AVESCO plc

Annual
Report and
Accounts
1999

providers of specialist services to

the **corporate presentation**, **entertainment** and **broadcast** markets

corporate presentation services

giant screen services

broadcast services

Corporate presentation services: the provision of video, display, sound and graphics services to the corporate, broadcast and entertainment markets.

Live event production companies employ our people and equipment for large sales and distributor conferences, car industry events, company promotional tours and financial roadshows.

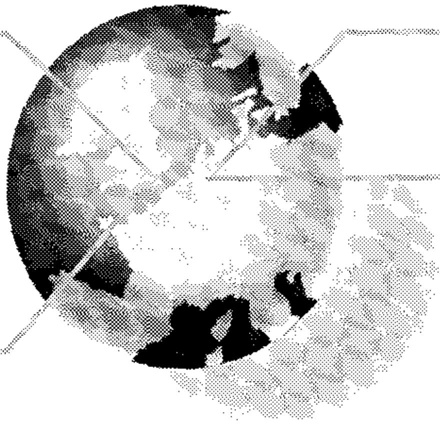
Giant screen services: the rental and sale of giant video screens in modular and mobile formats predominantly to the sport, entertainment and special events markets.

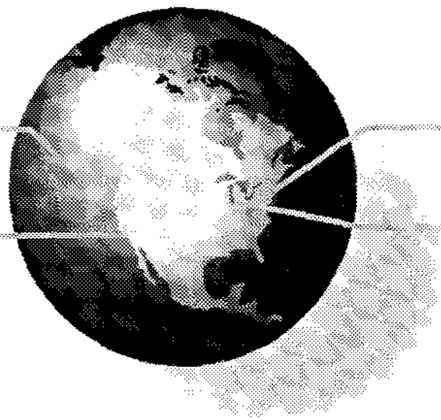
Modular screens are assembled on site and easily transported worldwide; mobile screens are pre-mounted onto trucks, driven to site and quickly brought into service.

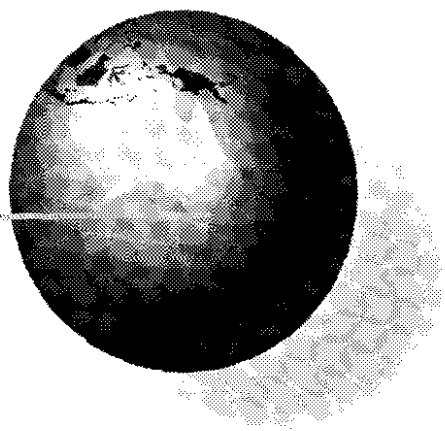
Broadcast services: the hire of specialist broadcast equipment and television studios to the broadcast and corporate television markets.

This division includes the Group's 49% investment in Complete Communications, owners of the high rating television show "Who wants to be a Millionaire?".

an
International
business

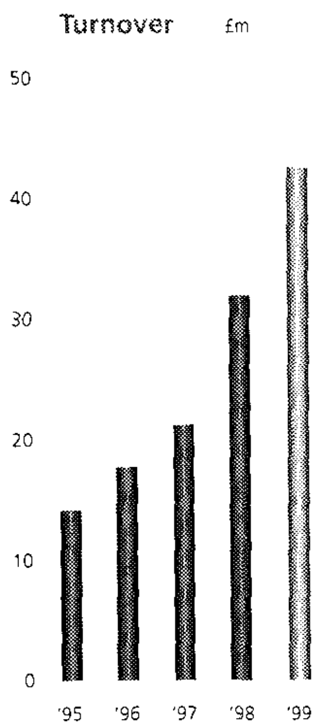


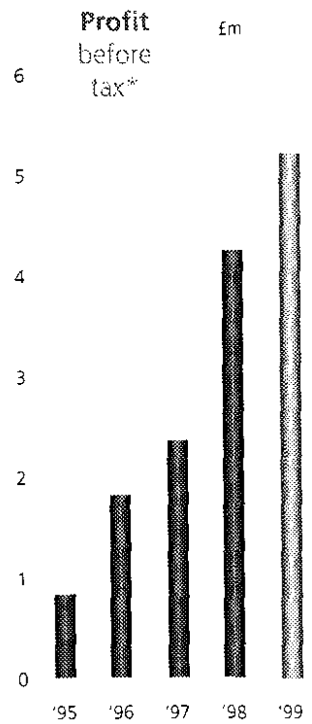


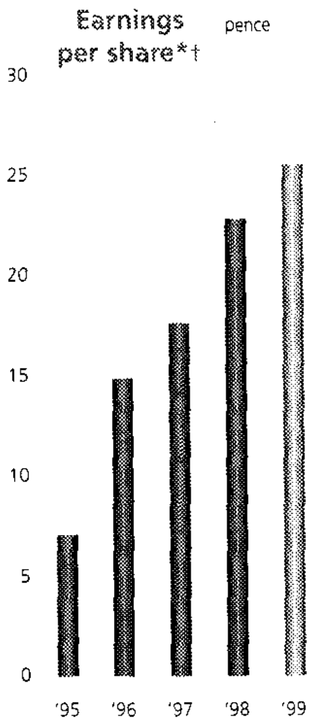


the **Financial** highlights

	1999 £'000	1998 £'000	increase %
Turnover	**42,263**	31,647	33.5
Total operating profit*	**5,856**	4,756	23.1
Profit before taxation*	**5,166**	4,220	22.4
Cashflow before capital expenditure	**10,964**	6,935	58.1
	pence	pence	%
Earnings per share*†	**25.5**	22.7	12.3
Dividends per share	**8.0**	7.0	14.3







* excluding non-operating items and goodwill

† at constant tax rate of 23%

all of the above exclude discontinued activities

the **Chairman's** statement

Results and dividend

I am pleased to report another year of good growth for the Avesco Group. Turnover for the year to 31 March 1999 increased to £42.3 million (1998: £31.6 million). Profit before tax, excluding non operating items and goodwill, increased to £5.2 million (1998: £4.2 million). Fully diluted earnings per share, excluding non operating items and goodwill, declined to 25.5p (1998: 26.2p) reflecting the Group's increasing tax charge. Recalculating the prior year figures with the tax rate for the year to 31 March 1999 of 23%, earnings per share, excluding non operating items and goodwill, would have risen by 12.3% from 22.7p. The Board is recommending a final dividend of 4.5p per share making a total dividend for the year of 8.0p per share, representing an increase of 14.3% over 1998 (7.0p).

The Group generated £11.0 million of cash (1998: £6.9 million) before capital expenditures. In addition, in July 1998, Avesco raised £14.4 million, net of expenses, by a Placing and Open Offer. During the year, £11.3 million of new equipment was purchased and £13.0 million of acquisitions were made.

Review of operations

Avesco's Corporate Presentations Division had another good year. In Europe, Creative Technology performed very strongly and, in the USA, AVTS continued to grow, both businesses benefiting from our ability to present an integrated service to our major international customers.

The Group's Giant Screen Rental Services business performed creditably to achieve further growth, despite increased levels of competition and the effect on its pricing in Europe from the strength of the pound. The European rental operations were merged under the Screenco brand and, during the second half, a giant screen sales business established so that our customers could be offered a complete rental and sales service.

Fountain Television's results were in line with last year. Fountain has made a good start to the new financial year and is well placed for stronger growth from its Wembley studios, having secured a new contract to underpin the traditionally quieter summer months.

Presteigne Broadcast Hire, now included in our Broadcast Services Division, increased its profits substantially as a result of strong organic growth and the integration benefits arising from the Willson's acquisition.

Our associated company, Complete Communications, has created a television phenomenon with its programme "Who wants to be a Millionaire?", which contributed to its much improved second half performance. Complete has retained rights to the programme and the profit opportunities from the international licensing of the rights, consumer promotions and a board game based on the show are expected to be substantial.

another year of **good growth** for the **Avesco Group**

Following the announcement of a major building development immediately adjacent to Fountain's New Malden studios, the Board undertook a review of the likely impact of the noise, vibration and other disturbances on the New Malden studios. New Malden was only marginally profitable and the effects of the development on its highly sensitive studio and sound recording operation would have been extremely detrimental to its business over an extended period. The Board, therefore, decided that it had no option but to close the business. New Malden's post production and graphics facilities are to be relocated to the Wembley studios, which will be considerably enhanced as a result.

A provision has been made of £2.1 million to cover the closure, which relates largely to the cost of writing down the freehold site and installation at New Malden. The Group expects to generate approximately £500,000 net cash from the disposal of the site.

Acquisitions

In July 1998, we raised £14.4 million from a Placing and Open Offer net of expenses. This additional funding allowed us to make a number of acquisitions during the year, on which we spent, net of cash acquired, a total of £13.1 million. In the USA, we expanded our corporate presentations interests with the acquisition of the remaining 49% of AVTS and the purchase of Media Control, based in Chicago. In the UK, we acquired Willson's, a broadcast equipment rental and maintenance business, which has since been successfully integrated into Presteigne Broadcast Hire. In Belgium, we purchased System Technologies, which designs and sells giant video screen mobile and modular systems and, in Holland, we purchased the remaining 6% minority interest in Jongenelen Holding BV, the holding company for our Dutch giant screen rental and corporate presentation interests.

Board

We were pleased to welcome David Brocksom to the Board as Group Finance Director following his appointment in February 1999.

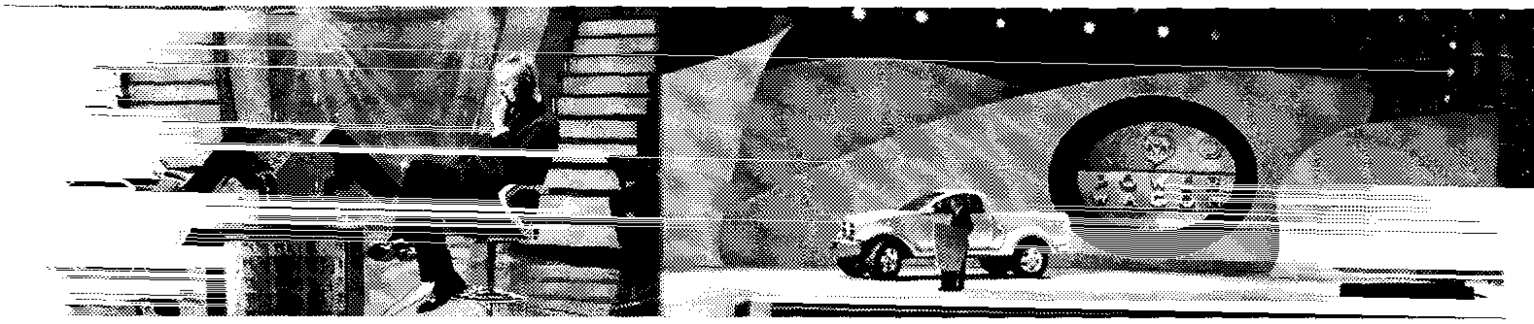
Employees

Another year of growth in a competitive environment has often required our staff to work unsociable hours and has placed all our teams under considerable pressure. They have responded superbly and, on behalf of the Board, I thank them for their efforts.

Prospects

The Board views the future with confidence and details of the Group's prospects are provided in the Chief Executive's review.

John Morton



the **Chief Executive's** review

The year under review has seen further progress in Avesco's strategy to establish a strong position for its core services in the major markets of Europe and North America.

Highlights

The main highlights of the year were good growth in our largest division, Corporate Presentation Services, the establishment of Screenco Europe, a strong performance from our Broadcast Hire business and a number of acquisitions, including the introduction of a new giant screen sales business.

Trading Relationships

Avesco has an extremely loyal and stable customer base, which we work hard to retain. While our services are predominantly concerned with the hire of physical assets, they are also, in most cases, strongly relationship based. Consequently, we place considerable importance on the relationship between our staff and the customer. Avesco has virtually no turnover in its senior industry staff, many of whom have been with the Group for between five and 14 years, including the three subsidiary company Managing Directors, who sit on the main board. We promote an open and communicative culture throughout the Group, including our overseas and newly acquired companies. Avesco's senior executives regularly visit the overseas operations and regular sales and operational management meetings are held to promote effective internal working relationships.

This communicative culture is essential as we seek to achieve the maximum synergy benefits across the Group. We have many examples of the referral of sales opportunities or the sub-hire of equipment or services from within the Group. Creative Technology in Europe and AVTS in the USA have been particularly successful in their ability to offer their international clients a locally sourced service in the important European and North American markets. As a result, the Group has been able to win a number of major contracts which we may otherwise have been unable to secure. In our Broadcast Hire operation, our policy is for Presteigne to be able to satisfy much of the equipment requirements of other Group companies as well as being able to hire that equipment externally, thereby maximising utilisation and return on capital invested.

Management

In order to support the growth of the Group, Avesco has invested further in management both in the UK and overseas. In the UK, a management development programme was introduced at the beginning of the year for senior, sales and operations personnel in the principal businesses. This programme, which has been received positively by staff, is already starting to show results and will be developed further within the Group.

Presteigne Broadcast Hire has made appointments in sales and operations management to support the rapid growth of its business. Following the acquisition of Media Control in Chicago, the Chief Operating Officer in AVTS has been appointed as Chief Executive Officer of Avesco's US holding company and we have recruited a Chief Financial Officer, who will be responsible for the Group's finance function in the USA.

further progress in **AVESCO's strategy** to establish a strong presence in the major markets of **Europe** and **North America**

Strategy

We shall continue to focus on the key European and North American markets and to maintain a balanced capital investment programme.

This policy of organic growth will be combined with the selective strategic acquisition of profitable, growing businesses at a reasonable value. Acquisitions will be expected to be earnings enhancing and to offer synergy benefits with at least one of the Group's other operations.

The Group's capital expenditure strategy aims to ensure that we possess the latest technology but only where customer demand offers an acceptable return on investment. Consequently, new equipment purchases will generally only be made against contracted new work and the Group will not overreach itself in considering Millennium projects, where there is no financial justification.

