COMPANY NUMBER 1788363

AVESCO plc

Annual report and accounts

2003

Manchester Commonwealth Games
Ford stand at the Detroit Autoshow
Scottish National Party Annual Conference
75th Academy Awards "the Oscars"
"Who Wants To Be A Millionaire?"
MIPTV in Cannes
The Queen's Golden Jubilee
TMF Music Awards 2002
Saab stands at the Detroit and Geneva Motorshows
BAFTA Awards
Microsoft Orange Handset Launch
Royal Mail Road Show
Monaco Grand Prix
Sony Playstation stand at E3 Games Show
Burger King Tour
BBC's "Sports Personality of the Year"
International Printing Exhibition at the NEC
UDV Guinness Management Conference
Sun Microsystems' "Sun Rise" Show in Hawaii
Disney Playhouse Tour
Vodafone stand at CeBIT in Hanover
National and Municipal Elections in Monaco
Renault F1 Car Launch
Deutsche Asset Management Conference in London
IBM Shows in Barcelona, Orlando, Shanghai
KPMG Financial Seminar
HBOS AGM in Edinburgh
EMMY Awards Show
Hewlett Packard Analyst Meeting in Santa Barbara
Microsoft European Xbox Tour
Top of the Pops Awards
Interbuild Exhibition

Contents

providers of services

to the corporate,

entertainment, sport and

broadcast events markets

Core services

- specialist video, display, sound and graphics services
- full service audio visual staging services
- indoor and outdoor screen display services
- broadcast equipment hire

Complete Communications (49% Associate)

- owner of worldwide rights to "Who Wants To Be A Millionaire?"
- programme format and merchandising licensing
- television and film production

	2003 £'000	2002 £'000
Group turnover	**60,135**	65,170
Adjusted Group and share of associates' operating profit* (see note 2)	**1,330**	7,258
Adjusted profit before taxation* (see note 2)	**933**	6,315
Net cash flow before capital expenditure	**13,206**	16,376
Earnings before interest, taxation, depreciation and amortisation on continuing core activities (see note 2)	**10,057**	10,118

	pence	pence
Adjusted earnings per share*†	**8.5p**	22.9p
Dividends per share	**5.0p**	13.0p

As the founder of Avesco it is with pleasure that I again write to you as Chairman, since my reappointment on 6 September 2002.

The continuation of the difficult trading conditions experienced by most of our businesses completely endorses our decision, taken nearly two years ago at a very early stage of the downturn, to focus upon cash generation. As a result, the Group has been repositioned not only to withstand the current hostile environment but also to take full advantage of any improvement in the markets in which we operate.

To underline my commitment to the Group and my confidence in its prospects, I increased my shareholding from 6.3% to 19.1% during the past year.

Group turnover for the year to 31 March 2003 was £60.1 million, a 7.7% decline compared to the previous year, reflecting the sale in August 2002 of Fountain Studios. Excluding the discontinued operations of Fountain Studios and Creative Technology Outside Broadcast, which was sold in June 2003, continuing operations' turnover actually increased by 1.7% to £56.1 million (2002: £55.2 million).

Group operating profit including discontinued operations and before goodwill amortisation was £1.3 million (2002: £7.3 million). Group operating profit for continuing operations and before goodwill amortisation was £2.4 million (2002: £6.3 million).

The net interest cost for the year was £0.4 million (2002: £0.9 million). A profit was made on the disposal of Fountain Studios of £1.1 million. The Group made a loss before taxation of £3.2 million (2002: £1.5 million) after goodwill amortisation of £5.1 million (2002: £5.1 million).

The Group continued to be cash generative and net debt was reduced by £8.8 million to £10.3 million at 31 March 2003 (2002: £19.1 million).

Basic and diluted losses per share were 23.0 pence (2002: earnings per share of 0.1 pence). Adjusted earnings per share in respect of continuing operations and after adjusting for goodwill amortisation and non-operating exceptional items, calculated at a notional 30% tax rate were 8.5 pence (2002: 22.9 pence).

As indicated at the interim stage, the Board is recommending a reduction in the final dividend to 3 pence per share (2002: 8 pence per share), making a total dividend for the year of 5 pence per share (2002: 13 pence per share).

Core Services

The Group's Core Services suffered from weaker demand in all their markets as a result of the difficult economic climate. These poor trading conditions were compounded, particularly in the final quarter, by the uncertainty created in the build-up to the Iraq war. Customers were reluctant to commit to events but also reduced their budgets for the events that did take place.

Despite the market conditions, the Group's continuing operations still increased their level of turnover compared to last year and, as a result, our businesses increased their market shares. However, competition for available business was intense with the consequent pressure on prices and margins.

The Group implemented further capital expenditure and operating cost reductions. We have reduced our staff numbers to 423 people at the year end compared to 508 people in April 2002.

Complete Communications Corporation Limited ("Complete")

Our 49% associate, Complete, made a contribution to Group profits of £2.7 million (2002: £7.1 million), in line with expectations for the year.

"Who Wants To Be A Millionaire?" is undoubtedly one of the world's most successful television formats, and Complete's development of the brand has become a template within the industry. Complete believes that the brand has longevity and that strong revenues worldwide will continue for some years.

A milestone in the year was the release of its first feature film "Dirty Pretty Things", in December 2002, to great critical acclaim. The film was profitable for Complete.

Disposals

During the year Avesco disposed of Fountain Studios, the broadcast television studio service business. We received proceeds of £7.0 million, comprising £5.5 million in cash and the balance in shares of Medal Entertainment and Media plc ("Medal"), the purchaser, before a net current asset adjustment of £0.1 million and before costs.

For the financial year to 31 March 2003, the Group has treated Medal as an investment. However, we now believe that shareholders' interests in the potential creation of longer term value will be best achieved by retaining our substantial shareholding in Medal. Your Board has become more actively involved with the affairs of Medal, of which I am a director, and therefore Avesco will treat Medal as an associate company in its accounts with effect from April 2003. Medal, of which Avesco now owns 23.7%, made a profit before taxation of £605,000 in the year to 31 March 2003.

Since the year end, the Group has disposed of the business and assets of Creative Technology Outside Broadcast Limited.

Group Board

John Morton resigned during the year to concentrate on his other commitments and the Board thanks him for his contribution to the Group during his nine years with Avesco as a non-executive director and latterly as Chairman.

I am pleased to welcome Ian Martin, who joined the Board as a non-executive director in September 2002. Ian is the chief executive of Transport Systems plc, an AIM listed company, and a non-executive director of Chelverton Asset Management Limited. Previously Ian spent ten years at The Brockbank Group plc, where his responsibilities included the management and eventual sale of Admiral Insurance Services, the direct motor insurer.

Employees

Our employees have continued to bear the brunt of the difficult trading conditions. They have responded superbly, continuing to deliver a high quality of service to our customers and it is through their efforts that we have been able to improve our market position. I should like to thank them for their continuing commitment during the past year.

Prospects – Core Services

After such a challenging period, it is pleasing to report that we are seeing some signs of improvement in our markets. Customers are generally talking more positively about the second half and, with the conclusion of the Iraq war, are anticipating a more settled environment as we move into the autumn.

Currently, trading in our UK and European businesses remains difficult but the North American business is performing strongly due to both a more positive environment and the strengthening of the management team.

Prospects – Complete

We anticipate revenues from Complete in 2003/4 remaining strong although predicting future income streams does remain difficult. We are looking to the reduction in income from "Who Wants To Be A Millionaire?" being partly offset by income from new formats developed both internally and by external sources.

Complete remains one of the most successful UK production companies with three shows shortly to be shown on terrestrial television, and many other new programmes in development. They also represent internationally a number of high quality, externally created formats on behalf of other major independent UK production companies.

It is part of Complete's strategy to expand into radio broadcasting and as such an application has been submitted for the FM licence in the West Midlands, a decision on which will be made in September 2003.

Prospects – Conclusion

We believe that the strong management exerted on our Core Services businesses leaves them well placed to benefit, when economic conditions improve, from their stronger market position and substantially reduced cost base. Avesco's strong cash generation, relatively low level of debt and the diversity derived from shareholdings in our associates, Complete and Medal, give me confidence for the future, as we continue our development of the Group.

Richard Murray

Chairman

24 June 2003

Top: 75th Annual Academy Awards, Hollywood, March 2003 for Seligman Productions. Photo courtesy of Academy of Motion Picture Arts & Sciences™ 2003, Oscar®

Right: IAAF World Athletics Gala, November 2002, Monaco

Chief Executive's review of operations

Our businesses provide services to the corporate, entertainment, sport and broadcast events markets. These markets are highly sensitive to both the level of economic activity and business confidence and, consequently, the stagnation of the European and North American economies and the high level of uncertainty globally made for a challenging year.

Many of the events are international and therefore rely on the willingness of attendees to travel, whilst local and national events have been cut back due to the lack of business confidence. As a result, the sectors in which the Group operates have been especially hard hit and with the decline in business volumes, prices and margins have been under extreme pressure with less financially secure competitors pricing for cash in their desperation to survive.

Throughout the year we continued to manage our operations tightly, with sales, cost control and cash management continuing to receive our constant focus.

Our sales activities have been relatively successful in that we have taken more of the available business in all our operations. Our turnover in continuing activities actually increased by 2% year on year, a real tribute to the considerable sales efforts from our management and sales teams.

We reduced our headcount during the year by a further 85 people, representing 17% of staff employed at 1 April 2002, of which 44 were accounted for by the sale of Fountain Studios. This followed the 22% reduction in staff numbers in the 2001/2 year, as we seek to balance our staff numbers against revenue and to improve our efficiency. Other expenditure was kept under tight control and also capital expenditure was reduced for the second successive year. Nevertheless, we have used our relative financial strength to take advantage of attractive payback opportunities on equipment enabling us to maintain our market competitiveness.

Our net debt was reduced to £10.3 million at the year end (2002: £19.1 million). Cash generated from the Group's operating activities contributed £3.7 million to this reduction in debt, with a further £5.1 million cash net of costs arising from the disposal of Fountain Studios and £1.5 million from dividends received from our associate, Complete.

Vodafone Stand at CeBIT 2003 in Hanover

We intend to reduce further our cost base and improve our operational efficiencies by consolidating our Corporate Presentation businesses, Creative Technology, Screenco and MCL London, onto one site, together with Group senior management. We are well advanced in the negotiation to lease new premises and to dispose of our existing sites.

Top Right: **Commonwealth Games 2002, Manchester**

Top Left: **Disney Playhouse Tour for Disney Corporation**

Corporate Presentations Services

Creative Technology London, in a very tough market, continued to provide its services at the major European motorshows to Ford, Jaguar, Mazda and Land Rover (produced by Imagination), and also to Toyota Lexus at the Paris show. Other events for which Creative Technology provided its services included the Conservative Party Conference and AGM (produced by CCOCL), the Microsoft Orange Handset Launch (produced by Park Avenue) and the seven week long Disney Playhouse Tour for the Disney Corporation. CT Exhibitions at the NEC supplied many exhibitions during the year, including IPEX (International Printing Exhibition) and Interbuild.

Dimension, our specialist audio business, supplied its services alongside other Group companies at many events, including the Manchester Commonwealth Games. Dimension also worked for the first time at the major European motorshows for Ford (produced by Imagination) as well as at other events such as the IBM Multishow (produced by Project Worldwide).

Screenco performed relatively well in the year, providing its screen services to many major events including the Queen's Golden Jubilee (produced by Unusual Services), the Manchester Commonwealth Games and Picnic in the Park (for Clear Channel). Screenco was particularly successful with television shows including "Sports Personality of the Year" (BBC) and "Ant and Dec" (LWT).

MCL, which provides its services nationwide, performed very creditably with particularly good results coming from its Birmingham and Edinburgh operations. Events supplied included the Scottish Labour Party Conference (produced by Speakeasy Productions), the Intelligent Finance UK Tour, the Manufacturers' Summit 2002 and the Royal Mail Road Show.

Action, based in Monaco and Cannes, had an excellent year despite intense competition. Action provided its services to customers of the leading international exhibitions MIP, MIPCOM and MIDEM, as well as for other events such as the GSM Awards (produced by IBC) and the Championnat de France d'Athletisme (produced by Objectif Sud).

JVR in Holland further improved its local market position with a good performance. JVR provided its services to Endemol for several television shows, the TMF Awards 2002 (produced by Sightline) and to EMC2 for a number of product launches in different European cities.

CT Germany was launched successfully in January 2003 and has already covered many events, including supplying Saab AB for their stands at the Detroit, Amsterdam and Geneva motorshows and Severich and Partners/Vodafone at the CeBIT exhibition in Hanover.

Top left: **Ford Stand at Paris Motorshow 2002 for Imagination**

Top right: **Scottish National Party Election Campaign Launch at Loch Lomond Shores**

Bottom left: **TV Programme "Idols" for Holland Media House/Holland Media Group**

CT Los Angeles and CT San Francisco improved their performance with reduced losses, especially in the second half year. They supplied their services to many major events including the Sony Playstation booth at the E3 exhibition (produced by Shout Creative), the IBM eBU's in Barcelona, Orlando and Shanghai and Bank of America's Annual Fall Conference in San Francisco. The television market in Los Angeles is a key sector and we were successful in providing services to events such as the 75th Academy Awards "Oscars" and the Emmy Awards Show (both produced by Seligman Entertainment), the Golden Globes Award Show (produced by NBC/Access Hollywood) and "America's Search for the Most Talented Kid" television show (NBC Productions).

