more than one year	(4,613)	(6,125)	5,585	(103)	(5,256)
Net debt	(19,846)	1,645	-	(2,861)	(21,062)

8. Interim and final dividends

No dividend was paid in respect of the year ended 30 September 2009.

No interim dividend is proposed in respect of the year ending 30 September 2010.

9. Contingencies

InvestinMedia Holdings Limited ("InvestinMedia"), a subsidiary of the Company, sold its investment in Complete Communications Corporation Limited ("Complete") on 20 December 2006. In connection with the sale, InvestinMedia and other vendors gave certain warranties and indemnities to the buyer, liability in respect of which runs for periods of up to seven years from the date of completion. The buyer is pursuing legal action on behalf of InvestinMedia and other vendors, the costs of which are covered by an indemnity. Companies in the Complete group are also subject to legal claims which may give rise to liability on the part of InvestinMedia and the other vendors under the warranties and indemnities. An estimate of InvestinMedia's share of any liabilities that may arise from these actions has been provided for in the accounts.

10. 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.

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 2010, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, 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.

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 2010 are not prepared, in all material aspects, in accordance with the basis set out in note 3 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP

Chartered Accountants

17 June 2010

Gatwick