The Group achieved a return on capital employed, being total operating profit expressed as a percentage of average capital employed, of 17% in 1999 (1998: 15.7%). It is the objective in the medium term to increase this return to a 20% return with the Group's focus on improving equipment utilisation.

Prospects

All our businesses continue to operate in growth markets. In Corporate Presentations, we will continue to benefit from our ability to offer a service worldwide to our major international customers and, in the USA, from the opportunities to increase sales and reduce operational costs now that we can provide a more cost effective national coverage to our customers.

Whilst the giant screen rental business will remain competitive, the market continues to grow and it is our plan to move closer to the major European markets by establishing local sales offices to improve utilisation. It is our intention this year not to buy new screens in Europe but to focus on improving our return on capital and utilisation. In Australia, we expect a substantial improvement and early indications are positive. The screen sales market is expanding rapidly. We believe that we have good opportunities with the team we have assembled and with our ability to offer a sales and rental service.

In Broadcast Services, Fountain will be able to focus on its Wembley studios where the facilities offered to our customers will be expanded during the summer by the relocation of post production resources from New Malden. Limited capital expenditure will be required this year after Wembley's conversion to digital in Spring 1998. Bookings in the first half of the current year are very encouraging and, with the closure of the New Malden studio, profitability at Fountain should improve. Presteigne expects another good year with demand increasing for the hire of its digital equipment. Complete Communications offers the Group substantial profit opportunities, with the success of "Who wants to be a Millionaire?" having increased its profile in the industry. Complete has also secured other programme commissions including the new National Lottery Show for the BBC, which is due to run through the summer.

We believe the Group is well placed for the future and another year of growth is expected.

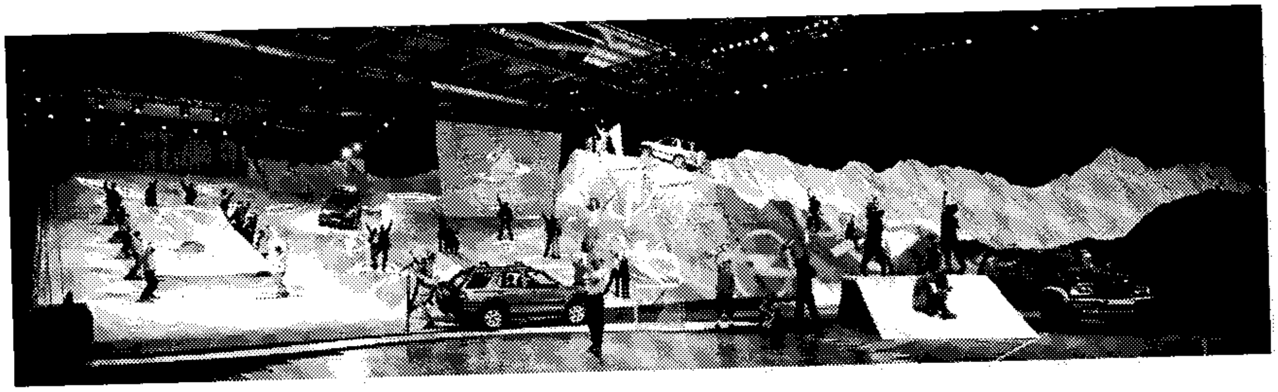
David Nicholson

Corporate Presentation Services now represent **60%** of Group turnover

The Corporate Presentation Services division, which represents approximately 60% of Group turnover, provides specialist video and display services to the corporate presentations and live events markets, mainly in the corporate but also in the broadcast industry sectors.

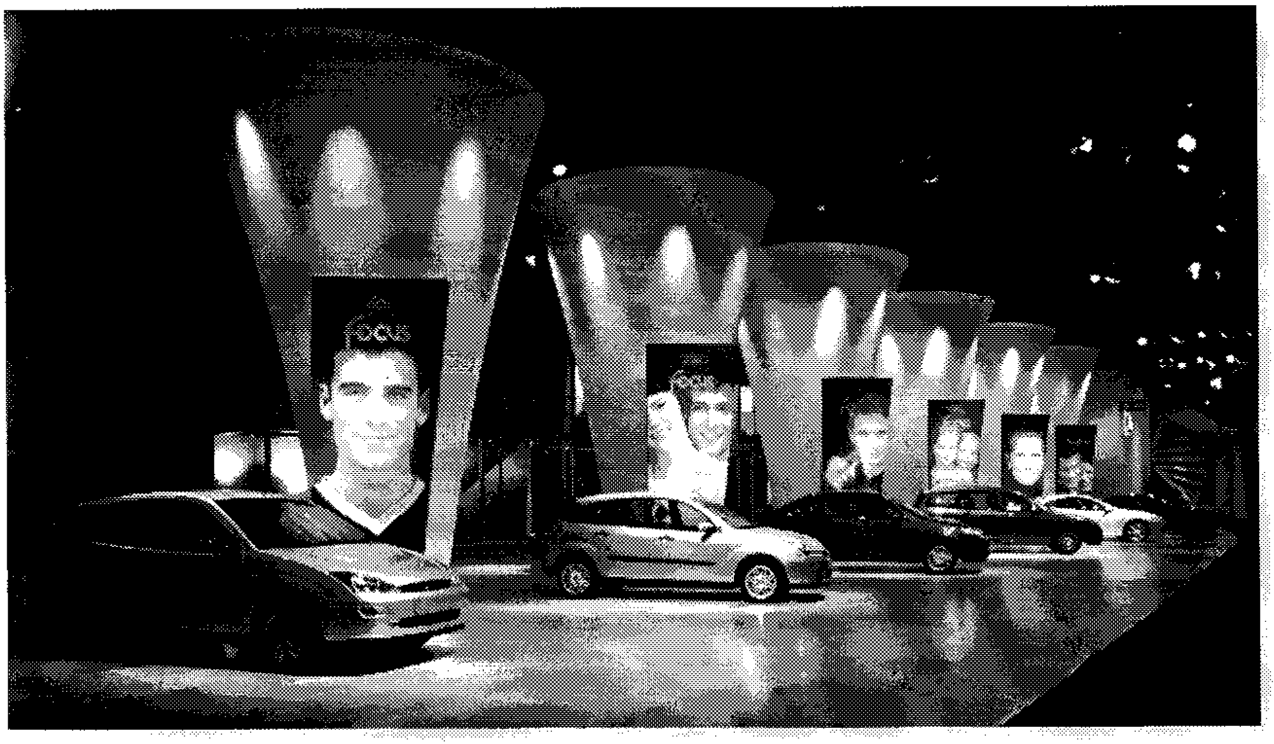
Avesco made significant progress during the year in this, its largest, division towards creating an integrated service in Europe and North America for its international customers.

Creative Technology ("CT") performed very strongly, operating across Europe from its UK base. There were a number of new car launches in Europe for which CT provided its services, including the Ford Focus in Berlin produced by Imagination, the new BMW 3 Series in Sardinia produced by Park Avenue Productions, the General Motors Frontera, Monterey and Movano in Erfurt, Germany, produced by HP:ICM and the UK Rover 75 Dealer Launch in the UK produced by Visage Business TV.

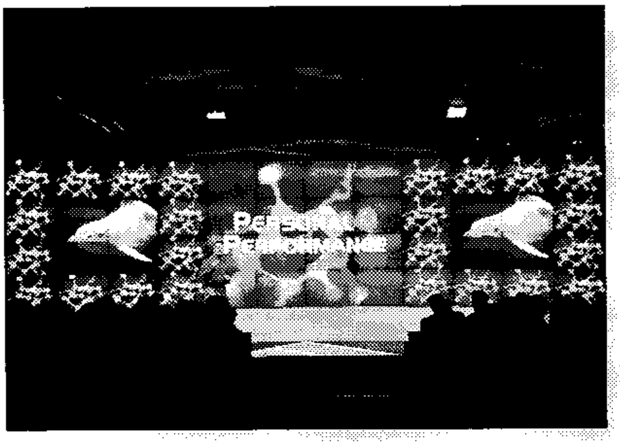


CT supplied equipment for many other major events including to In Real Life for the ON Digital press launch at Crystal Palace, London, to Imagination for the Ericsson GSM Conference in Stockholm, to Crown Business Communications for an Astra Pharmaceuticals conference in Malta and to Pacesetter for both the EMI Investor Day and the British Steel results meeting in London.

Creative Technology achieved **strong growth** in **Europe**



Dimension, which provides specialist audio services to the corporate presentations and live events market in Europe, had its best year ever producing a creditable profit under its new management team, which only took over in August. A feature of Dimension's performance



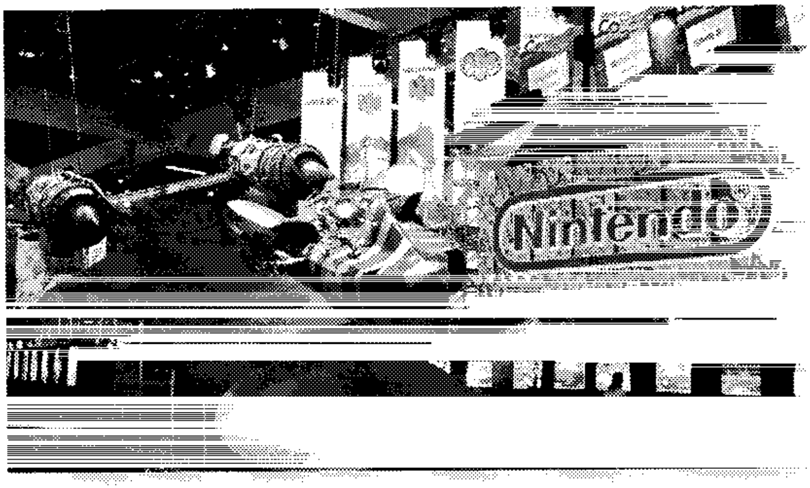
was the increase in the number of shows on which they worked with CT, including the Rover 75 Dealer Launch produced by Visage, a Pan European initiative for SG Warburg produced by Caribiner International, the Cisco Systems Networkers and CCIE 98 event produced by Outsource and the Opel Poland factory launch produced by HP:ICM.

JVR Video Services, based in Holland, maintained its progress during the year, working for Unilever on a number of different presentations, for the European Movement at the Congress of Europe in the Hague, for Muntz Amersfoort on their Ricoh Marketing Managers meeting in Sitges, Spain and for Endemol Productions supplying videowall services for a number of its broadcast television programmes.

In the USA, Avesco can now offer its customers effective national coverage with offices in San Fransisco, Los Angeles, Chicago and Boston. Already, since its acquisition in March, customers of Media Control in Chicago have been supported on the West Coast by AVTS in San Francisco and Sweetwater in Los Angeles. In addition, AVTS customers have been successfully referred to Media Control in Chicago. Equipment has been relocated to the more centrally located Chicago premises and each company has benefited from the ability to utilise the other's staff.

in the **USA, AVESCO** now offers its customers **effective national coverage**

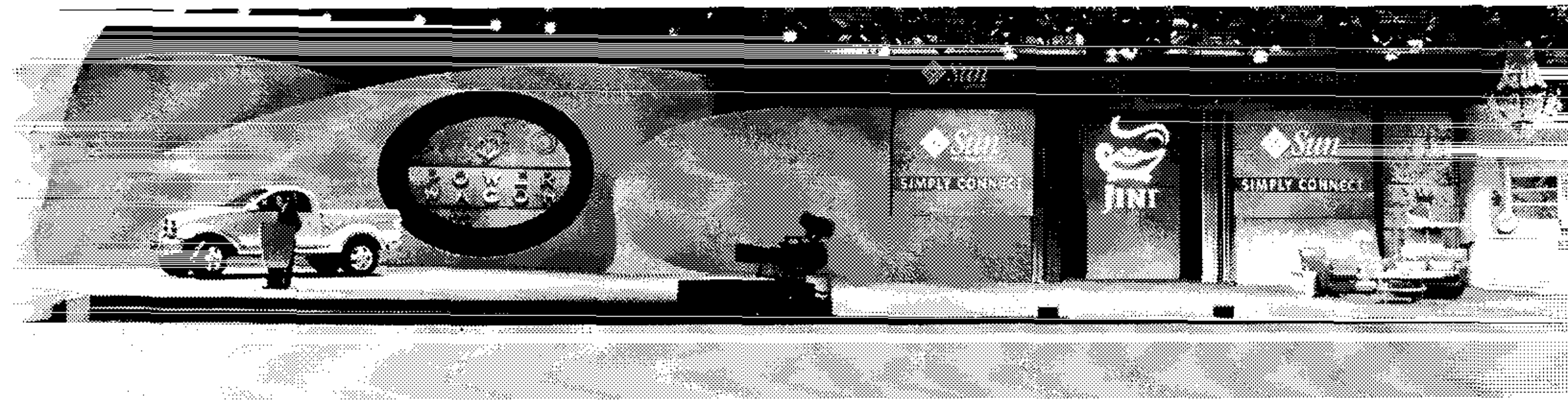
AVTS and Sweetwater provided services to a wide variety of events during the year, including the 43,000 ft^2 Nintendo booth at the E3 Convention in Atlanta, two Tupperware regional sales meetings in Nevada, the Digital Equipment Corporation NT Wizards Symposium in Seattle, the 54,000 ft^2 Sketcher's Footwear booth for Lindsay West at the Atlanta 1999 Super Show, a Walt Disney employee meeting in Los Angeles and for a range of Cisco Systems' presentations.



As well as supplying services to its long-standing client, HBO, at its Nevis Affiliates' meeting, AVTS provided equipment to Williams Gerard Productions worldwide for a number of their customers including Rotary International, Freightliner, Domino's Pizza and the National Cable and Television Association. In addition, services were provided for 30 different exhibits at the NFL experience, a prelude to the Superbowl held in Miami.

Media Control provided services to a number of clients, including Ross Roy Productions at the Detroit Motor Show and the Retail Advertising Conference in Chicago.