Above top: **Electronic Arts Stand, E3 2003, Los Angeles Convention Center, July 2003 for Tekamaki**

Above bottom: **Toyota Stand at the Detroit Auto Show**

CT Chicago had an excellent year, with a strong profit performance in a tough market. CT Chicago provided services for a wide range of events including Toyota/Lexus press events (produced by

Top left: **Freeserve Conference on behalf of Logistik**

Top right: **KPMG's Financial Reporting Seminar at Elland Road, Leeds**

Bottom left: **Presteigne's equipment in action at a Formula 1 Grand Prix**

George P. Johnson) at the Detroit Auto Show, Takeda Pharmaceutical's Annual Business Meeting in Orlando (produced by Jack Morton Worldwide), Hewlett Packard's Analyst Meeting (produced by Kaleidoscope) and Burger King's Marketing Brand Tour (produced by Novasphere).

Broadcast Services

Presteigne Broadcast Hire had an excellent first half, despite the underlying poor market conditions, as it covered some major events including the Commonwealth Games, the Queen Mother's Funeral and the Golden Jubilee. Despite a more difficult second half, Presteigne continued to build its customer base, adding a number of new customers.

CT Outside Broadcast had a tough year in a highly competitive market. Since the year end, we have sold CT Outside Broadcast to complete our planned exit from the television facilities market, having sold Fountain Studios during the year.

Above: **Celador Films first feature presentation "Dirty Pretty Things" starring Audrey Tautou and Chiwetel Ejiofor**

Right: **Celador's "Who Wants To Be A Millionaire?"**

Complete Communications Corporation Limited ("Complete")

Revenues from "Who Wants To Be A Millionaire?" were in line with expectations and Complete continues to exploit imaginative ways of generating further revenues from the format through promotional activity and new media applications. Amongst other programming produced during the year were the second series of "All About Me", to be broadcast by the BBC from September 2003, and a further series of the BBC's National Lottery Show "Winning Lines".

The company's strategy to represent high quality, externally created formats is coming to fruition. A number of transactions have been confirmed and discussions are at an advanced stage with several other parties.

Celador Productions sitcom "All About Me" starring Nina Wadia and Jasper Carrott

In December 2002 Complete's subsidiary, Celador Films, released its first film, "Dirty Pretty Things", which received critical acclaim, winning awards as well as being nominated in two categories at the 2003 BAFTA Awards. Celador Films' second film is scheduled to start production in September 2003.

Complete also wishes to expand its radio interests and has submitted an application to the Radio Authority for an FM licence in the West Midlands. This is a highly contested regional licence which will be awarded in September.

David Nicholson
Chief Executive
24 June 2003

Analysis of results
For the year ended 31 March 2003

	2003 £'000	2002 £'000
Turnover		
Continuing operations	**56,122**	55,181
Discontinued operations	**4,013**	9,989
Group turnover	**60,135**	65,170
Earnings before interest, taxation, depreciation and amortisation on continuing core activities ('EBITDA' see note 2)	**10,057**	10,118
Operating (loss)/profit		
Continuing operations — trading	**1,036**	785
Complete	**2,687**	7,093
	3,723	7,878
Central costs	**(1,257)**	(1,270)
Discontinued operations — trading	**(618)**	990
Restructuring and reorganisation costs in continuing operations	**(105)**	(340)
Discontinued operations — impairment of tangible fixed assets	**(413)**	—
	(1,136)	650
Group operating profit before goodwill amortisation	**1,330**	7,258
Net interest payable	**(397)**	(943)
Profit on disposal of Fountain Television Limited	**1,061**	—
Other profits on disposals and exceptional items	**—**	346
Profit before taxation and goodwill amortisation	**1,994**	6,661
Goodwill amortisation	**(5,146)**	(5,116)
Net (loss)/profit before taxation	**(3,152)**	1,545

Continuing and discontinued operations refer to Core Services only.

Results for the year

The results for this year have again been analysed between 'Core Services' and Avesco's share of the results of its 49% associate, Complete Communications Corporation Limited ('Complete').

Core Services

Group turnover, at £60.1 million, decreased by 7.7% (2002: £65.2 million), notably as a result of the sale of Fountain Television which was sold in August. Turnover from continuing operations at £56.1 million increased by 1.7% (2002: £55.2 million).

Core Services' continuing operations had a trading profit of £1.04 million (2002: £0.8 million), before central costs of £1.26 million (2002: £1.3 million) and reorganisation expenses of £0.11 million (2002: £0.3 million), making an operating loss before goodwill amortisation of £0.33 million (2002: loss of £0.8 million).

The total depreciation charge fell to £11.3 million (2002: £12.2 million), reflecting the disposal of the Fountain Television business and lower capital expenditures in recent years. Depreciation on continuing operations fell to £10.4 million (2002: £10.9 million). The overall depreciation charge represented 34% of the average net book value of the tangible fixed assets (or 44% on hire stock), reflecting the continuing prudent estimation of asset lives, compared to 32% in the previous year (or 42% on hire stock).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") from the Core Services continuing operations, were £10.06 million (2002: £10.12 million).

The discontinued operations lost £1.0 million in the year (2002: profit before goodwill amortisation of £1.0 million), of which £0.4 million was an impairment charge resulting from a review of the carrying value of the fixed assets in the CT Outside Broadcast business, sold in June 2003. Further losses on disposal of this business of approximately £0.2 million will be reflected in the results to 31 March 2004 (see note 33).

The difficult trading conditions encountered in the period resulted in reorganisation expenses of £105,000 (2002: £340,000) due to redundancies made across the Group. At its peak in the year to 31 March 2002, the Group employed 651 people, whereas at the end of March 2003, 423 people were employed.

Complete

Complete's turnover fell by 31%, Avesco's share being £21.0 million (2002: £30.3 million). Complete contributed £2.7 million to operating profit (2002: £7.1 million).

Avesco Group

The net interest charge fell to £0.4 million (2002: £0.9 million), with the net interest expense in Core Services being markedly reduced to £0.6 million (2002: £1.3 million). Avesco's share of interest income from Complete fell to £0.2 million (2002: £0.4 million). The lower net interest expense in Core Services resulted from, in the main, significantly reduced debt levels as well as lower interest rates. As explained in note 29 to the financial statements, it is the Group's policy to keep the majority of its net debt on floating interest rates.

There was one non-operating exceptional item in the period, being the profit on disposal of Fountain Television of £1.1 million.

After goodwill amortisation and exceptional items the Group recorded a loss before taxation of £3.2 million, compared to the prior year profit of £1.5 million.

Taxation

The taxation charge for the year was £0.6 million (2002: £1.53 million) comprising a £0.3 million credit (2002: £1.04 million credit) in respect of Core Services and a £0.9 million charge (2002: £2.57 million charge) in respect of Complete. The losses being made in the Core Services business are not available for relief against the profits being made in Complete.

The Core Services results include a large non-tax deductible goodwill amortisation charge which influences the apparent tax rate. The Group has significant potential deferred tax assets which may reduce tax charges in future years. However, none of these potential assets, which together total £6.7 million, have been recognised in the financial statements reflecting uncertainties concerning the extent and timing of recoverability.

Cash flow

The Group's operations remained cash generative with cash flow from operating activities of £11.5 million (2002: £9.3 million). £1.5 million (2002: £9.4 million) of dividends were received from Complete.

After interest and taxation, the Group generated £13.2 million (2002: £16.4 million) of cash before net capital expenditures of £7.8 million (2002: £9.2 million). Net capital expenditures are stated after £3.8 million (2002: £1.8 million) of proceeds from the sale of assets.

The Group generated £5.1 million net cash from the disposal of Fountain Television compared to £1.0 million raised from disposals in the prior year.

The Group's debt was also reduced in sterling terms by movements in exchange rates, principally the fall in the value of the US dollar, which reduced the translated value of foreign currency borrowings by £0.4 million.

Borrowings

At 31 March 2003, the Group had net debt of £10.3 million (2002: £19.1 million), of which £6.9 million (2002: £9.2 million) was in respect of hire purchase obligations and £3.0 million (2002: £9.4 million) was in respect of bank loans. Of net debt, £5.1 million or 50% (2002: £11.4 million or 60%)

was payable in over one year. Gearing, calculated as net debt expressed as a percentage of shareholders' funds, was 34% (2002: 54%).

In April 2003, the Group entered into new secured banking facilities with a three-year revolving loan facility of £4 million and a £4 million overdraft facility being agreed with the Group's bankers.

The Group has borrowings in US dollars and in Euros to fund the operations of its overseas subsidiaries. At 31 March 2003, 13% of the Group's net debt of £10.3 million was in US dollars and 6% was in Euros.

At 31 March 2003, 94% (2002: 89%) of the Group's financial liabilities carried interest at a variable rate.

David Brocksom
Finance Director
24 June 2003

Board of Directors

Richard Alan Murray (N)
Chairman
aged 53, founded the Company in 1984. He is chairman of Charlton Athletic plc and a non-executive director of Welsh Industrial Investment Trust plc and Medal Entertainment & Media plc.

David John Nicholson (N)
Chief Executive
aged 52, joined the Group and the Board in 1995, having previously held senior management positions at Rentokil Group plc and Aspen Communications plc.

David Graham Brocksom FCA
Finance Director
aged 42, joined the Group and the Board in 1998, having previously been group finance director at Tele Cine Cell Group plc and Westport Group plc. He qualified as an accountant with Price Waterhouse.

Graham Peter Andrews
Chief Executive, Creative Technology Group
aged 44, joined the Group in 1986, was appointed to the Board in 1994 and has 27 years of experience in the live events industry.

David Andrew Crump
Business Development Director
aged 41, joined the Group in 1985, was appointed to the Board in 1995 and has 23 years' experience in the live events industry.

Nicholas Simon Conn LLB
Company Secretary
aged 46, joined the Company in 1988, was appointed to the Board in 1993, and was previously a partner in the Company's then solicitors.

Ian Paul Martin (NAR)
Senior Independent Non-executive Director
aged 42, joined the Board in 2002. He is Chief Executive of Transport Systems plc and a non-executive director of Chelverton Asset Management Limited.

Alfred Patrick Stirling FCA (NAR)
Non-executive Director
aged 67, was appointed to the Board in 1984. He is Chairman and Managing Director of Gresham House plc and of Welsh Industrial Investment Trust plc.

Cameron Anderson Maxwell FCA (N)
Non-executive Director
aged 60, joined the Board in 1985 and was Finance Director until 1998. He is a member of the Council of the Institute of Chartered Accountants in England and Wales.

N — Member of Nomination Committee
A — Member of Audit Committee
R — Member of Remuneration Committee

Company Secretary and Registered Office
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Registered Number 1788363

Share Quotation
The Company's shares are listed on the Official List of the London Stock Exchange

Registrars and Transfer Office
Capita Registrars
The Registry, 34 Beckenham Road,
Beckenham, Kent, BR3 4TU

Auditors
KPMG Audit Plc
1 Forest Gate, Brighton Road,
Crawley, West Sussex, RH11 9PT

Stockbrokers and Financial Advisers
Investec Investment Banking
2 Gresham Street,
London, EC2V 7QP

Solicitors
Norton Rose
Kempson House, Camomile Street
London, EC3A 7AN

Principal Banker
HSBC Bank

The directors have pleasure in presenting their report and the financial statements for the year ended 31 March 2003.

Principal activities, review of the business and future developments
The Group's principal activity during the year was the provision of specialist services to the corporate, presentation, entertainment and broadcast markets. In addition, the Group has benefited substantially from its 49% interest in Complete Communications Corporation Limited ('Complete'). The Chairman's statement on pages 3 to 5, the Chief Executive's review of operations on pages 6 to 13 and financial review on pages 15 to 17 give further information regarding the performance and prospects of the business.

Dividends
The directors recommend payment of a final dividend for the year ended 31 March 2003 of 3.0 pence per ordinary share to be paid on 1 October 2003 to shareholders on the Register on 12 September 2003, making a total dividend for the year of 5.0 pence per ordinary share (2002: 13.0 pence). An interim dividend of 2.0 pence per ordinary share was declared during the year. Excluding goodwill amortisation, the dividends are covered 1.7 times (2002: 2.4 times) by earnings.

Shares
During the year, no shares were issued and the Company did not exercise the authority, given at the Annual General Meeting of the Company held in 2002, to purchase its own shares. The existing authority for the Company to make purchases of its own shares is due to expire on 5 September 2003, the date of the forthcoming Annual General Meeting, when a resolution for its renewal will be proposed to shareholders.

Directors
Details of the current directors are given on page 18. Mr Murray's full surname is Murray-Obodynski but he is referred to in the annual report by the name under which he is generally known in the industry.

Julian Kossick, Managing Director of Fountain Television, resigned from the Board on completion of the disposal of that business on 30 August 2002. John Morton, the then Chairman, resigned from the Board on 6 September 2002 and was replaced as Chairman by Richard Murray, who was previously Deputy Chairman. Ian Martin was appointed to the Board as a non-executive director on 16 September 2002.

Substantial interests
At 20 June 2003, the Company had been notified of the following holdings of 3% or more in accordance with sections 198 to 208 of the Companies Act 1985:

Shareholder	Ordinary shares	Percentage of allotted ordinary shares
RA Murray	3,116,074	19.09%
Prudential plc	2,442,618	14.97%
The Fleming Mercantile Investment Trust PLC	1,500,000	9.19%
Complete Communications Corporation Limited	850,000	5.21%

The holding of Prudential plc includes the shareholding of M&G Investment Fund (3) of 1,832,665 ordinary shares, representing 11.23% of the allotted ordinary shares.

Going concern
The directors believe, after making appropriate enquiries, that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Post-balance sheet events
On 16 June 2003, the business, goodwill and fixed assets of Creative Technology Outside Broadcast Limited, the Group's only outside broadcast television business and last remaining television facilities business, were disposed of to NMT Outside Broadcast (UK) Limited for a consideration of between £1.0 million and £1.4 million depending on certain levels of business in the three years from completion. Further details are contained in note 33 to the financial statements.

