

In Avesco's interim announcement in June 2008, we reported a mixed start to the 2007/08 financial year and expressed caution in the economic outlook. Since then, confidence levels have deteriorated and market conditions have become more challenging. Although the Group still expects to record a solid level of operating profit in the second half of the financial year, it will not be sufficient to make up the profit shortfall from the first half and, therefore, the profit for the full year will unfortunately be below market expectations.

Our continental European businesses in particular have experienced poor trading over the summer months. In addition, while the Beijing Olympics were extremely successful for the Group, a few contracts did not materialise, leaving us short of our internal forecast for the event. As the importance of the Asian region continues to grow, we decided to bring forward the establishment of our Hong Kong office, incurring some of the start-up costs in the current year. Lastly we had anticipated a level of profit from the sale of fixed assets, which will not now occur in this financial year.

We expect market conditions to remain difficult and we are managing our business accordingly. Our planned level of capital expenditure has been reduced as we seek to capitalise upon the cash generative nature of our business. In addition we have taken various measures to reduce costs and employee numbers, which will result in an exceptional charge being recorded in this financial year. The Group is expected to be cash generative in the next financial year at the operating level. In addition, we benefit from the anticipated receipt of the further monies in connection with the sale in 2006 of our shareholding in Complete Communications Corporation Limited.

The acquisition of the Charter Broadcast companies and their integration into Presteigne Charter has proceeded to plan and has significantly raised the profile of our projects and systems capability in the broadcast market. In the UK, we expect to complete the relocation of the Charter Broadcast business to Presteigne Charter's Gatwick base in the coming weeks, allowing us to close the Borehamwood premises and to remove some of the duplication in overheads and staffing.

In the current market conditions it is more than usually difficult to forecast results for the next financial year, which inevitably will be affected by broader economic, market and corporate trends. Even though the early part of the next financial year appears to be tracking our expectations, we are under no illusion that next 12 months will be anything but tough. However, over the last few years we have worked to reposition the business in terms of product and service. This coupled with our strong balance sheet and cash flows will, we believe, enable us to weather the current uncertainty without impeding the ongoing development of the Group.

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