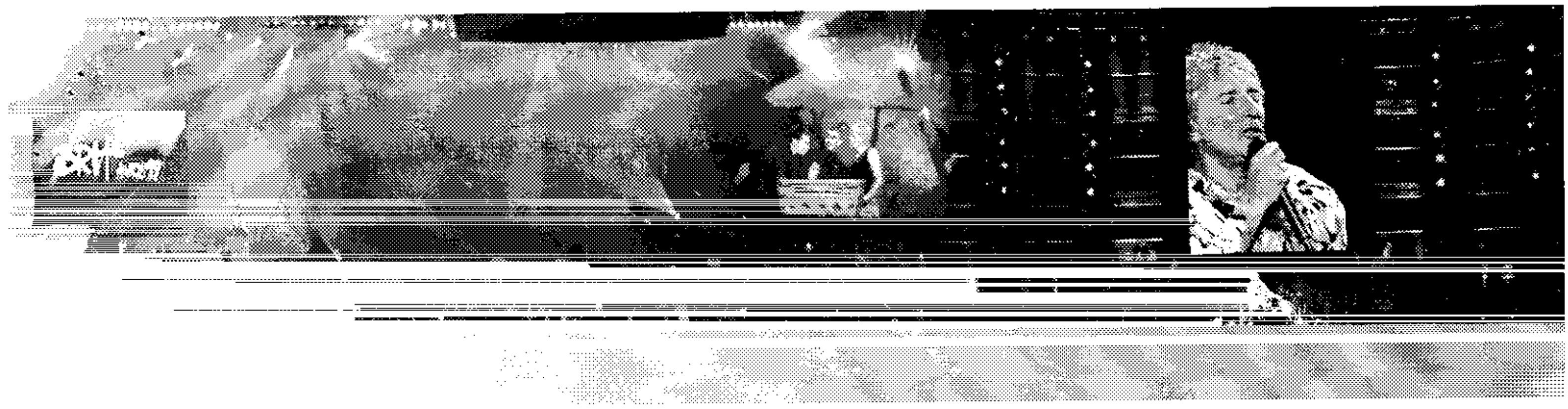
CT and AVTS combined resources on a number of projects, the two largest of which were for the Ford Motor Company stand designed by Imagination at the Detroit



Motor Show and for the Herbalife Extravaganza Tour in cities throughout the world including Barcelona, Chiba City (Japan), Hong Kong, Moscow, Orlando and Rio de Janeiro.

Prospects

The corporate presentations and live events markets will continue to grow, with our services being seen to provide a highly effective method of communication in a controlled and motivating environment. Although the Group expects to secure additional special business because of the Millennium, we shall take care to ensure that the quality of service to our regular customers is maintained and that any capital expenditure is considered prudently. The international strategy is proving to be successful and further opportunities, both organic and acquisition, are being sought to develop this business.

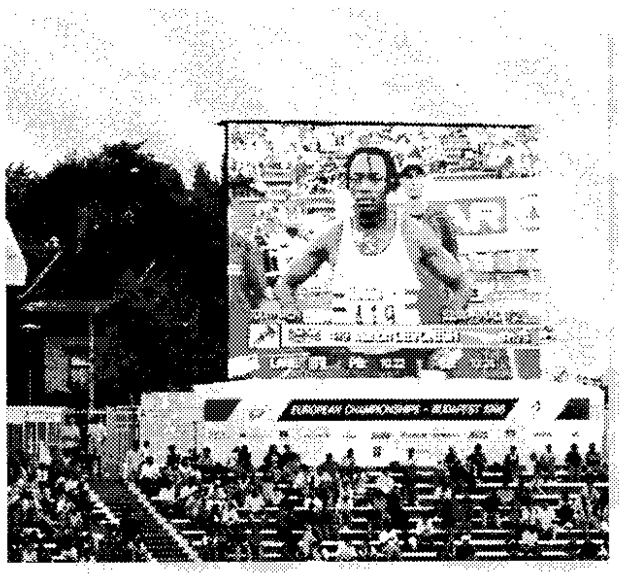


Giant Screen Services now offer both rental and purchase solutions

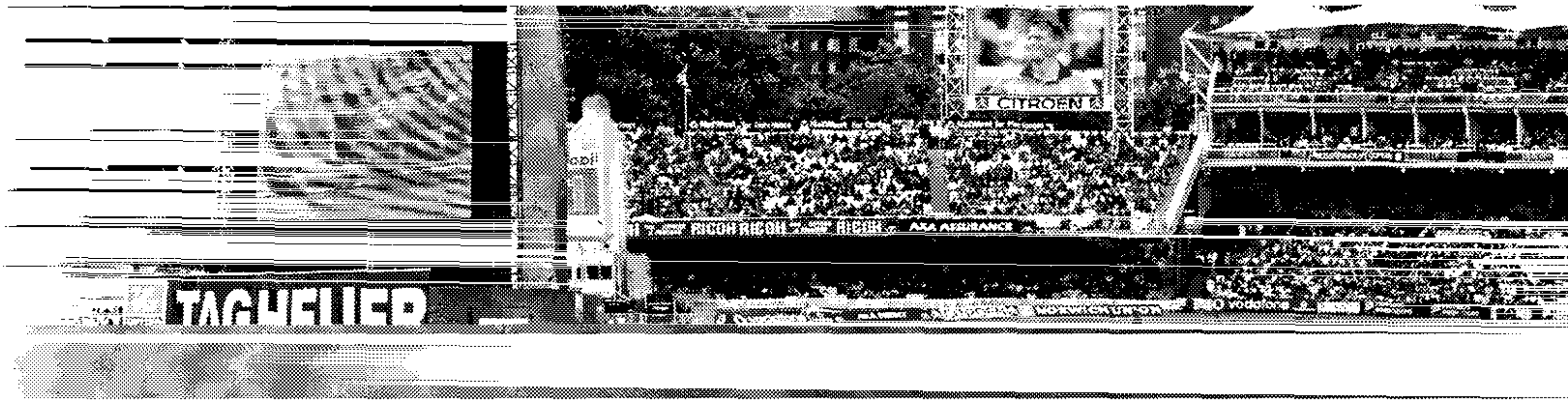
Avesco is now able to provide its existing and prospective customers a complete giant video screen service, whereby they can be offered rental, purchase or, in some cases, a combination of the two.

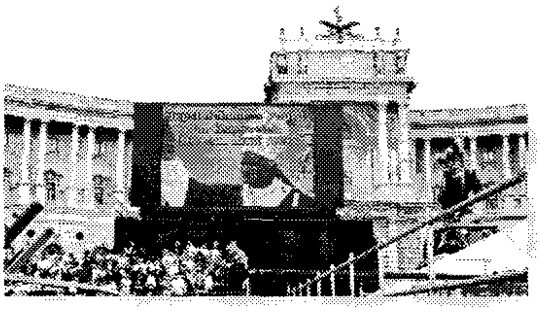
Screenco maintained its position as the world's leading giant screen rental company with access to in excess of 40 large screens, more than double its nearest competitor. In Europe, the Screenco UK and JVR Holland operations have been merged under one management team and the single brand, "Screenco". More equipment has been based in Holland to reduce operational and transportation costs.

LED technology has, in the past two years, brought in many more competitors in Europe with a corresponding pressure on prices. Nevertheless, Screenco has successfully maintained its gross margin at a similar level to the previous year, although additional sales and service costs were incurred to achieve the utilisation and turnover. The Group invested £4.0m in LED screens at the beginning of the year. The picture quality of LED screens is similar to that of Screenco's existing JumboTron equipment. However, LED displays offer some operational benefits in that they are lighter and less bulky than JumboTron and are, therefore, more suitable for the concert touring and indoor markets.



Screenco's JumboTron equipment has been installed into mobile screens, where size and weight are not major issues, but can still be removed for use in the modular format when required. This flexibility, combined with the excellent picture quality, ensured good levels of utilisation in 1999.





THE PICTURES SHOW:
Top strip, left to right: Brit Awards 1999, Rod Stewart World Tour, Formula One, Nürburgring; Test Match Cricket at Lords.
Picture left: European Athletics Championships in Budapest.
Picture top: Papal visit to Austria
Picture bottom: Bee Gees World Tour.

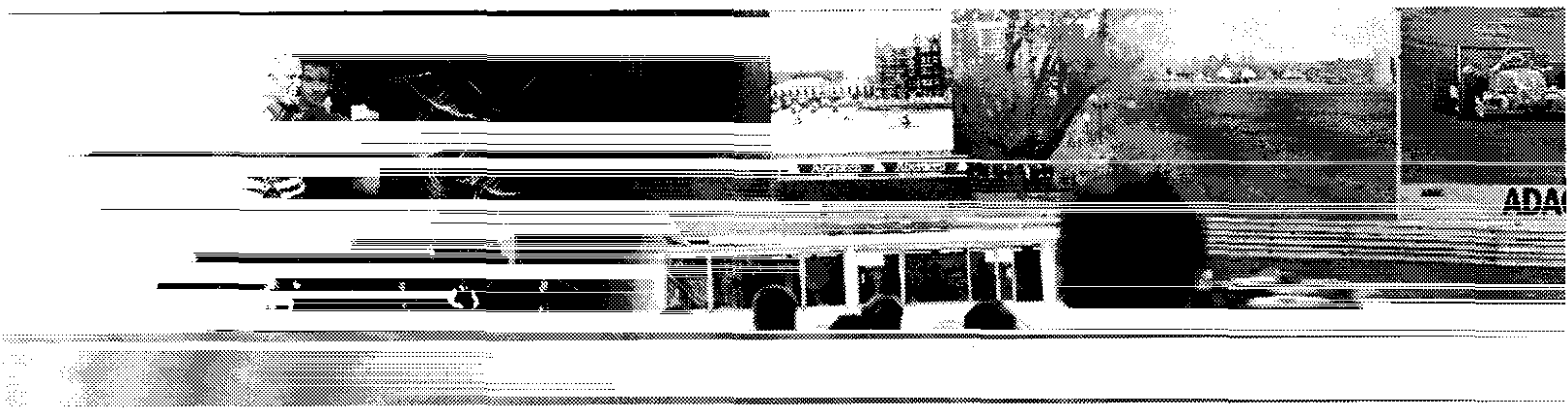
Sporting events for which Screenco again provided screens included various F1 Grands Prix, the Wimbledon Tennis Championships, the UK Cricket Test Matches and also, this year, the one day internationals, "Glorious Goodwood", and the World Cup Skiing events.

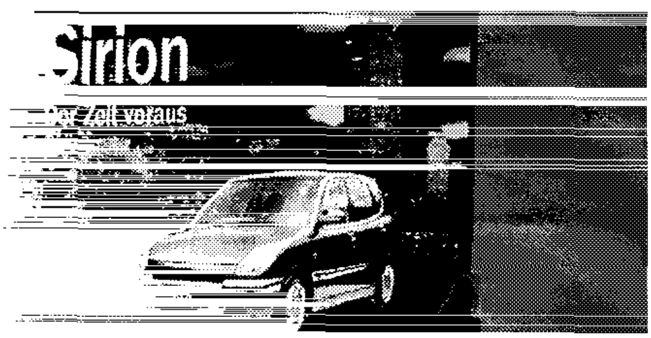
Screenco maintained its position as the **world's** leading **giant screen rental** company

Screens were also supplied for the Rod Stewart, Janet Jackson and Bee Gees world tours, the Lord of the Dance show, the Royal Tournament and the Three Tenors Concert at the football World Cup in Paris. Corporate and special events covered included the Paris Motor Show, the Al Janadriyah celebration in Saudi Arabia and a religious event in Nigeria attended by several million people.

Screenco Australia performed in line with expectations despite facing increased competition on price. Screenco provided screens again to the Melbourne F1 Grand Prix and the Rugby League as well as to the Cricket Test Matches with England.

THE PICTURES SHOW:
Top strip, left to right: Nürnberg Athlectics Meeting; Rolling Stones "Bridges to Babylon" World Tour; Janet Jackson "Velvet Rope" World Tour; Oxford vs Cambridge Boat Race; STW Cup, Germany
Picture left: Al Janadriyah celebration in Saudi Arabia.
Picture above: Royal Tournament.
Picture right: Zunfascht 1998.





BCC in the USA, in which the Group has a 25% investment, performed disappointingly despite the highlights of the Rolling Stones' Bridges to Babylon world tour and a number of the US NASCAR motor racing events.

The new screen sales division was created in November by the acquisition of **System Technologies** and, following the employment of Sony JumboTron Europe's General Manager, the creation of **Pixel Displays**. Although no new screen sales were able to be made by Pixel Displays following its formation, we expect to introduce an exclusive range of products in the current year and the foundations are now in place to establish a substantial new business.

Prospects

We anticipate that the European giant screen rental market will continue to grow substantially although the growth will inevitably bring increased competition. However, the restructuring of our European operations into a single business should enable Screenco to make further improvements in utilisation while reducing both operating costs and the effect on margins of the strong pound. The ongoing investment programme in Screenco's sales and service activities will further strengthen its customer relationships and reliability record and, combined with the most comprehensive and flexible range of equipment in the market, should underpin the business and enable Screenco to maximise future opportunities. Screenco Australia is expected to have a successful year with a number of good sales prospects in addition to its regular repeat business.

The market for the sale of giant screens is growing at a rapid rate in a number of sectors including stadia, arenas, advertising, music events and architectural design. Avesco can offer a powerful proposition to the market through its new Pixel Displays business, the System Technologies acquisition and Screenco's expertise and contacts. Since the year end, System Technologies has built an innovative 400 m^2 screen for a tour by the German music artist, Marius Westernhagen. The screen sales business has a number of excellent sales prospects and the target is to be profitable in its first full year of operation.