As described in note 16 to the financial statements, the Group will treat the investment in Medal Entertainment & Media plc as an associate undertaking from April 2003.

Payment policy to suppliers
The Group does not follow a published code on payment practice but has standard terms and conditions of purchase based on which it agrees terms and conditions for its business transactions with suppliers. It is our policy that, subject to the terms and conditions being met by the supplier, payment is made on those terms.

The Company's outstanding trade creditors at 31 March 2003, calculated in accordance with the Companies Act, represented 70 days' purchases (2002: 82 days). The Group's outstanding trade creditors at 31 March 2003, calculated on the same basis, represented 56 days' purchases (2002: 21 days).

Employee involvement
The Group values the involvement of its employees at all levels. Many employees have share options, receive the Annual Report and Accounts and are kept closely in touch with the sales and financial position of the Group. It is the policy of the Group not to discriminate between employees on any grounds. Full and fair consideration is given to applications by disabled persons, having regard to their particular aptitudes and abilities, for employment by the Group. Should an employee become disabled, every effort is made to ensure continuity of employment and, where appropriate, to provide training and career development.

Environmental
Although the Group does not have a formal environmental policy, the Group does recognise the importance of environmental responsibility. The Group believes that its activities have a low impact on the environment.

Political and charitable contributions
No contributions for charitable or political purposes were made during the year by the Group.

Annual General Meeting
Notice of the Annual General Meeting, together with explanatory notes, is set out on pages 53 to 55.

By order of the Board
Nicholas Conn
Company Secretary
24 June 2003

This report has been prepared in compliance with the Directors' Remuneration Report Regulations 2002 and will be put to shareholders for approval at the Annual General Meeting.

Unaudited information

Remuneration Committee

The remuneration committee consists entirely of non-executive Directors. At the beginning of the year the remuneration committee comprised Mr Morton and Mr Stirling. Mr Morton ceased to hold office on 6 September 2002 and Mr Martin was appointed to the remuneration committee on 16 September 2002. The remuneration committee has not sought professional advice from external consultants during the year. However, the remuneration committee consults with the Chairman and the Chief Executive, as it considers appropriate, in relation to its proposals relating to the remuneration of the executive directors.

Remuneration Policy

The remuneration committee makes recommendations to the Board on executive remuneration policy and on behalf of the Board determines specific remuneration packages for each of the executive directors. The aim of the remuneration committee is to provide total remuneration packages which attract, retain and motivate executive directors of the appropriate calibre. The remuneration policy is to reward excellent performance, to be commercially competitive and to align the interests of employees with those of shareholders to create value.

This report sets out the Company's policy on executive remuneration. Although the remuneration committee is able to state the policy for the year ending 31 March 2004 with reasonable certainty, it is unable to confirm that the policy will continue without amendment in subsequent years. It is considered that a successful policy should retain sufficient flexibility to allow account to be taken of future changes in the business environment and remuneration practice. The policy should also allow for any special arrangements which may be necessary in the future in order to recruit a director of sufficient calibre. However, any changes in the policy for future years will be described in future reports, which will be subject to shareholder approval.

The principal elements of the remuneration package are as follows:

Basic salary and benefits

The salary of each executive director is reviewed annually having regard to his individual responsibilities and contribution and to ensure that it is competitive with salaries of persons in equivalent positions in comparable companies. All executive directors receive a Company car and fuel benefit (or an allowance in lieu) and are entitled to pension contributions, medical insurance cover, life assurance cover and permanent health insurance cover.

Annual bonus

Each of the executive directors is entitled to an annual bonus dependent upon the achievement of short-term corporate and personal performance targets approved by the Remuneration Committee. The annual bonus may not exceed 100% of basic salary. Corporate performance is measured by reference to the increase in an adjusted earnings per share over a 12 month period and, where applicable, to the performance against budget of the businesses for which the director concerned has specific responsibility.

Long-term incentives

The Company operates two executive share option schemes established in 1994 and 1997, respectively. Options granted under the 1994 scheme, which is an Inland Revenue approved scheme, are exercisable only if, over a three year period, the increase in the Company's share price exceeds the increase in the Retail Prices Index over the same three year period. Options under the 1997 scheme, which is not an Inland Revenue approved scheme, are exercisable only if, over a three year period, the growth in the Group's adjusted earnings per share exceeds the increase in the Retail Prices Index over the same three year period plus six per cent.

Options are exercisable under the 1994 scheme between three and ten years after the date of grant and under the 1997 scheme between three and seven years after the date of grant. Options are granted at the market price of the Company's shares at the time of grant. The total value of options, calculated by reference to the relevant option exercise price, outstanding at any time together with those exercised or surrendered in the previous 10 years will not exceed four times the salary of the option holder.

Pensions

Pension contributions relating to the executive directors of the Company (other than Mr Murray) are paid to defined contribution arrangements and are calculated by reference to basic salary only. Annual bonuses and other benefits are not pensionable. The fees payable to Mr Murray include an amount to enable him to make his own pension provision arrangements.

Contracts

The dates of the contracts of the executive directors are as follows:

Executive directors	Date
RA Murray	14.06.1996
DJ Nicholson	31.03.1995
GP Andrews	18.11.1994
DG Brocksom	15.10.1998
NS Conn	18.11.1994
DA Crump	21.10.1996

Except as noted below, the service contracts of the executive directors are subject to a rolling twelve month notice period. It is the policy of the remuneration committee that the Company should not enter into contracts for any executive director with rolling notice periods exceeding one year.

The contracts of the executive directors provide that, in the event of their termination in certain circumstances in the 24 months following a change of control of the Company, the director shall be entitled to a severance payment not exceeding the sum of 24 months' emoluments less emoluments received since the change of control. The remuneration committee consider such a provision appropriate in order to retain the services of key executives.

Non-executive directors

The remuneration of the non-executive directors is subject to a maximum aggregate limit agreed by the shareholders and set out in the articles of association. Within this limit, the remuneration of the non-executive directors is determined by the Board as a whole although no non executive Director is present when his own fees are under discussion. The non-executive directors do not participate in the share option schemes and do not receive any pension contributions or other benefits.

Mr Martin has a service contract with the Company, which is dated 16 September 2002 and is capable of termination on not less than three months' notice expiring not earlier than 16 September 2003. Mr Maxwell and Mr Stirling do not have written service contracts with the Company and are not engaged for any defined term.

Share Price Performance Graph

The share price graph below compares the share price of the Company with the FTSE Media and Entertainment Index on a total shareholder return basis over the five years ended 31 March 2003. The FTSE Media and Entertainment Index has been chosen for the purposes of comparison as the Company is listed under this sector.

Audited information

Directors' emoluments

The emoluments of the directors of the Company were:

	Fees/ Salary £'000	Bonus £'000	Benefits £'000	**2003 Subtotal £'000**	2002 Subtotal £'000	**2003 Pension £'000**	2002 Pension £'000	**2003 Total £'000**	2002 Total £'000
Executive directors									
RA Murray*	108	—	—	**108**	108	—	—	**108**	108
DJ Nicholson	156	—	25	**181**	175	**19**	19	**200**	194
GP Andrews	133	—	22	**155**	150	**13**	13	**168**	163
DG Brocksom	117	—	9	**126**	126	**12**	12	**138**	138
NS Conn	83	—	10	**93**	92	**8**	8	**101**	100
DA Crump	133	—	13	**146**	142	**13**	13	**159**	155
JS Kossick†	44	78	6	**128**	117	**4**	11	**132**	128
Non-executive directors									
IP Martin†	8	—	—	**8**	—	—	—	**8**	—
CA Maxwell*	15	—	—	**15**	15	—	—	**15**	15
AJ Morton†	23	—	—	**23**	25	—	—	**23**	25
AP Stirling*	13	—	—	**13**	13	—	—	**13**	13
Total	833	78	85	**996**	963	**69**	76	**1,065**	1,039

* The fees and salaries of those directors marked with an asterisk were paid to companies connected with the directors.

† Mr Kossick and Mr Morton resigned from the Board on 30 August 2002 and 6 September 2002, respectively. Ian Martin was appointed to the Board on 16 September 2002.

Each of the executive directors waived his entitlement to an annual pay review in the year, the increase in total emoluments in 2003 (other than for Mr Kossick) resulting from changes in the Inland Revenue rates for the assessment of taxable benefits. The bonus paid to Mr Kossick related to compensation for the additional work which he was required to carry out in connection with the disposal of Fountain Television. The bonus was paid partly in cash and partly by the transfer by the Company of shares in the purchaser of Fountain Television. No other bonuses were paid to directors during the year.

The Company made contributions to defined contribution pension arrangements in respect of six directors (2002: six directors).

Directors' interests

The number of shares in which the directors had a beneficial interest as defined by the Companies Act 1985 was as follows:

	At 31 March 2003 and 24 June 2003		At 31 March 2002 or date of appointment, if later	
	Ordinary shares	**Options over ordinary shares**	Ordinary shares	Options over ordinary shares
RA Murray	**3,116,074**	—	1,021,074	—
DJ Nicholson	**36,929**	**61,365**	16,929	61,365
GP Andrews	**17,139**	**54,990**	17,139	54,990
DG Brocksom	**3,344**	**80,276**	3,344	80,276
NS Conn	**17,718**	**53,876**	17,718	53,876
DA Crump	**12,654**	**54,990**	12,654	54,990
IP Martin	**50,000**	—	7,500	—
CA Maxwell	**40,000**	—	37,262	—
AP Stirling	**30,000**	—	20,034	—

None of the directors had any non-beneficial interest in the Company's shares.

The movements in the directors' options over ordinary shares during the year were as follows:

Exercise price	At 1 April 2002	Lapsed	At 31 March 2003	Exercisable from	to
DJ Nicholson					
298.5p	3,664	—	3,664	20.12.99	19.12.06
307.5p	2,425	—	2,425	04.08.00	03.08.04
444.0p	25,000	—	25,000	07.08.01	06.08.05
317.5p	25,000	—	25,000	24.12.01	23.12.05
301.0p	5,276	—	5,276	22.07.02	21.07.06
	61,365	—	61,365		
GP Andrews					
307.5p	5,675	—	5,675	04.08.00	03.08.04
444.0p	2,750	—	2,750	07.08.01	06.08.08
444.0p	22,250	—	22,250	07.08.01	06.08.05
317.5p	19,039	—	19,039	24.12.01	23.12.05
301.0p	5,276	—	5,276	22.07.02	21.07.06
	54,990	—	54,990		
DG Brocksom					
299.5p	10,016	—	10,016	01.12.01	30.11.08
299.5p	39,984	—	39,984	01.12.01	30.11.05
301.0p	5,276	—	5,276	27.07.02	21.07.06
961.5p	25,000	—	25,000	08.06.03	07.06.07
	80,276	—	80,276		
NS Conn					
444.0p	6,750	—	6,750	07.08.01	06.08.08
444.0p	18,250	—	18,250	07.08.01	06.08.05
317.5p	23,600	—	23,600	24.12.01	23.12.05
301.0p	5,276	—	5,276	22.07.02	21.07.06
	53,876	—	53,876		
DA Crump					
307.5p	5,675	—	5,675	04.08.00	03.08.04
444.0p	2,750	—	2,750	07.08.01	06.08.08
444.0p	22,250	—	22,250	07.08.01	06.08.05
317.5p	19,039	—	19,039	24.12.01	23.12.05
301.0p	5,276	—	5,276	22.07.02	21.07.06
	54,990	—	54,990		
JS Kossick					
307.5p	2,270	2,270	—	04.08.00	03.08.04
444.0p	2,750	2,750	—	07.08.01	06.08.08
444.0p	22,250	22,250	—	07.08.01	06.08.05
317.5p	25,000	25,000	—	24.12.01	23.12.05
301.0p	5,276	5,276	—	22.07.02	21.07.06
	57,546	57,546	—		

No options were granted to or exercised by any director during the year. In the year ended 31 March 2002, four directors, who exercised options in July 2001 in respect of a total of 153,955 shares, realised aggregate gains of £905,000.

The closing share price on 31 March 2003 was 73.5p and the high and low prices during the year were 227.5p and 64.0p respectively.

By order of the Board
Ian Martin
Director and Chairman of the Remuneration Committee
24 June 2003

This corporate governance report sets out how the principles identified in the Combined Code have been applied by the Company.

Statement of compliance

The Company complies with the Combined Code with the exception of the provisions relating to the requirement for non-executive directors to comprise not less than one-third of the Board throughout the year (provision A.3.1) and the requirement for the audit committee to consist of at least three directors (provision D.3.1). The reasons for these departures from the provisions of the Combined Code are explained below.

The Board

The Board comprises the directors listed on page 18. Changes to the Board, which took place during the year, are noted on page 19.

The independent directors, who held office at the beginning of the year, were considered to be Mr Morton and Mr Stirling. Mr Morton resigned from the Board on 6 September 2002 and Mr Martin was appointed to the Board on 16 September 2002. Between these dates, Mr Stirling was the only independent non-executive director. Mr Stirling was the senior independent director until 16 September 2002, when Mr Martin assumed that role. Mr Maxwell, a non-executive director, is not considered to be independent having previously held executive office as Finance Director.

The Board meets regularly to consider the business and strategic issues of the Group. Major decisions in a range of specified areas such as acquisitions and disposals are required to have Board approval. The Board has access to the advice and services of the Company Secretary and there is a written procedure for obtaining independent legal advice at the Company's expense.

Audit committee

At the commencement of the year, the audit committee comprised Mr Morton, as Chairman, and Mr Stirling. Mr Morton ceased to be a member of the audit committee on 6 September 2002. Mr Martin was appointed to the audit committee on 16 September 2002 and is the current chairman.

The audit committee reviews the Group's annual report, financial statements, interim statement and preliminary announcements before recommending their approval to the Board. This process involves meeting with the external auditors to discuss issues relating to the audit and financial control of the Group. The auditors also have direct access, should they so require, to the chairman of the audit committee.

