Creating marketplaces for business

ITE Group plc
Interim report
2012

ITE is one of the world's leading organisers of international trade exhibitions & conferences and specialises in organising events in growing and developing markets

	Six months to 31 March 2012	Six months to 31 March 2011
Volume sales	**367,900m^2**	282,600m^2
Revenue	**£68.6m**	£53.0m
Profit before tax	**£6.3m**	£3.5m
Headline pre-tax profit*	**£13.1m**	£9.1m
Diluted earnings per share	**2.1p**	1.1p
Headline diluted earnings per share**	**4.3p**	3.0p
Interim dividend per share	**2.1p**	1.9p
Net cash	**£16.4m**	£15.6m

Notes:

* Headline pre-tax profit is defined as profit before tax, excluding amortisation of acquired intangibles, impairment of goodwill, profits or losses on disposal of Group undertakings, revaluation of financial liabilities in relation to minority put options, imputed interest charges on put option liabilities and direct costs on completed and pending acquisitions & disposals – see note 5 to the consolidated financial statements for details.

** Headline diluted earnings per share is calculated using profit before amortisation of acquired intangibles, impairment of goodwill, profits or losses on disposal of Group undertakings, revaluation of financial liabilities in relation to minority put options, imputed interest charges on put option liabilities and direct costs on completed and pending acquisitions & disposals – see note 8 to the consolidated financial statements for details.

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Highlights

First half revenues and profits increased by 29%+

Like-for-like revenue growth of 9% over the first six months

Two acquisitions completed in Ukraine – giving the Group expanded sector coverage

A small bolt-on acquisition in India helping to expand the Group's Indian business

£156.2m of revenue booked for the full year – (£137.1m this time last year)

"ITE has delivered a good performance over the first half of the year, with solid organic growth supplemented by the contribution of new businesses acquired last year. The acquisitions of Autoexpo and the Beauty portfolios in Ukraine have expanded sector coverage in a market with potential for growth. The Group has also grown its portfolio of events in India through a small bolt-on acquisition in Chennai.

The Group has a strong balance sheet and its markets are trading well. As at 18 May 2012 the Group has booked revenues for the current financial year of £156.2m (2011: £137.1m), which includes sales from newly acquired businesses as well as organic growth. On a like-for-like basis revenues booked for the full year are more than 6% ahead of this time last year. The Group is in a strong financial position and with continued good trading conditions in our markets the Board has confidence in ITE's future prospects."

Russell Taylor, CEO of ITE Group plc

Interim management report

The Group has continued to implement its strategy of sector and geographic expansion in its core markets.

Financial performance

ITE has delivered a strong set of results for the first six months of the year through growth in its core markets together with a first-time contribution from last year's newly acquired businesses. Revenues for the first six months increased by 29% to £68.6m (2011: £53.0m) and headline profits before tax increased by over 40% to £13.1m (2011: £9.1m).

During 2011, the Group made a number of acquisitions and these were a significant factor in the growth of the first half's results. The first time contribution to revenue from the MVK, Krasnodar and Turkeybuild portfolios was £11.6m, and the incremental headline profit before tax from these businesses over this period was £3.0m. The Group's core exhibition portfolio delivered organic growth of 9% in revenues and gross profits over the first six months.

Reported profits before tax were £6.3m (2011: £3.5m). Fully diluted earnings per share for the first six months were 2.1p (2011: 1.1p) and headline diluted earnings per share for the first six months were 4.3p (2011: 3.0p). Cash generated from operations over the first six months was £37.0m (2011: £37.3m) of which £4.9m has been applied to acquisitions and £5.9m in further loans to venues. After paying for the first of the two Ukrainian acquisitions the Group had net cash balances of £16.4m (2011: £15.6m) at 31 March 2012.

Business development

Since 1 October 2011, the Group has continued to expand its sector exposure in Ukraine, with two bolt-on acquisitions. On 28 November 2011 the Group announced the acquisition of the Autoexpo portfolio of events, the largest of which, Autoexpo is the principal automotive event in the Ukrainian market which takes place in May each year. On 12 April 2012, the Group announced the acquisition of Beautex which runs two beauty events in Ukraine in April and September of each year.