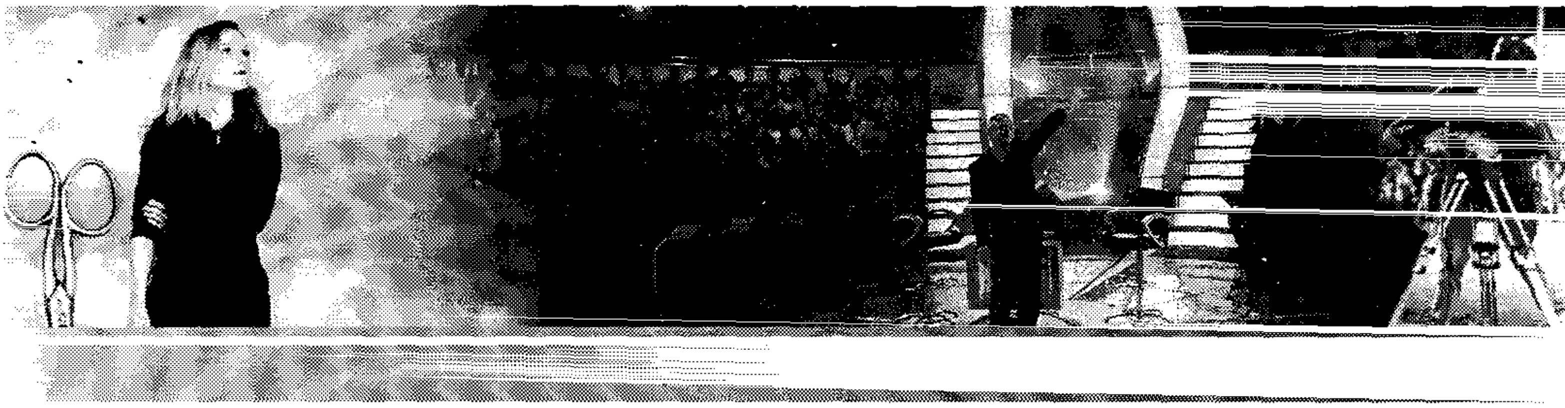
Broadcast Services includes **Fountain's Wembley TV studios**, the **leading** light entertainment studios in the industry

Fountain Television continued to make progress especially at its Wembley studios, which are now perceived as the leading light entertainment studios in the industry.

During the year, Fountain completed the conversion of its Wembley studios to digital widescreen, a format increasingly required for many television programmes. As reported in the Chairman's Statement, the Group made the decision at the end of the year to close its small New Malden studio due to external circumstances. The New Malden graphics, editing and sound dubbing post production resources are being relocated to Wembley.

Regular shows produced again at Wembley during the year included "Celebrity Ready Steady Cook" and "Food and Drink", both for Bazal Productions (BBC), "Rory Bremner – Who Else?" for Vera Productions (C4), and "Jasper Carrot – Back to the Front" for Celador Productions (BBC).

Other shows included "Who wants to be a Millionaire?" for Celador Productions (ITV), "Alas Smith and Jones" for Talkback Productions (BBC) and "Man O'Man" for Pearson Television (ITV). Graphics credits included "Bill Bryson – Notes from a Small Island" for Carlton



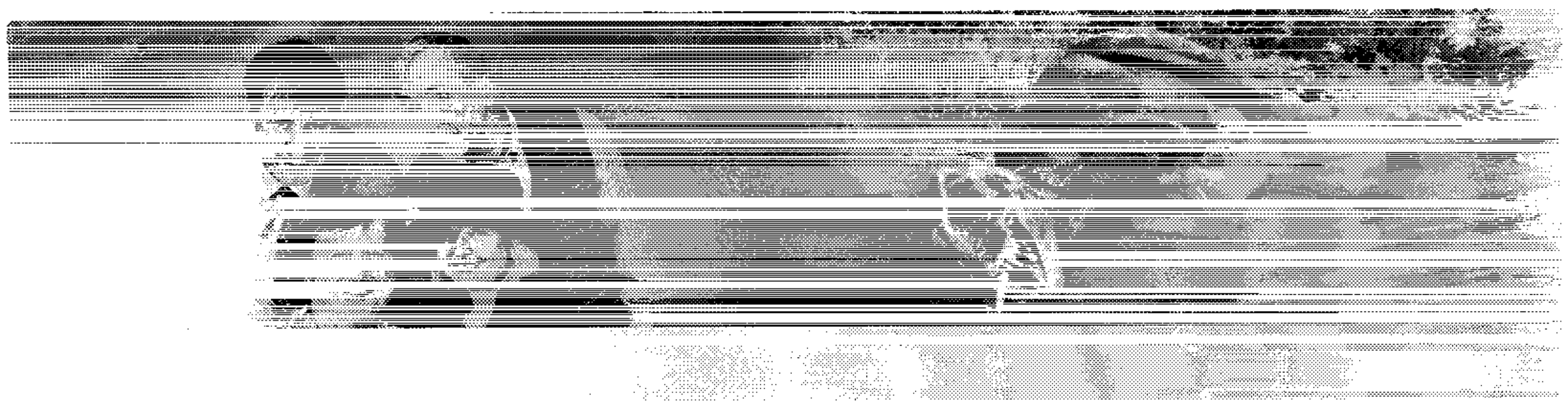
Productions (ITV) and "When Dinosaurs Ruled" for *Wall to Wall Television (Discovery Channel).*

The strengthening of Fountain's client base at Wembley was confirmed when, at the end of the year, Fountain was *voted "Best Studio Facility" at the prestigious Broadcast* Production Awards. This award is highly valued as it is voted for only by customers, the television producers.

Presteigne Broadcast Hire performed very strongly with excellent organic growth and, in addition, benefited from the acquisition and successful integration of Willson's, a broadcast equipment hire and maintenance business. Presteigne substantially increased its market share during the year and has an excellent client list and a wide range of digital equipment to provide the base for further growth.

Presteigne's customers now include ten different regions or *major departments within the BBC* as well as Yorkshire Television, MTV, Meridian Television and GMG Endemol Entertainment.

THE PICTURES SHOW:
Top strip left to right: "Jasper Carrot – Back to the Front" for Celador Productions (BBC), "Smack the Pony" for Talkback Productions (C4); "Who wants to be a Millionaire?" for Celador Productions (ITV), Presteigne Broadcast Hire equipment on location.
Picture left: "Alas Smith and Jones" for Talkback Productions (BBC)
Picture above: "Celebrity Ready Steady Cook" for Bazal Productions (BBC)



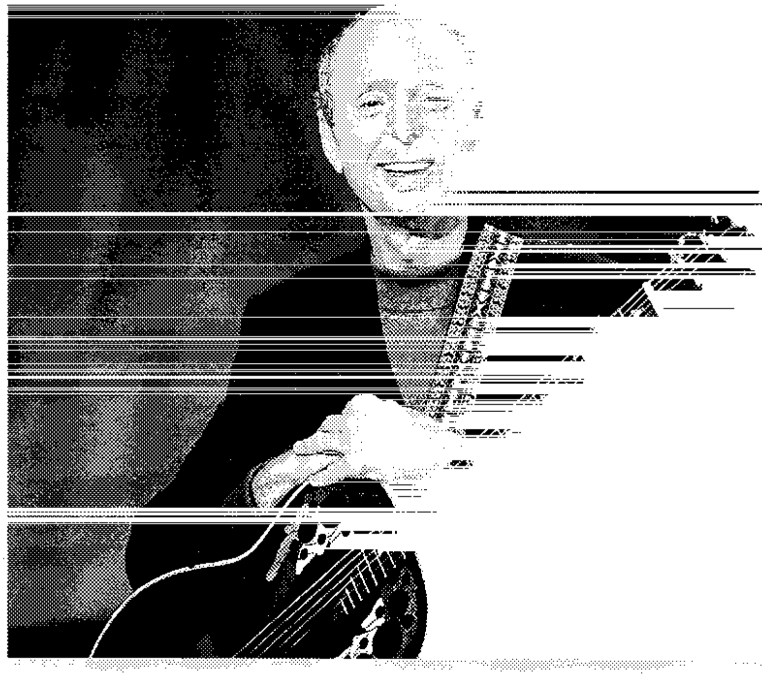
excellent growth achieved at **Presteigne** Broadcast Hire

Presteigne achieves a high return on capital investment and benefits from the Group's policy of placing new equipment purchases in Presteigne, from where they can be hired both internally within the Group and externally, thus maximising utilisation.

The Group's 49% owned associate, **Complete Communications**, owner of **Celador Productions**, substantially improved its second half, largely due to the success of "Who wants to be a Millionaire?" (ITV), one of the highest rating television programmes of the year. Another successful show was "Jasper Carrot – Back to the Front" (BBC).

Prospects

Fountain Television has had an excellent start to the new year. The traditionally quiet summer months are looking to be busier than previous years, not least as Fountain has won the contract for the new BBC National Lottery Show produced by Celador Productions. The relocation of post production services from New Malden will enhance the range of services provided at Wembley studios and should improve profitability.



Presteigne Broadcast Hire expects another good year as the demand for the hire of digital equipment continues to grow. The lead up to the Millennium is expected to be extremely busy and since the year end a new Sales Director has been recruited. Presteigne has also appointed several additional engineering and service staff under its Willson's brand, where there is a considerable opportunity to expand its maintenance services to the broadcast industry.

Complete created TV **phenomenon** with **"Who wants to be a Millionaire?"**

The opportunities arising from the phenomenal UK success of Complete Communications' "Who wants to be a Millionaire?" are impossible to quantify at present. Complete owns licensing and promotional rights to the programme, for which it has received a two year contract with ITV in the UK. The international demand for the programme format licensing rights has been enormous.

Agreements have now been reached with broadcasters in the major overseas territories to start producing the show later in the year. In the USA, the programme goes to air in August and, if successful, is expected to be extremely profitable. Promotional deals are currently being negotiated with major UK consumer brands. A board game is to be launched during the year and early indications of its sales prospects appear to be extremely encouraging. In short, the profit potential for the Group arising from its 49% holding in Complete is substantial.

THE PICTURES SHOW:
Top strip, left to right: Celador Productions' "Love 40, New Balls Please" for Radio 2; "When Dinosaurs Ruled" for Wall to Wall Television (Discovery Channel); "In the Presence of Julian Clary" for Talent TV; "Man O' Man" for Pearson Television (ITV).
Picture left: "Jasper Carrot – Back to the Front" for Celador Productions (BBC).
Picture above: "Who wants to be a Millionaire?" for Celador Productions (ITV).

the **Financial** review

Results for the year

Turnover, at £42.3 million, increased by 34% over 1998 (£31.6 million). 43% of the Group's turnover originated from overseas operations (1998: 35%) reflecting the growing importance of these businesses.

Total operating profit, at £5.9 million (1998: £4.8 million), was up 23%, excluding the costs of the amortisation of goodwill of £2.2 million. Profit before taxation was £5.2 million (1998: £4.2 million), before goodwill amortisation and non-operating items. A non-operating loss of £2.1 million was recorded relating to the closure of the television studios at New Malden (1998: profit on investments of £0.6 million).

Taxation

Overall, the taxation charge for the year of £1.2 million (1998: £0.6 million) has increased as a percentage of profit before taxation to 23% (1998: 13%). The taxation charge for the year has again benefited from tax losses in the UK brought forward from prior years and capital allowances resulting from investment. There is a charge to UK taxation this year of £0.2 million (1998: £nil) which is largely the consequence of a provision made against an advance corporation tax balance which, given the changes in the taxation regime in this regard, is not expected to be recovered in the near future. Otherwise the charge is made up of deferred taxation of £0.6 million (1998: £0.1 million) arising as a result of differences in the accounting and taxation treatments of capital expenditures, charges to overseas taxation of £0.3 million (1998: £0.4 million), and taxation charges in the associated companies of £0.1 million (1998: £nil).

Cashflow

The Group generated £11.0 million (1998: £6.9 million) of cash before net capital expenditures of £11.7 million, up from £5.6 million in 1998. The Placing and Open Offer in June 1998 raised £14.4 million, net of expenses. The Group spent (net of cash acquired) £13.1 million on acquisitions (1998: £5.7 million), which included the payment of £4.3 million of deferred consideration payable in respect of prior year acquisitions.

Borrowings

At 31 March 1999, the Group had bank and finance lease borrowings of £11.5 million (1998: £10.7 million), of which £6.5 million (1998: £4.5 million) was in respect of finance leases and hire purchase agreements. Of total borrowings, £6.7 million or 58% (1998: £4.3 million or 40%) was payable in over one year.

Gearing, calculated as the total of net bank indebtedness, finance leases and hire purchase debt expressed as a percentage of shareholders' funds, was 38% (1998: 59%).

Interest cover was 8.5 times (1998: 8.2 times).

Foreign currencies

The Group has not speculated or dealt in currency hedges. The Group has borrowings in US dollars, Australian dollars and Euro legacy currencies to fund its activities in these economic areas. These borrowings will be repaid out of profits generated in these currencies. At 31 March 1999, 37% of the Group's net debt of £11.5 million was in US dollars, 8% in Australian dollars and 19% in Euro legacy currencies.

Acquisitions

The Group made acquisitions totalling £13.0 million in the year to 31 March 1999. £9.0 million was paid in the period and a balance of up to £4.0 million was outstanding at the year end, in part payable based upon the financial performance of the acquired companies. £2.3 million of the balance outstanding is payable after more than one year. Payments made during the year in respect of acquisitions (net of cash acquired) totalled £13.1 million of which £4.3 million related to acquisitions made in the previous year.

Capital employed

The Group's capital employed, calculated as year end net assets adjusted for net bank and finance lease debt, intangible assets, provisions for liabilities and charges and deferred acquisition payments, was £34.6 million (1998: £34.4 million).

The Group's return on capital employed, being total operating profit, excluding non-operating items and goodwill, expressed as a percentage of average capital employed, was 17.0% (1998: 15.7%).

David Brocksom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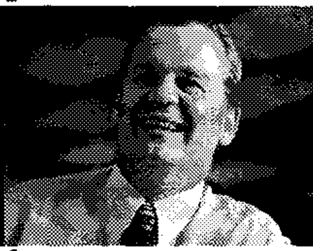
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the **Board** of **Directors**


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10

1 ALAN JOHN MORTON*
Non-executive Chairman
aged 39, has 22 years in fund management and is investment director of Brachers Asset Management. He is also chairman of the Association of Solicitor Investment Managers.