The audit committee consists of only two non-executive directors rather than the three required by the provisions of the Combined Code since, as outlined above, the Company's third non-executive director is not considered to be independent.

Nomination committee

At the commencement of the year, the nomination committee comprised Mr Morton, Mr Maxwell, Mr Murray, Mr Nicholson and Mr Stirling. Mr Morton ceased to be a member of the nomination committee on 6 September 2002 and Mr Martin was appointed to the nomination committee on 16 September 2002. The Chairman of the Nomination Committee was Mr Morton until 6 September 2002 and since that date has been Mr Murray.

The nomination committee recommends to the Board appointments of new executive and non-executive directors.

The articles of association of the Company require directors to submit themselves for re-election at the first annual general meeting following appointment and then every three years.

Internal control

The Directors have an overall responsibility for internal control within the Group. The effectiveness of the Group's internal control system has been reviewed by the Directors. The internal control system provides an ongoing process for identifying, evaluating and managing significant risks faced by the Company. The internal control system, which has been in place throughout the year and up to the date of this report, is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The controls in place include Group policies and procedures, which are operated in all subsidiaries and which define levels of authority and procedures for regular control and management reporting.

The Group has a comprehensive system of financial reporting and forecasting covering profits, assets, liabilities, cash flow and capital expenditure. The systems include regular monitoring of cash, monthly reporting of financial results, reviews of forecasts and comparisons with budgets. Budgets and business plans are prepared annually by all operations and reviewed by management and the Board. Regular management meetings are held to monitor performance against budgets, progress in implementing planned changes and the operational efficiency of the businesses.

Operational risks are identified and assessed by management with the identification and monitoring of significant risks being reported to the Board. In addition to those financial and commercial risks associated with the Group's core services, the nature of the core services businesses dictates that particular emphasis is given to health and safety. The Group employs a full-time health and safety manager and regular training programmes are provided for operational staff.

The directors have considered the need for an internal audit function but believe that the size of the Group at present does not justify a dedicated internal audit function. However, Avesco Group finance staff make regular visits to all the operations and perform many of those risk management tasks normally associated with an internal audit function. The directors review the decision not to have an internal audit function from time to time, in particular, having regard to material changes in circumstances.

The Group's internal control procedures do not extend to its associate, Complete Communications Corporation Limited ('Complete'). Instead, the Company is represented at regular board meetings of Complete, receives detailed monthly financial reporting and analysis of results and commissions an independent annual audit and half year review of Complete's results to coincide with the Group's own reporting timetable.

Relations with shareholders

The Board makes considerable efforts to establish relationships with institutions and shareholders and to meet and communicate with them on a regular basis.

Directors make institutional presentations at the time that the interim and full year results are announced. The Board is keen to communicate with private investors and welcomes the opportunity to meet them at the Annual General Meeting. The Company counts all proxy votes lodged at general meetings of the Company and indicates the number of proxy votes on each resolution, after it has been dealt with by a show of hands.

Information regarding the Group may be viewed on the Company's web site at www.avesco.co.uk.

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Avesco plc

We have audited the financial statements on pages 26 to 52. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the Directors' remuneration report. As described on page 24, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the Directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the loss of the Group for the year then ended; and

- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Crawley
24 June 2003

Consolidated profit and loss account

For the year ended 31 March 2003	Note	2003 £'000	2002 £'000
Turnover			
Group and share of associates' turnover	2	**81,117**	95,443
Less: share of associates' turnover		**(20,982)**	(30,273)
Group turnover	3	**60,135**	65,170
Continuing operations		**56,122**	55,181
Discontinued operations		**4,013**	9,989
Group turnover	3	**60,135**	65,170
Operating (loss)			
Continuing operations			
— operating (loss) excluding exceptional items		**(5,367)**	(5,421)
— exceptional items (see note 5)		**(105)**	(589)
Total continuing operations		**(5,472)**	(6,010)
Discontinued operations			
— operating (loss)/profit excluding exceptional items		**(618)**	810
— exceptional items (see note 5)		**(413)**	—
Total discontinued operations		**(1,031)**	810
Group operating (loss)	4	**(6,503)**	(5,200)
Share of associates' operating profit		**2,687**	7,342
Group and share of associates' operating (loss)/profit	2	**(3,816)**	2,142
Profit on disposal of operations	5	**1,061**	60
Share of profit on disposal of operation	5	—	286
(Loss)/profit on ordinary activities before interest and taxation		**(2,755)**	2,488
Net interest payable and similar items	6	**(397)**	(943)
(Loss)/profit on ordinary activities before taxation		**(3,152)**	1,545
Taxation on profit on ordinary activities	11	**(624)**	(1,531)
(Loss)/profit on ordinary activities after taxation		**(3,776)**	14
Equity minority interests		**20**	—
(Loss)/profit for the year		**(3,756)**	14
Dividends paid and proposed	12	**(816)**	(2,133)
Retained (loss) for the financial year	25	**(4,572)**	(2,119)
(Losses)/earnings per share			
Basic and diluted	13	**(23.0p)**	0.1p
Adjusted	13	**8.5p**	22.9p
Dividends per share	12	**5.0p**	13.0p

There is no difference between the results stated above and their historical cost equivalents.

Adjusted earnings per share are stated before goodwill amortisation, non-operating exceptional items and are in respect of continuing operations only, at a notional 30% tax rate (see note 13). The prior year comparatives have been restated accordingly.

Balance sheets

As at 31 March 2003

	Note	Group		Company	
		2003	2002	**2003**	2002
		£'000	£'000	**£'000**	£'000
Intangible assets	14	**4,998**	10,297	—	—
Tangible assets	15	**28,141**	37,486	**192**	251
		33,139	47,783	**192**	251
Investment in associate	16	**4,067**	3,579	—	—
Other investments	16	**1,472**	—	**5,820**	4,963
Total fixed asset investments	16	**5,539**	3,579	**5,820**	4,963
Fixed assets		**38,678**	51,362	**6,012**	5,214
Stocks	17	**698**	806	—	—
Debtors	18	**12,402**	13,297	**41,244**	55,899
Cash	27	**1,301**	1,369	—	—
Current assets		**14,401**	15,472	**41,244**	55,899
Creditors: amounts falling due within one year	19	**(17,360)**	(20,007)	**(6,082)**	(12,122)
Net current (liabilities)/assets		**(2,959)**	(4,535)	**35,162**	43,777
Total assets less current liabilities		**35,719**	46,827	**41,174**	48,991
Creditors: amounts falling due after more than one year	20	**(5,134)**	(11,400)	**(1,612)**	(6,250)
Provisions for liabilities and charges	22	—	(231)	—	—
Net assets		**30,585**	35,196	**39,562**	42,741
Called up share capital	23	**1,632**	1,632	**1,632**	1,632
Share premium account	25	**31,269**	31,269	**31,269**	31,269
Profit and loss account	25	**(2,316)**	2,295	**6,661**	9,840
Equity shareholders' funds		**30,585**	35,196	**39,562**	42,741
Minority interest		—	—	—	—
Total capital employed		**30,585**	35,196	**39,562**	42,741

The financial statements on pages 26 to 52 were approved by the Board of directors on 24 June 2003 and were signed on its behalf by:

David Nicholson
David Brocksom
Directors

Consolidated cash flow statement

For the year ended 31 March 2003	Note	2003 £'000	2002 £'000
Continuing operations		**11,697**	6,447
Discontinued operations		**(217)**	2,885
Net cash flow from operating activities	26	**11,480**	9,332
Dividends from associate	16	**1,514**	9,430
Interest received		**54**	73
Interest paid		**(295)**	(926)
Interest element of hire purchase payments		**(378)**	(466)
Returns on investments and servicing of finance		**(619)**	(1,319)
UK taxation		**253**	(1,063)
Overseas taxation		**578**	(4)
Taxation		**831**	(1,067)
Net cash flow before capital expenditure		**13,206**	16,376
Purchase of tangible assets		**(11,554)**	(10,993)
Sale of tangible assets		**3,781**	1,816
Capital expenditure		**(7,773)**	(9,177)
Acquisition of subsidiaries and businesses		**(106)**	(4,737)
Disposal of subsidiaries and businesses		**4,897**	260
Net overdraft disposed of with subsidiaries		**238**	—
Disposal of associates		**—**	694
Acquisitions and disposals		**5,029**	(3,783)
Equity dividends paid		**(2,120)**	(2,109)
Net cash flow before financing		**8,342**	1,307
Issue of share capital		**—**	501
Issue of share capital in subsidiary to minority interests		**20**	—
Net change in bank loans	27	**(5,922)**	6,641
Net change in hire purchase obligations	27	**(2,329)**	113
Financing		**(8,231)**	7,255
Change in cash in the year	27	**111**	8,562
Net debt	27	**(10,279)**	(19,122)

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2003	2003 £'000	2002 £'000
Group	**(5,758)**	(5,418)
Associates	**2,002**	5,432
(Loss)/profit for the year	**(3,756)**	14
Group currency translation differences before taxation	**(39)**	6
Taxation effect of Group currency translation differences	**—**	—
Group currency translation differences	**(39)**	6
Associate currency translation differences	**—**	—
Currency translation differences	**(39)**	6
Total recognised gains and (losses) relating to the year	**(3,795)**	20

Consolidated reconciliation of movements in equity shareholders' funds

For the year ended 31 March 2003	2003 £'000	2002 £'000
(Loss)/profit for the year	**(3,756)**	14
Dividends	**(816)**	(2,133)
Retained (loss) for the financial year	**(4,572)**	(2,119)
Currency translation differences	**(39)**	6
Share options exercised	**—**	501
Net reduction to equity shareholders' funds	**(4,611)**	(1,612)
Opening equity shareholders' funds	**35,196**	36,808
Closing equity shareholders' funds	**30,585**	35,196

1 Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important accounting policies is set out below. These have been applied consistently throughout the year and the preceding year.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March annually. The results of subsidiaries or businesses acquired are included from the date control passes to the Group and the results of subsidiaries or businesses disposed of are included up to the date control passes from the Group. All intra-Group transactions and balances are eliminated on consolidation.

The Group accounts for entities in which it has a long-term interest and over which it exercises significant influence, rather than control, as associates. The Group uses the equity method of consolidation to account for its associates including the Group's share of the profits less losses of the associates in the consolidated profit and loss account and including its interest in their net assets as investments in the consolidated balance sheet.

Company profit and loss account
The Company has taken advantage of the exemption from presenting its own profit and loss account in accordance with section 230(4) of the Companies Act 1985. The loss for the year of the Company was £2,363,000 (2002: £2,924,000).

Deferred taxation
Full provision has been made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes (except as otherwise required by FRS 19). Deferred tax assets are also recognised in full subject to them being regarded as recoverable. Deferred tax balances are not discounted.

Depreciation
The depreciable amount (cost less estimated residual value) of tangible assets is recognised in the profit and loss account using both straight line and reducing balance methods over the following 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 depreciation charge in respect of plant and equipment (including hire stock) represented 42% (2002: 39%) of the average net book value of plant and equipment.

The Group selects its depreciation rates carefully and reviews them 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.

Profits and losses arising from the normal replacement cycle of hire stock are considered to be in effect adjustments to previously charged depreciation and hence are included within operating profits.

Foreign currencies
Monetary assets and liabilities, and the assets and liabilities of overseas operations, are translated into sterling at the rate of exchange ruling at the balance sheet date. The results of overseas operations are translated into sterling at the average rate of exchange for the year. Foreign currency trading transactions are translated at the rate ruling at the time of the transaction unless covered by a forward foreign exchange contract in which case the contracted rate is used.

Those currency translation differences arising on the re-translation of the net assets in respect of overseas operations are shown as movements on reserves. Where these currency translation differences give rise to taxation consequences, these are also shown as movements on reserves. All other currency translation differences are recognised in the profit and loss account.

Forward foreign exchange contracts
Forward foreign exchange contracts used to hedge an asset or liability already recognised in the financial statements are carried at their fair value with any gain or loss recognised in the profit and loss account to match with the gain or loss arising on the hedged asset or liability. Forward foreign exchange contracts used to hedge forecast future transactions are not recognised in the financial statements until the related transaction is recognised.

Goodwill
Goodwill arising on acquisitions represents the excess of the fair value of the consideration given and associated costs over the fair value of the identifiable assets and liabilities acquired.

Goodwill arising after 1 April 1998 has been capitalised and is being amortised over its useful economic life. Useful economic lives are determined prudently based on factors such as the market in which the business operates, the rate of change in the business environment or market, the reputation of the business, its past performance, and its future prospects. The estimates of useful economic lives are currently no greater than five years.

Goodwill arising before 31 March 1998 has been eliminated against reserves in the year of acquisition. If the related business is subsequently disposed of, the goodwill is written back and included in the calculation of the profit or loss on disposal.

Hire purchase contracts
A significant proportion of the Group's financing is provided by hire purchase contracts and finance leases. Throughout the financial statements the term hire purchase refers to both hire purchase contracts and finance leases.

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 profit and loss account over the period of the arrangement in proportion to the balance of capital payments outstanding.

Impairment of fixed assets
If a significant indicator of a possible impairment is noted, the need for any fixed asset impairment provision is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows. Discount rates used are based on the circumstances of the individual businesses.

Minority interests
Where a subsidiary undertaking has a minority interest and the subsidiary incurs losses, the minority interest's share of the accumulated losses is recognised only to the extent of the capital contributed by them or to the extent that there is an obligation by them to make a contribution to those losses.

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 to the first rent review on a straight line basis.

Post-retirement benefits
Costs in respect of defined contribution type pension arrangements are charged to the profit and loss account on an accruals basis in line with the amounts payable in respect of the accounting period. The Group has no defined benefit pension arrangements.