On 10 May 2012, the Group completed a small acquisition in India, acquiring two construction events run from Chennai. This new business provides the Group with a new regional base of operation as well as adding additional critical mass to the Group's Indian business.

The Group continues to seek opportunities which are consistent with its overall strategy of building market leading positions in high growth markets.

Board and management

On 1 February Marco Sodi was appointed to the Board as a Non-executive Director and Chairman designate. On 23 March Iain Paterson who had been Chairman of ITE Group plc since March 2002 stepped down from the Board as Chairman. Marco Sodi took over as Non-executive Chairman from the same date. The Board warmly thank Iain for his significant contribution to the development of ITE Group plc over the last ten years.

Total volume sales increase

30%

Revenues for the first six months have increased by 9% on a like-for-like basis

Dividend

The Board has approved an interim dividend of 2.1p per share (2011: 1.9p per share) maintaining the Group's progressive dividend policy.

Trading highlights and review of operations

Over the first half of the financial year the Group experienced good trading conditions in most of its markets. Total volume sales for the first six months increased by 30% to 367,900sqm (2011: 282,600sqm) through a mix of organic growth and acquired businesses. On a like-for-like basis volume sales were 12% higher, and revenues 9% higher than for the same period last year. Since 1 October 2011, ITE has organised 125 events (2011: 93 events), the increase in events mostly relating to the new businesses acquired in Moscow, Krasnodar and Turkey. A summary of the Group's exhibition business sales and margins for the first six months of the year is set out below.

	Square Metres Sold '000	Revenue* £m	Gross Profit* £m
First half 2011	**283**	**52.4**	**20.4**
Non-annual 2011	(36)	(2.4)	(0.4)
Annually recurring	**247**	**50.0**	**20.0**
Acquisitions	79	11.6	4.3
Net organic change	29	4.7	1.8
Non-annual 2012	13	1.7	0.6
First half 2012	**368**	**68.0**	**26.7**

* Excluding publishing activity.

Russia

Volume sales in Russia over the first six months of the year were nearly double last year's comparable performance through the addition of the newly acquired portfolios. On a like-for-like basis, volume sales were 14% higher than the same period last year.

Moscow performed well over the first half of the financial year. The autumn events portfolio was increased significantly by the Group's acquisition of several new events in the MVK portfolio. The largest of these events were the printing exhibition, Polygraphinter, and the woodworking machinery event, Woodex, both of which are biennial and both of which out-performed initial expectations. In the core Moscow portfolio, Aqua-therm Moscow again delivered strong growth. This result helped to offset a small decline in the Moscow International Travel & Tourism event which delivered sales of 20,000sqm (2011: 21,000sqm), reflecting the previously highlighted difficult trading environment for industry this year. Overall, like-for-like volume sales in Moscow for the first six months were 2% more than this time last year.

The St. Petersburg office delivered a like-for-like volume sales increase of 5% over the first six months, although most of the office's large events take place in the second half of the year.

Interim management report continued

Acquisitions in Ukraine and India broaden and deepen the Group's geographic and sector reach.

As expected Mosbuild proved very resilient to competition

The Group's Novosibirsk office (Siberia) saw strong growth in both volumes and revenues following the opening of the new venue facility where ITE is the anchor tenant. This international quality facility is expected to provide the base for an expansion of ITE's business in the coming years. Sales volumes increased by 16% and revenues by over 30%, although increased operational and initial set-up costs associated with the new facility affected profits during the period.

In Krasnodar, the Group benefited from the first time contribution of the Autumn portfolio of events following the Group's acquisition of this business in March 2011. Overall, the business performed well, trading ahead of initial expectations. The largest event to have taken place over the first six months was the leading Russian agricultural event, Yugagro.

Central Asia & the Caucasus

Volume sales for the first six months in Central Asia and the Caucasus were 5% higher on a like-for-like basis than last year.

The Kazakhstan business reported a 10% increase in volume sales across its events taking place in the first half. The largest event in the region is the Kazakhstan International Oil & Gas Exhibition (KIOGE), which took place in Almaty in October. The event has been expanded this year to include the Kazenergy conference in Astana and this allowed the Group to co-ordinate the development of a broader Kazakhstan Oil and Gas Week. The combined event produced volume sales of 8,500sqm an increase of 9% on the previous year and combined conference revenues were increased by over 30%.