2 RICHARD ALAN MURRAY*
Deputy Chairman
aged 49, founded the company in 1984. He is the chairman of Charlton Athletic plc and a non-executive director of Internet Technology plc.

3 DAVID JOHN NICHOLSON
Chief Executive
aged 48, joined the Group and the Board in 1995, having previously held senior management positions at Rentokil Group plc and Aspen Communications plc.

4 DAVID GRAHAM BROCKSOM FCA
Finance Director
aged 38, joined the Group in 1998, having previously been group finance director at Tele Cine Cell Group plc and Westport Group plc. He qualified as a Chartered Accountant with Price Waterhouse.

5 GRAHAM PETER ANDREWS
Managing Director, Creative Technology
aged 40, joined the Group in 1986, was appointed to the Board in 1994, and has 23 years experience in the live events industry.

6 DAVID ANDREW CRUMP
Managing Director, Screenco
aged 37, joined the Group in 1985, was appointed to the Board in 1995, and has 19 years experience in the large screen display industry. He is chairman of the Production Services Association Limited.

7 JULIAN STUART KOSSICK
Managing Director, Fountain Television
aged 48, joined the Group in 1985, was appointed to the Board in 1994, and has 28 years experience in the television and audio industry.

8 NICHOLAS SIMON CONN LLB
Company Secretary
aged 42, joined the Company in 1988, was appointed to the Board in 1993, and was previously a partner in the Company's then solicitors.

9 CAMERON ANDERSON MAXWELL FCA
Non-executive Director
aged 56, joined the Board in 1985 and was finance director until 1998. He is a director of a number of private companies and is a member of the Council of the Institute of Chartered Accountants in England and Wales.

10 ALFRED PATRICK STIRLING*
Non-executive Director
aged 63, is chairman and managing director of Gresham House plc and Welsh Industrial Investment Trust plc. He is also director of a number of other public and private companies.

*Member of Remuneration Committee.

Secretary and Registered Office
Nicholas Simon Conn, LLB
Venture House, Davis Road
Chessington, Surrey KT9 1TT
Tel: 0208 974 1234
Fax: 0208 974 1622
Registered number 1788363

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

Registrars and Transfer Office
IRG Plc,
Bourne House,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

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

the **Directors'** report

The Directors have pleasure in presenting their report and Accounts for the year ended 31 March 1999.

Principal activities and review of the business and results

The Group's principal activity during the year was the provision of specialist television services. The Chairman's statement on pages 4 to 5 and the Chief Executive's and Finance Director's reviews of the business set out on pages 6 to 22 give further information.

Dividends

The Directors recommend payment of a final dividend for the year ended 31 March 1999 of 4.5p per ordinary share of 10p to be paid on 5 October 1999 to shareholders on the Register on 6 September 1999, making a total dividend for the year of 8.0p (1998: 7.0p).

Share capital

On 27 July 1998, 3,636,200 ordinary shares were issued at a price of 415p per share pursuant to a Placing and Open Offer, which raised £14.4 million, net of expenses.

On 11 December 1998, 46,290 ordinary shares were issued at a price of 310.75p per share in consideration of the acquisition of the remaining six per cent of the issued share capital of Jongenelen Holding BV not already owned by the Group. The vendor was a company, the ultimate beneficial owners of which were Mr C.A.M. Elsten and Mr H.A.B.C. Jongenelen, who are each Directors of Jongenelen Holding BV.

Share options were exercised during the year in respect of a total of 16,550 ordinary shares at prices of 120p and 145p.

Directors' appointments

Details of the Directors are given on page 23. Mr Murray's full surname is Murray-Obodynski. However, he is referred to in this document by the name under which he is generally known in the industry.

Mr F B Pearson resigned as a Director on 6 August 1998. Mr Brocksom was appointed to the Board on 1 February 1999. The other Directors served continuously during the year.

Directors' remuneration

The remuneration committee comprises Mr Stirling and Mr Morton, who are both non-executive Directors, and Mr Murray. The Chairman of the remuneration committee is Mr Stirling. The remuneration committee has, in framing its remuneration policy, given full consideration to the Principles of Good Governance and the Code of Best Practice as set out in the Combined Code. Whilst the inclusion of Mr Murray on the remuneration committee is not in compliance with the Combined Code (provision B2.2), as deputy chairman of the Board and a significant shareholder, his presence is considered appropriate. Mr Murray is not present during meetings of the remuneration committee while his own remuneration is under review.

The aim of the remuneration committee is to provide total remuneration packages which attract, retain and motivate executive Directors of the appropriate calibre. 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 performance and to comparable salary levels in the employment market. All executive Directors receive a company car (or an allowance in lieu) and are entitled to cover under the group life assurance, medical expenses and permanent health insurance schemes.

Stockbrokers
Collins Stewart Limited
21 New Street
Bishopsgate
London EC2M 4HR

Solicitors
Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA

Principal Bankers
HSBC Group
National Westminster Bank plc
National Australia Bank Limited
Rabobank
Wells Fargo Bank, National Association

Annual bonus

Each of the executive Directors is entitled to an annual bonus dependent upon the achievement of corporate and personal performance targets. 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. In order to encourage the executive Directors to increase their shareholding in the Company, it is a condition of the bonus award that one half of the bonus (after deduction of tax and National Insurance) is used to purchase shares in the Company, which the Director undertakes to retain for a minimum period of three years.

Long term incentives

The Company operates three executive share option schemes established in 1984, 1994 and 1997, respectively. The 1984 scheme is now closed to new grants of options. 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 Company's earnings per share exceeds the increase in the Retail Prices Index over the same three year period plus 6%. 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 from 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 outstanding at any time, calculated by reference to the relevant option exercise price, will not exceed four times the salary of the option holder.

The remuneration committee has approved a bonus scheme for the benefit of Mr Nicholson based on the performance of the Company's share price between 20 June 1995 and 20 June 2005. The amount of any bonus payable may be claimed no later than 20 June 2005.

Mr Maxwell is entitled to a bonus based on the profits to the Group arising from any sale of the Group's interest in AVS Graphics Limited prior to 30 June 2005.

Pensions

Pension contributions relating to the executive Directors of the Company are paid to defined contribution schemes and are calculated by reference to basic salary only. Annual bonuses and other benefits are not pensionable.

Contracts

No Director has a service contract with the Company or any of its subsidiaries which is subject to termination on more than 12 months' notice, except that the contract of Mr Maxwell as a non-executive Director is not capable of termination by the Company until after 30 June 2000. It is the policy of the remuneration committee that the Company should not enter into contracts with rolling notice periods exceeding one year for any executive Director.

The contracts of the executive Directors provide that in the event of their termination in certain circumstances in the 24 month period immediately following a change of control of the Company, the Director shall be entitled to a severance payment equal to a maximum 36 months' salary plus compensation for loss of benefits in kind excluding annual bonuses.

Non-Executive Directors

The remuneration of the non-executive Directors is subject to a maximum aggregate limit agreed by shareholders and set out in the Articles of Association. Within this limit, which is subject to a proposed change at this year's annual general meeting, 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 salary is under discussion. With the exception of Mr Maxwell, the non-executive Directors do not have written service contracts with the Company. They do not participate in the share option scheme and do not receive any pension contributions or other benefits.

Directors' emoluments

The emoluments of the Directors of the Company were:

	Year ended 31 March 1999				1998	1999	1998	1999	1998
	Fees/Salary £'000	Bonus £'000	Benefits £'000	Sub total £'000	Sub total £'000	Pension £'000	Pension £'000	Total £'000	Total £'000
Executive Directors									
R A Murray*	110	6	–	116	117	–	31	116	148
D J Nicholson	145	29	12	186	171	17	17	203	188
D G Brocksom	17	8	–	25	–	2	–	27	–
N S Conn	77	8	7	92	91	8	8	100	99
G P Andrews	124	75	13	212	144	12	12	224	156
D A Crump	124	22	6	152	139	12	12	164	151
J S Kossick	98	14	10	122	103	10	9	132	112
F B Pearson	30	–	3	33	–	3	–	36	–
Non Executive Directors									
A J Morton	33	–	–	33	13	–	–	33	13
C A Maxwell*	38	–	4	42	130	–	13	42	143
A P Stirling*	13	–	–	13	13	–	–	13	13
	809	162	55	1,026	921	64	102	1,090	1,023

* Emoluments paid to companies connected with the Directors.

Compensation for loss of office amounting to £30,000 was paid to Mr Maxwell and £31,000 to Mr Pearson during the year.

The figures for Mr Maxwell represent his remuneration whilst an executive Director, and fees paid for his services as a non-executive Director. In addition to the amounts disclosed above, a company connected with Mr Maxwell has contracted with the Company for the provision of his services as a consultant during the two year period ending 1 July 2000 for a maximum fee of £270,000. £181,000 was invoiced during the year of which £163,000 was in connection with work on acquisitions.

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 1999 and at 14 June 1999		at 31 March 1998 or appointed date if later	
	Ordinary shares	Options to subscribe for ordinary shares	Ordinary shares	Options to subscribe for ordinary shares
A J Morton	61,696	–	25,357	–
R A Murray	1,287,386	–	1,287,386	–
D J Nicholson	10,330	166,164	10,330	116,164
D G Brocksom	–	50,000	–	50,000
G P Andrews	6,735	150,039	6,735	106,000
D A Crump	7,812	150,039	7,812	116,000
J S Kossick	8,913	106,000	8,913	56,000
N S Conn	16,423	72,371	16,423	26,553
C A Maxwell	39,964	–	62,905	12,710
A P Stirling	20,034	–	18,428	–

During the year ended 31 March 1999, the following options had been granted to Directors and were outstanding under the Share Option Schemes:

	Number of ordinary shares under option				Market price at date of exercise (p)	Exercise price (p)	Exercise dates	
	At 1 April 1998	Granted/ (Lapsed) during year	Exercised during year	At 31 March 1999			From	To
D J Nicholson	12,500	–	–	12,500	–	152.5	14.07.98	13.07.05
	3,664	–	–	3,664	–	298.5	20.12.99	19.12.06
	100,000	–	–	100,000	–	307.5	04.08.00	03.08.04
	–	25,000	–	25,000	–	444.0	07.08.01	06.08.05
	–	25,000	–	25,000	–	317.5	24.12.01	23.12.05
D G Brocksom	–	10,016	–	10,016	–	299.5	01.12.01	30.11.08
	–	39,984	–	39,984	–	299.5	01.12.01	30.11.05
G P Andrews	6,000	–	–	6,000	–	295.5	21.11.99	20.11.06
	100,000	–	–	100,000	–	307.5	04.08.00	03.08.04
	–	2,750	–	2,750	–	444.0	07.08.01	06.08.08
	–	22,250	–	22,250	–	444.0	07.08.01	06.08.05
	–	19,039	–	19,039	–	317.5	24.12.01	23.12.05
D A Crump	10,000	–	(10,000)	–	465	120.0	–	–
	6,000	–	–	6,000	–	295.5	21.11.99	20.11.06
	100,000	–	–	100,000	–	307.5	04.08.00	03.08.04
	–	2,750	–	2,750	–	444.0	07.08.01	06.08.08
	–	22,250	–	22,250	–	444.0	07.08.01	06.08.05
	–	19,039	–	19,039	–	317.5	24.12.01	23.12.05
J S Kossick	6,000	–	–	6,000	–	295.5	21.11.99	20.11.06
	50,000	–	–	50,000	–	307.5	04.08.00	03.08.04
	–	2,750	–	2,750	–	444.0	07.08.01	06.08.08
	–	22,250	–	22,250	–	444.0	07.08.01	06.08.05
	–	25,000	–	25,000	–	444.0	24.12.01	23.12.05
N S Conn	2,782	(2,782)	–	–	–	1042.1	–	–
	1,077	–	–	1,077	–	881.6	02.01.93	01.01.00
	2,694	–	–	2,694	–	909.4	16.01.93	15.01.00
	20,000	–	–	20,000	–	307.50	04.08.00	03.08.04
	–	6,750	–	6,750	–	444.0	07.08.01	06.08.08
	–	18,250	–	18,250	–	444.0	07.08.01	06.08.05
	–	23,600	–	23,600	–	317.5	24.12.01	23.12.05
C A Maxwell	2,782	(2,782)	–	–	–	1042.1	–	–
	8,070	(8,070)	–	–	–	1302.5	–	–
	1,858	(1,858)	–	–	–	881.6	–	–

None of the Directors had any non-beneficial interests in the Company's shares. The Company's middle market closing share price on 31 March 1999 was 311.5p and the high and low prices during the year were 494p and 299p respectively.

Substantial interests

Apart from the Directors, the Company has been notified of the following holdings of 3% or more:

Name	Ordinary shares	Percentage of allotted ordinary share capital
Schroder Investment Management Limited	1,620,692	10.21
Credit Suisse Asset Management Limited	1,568,749	9.88
Hermes Administration Services Limited	820,166	5.17
Canada Life Assurance Group	500,000	3.15

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 accounts.

Year 2000

Avesco has carried out a Year 2000 review and all Group companies have established teams to review the potential effects on operational equipment and software.
No material problem areas have been identified and it is expected that any changes in software or hardware can be made without significant effect to the conduct of our businesses. The total estimated cost of any changes has not been quantified but is expected to be covered by existing operating budgets without any specific additional provision. All such costs will be written off as incurred except where the expenditure clearly represents an enhancement to a fixed asset, when it will be capitalised and depreciated over the useful life of the asset.

Whilst Avesco have undertaken a Year 2000 project and identified actions required to be reasonably certain that the Group will not be adversely affected by such issues, there can be no assurance that the Year 2000 project will be successful or that those projects of our suppliers will also be successful.

Charitable contributions

No contributions for charitable or political purposes were

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 1999 calculated in accordance with the Companies Act, represented 1,541 days' purchases (1998: 2,209 days). Excluding long term credit arrangements, 23 days' credit was outstanding to normal trade creditors of the Company at 31 March 1999 (1998: 38 days).