Restructuring and reorganisation provisions
Restructuring and reorganisation provisions are recognised when a detailed formal plan for the restructuring and reorganisation has been drawn up and the main features of the plan have been announced to those affected by it.

Share options
The exercise prices of employee share options are set at the market price at the date of grant. Accordingly, no charge is recognised in the profit and loss account in respect of employee share options.

Where the Company is liable for employers' national insurance contributions on the exercise of employee share options, the cost is accrued for based on the difference between the exercise price and the market value of the shares at the balance sheet date.

Start-up costs
All costs relating to the start-up of new operations are recognised in the profit and loss account as incurred.

Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective stock.

Tangible assets
The cost of tangible assets includes those costs which are directly attributable to purchasing the assets and bringing them into working condition. The Group does not capitalise interest as part of the cost of tangible assets.

Turnover and revenue recognition
Turnover represents the value of services and goods supplied to customers excluding Value Added Tax and net of customer discounts. Revenue is recognised as follows:

(a) Supply of services — Proportionally over the duration of the service or hire period.

(b) Supply of goods — When the goods are dispatched to the customer.

Revenue from the disposal of fixed assets is not treated as turnover.

Web site costs
The Group uses web sites principally for sales and marketing purposes rather than directly for generating turnover. Accordingly, all web site costs are recognised in the profit and loss account as incurred.

Complete Communications
The following additional accounting policies are relevant to the television programme production and rights exploitation business of Complete Communications Corporation Limited ("Complete").

Turnover is recognised as follows:

(a) Income from television programmes produced by Complete — For television programmes such as "Who Wants To Be A Millionaire?" which are made and delivered shortly before transmission, income is recognised when the programme is transmitted. For longer term television programme production work, income is recognised in proportion to the production work completed and matched against cost incurred.

(b) Licence fees from television programmes not produced by Complete — These are spread evenly over the term of a licence until the number of programmes covered by the minimum licence fee is exceeded when the remaining revenue is recognised. Thereafter, additional licence fees are recognised when additional programmes are transmitted.

(c) Merchandise royalties — These are recognised on an accruals basis when the amounts can be reliably estimated based on statements or reports received from licensees.

2 Segmental analysis by class of business

The Group has two separate classes of business:

(a) the core operations ('Core Services') providing specialist media related support services to the corporate, presentation, entertainment, sports and broadcast markets; and

(b) the television programme production and rights exploitation business carried out by its associate, Complete Communications Corporation Limited ('Complete') based in the United Kingdom.

The results are shown after costs directly relating to each class of business.

Turnover	**2003** **£'000**	2002 £'000
Core Services	**60,135**	65,170
Complete	**20,982**	30,273
Group and share of associates' turnover	**81,117**	95,443

(Loss)/profit on ordinary activities before taxation

	Excluding goodwill amortisation		Including goodwill amortisation	
	2003 **£'000**	2002 £'000	**2003** **£'000**	2002 £'000
Core Services — continuing operations	**(326)**	(825)	**(5,472)**	(5,761)
Core Services — discontinued operations	**(1,031)**	990	**(1,031)**	810
	(1,357)	165	**(6,503)**	(4,951)
Complete	**2,687**	7,093	**2,687**	7,093
	1,330	7,258	**(3,816)**	2,142
Goodwill amortisation	**(5,146)**	(5,116)	—	—
Group and share of associates' operating (loss)/profit	**(3,816)**	2,142	**(3,816)**	2,142
Non-operating exceptional items			**1,061**	346
Net interest payable and similar items			**(397)**	(943)
(Loss)/profit on ordinary activities before taxation			**(3,152)**	1,545

Included above within Core Services continuing operations are restructuring and reorganisation costs of £105,000 (2002: £340,000) and, within discontinued operations, impairment provisions against the tangible fixed assets in Creative Technology Outside Broadcast Limited of £413,000 (see note 5).

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

EBITDA on continuing operations excluding Complete	**2003** **£'000**	2002 £'000
Core Services — continuing operations operating loss	**(5,472)**	(5,761)
Depreciation — continuing operations	**10,383**	10,943
Goodwill amortisation — continuing operations	**5,146**	4,936
EBITDA on continuing operations excluding Complete	**10,057**	10,118

EBITDA	**2003** **£'000**	2002 £'000
Group and share of associates' operating loss	**(3,816)**	2,142
Depreciation	**11,261**	12,191
Goodwill amortisation	**5,146**	5,116
EBITDA	**12,591**	19,449

Net assets

	Excluding goodwill		Including goodwill	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Core Services — continuing operations	**30,368**	33,326	**35,366**	43,623
Core Services — discontinued operations	**1,431**	7,597	**1,431**	7,597
	31,799	40,923	**36,797**	51,220
Complete	**4,067**	3,579	**4,067**	3,579
	35,866	44,502	**40,864**	54,799
Goodwill	**4,998**	10,297	—	—
Capital employed	**40,864**	54,799	**40,864**	54,799
Net debt			**(10,279)**	(19,122)
Deferred acquisition payments			—	(250)
Provisions for liabilities and charges			—	(231)
Net assets			**30,585**	35,196

3 Segmental analysis by geographical location

Turnover by destination

	2003	2002
	£'000	£'000
United Kingdom	**28,417**	32,623
Mainland Europe	**7,611**	7,745
United States of America	**23,264**	23,848
Rest of the World	**843**	954
Group turnover	**60,135**	65,170

Turnover by origin

	2003	2002
	£'000	£'000
United Kingdom	**29,287**	33,767
Mainland Europe	**6,682**	7,787
United States of America	**24,166**	23,616
Group turnover	**60,135**	65,170

(Loss)/profit on ordinary activities before taxation by origin

	Excluding goodwill amortisation		Including goodwill amortisation	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
United Kingdom	**1,460**	8,195	**(1,796)**	6,162
Mainland Europe	**655**	312	**(326)**	(615)
United States of America	**(785)**	(1,249)	**(1,694)**	(3,405)
	1,330	7,258	**(3,816)**	2,142
Goodwill amortisation	**(5,146)**	(5,116)	—	—
Group and share of associates' operating (loss)/profit	**(3,816)**	2,142	**(3,816)**	2,142
Non operating exceptional items			**1,061**	346
Net interest payable and similar items			**(397)**	(943)
(Loss)/profit on ordinary activities before taxation			**(3,152)**	1,545

Net assets by location

	Excluding goodwill		Including goodwill	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
United Kingdom	**23,045**	30,343	**25,212**	35,774
Mainland Europe	**4,722**	4,097	**6,959**	7,210
United States of America	**8,099**	10,062	**8,693**	11,815
	35,866	44,502	**40,864**	54,799
Goodwill	**4,998**	10,297	—	—
Capital employed	**40,864**	54,799	**40,864**	54,799
Net debt			**(10,279)**	(19,122)
Deferred acquisition payments			—	(250)
Provisions for liabilities and charges			—	(231)
Net assets			**30,585**	35,196

4 Group operating (loss)

Year ended 31 March 2003

	Continuing operations £'000	Discontinued operations £'000	Total £'000
Group turnover	**56,122**	**4,013**	**60,135**
Cost of sales	**(35,420)**	**(3,429)**	**(38,849)**
Gross profit	**20,702**	**584**	**21,286**
Distribution costs	**(3,150)**	**—**	**(3,150)**
Administrative expenses	**(23,024)**	**(1,615)**	**(24,639)**
Group operating (loss)	**(5,472)**	**(1,031)**	**(6,503)**

Continuing operations above include, within administrative expenses, £105,000 (2002: £340,000) of restructuring and reorganisation costs and goodwill amortisation of £5,146,000 (2002: £4,936,000).

Discontinued operations above include £413,000 of tangible fixed asset impairments in respect of Creative Technology Outside Broadcast (see note 5), of which £299,000 is included within cost of sales and £114,000 within administrative expenses, and no goodwill amortisation (2002: £180,000).

Year ended 31 March 2002

	Continuing operations £'000	Discontinued operations £'000	Total £'000
Group turnover	55,181	9,989	65,170
Cost of sales	(34,869)	(6,189)	(41,058)
Gross profit	20,312	3,800	24,112
Distribution costs	(2,844)	(43)	(2,887)
Administrative expenses	(23,478)	(2,947)	(26,425)
Group operating (loss)/profit	(6,010)	810	(5,200)

Discontinued operations comprise Fountain Television (see note 31) and Creative Technology Outside Broadcast (see note 33). The prior year comparatives have been adjusted to reflect the results of these businesses, along with the results of System Technologies disposed of in the year ended 31 March 2002.

5 Profits on disposal of businesses and exceptional items

	2003 £'000	2002 £'000
Restructuring and reorganisation costs (i)	**(105)**	(340)
CT Outside Broadcast — impairment of tangible fixed assets (ii)	**(413)**	—
Professional costs in respect of Complete	**—**	(249)
Operating exceptional items	**(518)**	(589)
Profit on disposal of Fountain Television (iii)	**1,061**	—
Share of profit on disposal of The Edit Works	**—**	286
Profit on disposal of System Technologies	**—**	60
Profits on disposals/non-operating exceptional items	**1,061**	346
Total profits on disposals and exceptional items	**543**	(243)

(i) Restructuring and reorganisation costs
The restructuring and reorganisation costs result from the headcount reductions which have been made across the Group which cost in total £105,000 (2002: £340,000). These costs are included within continuing operations.

(ii) Creative Technology Outside Broadcast — impairment of tangible fixed assets
Following a review of the operations of Creative Technology Outside Broadcast Limited, its loss for the year and the sale of this business on 16 June 2003 (see note 33), the directors reviewed the tangible fixed assets for impairment. The assets have consequently been written down to their estimated recoverable amount. In accordance with FRS 3, the operations of the company have been classified as discontinued along with those stated in (iii) below.

(iii) Disposal of Fountain Television Limited
In August 2002 the Group disposed of Fountain Television Limited for £7.0 million before a net current asset adjustment of £0.1 million and before expenses of £0.5 million. The £7.0 million comprised £5.5 million in cash and £1.5 million of securities (see note 31). The results of this operation, together with that of System Technologies which was sold last year, have been classified as discontinued operations.

6 Net interest payable and similar items

	2003 £'000	2002 £'000
Bank loans and overdrafts	**293**	925
Hire purchase obligations	**378**	466
Other	**1**	1
Group interest payable	**672**	1,392
Share of associates' interest payable	**—**	—
Group and share of associates' interest payable	**672**	1,392
Group interest receivable	**(51)**	(73)
Share of associates' interest receivable	**(224)**	(376)
Group and share of associates' interest receivable	**(275)**	(449)
Net interest payable and similar items	**397**	943

7 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2003 £'000	2002 £'000
Land and buildings	**1,344**	1,169
Plant and equipment	**280**	330
Total operating lease payments	**1,624**	1,499
Owned tangible assets	**8,839**	9,442
Tangible assets held under hire purchase arrangements	**2,422**	2,749
Total depreciation charge	**11,261**	12,191
Amortisation of goodwill	**5,146**	5,116
Profit on disposal of tangible assets	**(390)**	(516)
Currency translation differences	**(16)**	25
KPMG Audit Plc and its associates	**94**	91
Other auditors	**78**	71
Auditors' remuneration for audit services	**172**	162
KPMG Audit Plc and its associates for tax services	**34**	20
KPMG Audit Plc and its associates remuneration for other assurance services	**9**	9

The audit fee payable to KPMG Audit Plc in respect of the Company was £22,000 (2002: £22,000). In addition to the amounts above, KPMG Audit Plc received £78,000 (2002: £70,000) for non-audit services which are included within disposal expenses.

8 Directors' remuneration

Details of directors' remuneration and interests are set out on pages 20 to 22. These details form part of the financial statements.

9 Employee information

The average number of persons employed by the Group was:

	2003 Number	2002 Number
Operations	**390**	484
Administration	**67**	92
Total employees	**457**	576

The total number of employees had fallen to 423 by 31 March 2003 (31 March 2002: 508 employees).

The aggregate payroll costs of these employees were:

	2003 £'000	2002 £'000
Wages and salaries	**15,567**	18,156
Social security costs	**1,620**	1,813
Other pension costs	**341**	333
Total payroll costs	**17,528**	20,302

10 Post-retirement benefits

The Group operates defined contribution type pension arrangements for certain of its employees both in the UK and overseas. The assets of these arrangements are held by financial institutions entirely separately from those of the Group.

The cost of these pension arrangements was £341,000 (2002: £333,000), and £31,000 (2002: £49,000) of contributions were unpaid at the year end.

The Group provides no other post-retirement benefits.

11 Taxation

Analysis of taxation charge for the year

	2003 £'000	2002 £'000
UK corporation taxation	—	—
Overseas taxation	**34**	(386)
Adjustments in respect of previous years	**(88)**	(55)
Group current taxation	**(54)**	(441)
Share of associates' current taxation	**988**	2,715
Group and share of associates' current taxation	**934**	2,274
Group deferred taxation	**(231)**	(600)
Share of associates' deferred taxation	**(79)**	(143)
Group and share of associates' deferred taxation	**(310)**	(743)
Group taxation	**(285)**	(1,041)
Share of associates' taxation	**909**	2,572
Group and share of associates' taxation	**624**	1,531
Recognised in the profit and loss account	**624**	1,531
Recognised in the statement of total recognised gains and losses	—	—
Group and share of associates' taxation	**624**	1,531

Factors affecting the taxation charge

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before taxation	**(3,152)**	1,545
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2002: 30%)	**(946)**	464
Goodwill amortisation	**1,544**	1,535
Other non-deductible expenses	**73**	42
Depreciation in excess of capital allowances	**536**	446
Other timing differences	**(507)**	38
Utilisation of tax losses	**(225)**	(540)
Unrelieved losses of overseas operations	**374**	476
Results on disposal of operations, associates and investments	**295**	(18)
Other permanent differences	**(184)**	(125)
Differences in tax rates	**14**	(97)
Adjustments in respect of previous years	**(40)**	53
Group and share of associates' current taxation	**934**	2,274

Adjustments in respect of previous years includes £48,000 (2002: £108,000) relating to the Group's share of associates' taxation.