In Azerbaijan the good trading environment has continued and the Group's business here continues to grow into the larger venue facilities realising good volume increases at most events.

Eastern & Southern Europe

In Turkey the Group made good progress with volume sales increasing on a like-for-like basis. Actual sales for the first six months were less than last year's as the biennial event, TATEF (industrial metal working), did not take place in this period. The Group's leading regional travel event EMITT, achieved record volumes and revenues, illustrating the continued strength of this sector in the region. Turkeybuild, the pre-eminent construction event in Turkey, took place in early May for the first time under the Group's ownership and delivered its largest ever event at 38,700sqm, an 11% increase in volume sales over the previous event.

Ukraine's business made good progress in its international food event, and delivered increased visitor numbers at all of its events which will help stimulate future demand.

Rest of the World

MODA, the Group's leading UK mid-market fashion exhibition delivered an increase in revenue on marginally smaller volumes despite difficult trading conditions in the UK fashion industry. The MODA Group has continued its strategy of developing niche industry sectors through SCOOP, a high-end designer womenswear exhibition in London which delivered strong growth in its first edition under MODA's management.

In India, the Group's leading event Paperex, which serves the domestic paper mill industry, grew by nearly 30% over its 2010 edition, demonstrating the growth potential within the region. The Group is focusing on developing its existing brands in its core sectors and adding more events such as those in Chennai to give the operation some additional capacity.

April trading

April is the largest trading month for the Group. Total revenues for April were marginally ahead of last year's, but slightly below on a like-for-like basis. This result reflects the effect of competitive launches against two of our April events, Mosbuild and the recently acquired furniture event, Euroexpomebel, as well as some strong performances from the Group's other leading events. As expected Mosbuild proved very resilient to competition and performed well in delivering 66,000sqm, a decline of less than 4,000sqm (after adjusting for the biennial pattern in the Windows sector). Euroexpomebel, a less established event, proved more price sensitive and volume sales suffered accordingly. Other events in the April portfolio performed strongly, with Transrussia (logistics) and Moscow International Protection and Security both delivering volume growth of 16% over last year's events.

Set out below are the results for the Group's principal events taking place in April 2012:

	2012 sqm	2011 sqm
Mosbuild	***59,300***	*62,800*
Windows sector	***6,700***	*14,800*
Mosbuild Total	**66,000**	77,600
EuroExpomebel	**5,600**	14,200
TransRussia	**10,100**	8,700
Moscow International Protection & Security	**10,000**	8,600

Outlook

As at 18 May 2012, the Group had booked revenues for the current financial year of £156.2m (2011: £137.1m) which on a like-for-like basis represent an increase of more than 6% over the comparable figure for last year.

The Group is in a strong financial position and continues to generate high levels of cash. With continued good trading conditions in its markets the Board has confidence in ITE's future prospects.

Going concern

As stated in note 19 to the condensed financial statements, the Directors are satisfied that the Group has sufficient resources to continue to operate for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Condensed Consolidated Income Statement

For the six months ended 31 March 2012

	Notes	**Six months to 31 March 2012 Unaudited £000**	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Continuing operations				
Revenue		**68,609**	53,042	155,456
Cost of sales		**(41,804)**	(32,440)	(80,595)
Gross profit		**26,805**	20,602	74,861
Other operating income		**176**	147	292
Administrative expenses before amortisation		**(13,653)**	(11,930)	(24,099)
Amortisation of acquired intangibles	11	**(6,146)**	(4,801)	(10,717)
Impairment loss		**–**	–	(130)
Foreign exchange loss on operating activities		**(616)**	(310)	(208)
Total administrative expenses		**(20,415)**	(17,041)	(35,154)
Share of results of associate		**57**	–	–
Operating profit		**6,623**	3,708	39,999
Investment revenue	3	**590**	193	582
Finance costs	4	**(882)**	(384)	(1,487)
Profit on ordinary activities before taxation	5	**6,331**	3,517	39,094
Tax on profit on ordinary activities	6	**(1,362)**	(717)	(8,292)
Profit for the period		**4,969**	2,800	30,802
Attributable to:				
Owners of the Company		**5,099**	2,680	30,724
Non-controlling interests		**(130)**	120	78
		4,969	2,800	30,802
Earnings per share (p)				
Basic	8	**2.1**	1.1	12.8
Diluted	8	**2.1**	1.1	12.6