Employee involvement

The Group encourages employee shareholding through the share option schemes. 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. The Group adopts a policy of non-discrimination in the employment of disabled persons. Should an employee become disabled, every effort is made to ensure continuity of employment.

BY ORDER OF THE BOARD
Nicholas Conn
Secretary

15 June 1999

Corporate Governance report

In accordance with the Listing Rules of the London Stock Exchange, the Company has, except as indicated below, adopted the principles and provisions set out in the Principles of Good Governance and Code of Best Practice ('the Combined Code') during the year. Where a specific provision from the Combined Code is not adopted, the Company takes alternative actions to ensure that corporate governance is not adversely affected.

The Board

The Board comprises the Directors listed on page 23.The independent Directors are considered to be Mr Morton, who is the Chairman and senior independent Director, and Mr Stirling. Mr Maxwell, a non-executive Director, is not considered to be independent having previously held executive office as finance director. Whilst the non-executive Directors do not comprise one third of the Board (provision A3.1), with a non-executive Chairman the Board is considered to be appropriately balanced.

The Board meets regularly to consider the business and strategic issues of the Group. The Board as a whole reviews and approves the Group's annual report, financial statements, interim statement and preliminary announcements. This process involves meeting with the auditors to discuss issues relating to the audit and financial control of the Group. A separate audit committee is therefore not considered to be justified (provision D3.1).

In the furtherance of their duties, the Board members are expected to undertake such training and seek independent professional advice as is relevant to their role. There is no formal framework for training or for seeking independent advice (provisions A1.6 and A1.3). Appointments to the Board are considered by the Board as a whole and a separate nomination committee is not considered necessary (provision A5.1). Whilst none of the Directors are appointed to the Board for a fixed period, the articles of association require periodic re-election of all Directors by shareholders. All Directors are required to submit themselves for re-election at the first annual general meeting following appointment. The articles of association do not require that all Directors submit themselves for re-election every three years. A special resolution is to be proposed at the forthcoming annual general meeting to amend the articles of association in this respect.

Internal control

No formal guidance has been published in relation to the precise review procedures and other obligations in respect of non-financial internal controls required by the Combined Code. The Board is therefore unable to confirm that the measures, which it has taken, comply with the requirements of the Combined Code.

The Directors are responsible for internal financial controls within the Group including reviewing their effectiveness. The Group's internal control system has been reviewed by the Directors. The Avesco internal financial control system is designed to minimise the potential risks of error or fraud so that the accounts can be relied upon and business assets are safeguarded. Such a system can provide only reasonable and not absolute assurance against misstatement or loss.

The controls in place include a Group policies and procedures manual, which is operated in all wholly owned subsidiaries and which defines 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 and cash flow. 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 for all Group businesses and reviewed with management and the Avesco board. Control reports are regularly monitored and reviewed by the Finance Director. Regular management meetings are held to monitor performance against budgets and plans.

Statement of **Directors' responsibilities**

Company law requires the Directors to prepare accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard its assets and to prevent and detect fraud and other irregularities.

KPMG Audit Plc

Report of the Auditors to the members of AVESCO

We have audited the financial statements on pages 32 to 51.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 30 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, 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 are properly prepared in accordance with the Companies Act. 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 or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 29 to 30 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, 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. 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 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.

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 1999 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Crawley

15 June 1999

Consolidated profit and loss account

AVESCO plc and its subsidiaries

for the year ended 31 March 1999	Note	1999 Trading items £'000	1999 Non-operating items and goodwill £'000	1999 Total £'000	1998 Trading items £'000	1998 Non-operating items and goodwill £'000	1998 Total £'000
Turnover							
Existing operations		40,606	–	40,606	31,647	–	31,647
Acquisitions		1,657	–	1,657	–	–	–
		42,263	–	42,263	31,647	–	31,647
Gross profit							
Existing operations		17,274	–	17,274	13,789	–	13,789
Acquisitions		748	–	748	–	–	–
		18,022	–	18,022	13,789	–	13,789
Distribution expenses		(887)	–	(887)	(638)	–	(638)
Administration expenses		(11,783)	–	(11,783)	(8,732)	–	(8,732)
Goodwill write off		–	(2,193)	(2,193)	–	–	–
Group operating profit	2						
Existing operations		5,290	(2,193)	3,097	4,419	–	4,419
Acquisitions		62	–	62	–	–	–
		5,352	(2,193)	3,159	4,419	–	4,419
Share of operating profit in associates		504	–	504	337	–	337
Total operating profit		5,856	(2,193)	3,663	4,756	–	4,756
Loss on termination of operation	3	–	(2,135)	(2,135)	–	–	–
Profit on investments		–	–	–	–	584	584
Income from fixed asset *investments*		–	–	–	49	–	49
Net interest payable	4	(690)	–	(690)	(585)	–	(585)
Profit before taxation	5	5,166	(4,328)	838	4,220	584	4,804
Taxation	7	(1,189)	–	(1,189)	(554)	–	(554)
Profit/(loss) after taxation		3,977	(4,328)	(351)	3,666	584	4,250
Equity minority interests		(232)	–	(232)	(474)	–	(474)
Profit/(loss) for the financial year		3,745	(4,328)	(583)	3,192	584	3,776
Dividends	8			(1,267)			(852)
Retained (loss)/profit for the financial year	18			(1,850)			2,924
Basic earnings/(losses) per share	9	25.5p	(29.5)p	(4.0)p	26.5p	4.8p	31.3p
Fully diluted earnings/(losses) per share	9	25.5p	(29.5)p	(4.0)p	26.2p	4.8p	31.0p
***Earnings/(losses) per share at* a constant tax rate**	9	25.5p	(29.5)p	(4.0)p	22.7p	4.8p	27.5p

All amounts in the profit and loss account are derived from continuing operations.

Balance sheets

as at 31 March 1999

		Group		Company	
	Note	**1999 £'000**	1998 £'000	**1999 £'000**	1998 £'000
Fixed assets:					
Intangible assets	10	**12,063**	12	**7**	9
Tangible assets	11	**35,464**	34,065	**97**	193
Investments in associates	12	**1,023**	786	**–**	–
Other investments	12	**622**	622	**646**	6,577
		49,172	35,485	**750**	6,779
Current assets:					
Stocks		**741**	271	**–**	–
Debtors	13	**9,452**	8,979	**50,559**	35,129
Cash at bank		**1,270**	281	**–**	–
		11,463	9,531	**50,559**	35,129
Creditors: *amounts falling due within one year*	14	**(19,220)**	(19,215)	**(5,798)**	(9,595)
Net current (liabilities) /assets		**(7,757)**	(9,684)	**44,761**	25,534
Total assets less current liabilities		**41,415**	25,801	**45,511**	32,313
Creditors: amounts falling due after more than one year	15	**(10,180)**	(6,466)	**(1,164)**	(2,144)
Provisions for liabilities and charges	16	**(802)**	(246)	**–**	–
		30,433	19,089	**44,347**	30,169
Capital and reserves:					
Called up share capital	17	**1,587**	1,218	**1,587**	1,218
Share premium account	18	**29,974**	15,751	**29,974**	15,751
Special reserve	18	**–**	4,663	**–**	4,663
Profit and loss account	18	**(1,172)**	(3,458)	**12,786**	8,537
Total equity shareholders' funds		**30,389**	18,174	**44,347**	30,169
Equity minority interests		**44**	915	**–**	–
		30,433	19,089	**44,347**	30,169

The Accounts were approved by the Board on 15 June 1999 *and were signed on its behalf by:*
D J Nicholson and **D G Brocksom**, Directors

Consolidated **statement** of **total recognised gains** and **losses**

for the year ended 31 March 1999	1999 £'000	1998 £'000
(Loss)/profit for the financial year		
Group	(892)	3,516
Associates	309	260
	(583)	3,776
Translation difference		
Group	(514)	315
Associates	(13)	–
Total recognised gains and losses for the financial year	(1,110)	4,091

Reconciliation of **movements** in **shareholders' funds**

for the year ended 31 March 1999	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
(Loss)/profit for the financial year	(583)	3,776	853	358
Dividends paid	(1,267)	(852)	(1,267)	(852)
Translation differences	(527)	315	–	–
Goodwill written off direct to reserves	–	(9,091)	–	–
Share issues (net of expenses)	14,592	193	14,592	193
Net movement in year	12,215	(5,659)	14,178	(301)
Opening shareholders' funds	18,174	23,833	30,169	30,470
Closing shareholders' funds	30,389	18,174	44,347	30,169

Consolidated cash flow statement

for the year ended 31 March 1999

	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	19	11,703	7,499
Dividends from associates		72	215
Returns from investments and servicing of finance	20	(599)	(456)
Taxation	20	(212)	(323)
		10,964	6,935
Capital expenditure	20	(11,693)	(5,550)
Acquisitions	20	(13,090)	(5,667)
Equity dividends paid		(437)	(729)
Cash outflow before financing		(14,256)	(5,011)
Financing	20	17,334	335
Increase/(decrease) in cash in the year	21	3,078	(4,676)

Reconciliation of net cash flow to movement in net debt

	Note	1999 £'000	1998 £'000
Increase/(decrease) in cash		3,078	(4,676)
Cash outflow from repayment of debt and lease financing		3,202	1,944
New debt and lease finance received		(6,776)	(4,084)
Net debt in acquired subsidiary		–	(1,571)
Translation differences		(256)	639
		(752)	(7,748)
Net debt at 1 April 1998		(10,724)	(2,976)
Net debt at 31 March 1999	21	(11,476)	(10,724)

Notes
to the accounts

1

Accounting policies

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention. All accounting policies are applied consistently with the exception of the policy on goodwill which has been revised following the introduction of Financial Reporting Standard No. 10. The Group has adopted all Financial Reporting Standards applicable at 31 March 1999.

(a) *Basis of preparation*

The Group accounts comprise the accounts of the Company and its subsidiaries. All subsidiaries are accounted for using the acquisition method of accounting. In accordance with s230(4) Companies Act 1985, the Company is exempt from presenting its own Profit and Loss Account.

In the consolidated accounts, investments in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share in the profits and attributable taxation of the associated undertakings. In the consolidated balance sheet the investment in associated undertakings represents the Group's share of the net assets of the associated undertaking. Financial Reporting Standard No. 9 has been adopted in this regard and comparative figures restated accordingly.

(b) Goodwill

With effect from 1 April 1998 all goodwill, whether purchased or arising on consolidation, is capitalised as an intangible fixed asset and amortised through the profit and loss account over periods not exceeding 5 years. Prior to 1 April 1998, all goodwill was charged directly to reserves. This goodwill has not been reinstated as an intangible fixed asset.

On disposal, the goodwill that has previously been charged directly to reserves is written back through the profit and loss account as part of the profit or loss on disposal. Where goodwill is being amortised, only the remaining unamortised balance is included in the calculation of the profit or loss on disposal.

(c) Turnover

Turnover represents the net value of goods sold and services provided by the Group excluding Value Added Tax.

(d) *Depreciation*

Tangible fixed assets are depreciated to write down the cost to estimated residual values over the useful economic life of the asset using both the straight line and reducing balance methods. Periodic reviews are made of estimated remaining useful economic lives and residual values. The useful economic lives currently being applied are:

Giant Video Screens	5 to 9 years
Vehicles and Trailers	3 to 10 years
Plant and Equipment	3 to 10 years
Freehold Land	Not depreciated
Freehold Buildings	30 to 50 years
Leasehold Improvements	The lease period

(e) Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

1

Accounting policies (continued)

(f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation which is deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation to the extent that it is probable that an actual liability will crystallise.

(g) Foreign currencies

Results for the year are translated using average exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Differences arising on the restatement of net investments in subsidiaries and associated companies and their results for the year are dealt with as a movement on reserves. Transactions undertaken in foreign currencies are translated at the rate of exchange ruling at the date of the transaction.

(h) Leased assets

Assets obtained under finance leases are included in the balance sheet at cost less depreciation and the present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable under *operating leases are charged to the profit and loss account as incurred.*

2

Analysis of turnover, profits and net assets

Turnover, profit and net assets are all attributable to the Group's principal activity being the provision of specialist services to the *corporate presentation, entertainment and broadcast markets.*

Analysis of trading items (excluding non-operating items and goodwill)

			1999	1998
	Existing operations £'000	Acquisitions £'000	Total £'000	Continuing operations £'000
Turnover	**40,606**	**1,657**	**42,263**	31,647
Cost of sales	**(23,332)**	**(909)**	**(24,241)**	(17,858)
Gross profit	**17,274**	**748**	**18,022**	13,789
Administration and distribution costs	**(11,984)**	**(686)**	**(12,670)**	(9,370)
Group operating profit	**5,290**	**62**	**5,352**	4,419
Interest in associated companies			**504**	337
Total operating profit			**5,856**	4,756

2 Analysis of turnover, profits and net assets (continued)

By geographic location of operations

	Turnover 1999 £'000	Turnover 1998 £'000	Operating profit 1999 £'000	Operating profit 1998 £'000	Net operating assets 1999 £'000	Net operating assets 1998 £'000
United Kingdom	**23,990**	20,543	**3,345**	2,384	**21,879**	24,915
Mainland Europe	**4,844**	1,683	**799**	464	**4,592**	2,483
USA	**11,908**	7,831	**1,159**	1,369	**5,692**	4,604
Australia	**1,521**	1,590	**49**	202	**2,446**	2,357
	42,263	31,647	**5,352**	4,419	**34,609**	34,359
Share of operating profit in associates			**504**	337		
Income from fixed asset investments			**–**	49		
Non-operating items and goodwill			**(4,328)**	584		
Net interest payable			**(690)**	(585)		
Profit before tax			**838**	4,804		

Net assets

	1999 £'000	1998 £'000
Capital employed (as above)	**34,609**	34,359
Intangible fixed assets	**12,063**	12
Deferred acquisition costs	**(3,961)**	(4,312)
Group borrowings (net of cash)	**(11,476)**	(10,724)
Provisions for liabilities and charges	**(802)**	(246)
Minority interests	**(44)**	(915)
Total equity shareholders' funds	**30,389**	18,174

By geographical location of customers

	Turnover 1999 £'000	Turnover 1998 £'000
United Kingdom	**19,984**	16,214
Mainland Europe	**5,533**	5,014
USA	**12,996**	7,997
Australia & New Zealand	**1,751**	1,591
Rest of World	**1,999**	831
	42,263	31,647

3 Loss on termination of operations

	1999 £'000	1998 £'000
Closure of New Malden TV studios	2,135	–

Following the announcement of a major building development immediately adjacent to the New Malden television studios, and due to the likely impact of noise, vibration and other disturbance, the decision was made to close the site.