Factors which may affect future taxation charges

The Group and associates' effective taxation rate is expected to continue to be significantly above the standard rate of taxation in the United Kingdom in the foreseeable future due to the following factors:

- Administrative expenses include a significant goodwill amortisation charge which is non-tax deductible.
- The Group has significant operations in the United States of America where the standard rate of taxation is higher than in the United Kingdom.
- The overall tax rate of the Group will continue to be influenced by the tax on the profits of its associate, which are not available for offset against any losses the Group may make.

Offsetting these factors, the Group has tax losses carried forward (see note 22) which may be available to reduce future tax payments. None of these losses have been recognised as deferred tax assets due to uncertainties concerning the extent and timing of recoverability. Future recoverability is dependent upon the generation of taxable profits by certain of the Group's operations.

12 Dividends

	2003 £'000	2002 £'000
Interim dividend of 2.0p per share (2002: 5.0p per share)	**326**	815
Final dividend of 3.0p per share (2002: 8.0p per share)	**490**	1,305
Total dividend of 5.0p per share (2002: 13.0p per share)	**816**	2,120
Adjustments in respect of previous years	—	13
Total dividends	**816**	2,133

13 Earnings per share

Basic earnings per share ('EPS') have been calculated by dividing earnings (profit after taxation and minority interests) by the weighted average number of ordinary shares in issue during the year.

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share from continuing operations. For a loss-making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that the option holders would act irrationally, no adjustment has been made to diluted EPS for out-of-the-money share options, and there being no other diluting future share issues, diluted EPS is the same as basic EPS.

Adjusted EPS have been calculated by dividing profit after taxation and minority interests in respect of continuing operations, and excluding goodwill amortisation and non-operating exceptional items, by the weighted average number of ordinary shares in issue during the year. A notional tax rate of 30% is applied to the adjusted profit for each year. The directors consider that the adjusted EPS figures provide a useful indication of performance.

Adjusted earnings

	2003 £'000	2002 £'000
(Loss)/profit for the year	**(3,756)**	14
Result of discontinued operations excluding goodwill amortisation (see note 2)	**1,031**	(990)
Non operating exceptional items (see note 5)	**(1,061)**	(346)
Goodwill amortisation (see note 7)	**5,146**	5,116
Notional tax rate adjustment to 30%	**35**	(67)
Profit for the year on continuing operations excluding non-operating exceptional items, goodwill amortisation and at a notional tax rate of 30%	**1,395**	3,727

Weighted average number of shares

	2003 number '000	2002 number '000
For basic and adjusted earnings per share	**16,316**	16,269
Effect of dilutive share options	—	262
For diluted earnings per share	**16,316**	16,531

14 Intangible assets

	Group Goodwill £'000
Cost	
At 31 March 2002	22,358
Increase (see below)	97
Reduction in deferred consideration	(250)
Disposals	—
At 31 March 2003	**22,205**
Amortisation	
At 31 March 2002	12,061
Charge	5,146
Disposals	—
At 31 March 2003	**17,207**
Net book values	
At 31 March 2003	**4,998**
At 31 March 2002	10,297

Part of the consideration payable in respect of the acquisition of AVTS, Inc was deferred with its payment contingent upon post acquisition financial performance. As a result of the actual post acquisition financial performance, the creditor in respect of the deferred consideration payable has been written back and the goodwill arising on the acquisition reduced accordingly.

The increase in intangible assets in the year above was in respect of an adjustment to the consideration payable on the acquisition in the previous year of R+R Communicatie Techniek Rotterdam BV following a review and agreement of net assets and balances due to the former owner.

The useful economic life in respect of the goodwill arising on the acquisition of Screen Rental Services Limited was reviewed and, as a consequence, the estimated useful economic life was shortened and the amortisation charge was increased in the year by £627,000.

15 Tangible assets

	Land and buildings £'000	Hire stock £'000	Other plant and equipment £'000	Group Total £'000	Company Plant and equipment £'000
Cost					
At 1 April 2002	11,164	57,522	12,225	80,911	388
Additions	304	10,063	1,188	11,555	107
Disposals	(16)	(7,872)	(500)	(8,388)	(37)
Business disposals	(3,256)	—	(6,426)	(9,682)	—
Transfers	—	41	(41)	—	(86)
Currency translation differences	81	(1,213)	(16)	(1,148)	—
At 31 March 2003	**8,277**	**58,541**	**6,430**	**73,248**	**372**
Depreciation					
At 1 April 2002	2,526	34,233	6,666	43,425	137
Charge	512	9,443	1,306	11,261	74
Disposals	(6)	(4,615)	(374)	(4,995)	(37)
Business disposals	(477)	—	(3,768)	(4,245)	—
Transfers	—	21	(21)	—	6
Impairments in respect of CTOB (see note 5)	114	299	—	413	—
Currency translation differences	48	(780)	(20)	(752)	—
At 31 March 2003	**2,717**	**38,601**	**3,789**	**45,107**	**180**
Net book values					
At 31 March 2003	**5,560**	**19,940**	**2,641**	**28,141**	**192**
At 31 March 2002	8,638	23,289	5,559	37,486	251

Included within the depreciation charge above is £878,000 (2002: £1,248,000) relating to discontinued operations.

The following assets (which principally comprise hire stock) were held under hire purchase contracts:

		Group
	2003 £'000	2002 £'000
Cost	**13,907**	17,092
Depreciation	**(6,370)**	(6,933)
Net book value	**7,537**	10,159

The net book value of land and buildings is analysed as follows:

		Group
	2003 £'000	2002 £'000
Freehold land	**900**	1,223
Freehold buildings	**2,709**	5,179
Long leasehold buildings	**152**	147
Short leasehold buildings	**1,799**	2,089
	5,560	8,638

16 Investments

	Investment in associate £'000	Other investments £'000	Group Total £'000	Company Shareholding in subsidiaries £'000
Cost/share of net assets				
At 1 April 2002	3,579	—	3,579	4,963
Additions	—	1,500	1,500	2,000
Share of associate's profit after tax	2,002	—	2,002	—
Dividends from associate	(1,514)	—	(1,514)	—
Disposals	—	(28)	(28)	—
At 31 March 2003	**4,067**	**1,472**	**5,539**	**6,963**
Provisions for impairment				
At 1 April 2002	—	—	—	—
Provided in the year	—	—	—	1,143
At 31 March 2003	**—**	**—**	**—**	**1,143**
Net book values				
At 31 March 2003	**4,067**	**1,472**	**5,539**	**5,820**
At 31 March 2002	3,579	—	3,579	4,963

Associate undertaking

Complete Communications Corporation Limited

The Group's only associate during the year ended 31 March 2003 was Complete Communications Corporation Limited ('Complete'), a company registered in England and Wales and engaged in television programme production and rights exploitation. The Group owns 100% of the A ordinary shares which gives the Group a 49% economic interest in Complete together with 49% of the voting rights.

The Group share of the results of Complete was as follows:

	2003 £'000	2002 £'000
Turnover	**20,982**	30,273
Operating profit	**2,687**	7,342
Profit on disposal of operation	**—**	286
Profit on ordinary activities before interest and taxation	**2,687**	7,628
Net interest receivable and similar items	**224**	376
Profit on ordinary activities before taxation	**2,911**	8,004
Taxation on profit on ordinary activities	**(909)**	(2,572)
Profit on ordinary activities after taxation	**2,002**	5,432

The Group share of the net assets of Complete was as follows:

	2003 £'000	2002 £'000
Tangible fixed assets	**411**	655
Investments	**465**	84
Stocks and work in progress	**—**	2,276
Deferred taxation	**222**	143
Debtors	**4,210**	10,137
Cash	**6,752**	8,478
Creditors: amounts falling due within one year	**(7,993)**	(18,194)
Net assets	**4,067**	3,579

Other investments
As part consideration for the sale of Fountain Television Limited on 30 August 2002 (see note 31), the Group received 2,142,857 ordinary 10p shares and 2,142,857 warrants to subscribe for 4,285,714 shares in the aquiror, Medal Entertainment & Media plc ('Medal'), a company incorporated in Great Britain. The shares represented 23.4% of the issued share capital of Medal. Under the terms of the sale, 53,485 shares were transferred to directors of Fountain Television Limited as part payment of bonuses. At 31 March 2003, the Group's holding represented 22.9% of the issued share capital of Medal; the market value of this investment was £1.54 million compared to a cost of £1.47 million.

As announced at the time of the disposal of Fountain Television Limited, the original holding was acquired with a view to a sale as and when market conditions permitted an orderly disposal. The directors concluded that the Company did not have a participating interest in Medal in view of the intention to sell as soon as this became practicable. Consequently, the shares were held as an investment of the Group, classified as a fixed asset, recognising the likely time before a sale or sales could be concluded, rather than being classified as a current asset.

Following announcements made by Medal in early April 2003 regarding changes in management and the development of the organic growth strategy at Medal, the directors have reviewed the status of this investment. As the directors consider the objectives of Medal to be more closely aligned with those of the Group, they have decided to retain the investment for the long term and have directed the Chairman of Avesco plc, who had a seat on the Medal Board from October 2001, to become more actively involved in the affairs of Medal on behalf of the Group.

The Group increased its holding in Medal through the exercise of the warrants, following changes in their terms, on 17 April 2003 to 2,517,943 shares, representing 23.7% of the enlarged share capital of Medal.

The directors have decided that it is appropriate to treat the investment as an associated undertaking from the date of these changes.

In the period to 31 March 2003, Medal generated turnover of £6,562,000 and made a profit before tax of £605,000. As at 31 March 2003 it had net capital and reserves of £6,068,000.

Provision for impairment
Following a review of the Company's investments in subsidiary undertakings, a provision of £1,143,000 was made against the carrying value of certain investments.

Principal subsidiaries
The Group's principal subsidiaries at 31 March 2003 were as follows:

Legal name	Trading name(s)	Activity	Country of incorporation
Corporate presentation services			
Action SAM	International Action	Audio visual services	Monaco
AVTS, Inc	CT San Francisco CT Los Angeles	Audio visual services	United States of America
Creative Technology Limited	CT London CT NEC	Audio visual services	England & Wales
CT Creative Technology GmbH & Co KG	CT Germany	Audio visual services	Germany
Dimension Audio Limited	Dimension	Audio visual services	England & Wales
Media Control, Inc	CT Chicago	Audio visual services	United States of America
Media Control (Europe) Limited	MCL London	Audio visual services	England & Wales
Media Control (UK) Limited	MCL Birmingham MCL Manchester MCL Glasgow MCL Edinburgh	Audio visual services	England & Wales
JVR Audiovisual BV	JVR Audiovisual	Audio visual services	The Netherlands
R+R Communicatie Techniek Rotterdam BV	JVR Audiovisual	Audio visual services	The Netherlands
Screenco Limited	Screenco	Audio visual services	England & Wales
Broadcast services			
Creative Technology Outside Broadcast Limited	CT Outside Broadcast	Outside broadcast services	England & Wales
Presteigne Limited	Presteigne Broadcast Hire	Broadcast equipment hire, repair & maintenance	England & Wales

At 31 March 2002 all classes of share of all these subsidiaries were 100% beneficially owned by the Group except CT Creative Technology GmbH & Co KG, a German limited liability partnership, which was effectively 74.9% beneficially owned by the Group. Action SAM, Creative Technology Limited, Creative Technology Outside Broadcast Limited and Media Control (UK) Limited are directly owned by Avesco plc.

17 Stocks

	Group 2003 £'000	Group 2002 £'000
Raw materials and consumables	**529**	551
Work in progress	**124**	213
Finished goods and goods for resale	**45**	42
	698	806

18 Debtors

Amounts falling due within one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Trade debtors	**10,302**	10,437	**—**	—
Amounts owed by subsidiaries	**—**	—	**40,884**	55,584
Corporate taxation	**96**	451	**96**	—
Other debtors	**519**	742	**230**	286
Prepayments and accrued income	**1,485**	1,667	**34**	29
	12,402	13,297	**41,244**	55,899

19 Creditors: amounts falling due within one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank overdrafts	**1,707**	1,913	**3,716**	7,694
Bank loans	**1,374**	2,596	**1,166**	2,070
Hire purchase obligations	**3,365**	4,582	**—**	—
Trade creditors	**5,200**	3,739	**168**	76
Amounts owed to subsidiaries	**—**	—	**2**	3
Corporate taxation	**449**	—	**—**	—
Other taxation and social security	**887**	1,229	**—**	40
Deferred acquisition payments	**—**	250	**—**	—
Other creditors	**104**	57	**—**	9
Accruals and deferred income	**3,445**	3,509	**201**	98
Dividends payable	**829**	2,132	**829**	2,132
	17,360	20,007	**6,082**	12,122

20 Creditors: amounts falling due after more than one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank loans	**1,612**	6,799	**1,612**	6,250
Hire purchase obligations	**3,522**	4,601	**—**	—
	5,134	11,400	**1,612**	6,250

21 Maturity of bank loans and hire purchase obligations

Bank loans

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
In one year or less	**1,374**	2,596	**1,166**	2,070
In more than one year but not more than two years	**1,167**	2,883	**1,167**	2,500
In more than two years but not more than five years	**445**	3,850	**445**	3,750
In more than five years	**—**	66	**—**	—
	2,986	9,395	**2,778**	8,320

The Group's overdrafts and bank loans are generally unsecured but £870,000 (2002: £1,383,000) of the overdrafts and bank loans of certain of the Group's overseas subsidiaries were secured by charges over the assets of the relevant subsidiaries. The Company's overdraft and bank loans are unsecured.