The results stated above relate to continuing activities of the Group.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2012

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Profit for the period attributable to shareholders	**4,969**	2,800	30,802
Cash flow hedges:			
Movement in fair value of cash flow hedges	**2,737**	(2,248)	(662)
Fair value of cash flow hedges released to the income statement	**(122)**	(773)	(1,367)
Currency translation movement on net investment in subsidiary undertakings	**2,109**	2,110	(4,162)
	9,693	1,889	24,611
Tax relating to components of comprehensive income	**(654)**	800	551
Total comprehensive income for the period	**9,039**	2,689	25,162
Attributable to:			
Owners of the Company	**9,169**	2,569	25,084
Non-controlling interests	**(130)**	120	78
	9,039	2,689	25,162

The Consolidated Statement of Comprehensive Income for the six months to 31 March 2011 has been restated to remove the line 'Put option at fair value' which was included in error; the amount has now been taken directly to retained earnings. The total comprehensive income for the period of £2,689,000 is £754,000 higher as a result and there is no change in the net assets of the Group as at 31 March 2011.

The notes on pages 16 to 29 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity
31 March 2012

Six-month period ended 31 March 2012:

Unaudited	Share Capital £000	Share Premium Account £000	Merger Reserve £000	Capital Redemption Reserve £000
Balance as at 1 October 2011	2,486	2,724	2,746	457
Net profit for the period	–	–	–	–
Currency translation movement on net investment in subsidiary undertakings	–	–	–	–
Movement in fair value of cash flow hedges	–	–	–	–
Fair value of cash flow hedges released to the income statement	–	–	–	–
Tax relating to components of comprehensive income	–	–	–	–
Total comprehensive income for the six-month period ending 31 March 2012	**–**	**–**	**–**	**–**
Exercise of options	2	39	–	–
Dividends paid	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Share-based payments	–	–	–	–
Tax credited to equity	–	–	–	–
Foreign currency impact on put option reserve	–	–	–	–
Balance as at 31 March 2012	**2,488**	**2,763**	**2,746**	**457**

ESOT Reserve £000	Retained Earnings £000	Put Option Reserve £000	Translation Reserve £000	Hedge Reserve £000	Total £000	Non-Controlling Interests £000	Total Equity £000
(7,826)	87,057	(13,345)	148	(594)	73,853	7,059	80,912
–	5,099	–	–	–	5,099	(130)	4,969
–	–	–	2,109	–	2,109	–	2,109
–	–	–	–	2,737	2,737	–	2,737
–	–	–	–	(122)	(122)	–	(122)
–	(654)	–	–	–	(654)	–	(654)
–	**4,445**	**–**	**2,109**	**2,615**	**9,169**	**(130)**	**9,039**
1,430	(1,468)	–	–	–	3	–	3
–	(10,109)	–	–	–	(10,109)	–	(10,109)
–	–	–	–	–	–	(937)	(937)
–	1,041	–	–	–	1,041	–	1,041
–	180	–	–	–	180	–	180
–	–	(194)	194	–	–	–	–
(6,396)	**81,146**	**(13,539)**	**2,451**	**2,021**	**74,137**	**5,992**	**80,129**

Condensed Consolidated Statement of Changes in Equity
31 March 2012

Six-month period ended 31 March 2011:

Unaudited	Share Capital £000	Share Premium Account £000	Merger Reserve £000	Capital Redemption Reserve £000
Balance as at 1 October 2010	2,483	2,698	2,746	457
Net profit for the period	–	–	–	–
Currency translation movement on net investment in subsidiary undertakings	–	–	–	–
Movement in fair value of cash flow hedges	–	–	–	–
Fair value of cash flow hedges released to income statement	–	–	–	–
Tax relating to components of comprehensive income	–	–	–	–
Total comprehensive income for the six-month period ending 31 March 2011	**–**	**–**	**–**	**–**
Put option on acquisition of subsidiary	–	–	–	–
Issue of share capital	3	–	–	–
Dividends paid	–	–	–	–
Exercise of options	–	–	–	–
Share-based payments	–	36	–	–
Tax credited to equity	–	–	–	–
Balance as at 31 March 2011	**2,486**	**2,734**	**2,746**	**457**