4 Net interest payable

	1999 £'000	1998 £'000
Interest payable and similar charges:		
On bank overdraft and loans repayable within five years	396	345
On bank loans repayable beyond five years	19	36
On finance leases	343	218
Other interest payable	24	7
Amounts in respect of associated companies	91	80
	873	686
Interest receivable	(183)	(101)
Net interest payable	690	585

5 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
The profit is stated after charging/(crediting):		
Hire of plant and equipment	3,408	3,210
Other operating leases	507	390
Depreciation of tangible fixed assets	6,805	4,622
Amortisation of intangible assets	2,195	3
(Profit) on investments	–	(584)
(Profit)/loss on sale of tangible fixed assets	(45)	(65)
Auditors' remuneration audit – Group	113	80
– Company	20	20
Other fees paid to the Company's auditors and their associates	91	62
Directors' emoluments	1,151	1,023

6 Directors and employee information

Staff numbers and costs

	1999 Number	1998 Number
The average number of persons employed by the Group including Directors was:		
Services division	325	288
Administration and accounting	25	12
	350	300

	£'000	£'000
The aggregate payroll costs of these persons were:		
Wages and salaries	9,664	7,493
Social Security costs	931	717
Other pension costs	261	234
	10,856	8,444

The Avesco Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions paid to the fund; no contributions remained unpaid at 31 March 1999 (1998: £Nil).

Directors' emoluments and share options are disclosed in the report of the Remuneration Committee on pages 24 to 27.

7 Taxation

	1999 £'000	1998 £'000
Corporation tax at 31% and advance corporation tax	214	–
Tax on dividends received	2	9
Deferred tax (Note 16)	555	107
Overseas tax	314	441
Tax on profits of associated companies	104	(3)
	1,189	554

The tax charge for the year has been reduced by the availability of tax losses in certain UK companies.

8 Dividends

	1999 £'000	1998 £'000
Interim dividend 3.5p per share (1998: 3.0p per share)	553	365
Proposed final dividend of 4.5p per share (1998: 4.0p per share)	714	487
	1,267	852

9 Earnings per share

Earnings/(losses) per share have been calculated based on the following:

	1999			1998		
	Trading items £'000	Non-*operating* items £'000	Total £'000	*Trading* items £'000	Non-*operating* items £'000	Total £'000
Profit for the financial year	3,745	(4,328)	(583)	3,192	584	3,776
Earnings at constant tax rate:						
Profit for the financial year as above	3,745	(4,328)	(583)	3,192	584	3,776
Increase prior year tax charge to rate for the year to 31 March 1999	–	–	–	(417)	–	(417)
Earnings/(losses) at constant tax rate	3,745	(4,328)	(583)	2,775	584	3,359

	1999 '000	1998 '000
Weighted average number of shares		
For basic earnings per share	14,663	12,060
Effect of exercise of share options	13	140
For fully diluted earnings per share	14,676	12,200

10 Intangible assets

	Group			Company
	Goodwill £'000	Trademarks and patents £'000	Total £'000	Trademarks and patents £'000
Cost:				
At 1 April 1998	–	31	31	24
Acquisitions	14,246	–	14,246	–
At 31 March 1999	14,246	31	14,277	24
Amortisation:				
At 1 April 1998	–	19	19	15
Charge for the year	2,193	2	2,195	2
At 31 March 1999	2,193	21	2,214	17
Net book values:				
At 31 March 1999	12,053	10	12,063	7
At 1 April 1998	–	12	12	9

11 Tangible assets

	Land and buildings £'000	Plant and equipment Leased £'000	Plant and equipment Owned £'000	Plant and equipment Under construction £'000	Group Total £'000	Company Plant and equipment owned £'000
Cost:						
At 1 April 1998	9,873	9,877	38,807	758	59,315	412
Acquisitions	–	–	3,193	–	3,193	–
Foreign exchange movements	(56)	(375)	(186)	–	(617)	–
Additions	220	3,409	7,708	–	11,337	49
Disposals	–	(152)	(1,475)	–	(1,627)	(135)
Equipment written off	–	(300)	(4,126)	–	(4,426)	(116)
Transfers	245	(330)	843	(758)	–	–
At 31 March 1999	**10,282**	**12,129**	**44,764**	**–**	**67,175**	**210**
Depreciation:						
At 1 April 1998	2,067	3,314	19,869	–	25,250	219
Acquisitions	–	–	2,557	–	2,557	–
Adjustment on acquisition of AVTS (note 25)	–	–	723	–	723	–
Foreign exchange movements	(20)	(100)	(64)	–	(184)	–
Charge for the year	356	1,817	4,632	–	6,805	35
Arising on closure (note 3)	695	–	1,200	–	1,895	–
Eliminated on disposals	–	(65)	(844)	–	(909)	(26)
Equipment written off	–	(300)	(4,126)	–	(4,426)	(115)
Transfers	(12)	(330)	342	–	–	–
At 31 March 1999	**3,086**	**4,336**	**24,289**	**–**	**31,711**	**113**
Net book values:						
At 31 March 1999	**7,196**	**7,793**	**20,475**	**–**	**35,464**	**97**
At 1 April 1998	7,806	6,563	18,938	758	34,065	193

	Group 1999 £'000	Group 1998 £'000
The net book value of land and buildings at 31 March comprised:		
Freehold buildings	**4,923**	5,495
Land (not depreciated)	**1,793**	1,882
Short leaseholds	**480**	429
	7,196	7,806

12 Investments

	Group		Company
	Associated *companies* £'000	Other *investments* £'000	Shares in *subsidiaries* £'000
Cost:			
At 1 April 1998	786	2,632	6,577
Investments written off	–	(2,010)	–
Share of profits, less dividends received	237	–	–
Transfers to Group company	–	–	(5,931)
At 31 March 1999	**1,023**	**622**	**646**
Provisions:			
At 1 April 1998	–	2,010	–
Investments written off	–	(2,010)	–
At 31 March 1999	–	–	–
Net book values:			
At 31 March 1999	**1,023**	**622**	**646**
At 1 April 1998	786	622	6,577

At 31 March 1999, other investments comprises the following unlisted trade investment which is registered in England:

		Shares of class	
	Class of share	In issue	% Owned
AVS Graphics Limited	*Ordinary*	8,500,000	9
	5% Convertible Redeemable Preference	127,000	100
	5.54% Non-Convertible Redeemable Preference	325,000	100
The associated companies are:			
BCC Video, Inc. (incorporated in USA)	Common Stock	1,000	25
Complete Communications Corporation Ltd	Ordinary	1,456,225	49

The Group's share of the undistributed post acquisition retained reserves of its associates at 31 March 1999 was £544,000 (1998: £307,000).

12 Investments (continued)

The principal subsidiaries, all (except where indicated) being owned by subsidiaries and registered in England, are:

*Avesco Group plc
*Avesco Holdings Limited
*Avesco Overseas Limited
*Creative Technology Limited
Avesco Media Group, Inc. (incorporated in USA)
Avesco Finance Limited
AVTS, Inc. (incorporated in USA)
BVBA System Technologies (incorporated in Belgium)
Dimension Audio Limited
Fountain Television Limited
Jongenelen Video Roosendaal BV (incorporated in Holland)
Media Control, Inc. (incorporated in USA)
Pixel Displays Limited
Presteigne Limited
Screenco Limited
Screenco Pty Limited (incorporated in Australia)
Screenco BV (incorporated in Holland)

*owned directly by Avesco plc

All subsidiaries are wholly owned with the exception of Screenco Pty Limited which is 50% owned and is considered *to be a subsidiary by virtue of the Group exercising significant control over the management and operating policies of* that company.

13 Debtors

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Amounts due within one year:				
Trade debtors	7,008	6,655	–	6
Amounts owed by subsidiaries	–	–	43,662	28,194
Other debtors	1,031	1,285	55	248
Prepayments and accrued income	1,413	1,039	189	28
	9,452	8,979	43,906	28,476
Amounts due after more than one year:				
Amounts owed by subsidiaries	–	–	6,653	6,653
	9,452	8,979	50,559	35,129

14 Creditors: amounts falling due within one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Secured bank loans	1,737	752	–	–
Bank overdrafts	1,838	3,927	2,178	3,382
Trade creditors	4,196	3,857	1,086	1,090
Amounts owed to subsidiaries	–	–	1,040	216
Taxation and Social Security	1,136	986	56	23
Leases and hire purchase	2,458	2,004	–	–
Other creditors	75	41	–	4
Accruals and deferred income	4,752	2,849	121	81
Deferred acquisition payments	1,711	4,312	–	4,312
Dividends payable	1,317	487	1,317	487

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Secured bank loans repayable:				
– between one and two years	**1,543**	692	–	–
– between two and five years	**937**	536	–	–
– beyond five years	**182**	634	–	–
Trade creditors	**1,217**	2,144	**1,164**	2,144
Deferred acquisition payments	**2,250**	–	–	–
Leases and hire purchase:				
– between one and two years	**1,995**	1,637	–	–
– between two and five years	**2,056**	823	–	–
	10,180	6,466	**1,164**	2,144

The secured bank loans relate to overseas subsidiaries and are secured by a charge over freeholds and other assets owned by those subsidiaries. The interest rate payable is prime rate in respect of US Dollar loans and 5.4% in respect of the Dutch Guilder loans, all of which are repayable by monthly instalments.

16 Provisions for liabilities and charges

	Group Deferred taxation £'000
At 1 April 1998	246
Foreign exchange movements	1
Charge in the year	555
At 31 March 1999	**802**

17 Share capital

	Number of shares 1999	Number of shares 1998	1999 £'000	1998 £'000
Authorised:				
Ordinary shares of 10p each	**21,000,000**	16,250,000	**2,100**	1,625
Allotted, called up and fully paid:				
Ordinary shares of 10p each	**15,874,771**	12,176,231	**1,587**	1,218

The Company has adopted three share option schemes for Directors and employees, in accordance with the powers contained in the Articles of Association of the Company, and has granted options under the terms thereof. Options (after adjusting for *bonus and rights issues and consolidation) remain outstanding as at 31 March 1999 to 71, (1998: 68) employees in respect* of 954,420 shares (1998: 498,156 shares) in the capital of the Company at prices between £1.15 and £13.27 per share. The options are exercisable before 1 December 2008.

18 Reserves

	Share premium account £'000	Special reserve £'000	*Profit* and loss account £'000
Group			
At 1 April 1998	15,751	4,663	(3,458)
Placing and open offer	14,729	–	–
Expenses of share issue	(663)	–	–
Share options exercised	18	–	–
Issued on acquisition	139	–	–
Transfer arising on issue of shares	–	(4,663)	4,663
Retained loss for the financial year	–	–	(1,850)
Translation difference	–	–	(527)
At 31 March 1999	**29,974**	**–**	**(1,172)**
Company			
At 1 April 1998	15,751	4,663	8,537
Placing and open offer	14,729	–	–
Expenses of share issue	(663)	–	–
Share options exercised	18	–	–
Issued on acquisition	139	–	–
Transfer arising on issue of shares	–	(4,663)	4,663
Retained loss for the financial year	–	–	(414)
At 31 March 1999	**29,974**	**–**	**12,786**

Since the formation of the Group the cumulative amount of goodwill resulting from acquisitions remaining in the Group has amounted to £22,622,000 (1998: £8,376,000).

19 Cash flow from operating activities

	1999 £'000	1998 £'000
Group operating profit	**3,159**	4,419
Depreciation of tangible fixed assets	**6,805**	4,622
Amortisation of intangible assets	**2,195**	3
(Profit) on sale of tangible fixed assets	**(45)**	(65)
(Increase) in stocks	**(510)**	(124)
Decrease/(increase) in debtors	**3,120**	(782)
(Decrease) in creditors	**(3,021)**	(574)
Net cash inflow from operating activities	**11,703**	7,499

20 Analysis of cash flows

	1999 £'000	1998 £'000
Returns on investments and servicing of finance		
Dividends received	**–**	49
Interest received	**183**	101
Interest paid	**(344)**	(218)
Interest element of finance leases	**(438)**	(388)
Net cash outflow	**(599)**	(456)
Taxation		
UK corporation tax	**–**	(147)
Overseas tax	**(212)**	(176)
Net cash outflow	**(212)**	(323)
Capital expenditure		
Purchase of tangible fixed assets	**(12,456)**	(6,842)
Sale of tangible fixed assets	**763**	1,292
Net cash outflow	**(11,693)**	(5,550)
Acquisitions		
Payments for purchase of subsidiary undertakings (net of cash acquired)	**(13,090)**	(5,667)
Financing		
Issue of shares	**15,111**	193
Expenses of share issue	**(663)**	–
Net increase in loan funding	**1,640**	2,010
Net increase/(decrease) in finance leases	**1,246**	(1,868)
	17,334	335

21 Analysis of net debt

	At 1 April 1998 £'000	Exchange differences £'000	Cash flow £'000	At 31 March 1999 £'000
Cash in hand, at bank	281	–	989	**1,270**
Bank overdraft	(3,927)	–	2,089	**(1,838)**
	(3,646)	–	3,078	**(568)**
Debt:				
Bank loans	(2,614)	(111)	(1,674)	**(4,399)**
Finance leases	(4,464)	(145)	(1,900)	**(6,509)**
	(10,724)	(256)	(496)	**(11,476)**

22 Related party transactions

The Group's related parties are considered to be its associates as detailed in note 12. Advantage is taken of the exemption in Financial Reporting Standard 8 not to disclose transactions with Group companies in which the Group has at least 90% of the voting rights. Related party transactions, all of which were carried out on normal commercial terms, and balances with related parties are as follows:

	1999 £'000	1998 £'000
Sales to associates	**1,410**	1,469
Purchases from associates	**14**	216
Balances due from associates	**319**	128

As disclosed in the report of the Remuneration Committee, Directors' fees and other payments totalling £108,000 are payable to companies connected with Mr Maxwell, Mr Murray, and Mr Stirling. Balances due to these companies totalled £66,000 at 31 March 1999. In addition a company connected with Mr Maxwell has performed services relating to the acquisition of subsidiaries during the year, to the value of £163,000, which has been treated as part of the acquisition expenses.