Subsequent to the balance sheet date, the Company repaid the bank loan outstanding of £2.8 million. A new revolving 3 year term facility up to a maximum of £4 million, and new overdraft facilities of £4 million, both on a secured basis, were entered into on behalf of the Group.

Hire purchase obligations

	Group	
	2003	2002
	£'000	£'000
In one year or less	**3,365**	4,582
In more than one year but not more than two years	**1,908**	2,896
In more than two years but not more than five years	**1,614**	1,705
	6,887	9,183

22 Provisions for liabilities and charges

	Deferred taxation £'000	Group Total £'000
At 1 April 2002	231	231
Released unused (see note 11)	(231)	(231)
Currency translation differences	—	—
At 31 March 2003	**—**	**—**

Deferred taxation

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Accelerated capital allowances	**—**	915	**—**	—
Tax losses carried forward	**—**	(684)	**—**	—
Provision for deferred tax liabilities	**—**	231	**—**	—
Depreciation in excess of capital allowances	**2,314**	957	**—**	33
Other timing differences	**454**	1,729	**—**	—
Tax losses carried forward	**3,903**	2,382	**1,650**	1,555
Unrecognised deferred tax assets	**6,671**	5,068	**1,650**	1,588

The recognition of the potential deferred tax assets and the circumstances in which they would be recoverable are discussed in note 11.

23 Share capital

	2003 number	2002 number	2003 £'000	2002 £'000
Authorised				
Ordinary shares of 10p each	**21,000,000**	21,000,000	**2,100**	2,100
Allotted, called up and fully paid				
Ordinary shares of 10p each	**16,316,297**	16,316,297	**1,632**	1,632

During the year no ordinary shares (2002: 162,955) were issued to satisfy the exercise of executive share options.

24 Share options

Exercise price	At 1 April 2002	Lapsed	At 31 March 2003	Exercisable between
1994 Approved executive share option scheme				
120.0p	1,850	(250)	**1,600**	03.02.98–02.02.05
298.5p	6,664	—	**6,664**	20.12.99–19.12.06
444.0p	15,000	(2,750)	**12,250**	07.08.01–06.08.08
299.5p	64,132	(28,766)	**35,366**	01.12.01–30.11.08
301.0p	5,399	—	**5,399**	22.07.02–21.07.09
961.5p	19,133	(3,000)	**16,133**	08.06.03–07.06.10
735.0p	9,680	(750)	**8,930**	18.12.03–17.12.10
335.0p	10,000	(10,000)	—	22.01.05–21.01.12
	131,858	(45,516)	**86,342**	
1997 Unapproved executive share option scheme				
307.5p	16,045	(2,270)	**13,775**	04.08.00–03.08.04
444.0p	110,000	(22,250)	**87,750**	07.08.01–06.08.05
299.5p	116,256	(34,622)	**81,634**	01.12.01–30.11.05
317.5p	111,678	(25,000)	**86,678**	24.12.01–23.12.05
301.0p	69,257	(5,276)	**63,981**	22.07.02–21.07.06
961.5p	83,367	(9,000)	**74,367**	08.06.03–07.06.07
735.0p	570	—	**570**	18.12.03–17.12.07
	507,173	98,418	**408,755**	

No options were granted or exercised in the year under either the approved or unapproved scheme.

Exercise of options awarded under the 1994 scheme is conditional upon the increase in the Avesco share price over a three year period exceeding the increase in the Retail Prices Index over the same three year period.

Exercise of options awarded under the 1997 scheme is conditional upon the increase in adjusted earnings per share of the Company over a three year period exceeding the increase in the Retail Prices Index by more than six percentage points over the same three year period.

25 Capital and reserves

	Share capital account £'000	Share premium account £'000	Profit and loss account £'000	**2003 Total £'000**	2002 Total £'000
Group					
At 1 April 2002	1,632	31,269	2,295	**35,196**	36,808
Share options exercised	—	—	—	**—**	501
Retained loss for the financial year	—	—	(4,572)	**(4,572)**	(2,119)
Currency translation differences	—	—	(39)	**(39)**	6
At 31 March 2003	1,632	31,269	(2,316)	**30,585**	35,196
Company					
At 1 April 2002	1,632	31,269	9,840	**42,741**	41,449
Share options exercised	—	—	—	**—**	501
Retained (loss)/profit for the financial year	—	—	(3,179)	**(3,179)**	791
At 31 March 2003	1,632	31,269	6,661	**39,562**	42,741

At 31 March 2003 cumulative goodwill amounting to £8,642,000 (2002: £8,642,000), which arose on acquisitions of subsidiaries and of the associate before 31 March 1998, remains eliminated against reserves.

26 Net cash flow from operating activities

Year ended 31 March 2003

	Continuing operations £'000	**Discon-tinued operations £'000**	**Total £'000**
Group operating loss	**(5,472)**	**(1,031)**	**(6,503)**
Impairment of tangible fixed assets in respect of CTOB (see note 5)	**—**	**413**	**413**
Depreciation of tangible assets	**10,383**	**878**	**11,261**
Amortisation of intangible assets	**5,146**	**—**	**5,146**
Profit on sale of tangible assets	**(379)**	**(11)**	**(390)**
Change in stocks	**(20)**	**2**	**(18)**
Change in debtors	**604**	**(616)**	**(12)**
Change in creditors	**1,435**	**148**	**1,583**
Net cash flow from operating activities	**11,697**	**(217)**	**11,480**

Year ended 31 March 2002

	Continuing operations £'000	Discon-tinued operations £'000	Total £'000
Group operating loss	(6,010)	810	(5,200)
Depreciation of tangible assets	10,943	1,248	12,191
Amortisation of intangible assets	4,936	180	5,116
Profit on sale of tangible assets	(532)	16	(516)
Change in stocks	(25)	(51)	(76)
Change in debtors	2,153	1,001	3,154
Change in creditors	(4,919)	(224)	(5,143)
Change in provisions	(99)	(95)	(194)
Net cash flow from operating activities	6,447	2,885	9,332

Included in the Group loss for the year ended 31 March 2003 are restructuring and reorganisation costs of £105,000 paid in the period (2002: £340,000) disclosed as exceptional items (see note 5) and in respect of the year ended 31 March 2002, professional costs in respect of Complete of £249,000 paid in that period.

The charge for impairment of the tangible fixed assets in Creative Technology Outside Broadcast for the year ended 31 March 2003 is a non-cash item.

27 Analysis of net debt

	At 1 April 2002 £'000	Cash flow £'000	Disposals £'000	Currency translation differences £'000	**At 31 March 2003 £'000**
Cash at bank and in hand	1,369				**1,301**
Bank overdrafts	(1,913)				**(1,707)**
Cash	(544)	(111)	238	11	**(406)**
Bank loans	(9,395)	5,922	—	487	**(2,986)**
Hire purchase obligations	(9,183)	2,329	37	(70)	**(6,887)**
Net debt	(19,122)	8,140	275	428	**(10,279)**

28 Reconciliation of net debt

	2003 £'000	2002 £'000
Change in cash in the year	**(111)**	8,562
Net change in bank loans	**5,922**	(6,641)
Net change in hire purchase obligations	**2,329**	(113)
Net effect of acquisitions and disposals	**275**	(701)
Currency translation differences	**428**	(8)
Change in net debt	**8,843**	1,099
Opening net debt	**(19,122)**	(20,221)
Closing net debt	**(10,279)**	(19,122)

29 Financial instruments

Objectives, policies and strategies
The Group holds financial instruments principally to finance its operations and manage the foreign currency risks arising from its operations. The Group does not trade in financial instruments.

The main risks considered to arise from the Group's use of financial instruments are foreign currency risk, interest rate risk and liquidity risk. Counterparty risk is only considered significant in the case of trade debtors and short-term cash deposits. The Group undertakes appropriate credit control procedures in respect of trade debtors and only makes short-term cash deposits with major financial institutions.

Foreign currency risk
The Group operates extensively in the United States of America and Europe, principally through its overseas operations but also through operations based in the United Kingdom.

Overseas operations are funded either through local borrowings or loans from Avesco Finance Limited denominated in the overseas currency. Where loans are regarded as part of the Group's net investment in the operation, in a comparable manner to share capital, any exchange gains or losses are recognised as movements on reserves. All other net foreign currency assets of Avesco Finance Limited are hedged using foreign currency overdrafts or forward foreign exchange contracts in the United Kingdom.

In general the Group does not hedge the foreign currency risk arising from sales by an operation denominated in a currency other than its functional currency. In the majority of cases, substantial deposits on such sales are received at the time of the order and the remaining balances are, to a large extent, matched by overseas costs. The exceptions to this policy are generally related to the purchase of tangible assets or other large one-off transactions where the currency risk is usually hedged.

The currency profile of the financial liabilities is determined by the funding needs of the Group's operations.

Interest rate risk

It is the Group's policy generally to take out primary financial instruments carrying a variable rate of interest. The Group monitors expectations of future interest rates but keeps the majority of its interest bearing financial liabilities carrying a variable rate of interest. This is regarded as providing a partial hedge against the economic business cycle and takes into consideration the strong cash flow from operations.

It is the Group's policy to undertake capital expenditures initially using overdraft facilities and then to finance these purchases in arrears using hire purchase facilities. This approach leads to competitive interest rates being secured and administration costs being reduced.

Liquidity risk

The Group monitors the maturity profile of its financial instruments on an ongoing basis. It is the Group's policy to use bank loans and hire purchase obligations to keep a reasonable proportion of its net debt due after more than one year. Bank overdrafts are used for short-term flexibility.

At 31 March 2003 the percentage of net debt due after more than one year had fallen to 50% (2002: 60%). This decrease was the result of a repaying £4 million of the four year amortising term loan and renegotiating its repayment profile.

The Group's policy is to maintain a range of types of borrowing facilities from a number of major financial institutions.

Financial assets

		Financial assets excluding all short-term debtors
	2003	2002
	£'000	£'000
Category analysis		
Cash	**1,301**	1,369
Financial assets	**1,301**	1,369
Currency analysis		
Sterling	—	45
US dollar	**921**	635
Euro	**380**	689
Financial assets	**1,301**	1,369

Variable rate interest receivable on the cash balances is based on the relevant banks' base rates. All financial assets are receivable within one year or less, or on demand.

Financial liabilities

		Financial liabilities excluding all short-term creditors
	2003	2002
	£'000	£'000
Category analysis		
Bank overdrafts	**1,707**	1,913
Bank loans	**2,986**	9,395
Hire purchase obligations	**6,887**	9,183
Financial liabilities	**11,580**	20,491
Currency analysis		
Sterling	**8,300**	10,126
US dollar	**2,300**	8,515
Euro	**980**	1,850
Financial liabilities	**11,580**	20,491

	Financial liabilities excluding all short-term creditors 2003 £'000	2002 £'000
Maturity analysis		
In one year or less, or on demand	**6,447**	9,092
In more than one year but not more than two years	**3,075**	5,779
In more than two years but not more than five years	**2,058**	5,555
In more than five years	—	65
Financial liabilities	**11,580**	20,491

	2003 £'000	2002 £'000
Interest analysis		
Variable rate	**10,993**	18,310
Fixed rate	**587**	2,181
Financial liabilities	**11,580**	20,491

Interest rates on the variable rate financial liabilities are principally determined with reference to the United Kingdom banks' base rates, the London Inter Bank Offer Rate ('LIBOR'), the United States of America prime bank rate and the Dutch bank market rate.

	2003 £'000	2002 £'000
Sterling	**85**	283
US dollar	**212**	606
Euro	**290**	1,292
Fixed rate financial instruments	**587**	2,181

The Sterling fixed rate financial liabilities carry a weighted average interest rate of 8.0% (2002: 8.0%) and have a weighted average period of 3.0 months (2002: 7.0 months) to maturity.

The US dollar fixed rate financial liabilities carry a weighted average interest rate of 8.8% (2002: 8.8%) and have a weighted average period of 3.5 months (2002: 9.5 months) to maturity.

The Euro fixed rate financial liabilities carry a weighted average interest rate of 6.4% (2002: 5.5%) and have a weighted average period of 8.6 months (2002: 11.9 months) to maturity.

Fair value of financial instruments

Excluding all short-term debtors and creditors	**Book value 2003 £'000**	**Fair value 2003 £'000**	Book value 2002 £'000	Fair value 2002 £'000
Cash	**1,301**	**1,301**	1,369	1,369
Bank overdrafts	**(1,707)**	**(1,707)**	(1,913)	(1,913)
Bank loans	**(2,986)**	**(2,989)**	(9,395)	(9,421)
Hire purchase obligations	**(6,887)**	**(6,890)**	(9,183)	(9,189)
	(10,279)	**(10,285)**	(19,122)	(19,154)

At 31 March 2003 and 31 March 2002 there were no forward foreign exchange contracts being held to hedge forecast future transactions.

Currency exposures

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Exchange differences on these assets and liabilities are recognised in the profit and loss account.

Net foreign currency monetary assets/(liabilities) at 31 March 2003:

	Sterling £'000	**US dollar £'000**	**Euro £'000**	**Other currencies £'000**	**Total £'000**
Functional currency of Group company:					
Sterling	—	—	**(70)**	—	**(70)**
US dollar	**(1)**	—	—	—	**(1)**
Euro	**(14)**	—	—	—	**(14)**
Total	**(15)**	—	**(70)**	—	**(85)**

Net foreign currency monetary assets/(liabilities) at 31 March 2002:

	Sterling £'000	US dollar £'000	Euro £'000	Other currencies £'000	Total £'000
Functional currency of Group company:					
Sterling	—	121	96	31	248
US dollar	(178)	—	—	—	(178)
Euro	(34)	—	—	—	(34)
Total	(212)	121	96	31	36

Borrowing facilities

At 31 March the Group had the following undrawn borrowing facilities.

