

18 November 2011

Hasgrove plc

Trading update

Hasgrove plc (AIM: HGV, 'Hasgrove' 'the Group'), the digital and communications services group, announces a trading update for the year to 31 December 2011.

Following the Board's review of the Group's pipelines, revenue streams and cost base, it now expects a pre-exceptional operating profit of approximately £1.5m (£0.8m excluding the Interrel contribution prior to sale) which is materially below current market expectations of £3.3m.

Following a refinancing of the Group's banking facilities in September together with current trading, there is adequate headroom and no issue with any bank covenants.

As previously indicated The Chase and Landmarks design businesses have found trading difficult with a shortfall of operating profit against target of £0.6m. In addition to this, overruns on two business solutions projects that cannot be recovered have been identified, resulting in a reduction in profits in excess of £0.4m, including a claw-back of profits previously recognised.

The Group has also experienced delays in client spending decisions with over £0.3m of spend now deferred from November and December into 2012. The Board also plan to take a non cash write-off of £0.3m of product development costs that were previously capitalised.

Whilst the growth in the pipeline remains encouraging, there will not be any significant impact until the start of 2012.

Paul Sanders, Group Chief Executive, said:

"We are clearly very disappointed to be reporting a profits warning and have been and will continue to take the required action. We continue to control costs where appropriate and are focused on servicing our clients."

"Our new business pipeline is growing well, with a good volume of work coming through now and for 2012. Following our recent refinancing we are comfortable with banking arrangements."

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Note to editors

Hasgrove plc is now a focused Digital and Communication Services business. There are now over 280 personnel in the Group, serving a broad client base of more than 300 clients. The group comprises Amaze, Interact (formerly Odyssey Interactive) and the Chase

Amaze

Amaze is an integrated marketing and technology company, specialising in global digital strategy and communications, web-based business solutions, and PR.

Amaze specialises in working with central marketing teams to concept and deliver localisable solutions.

In addition to being ranked 15th in the UK's Top 100 Interactive Agencies by New Media Age, Amaze was ranked fifth in the website design and build category for the second consecutive year. Amaze was also positioned second in B2B Marketing's 2010 Marketing Communications Agency League Table, ninth in Marketing's 2010 Digital Agency League Table and fifth in YouGov's Agency Reputation Survey last year.

Interact

Interact is a leading supplier of intelligent intranet software. Founded in 1996, Interact is one of the fastest growing intranet software companies. Interact has built a solid reputation for both product excellence and outstanding customer service. Organisations using Interact Intranet report improved efficiency, greater productivity, increased employee engagement, better decision-making and cost savings.

The Chase

The Chase is a UK creative and design consultancy. Setup in Manchester in 1986, the company now also has offices in London and Preston. The Chase is consistently one of the front runners in the annual Design Week's creative league tables.