23 Commitments and contingent liabilities

Commitments to capital expenditure at 31 March 1999 totalled £399,000 (1998:£4,125,000).

The Company and certain subsidiaries have entered into cross guarantees in respect of certain bank facilities. The gross amount outstanding at 31 March 1999 was £2,197,000 and the amount, net of cash balances, was £1,608,000. Previously the Company had guaranteed the facilities of certain subsidiaries. The amount outstanding at 31 March 1998 was £4,000.

24 Operating leases

	Group			
	Land and Buildings		Other leases	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Annual commitments under operating leases which expire :				
Within one year	**52**	–	**79**	23
Between one and two years	**61**	50	**163**	99
Between two and five years	**200**	70	**154**	–
Over five years	**234**	213	**–**	–

25 Acquisitions

Media Control, Inc.

Media Control, Inc., which is incorporated in Illinois, USA, was purchased in March 1999. The fair value of the assets acquired was £530,000. The maximum consideration payable is £3,779,000 of which £1,436,000 is deferred pending the achievement of certain performance and profitability levels.

In the financial year to 31 December 1998 the company reported a profit before taxation of $796,000. In the period from 1 January 1999 to the date of acquisition, the profit before taxation was $338,000.

BVBA System Technologies

BVBA System Technologies, which is incorporated in Belgium, was acquired in August 1998. Consideration of £599,000 has been paid with a further £25,000 payable contingent upon the collection of certain debtors.

In the financial year to 31 December 1997 the profit before taxation reported was BEF 0.3m. In the period from 1 January 1998 to the date of acquisition the company reported a loss of BEF 11m.

At the time of the acquisition, certain potential warranty claims were outstanding from both an Avesco group company and third parties in respect of equipment supplied prior to the acquisition. Given the uncertainty surrounding both the extent of these claims and of any possible recoveries, it has only been possible to estimate provisionally the net liability to BVBA System Technologies.

Willson's

The unincorporated business of Willson's was acquired in June 1998 for a consideration of £743,000. The fair value of the net assets acquired was £114,000. As an unincorporated business, audited accounts for the period prior to acquisition are not available.

25 Acquisitions (continued)

The amounts acquired in respect of the above were as follows:

	Book value £'000	Revaluations £'000	Fair value to the Group £'000
Assets acquired:			
Fixed assets	1,152	(516)	636
Other assets	3,797	(37)	3,760
Net cash balances	155	–	155
	5,104	(553)	4,551
Creditors	(4,104)	–	(4,104)
	1,000	(553)	447

	£'000
Fair values acquired	447
Warranty claims arising in BVBA System Technologies	(1,873)
Goodwill arising	6,572
Total consideration payable	5,146
Consideration payable comprises:	
Consideration paid	3,424
Deferred consideration (maximum payable)	1,461
Expenses of acquisition	261
	5,146

The acquisitions during the year have not had a material effect on the cash flows of the Group.

25 Acquisitions (continued)

Purchase of Minority Interests in subsidiaries

During the year the Group has acquired the following minority interests in subsidiary companies.

AVTS, Inc.

The remaining 49% shareholding in AVTS, Inc., not previously owned by the Group was purchased in October 1998. Consideration to a maximum of £7,748,000 is payable of which £2,500,000 is deferred and contingent upon the profitability of the company until 31 March 2002.

The carrying value of the tangible fixed assets of the business, which on acquisition amounted to £2.6m were reduced following a review of their fair values, and resulted in an increase of £0.7m in the goodwill. All other assets and liabilities were considered to be stated at fair value to the Group.

Jongenelen Holdings BV

The remaining 6% shareholding not previously owned by the Group was acquired in December 1998 in exchange for the issue to the vendor of 46,290 shares in Avesco plc at a fair value of 310.75p each.

The summary of these transactions is:

	£'000
Elimination of minority interests as recorded by Avesco plc	941
Fair value adjustment arising on AVTS	(723)
Goodwill arising	7,674
Total consideration payable	7,892

Consideration payable comprises:	
Shares issued (at fair value)	144
Consideration paid	5,015
Deferred consideration (maximum payable)	2,500
Expenses of acquisition	233
	7,892

NOTICE is hereby given that the fifteenth Annual General Meeting of Avesco plc will be held at Venture House, Davis Road, Chessington, Surrey KT9 1TT on 2nd day of September 1999 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 1999, together with the Report of the auditors.

2. To declare a final dividend on the ordinary 10p shares of the Company of 4.5p per share.

3. To re-elect Directors.

4. To re-appoint 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 at a remuneration to be determined by the Directors.

Special business

To consider and, if thought fit, to pass the following resolutions of which Resolution 5 will be proposed as an ordinary resolution and Resolutions 6, 7 and 8 as special resolutions:

5. 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(2) of the Act) up to an aggregate nominal amount of £512,472. 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.

6. THAT in accordance with Section 95 of the Companies Act 1985 (the "Act") the Directors be given power pursuant to the authority conferred on the Directors by Resolution 5 above to allot equity securities (within the meaning of Section 94(2) of the Act) for cash 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 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 sub-paragraph (a) above) up to an aggregate nominal value of £79,376;

   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 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.

7. 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) on the London Stock Exchange Limited ("London Stock Exchange")

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 2,381,290 or, if the shares have a nominal value other than 10p each, such number as has an aggregate nominal value equal to £238,129;

(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 2000 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;

and that all shares so purchased in pursuance of this authority shall be cancelled immediately upon completion of the purchase and the amount of the Company's issued share capital (but not authorised share capital) shall be reduced by the nominal amount of the shares so purchased.

8. THAT the articles of association of the Company be amended as follows:

   (a) by the deletion in article 88 of "£75,000" and the insertion of "£125,000" in its place; and

   (b) by the addition of the following words at the end of the first sentence of article 91(B): "provided that in all cases each Director retires at least once every three years".

TO TRANSACT ANY OTHER BUSINESS

BY ORDER OF THE BOARD

N S Conn
Secretary

15 June 1999

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, IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR 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 34 of the Uncertificated Securities Regulations 1995, that those shareholders registered on the register of members of the Company as at 10.00am on 31 August 1999 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 10.00am on 31 August 1999 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 10.00am on 27 August 1999.

Notice of **Annual General Meeting**
Explanatory Notes

Notice of the Annual General Meeting, which is to be held on 2 September 1999, is set out on pages 52 to 53.

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 1999.

Resolution 2 – To declare a final dividend
Payment of the final dividend of 4.5p per ordinary share of 10p, as recommended by the Directors, is subject to the approval of shareholders at a general meeting.

Resolution 3 – Re-election of Directors
In accordance with the Articles of Association of the Company, Mr Brocksom retires at the first Annual General Meeting following his appointment. The Articles of Association also require certain other Directors to retire by rotation at each Annual General Meeting. Mr Conn, Mr Maxwell and Mr Morton retire at this meeting. Brief biographical details of the Directors retiring, who each offers himself for re-election, are set out on page 23. Other than in certain circumstances following a change of control, as set out on page 25, Mr Brocksom and Mr Conn both have service contracts capable of termination on 12 months' notice. Mr Maxwell and Mr Morton are both non-executive Directors of the Company. Mr Maxwell has a contract capable of termination by the Company forthwith on service of notice at any time after 30 June 2000. Mr Morton does not have a service contract with the Company.

Resolution 4 – Reappointment and Remuneration of Auditors
A resolution to reappoint KPMG Audit Plc as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed.

Resolution 5 – 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 5 the Directors will have authority to allot the unissued ordinary share capital being 5,124,720 shares of 10p each, which is approximately 32 per cent. of the current issued share capital. This authority will expire immediately following the annual general meeting next following the passing of the resolution or, if earlier, 15 months following

Resolution 6 – Disapplication of pre-emption rights
The passing of Resolution 6 will give the Directors authority under Section 95 Companies Act 1985 to allot, for cash, up to 793,760 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 passing of the resolution or, if earlier, 15 months following the resolution being passed.

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 in proportion to shareholdings or the allotment of shares under 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. 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 7 – 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 authority granted at the last annual general meeting of the Company be renewed and that the Company be authorised to purchase up to approximately 15 per cent. of its issued share capital subject to the limitations set out in Resolution 7. 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.

Resolution 8 – Amendment of Articles of Association
Resolution 8(a) increases the aggregate remuneration which may be paid to Directors (other than remuneration payable to executive Directors in such capacity) to an amount not exceeding £125,000 or such other sum as may be determined by shareholders.

It is current practice for each Director to be obliged to retire from office at least every three years. The Articles of Association of the Company do not provide for this and, accordingly, an appropriate amendment is proposed in Resolution 8(b).

AVESCO plc Principal offices

Head office
AVESCO plc
Venture House, Davis Road
Chessington, Surrey KT9 1TT
Tel: (0)20 8974 1234
Fax: (0)20 8974 1622
e-mail: mail@avesco.co.uk
web: www.avesco.co.uk
Chief Executive: David Nicholson

corporate presentation services

Creative Technology
Unit 6, 207-209 [illegible] Road
London SW18 [illegible]
Tel: +44(0)20 8874 7227
Fax: +44(0)20 8877 1360
e-mail: [illegible]
web: [illegible]
Managing Director: Graham And[illegible]

Creative Technology (Graphics)
[illegible] Street
London W1P [illegible]
Tel: +44(0)20 7436 1000
Fax: +44(0)20 7436 [illegible]
e-mail: [illegible]
web: [illegible]
Director of Graphics: Gary Holford

Dimension
Unit 6, 207-209 [illegible] Road
London SW18 [illegible]
Tel: +44(0)20 8877 [illegible]
Fax: +44(0)20 8877 [illegible]
e-mail: [illegible]
web: [illegible]
General Manager: Colin [illegible]

JVR
[illegible], 52/Postbus 3111
4700 GC Roosendaal, Holland
Tel: +31(0)165 581 300
Fax: +31(0)165 581 301
e-mail: info@jvr.nl
web: [illegible]
Managing Director: Christ Elsten

AVTS
[illegible] Street
San Francisco, CA 94107, USA
Tel: +1 415 882 7766
Fax: +1 415 882 7957
e-mail: [illegible]
web: [illegible]
President: Chris Guthrie

Sweetwater Video
[illegible] Avenue
Van Nuys, CA 91406, USA
Tel: +1 818 464 [illegible]
Fax: +1 818 464 [illegible]
e-mail: [illegible]
web: [illegible]
General Manager: [illegible] Drews

Media Control
Sine Wave
[illegible] Parkway
Schiller Park, Illinois, IL 60176, USA
Tel: +1 847 671 9670
Fax: +1 847 671 9675
e-mail: [illegible]
web: [illegible]
General Manager: Jeff Meyer

giant screen services

Screenco Europe
Communications House, Tower Lane
Eastleigh, Hampshire SO5 5NZ
Tel: +44(0)23 861 8118
Fax: +44(0)23 861 8119
e-mail: info@screenco.com
web: www.screenco.com
Managing Director: David Crump

Screenco Europe
Rucphensebaan, 52/Postbus 3111
4700 GC Roosendaal, Holland
Tel: +31(0) 165 581300
Fax: +31(0) 165 581301
e-mail: info@jvr.nl
web: www.screenco.com
Managing Director: Christ Elsten

BCC
705 East Harrison Street, Suite 100
Corona, CA 91719, USA
Tel: +1 909 279 8377
Fax: +1 909 279 1460
President: Thomas McCracken

Screenworks
5655 Lindero Canyon Road, Suite 430
Westlake Village, CA 91362, USA
Tel: +1 818 597 2898
Fax: +1 818 597 2899
e-mail: info@screenwrks.com
web: www.screenwrks.com
Vice President: Danny O'Bryen

Screenco Australia
46 Hotham Parade, Artamon
NSW 2064 Australia
Tel: +61(0) 294 887 600
Fax: +61(0) 294 492 898
web: www.screenco.com.au
Managing Director: Clive Potter

Pixel Displays
White Lion Court, Swan Street
Old Isleworth, Middlesex TW7 6RN
Tel: +44(0)20 8380 9500
Fax: +44(0)20 8380 9510
e-mail: grahamb@pixeldisplays.com
Managing Director: Graham Burgess

System Technologies
Kwapiassat 71A
8820 Tourhout, Belgium
Tel: +32 502 17042
Fax: +32 502 21829
e-mail: systec@pophost.eunet.be
Managing Director: Frederic Opsomer

broadcast services

Fountain Television
128 Wembley Park Drive
Wembley, Middlesex HA9 8HQ
Tel: +44(0)20 8900 1188
Fax: +44(0)20 8900 2860
e-mail: sales@ftv.co.uk
web: www.ftv.co.uk
Managing Director: Julian Kossick

Presteigne Broadcast Hire
Venture House, Davis Road
Chessington, Surrey KT9 1TT
Tel: +44(0)20 8391 4000
Fax: +44(0)20 8391 4091
e-mail: hire@presteigne.co.uk
Managing Director: Mike Ransome

Complete Communications
Celador Productions
39 Long Acre, London WC2E 9JT

The Edit Works
No. 1, Second Floor,
Chelsea Harbour Design Centre
Chelsea Harbour, London SW10 0XE
Tel: +44(0)20 7352 5244
Fax: +44(0)20 7376 8645
e-mail: edit@editworks.co.uk
General Manager: Jim Boyers