	2003 £'000	2002 £'000
Overdraft facilities	**9,872**	9,953
Committed bank loan facilities	**457**	956
Hire purchase facilities	**2,891**	3,702
	13,220	14,611

All undrawn committed borrowing facilities fall due for renewal within one year of the balance sheet date. Subsequent to the balance sheet date, a new revolving 3 year term facility up to a maximum of £4 million, and new overdraft facilities of £4 million, both on a secured basis, were entered into on behalf of the Group.

30 Commitments and contingent liabilities

The Group had £57,000 (2002: £1,022,000) of capital commitments at the balance sheet date which had not been recognised in the financial statements.

The Company has entered into guarantees in respect of hire purchase obligations of certain subsidiaries. The amounts outstanding at the balance sheet date were £6,592,000 (2002: £8,129,000), all of which were included in the consolidated balance sheet.

The Group had the following annual commitments under non-cancellable operating leases:

	Land & buildings		Plant & equipment	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Operating leases which expire:				
Within one year	**113**	—	**49**	61
Between one and five years	**295**	438	**112**	164
After five years	**773**	783	**1**	5
Total	**1,181**	1,221	**162**	230

The Company has no significant operating lease commitments.

31 Disposals

Fountain

In August 2002 the Group disposed of Fountain Television Limited and its subsidiary Fountain Television (Properties) Limited (together 'Fountain'). As the Group's only television studio activity, it has been treated as a discontinued operation.

	£'000
Tangible fixed assets	5,437
Stocks	50
Debtors	442
Cash	(238)
Creditors: amounts falling due within one year	(318)
Hire purchase	(37)
Net assets at disposal	5,336
Profit on disposal	1,061
	6,397
Consideration	
Cash	5,500
Net current asset adjustment	(102)
Shares	1,500
	6,898
Disposal expenses	(501)
	6,397

The turnover and operating loss to the date of disposal were £1,096,000 and £299,000 respectively (year ended 31 March 2002: turnover £4,704,000 and operating profit £709,000).

32 Related party disclosures

Details of the transactions and balances with the Group's associates are disclosed below.

	2003 £'000	2002 £'000
Sales of services to associates	**776**	3,633
Purchases of services from associates	**—**	8
Interest receivable from associates	**—**	—
Trading balances receivable from associates	**9**	235
Trading balances payable to associates	**—**	11

Richard Murray is also a director of Medal Entertainment & Media plc ('Medal') and at the time of the disposal of Fountain Television Limited to Medal, he held 5% of the issued share capital of Medal. Following that transaction and the subsequent warrants' exercise, he holds 1.2% of the issued share capital of Medal.

There were no other transactions with related parties requiring disclosure under FRS 8.

33 Post-balance sheet events

(i) Disposal of Creative Technology Outside Broadcast ('CTOB')

On 16 June 2003, CTOB, the Group's only outside broadcast television business and last remaining television facilities business, was sold to NMT Outside Broadcast (UK) Limited for a consideration of between £1.0 million and £1.4 million depending on certain levels of business in the three years from completion.

The consideration, which is payable in quarterly instalments, includes an amount to cover the rental of the fixed assets of the business for a two-year period and an option payment of £550,000 payable over a third year to purchase the legal title to those fixed assets. The assets will remain on the Group's balance sheet until such time as the option is exercised. In the event that the option is not exercised the assets would be sold on the open market.

In light of this transaction, the directors have considered the carrying value at 31 March 2003 of the fixed assets and have written them down from £1.5 million to their estimated realisable value (being higher than value in use) of £1.1 million. The impairment charge of £413,000 is included in arriving at the operating result for the year. This provision does not take into account any additional costs of disposal or costs in respect of redundancy or lease commitments resulting from this transaction. A charge of approximately £0.2 million will be recorded in the first half of the year ending 31 March 2004 in this regard.

The results of CTOB have been included as part of discontinued activities. The turnover and operating loss for the year were £2,917,000 and £732,000 respectively (2002: turnover £4,613,000 and operating profit £222,000).

(ii) Increased investment in Medal Entertainment & Media plc ('Medal')

As described in note 16, the Group increased its holding in Medal through the exercise of warrants, following changes in their terms, on 17 April 2003 to 2,517,943 shares, representing 23.7% of the enlarged share capital of Medal. In the year ending 31 March 2004, the investment will be treated as an associate undertaking of the Group.

NOTICE is hereby given that the nineteenth Annual General Meeting of Avesco plc (the "Company") will be held at The Kingswood Suite, The Bridge House Hotel, Reigate Hill, Reigate, Surrey, RH2 9RP on Friday 5 September 2003 at 10.00 a.m. for the following purposes:

Ordinary business

1. To receive the Report of the Directors and the Accounts for the year ended 31 March 2003, together with the Report of the auditors.
2. To approve the Directors' Remuneration Report for the year ended 31 March 2003.
3. To declare a final dividend on the ordinary 10p shares of the Company of 3.0p per share.
4. To re-elect as Directors:
   (a) IP Martin;
   (b) GP Andrews;
   (c) RA Murray;
   (d) AP Stirling.
5. (a) To reappoint the auditors, KPMG Audit Plc, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

   (b) To authorise the Directors to determine the auditors' remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions, of which Resolution 6 will be proposed as an ordinary resolution and Resolutions 7 and 8 as special resolutions:

6. THAT the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £468,370.30. This authority shall expire at the conclusion of the next Annual General Meeting after the passing of this resolution (or 15 months from the passing of this resolution (if sooner)) except that after the date when it expires the Directors may use this authority to allot relevant securities in accordance with the terms of any offer or agreement made by the Company before that date. All outstanding general authorities under Section 80 of the Act shall be revoked.
7. THAT in accordance with section 95 of the Companies Act 1985 (the "Act") the Directors be given power:

   (i) to allot equity securities (within the meaning of section 94 of the Act as at the date hereof) pursuant to the authority given by Resolution 6 above; and

   (ii) subject to the coming into force of the Regulations, to allot equity securities (within the meaning of section 94 of the Act as amended by the Regulations) which are held by the Company in treasury;

   as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of such equity securities:

   (a) in connection with or which are the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of ordinary shares of 10p each and such other equity securities of the Company as the Directors may determine on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or legal or practical problems under the laws or requirements of any regulatory body or any stock exchange in any territory); and

   (b) (otherwise than pursuant to subparagraph (a) above) up to an aggregate nominal value of £81,581.40;

   and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or 15 months from the passing of this resolution (if sooner)) except that after the date when it expires the Directors may use this authority to allot such equity securities in accordance with the terms of any offer or agreement made by the Company before that date. All outstanding powers under Section 95 of the Act shall be revoked.

   For the purposes of this resolution, "the Regulations" means The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.

8. THAT the Company be and is generally and unconditionally authorised to make a market purchase or market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its own ordinary shares of 10p each ("shares") in such a manner and on such terms as the Directors may from time to time determine provided that:

   (a) the maximum aggregate number of shares hereby authorised to be so acquired is 1,631,629 or, if the shares have a nominal value other than 10p each, such number as has an aggregate nominal value equal to £163,162.90;

   (b) the minimum price which may be paid for each share is 10p (exclusive of expenses) or, if each share has a nominal value other than 10p, that nominal value;

   (c) the maximum price (exclusive of expenses) which may be paid for each share is not more than 5 per cent above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase of the shares;

   (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2004 or 18 months from the date this Resolution is passed, whichever is the earlier, unless such authority is revoked, varied or renewed prior to such time; and

   (e) the Company may, prior to the expiry of the authority hereby conferred, enter into a contract to purchase shares which will or may be executed wholly or partly after such expiry, and may purchase shares pursuant to such contract.

TO TRANSACT ANY OTHER BUSINESS

BY ORDER OF THE BOARD

Nicholas Conn
24 June 2003
Secretary

Registered Office:
Venture House
Davis Road
Chessington
Surrey KT9 1TT

NOTES:

1. A member entitled to vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. The proxy need not be a member of the Company. A form of proxy is enclosed with this Notice for use at the Meeting.

2. To be valid, the instrument appointing a proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be deposited at or posted to the office of the registrars of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU to be received not less than 48 hours before the time fixed for the Meeting. Completion and return of the form of proxy will not preclude shareholders from attending or voting at the Meeting in person.

3. The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that those shareholders registered on the register of members of the Company as at 10.00am on 3 September 2003 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 10.00 a.m. on 3 September 2003 shall be disregarded in determining the rights of any person entitled to attend or vote at the Meeting.

4. The following documents are available for inspection by members at the registered office of the Company on weekdays (except Saturdays) during normal business hours, and at the place of the meeting from not less than 15 minutes before the Meeting to its conclusion:

   (i) the Register of Directors' Interests required to be kept under Section 325 Companies Act 1985; and

   (ii) copies of the Directors' contracts of service.

5. **Important notice to bearers of share warrants:** You will not be entitled to attend or vote at the Annual General Meeting unless your Share Warrant is converted to registered form by lodging it with the Company Secretary not later than 10.00 a.m. on 2 September 2003.

Notice of the Annual General Meeting, which is to be held on 5 September 2003, is set out on pages 53 and 54.

Shareholders will be asked to approve the following resolutions at the meeting:

Resolution 1 — To receive the report and accounts
The Directors will present the report and accounts of the Company for the year ended 31 March 2003.

Resolution 2 — To approve the Directors' Remuneration Report
The Directors will present for approval the Directors' Remuneration Report for the year ended 31 March 2003, which appears on pages 20 to 22.

Resolution 3 — To declare a final dividend
Payment of the final dividend of 3.0p per ordinary share of 10p, as recommended by the Directors, is subject to the approval of shareholders.

Resolution 4 — Re-election of Directors
In accordance with the Articles of Association of the Company, any Director appointed during the year shall hold office only until the next following Annual General Meeting and then shall then be eligible for re-election. Mr Martin, who was appointed to the Board on 16 September 2002, seeks re-election at this meeting. In addition, one-third of the Directors (excluding any director appointed since the last Annual General Meeting) are required to retire by rotation at each Annual General Meeting provided that each Director retires at least once every three years. Mr Andrews, Mr Murray and Mr Stirling each retire at this meeting and seek re-election. Brief biographical details of the Directors seeking re-election are set out on page18. Each of Mr Andrews and Mr Murray has a contract capable of termination on 12 months' notice except that, in the event of his termination in certain circumstances within 24 months following a change of control of the Company, the Director is entitled to a severance payment not exceeding 24 months' emoluments less emoluments received since the change of control. Mr Martin has a service contract with the Company, which is capable of termination on not less than three months' notice expiring not earlier than 16 September 2003. Mr Stirling does not have a service contract with the Company. The resolutions for the re-election of each Director will be voted on separately.

Resolution 5 — Reappointment and Remuneration of Auditors
Resolution 5a is a resolution to reappoint KPMG Audit Plc as the Company's auditors. Resolution 5b is to authorise the Directors to determine the auditors' remuneration.

Resolution 6 — Authority to allot shares
The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in General Meeting under Section 80 Companies Act 1985. Upon the passing of Resolution 6 the Directors will have authority to allot the unissued ordinary share capital being 4,683,703 shares of 10p each, which is approximately 29 per cent of the current issued share capital. This authority will expire immediately following the annual general meeting next following the resolution or, if earlier, 15 months following the resolution being passed. The Directors have no present intention of exercising this authority other than as may be required under the Company's share option schemes.

Resolution 7 — Disapplication of pre-emption rights
The passing of Resolution 7 will give the Directors authority under Section 95 Companies Act 1985 to allot, for cash, up to 815,814 shares of 10p each (being approximately 5 per cent of the current issued share capital) without being required first to offer such securities to existing shareholders in accordance with the statutory pre-emption rights. This authority will expire immediately following the annual general meeting next following the resolution or, if earlier, 15 months following the resolution being passed. Following the implementation of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") which will come into force on 1 December 2003, this authority will also extend to any subsequent sale of equity securities which have been held in treasury. The limits, which apply to this authority, will apply as a total to all and any allotments of shares and sales of treasury shares pursuant to this authority.

The resolution will give the Company greater flexibility when considering future opportunities. However, the interests of existing shareholders will be protected as, except in the case of an issue to shareholders (or sale of treasury shares) in proportion to shareholdings or the allotment of shares under (or transfer of treasury shares pursuant to) the Company's employee share option schemes, the proportionate interests of shareholders cannot, without their consent, be reduced by more than 5 per cent by the issue for cash of new shares or sale of treasury shares. Other than as may be required under the Company's share option schemes, the Directors have no present intention to allot any part of the unissued share capital of the Company or, without the prior approval of the Company in General Meeting, to make any issue which would effectively alter the control of the Company or the nature of its business.

Resolution 8 — Authority to purchase shares
The Articles of Association of the Company contain provision, with the authority of the shareholders, for the Company to make market purchases of its own shares. It is proposed that the Company be authorised to purchase up to approximately 10 per cent of its issued share capital subject to the limitations set out in Resolution 8. It is the intention of the Directors only to exercise the authority if satisfied that to do so would be in the best interests of the Company. The Directors have no present intention to make any such purchase.

Following the introduction of the Regulations referred to in Resolution 7 above, companies will be able to hold shares acquired by way of market purchase in treasury, rather than cancelling them. Once the Regulations come into force, the Company would consider holding any of its own shares which it purchases pursuant to the authority conferred by this resolution as treasury shares. This would allow the Company to sell shares out of treasury, providing the Company with the ability to replenish its distributable reserves. No dividends will be paid on any shares held in treasury and no voting rights will attach to such shares. It will also be possible for the Company to transfer shares out of treasury pursuant to an employee share scheme.

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* this address will be effective from October 2003

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