Year ended 30 September 2011:

Audited	Share Capital £000	Share Premium Account £000	Merger Reserve £000	Capital Redemption Reserve £000
Balance as at 1 October 2010	2,483	2,698	2,746	457
Net profit for the year	–	–	–	–
Currency translation movement on net investment in subsidiary undertakings	–	–	–	–
Movement in fair value of cash flow hedges	–	–	–	–
Fair value of cash flow hedges released to the income statement	–	–	–	–
Tax relating to components of comprehensive income	–	–	–	–
Total comprehensive income for the year ending 30 September 2011	**–**	**–**	**–**	**–**
Put option on acquisitions	–	–	–	–
Dividends paid	–	–	–	–
Exercise of options	3	26	–	–
Share-based payments	–	–	–	–
Tax charged to equity	–	–	–	–
Exercise of put option on acquisition of subsidiary	–	–	–	–
Balance as at 30 September 2011	**2,486**	**2,724**	**2,746**	**457**

ESOT Reserve £000	Retained Earnings £000	Put Option Reserve £000	Translation Reserve £000	Hedge Reserve £000	Total £000	Non-Controlling Interests £000	Total Equity £000
(9,638)	68,318	(1,351)	4,310	1,435	71,458	1,123	72,581
–	2,680	–	–	–	2,680	120	2,800
–	–	–	2,110	–	2,110	–	2,110
–	–	–	–	(2,248)	(2,248)	–	(2,248)
–	–	–	–	(773)	(773)	–	(773)
–	800	–	–	–	800	–	800
–	**3,480**	**–**	**2,110**	**(3,021)**	**2,569**	**120**	**2,689**
–	–	(1,082)	–	–	(1,082)	–	(1,082)
–	–	–	–	–	3	–	3
–	(9,537)	–	–	–	(9,537)	–	(9,537)
1,664	(148)	–	–	–	1,516	–	1,516
–	879	–	–	–	915	–	915
–	328	–	–	–	328	–	328
(7,974)	**63,320**	**(2,433)**	**6,420**	**(1,586)**	**66,170**	**1,243**	**67,413**

ESOT Reserve £000	Retained Earnings £000	Put Option Reserve £000	Translation Reserve £000	Hedge Reserve £000	Total £000	Non-Controlling Interests £000	Total Equity £000
(9,638)	68,318	(1,351)	4,310	1,435	71,458	1,123	72,581
–	30,724	–	–	–	30,724	78	30,802
–	–	–	(4,162)	–	(4,162)	–	(4,162)
–	–	–	–	(662)	(662)	–	(662)
–	–	–		(1,367)	(1,367)	–	(1,367)
–	551	–	–	–	551	–	551
–	**31,275**	**–**	**(4,162)**	**(2,029)**	**25,084**	**78**	**25,162**
–	–	(12,856)	–	–	(12,856)	6,554	(6,302)
–	(14,105)	–	–	–	(14,105)	–	(14,105)
1,812	(106)	–	–	–	1,735	–	1,735
–	1,696	–	–	–	1,696	–	1,696
–	132	–	–	–	132	–	132
–	(153)	862	–	–	709	(696)	13
(7,826)	**87,057**	**(13,345)**	**148**	**(594)**	**73,853**	**7,059**	**80,912**

Condensed Consolidated Statement of Financial Position
31 March 2012

	Notes	**31 March 2012 Unaudited £000**	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Non-current assets				
Goodwill	10	**73,691**	72,174	70,684
Other intangible assets	11	**57,923**	50,835	58,867
Investments		**400**	–	400
Property, plant and equipment		**2,264**	2,039	2,080
Interests in associates		**157**	–	100
Venue advances and other loans		**3,477**	5,104	4,043
Derivative financial instruments	15	**838**	–	79
Deferred tax asset		**2,033**	2,560	2,112
		140,783	132,712	138,365
Current assets				
Trade and other receivables	12	**52,891**	45,031	51,623
Tax prepayment		**1,938**	46	923
Derivative financial instruments	15	**1,007**	345	221
Cash and cash equivalents		**38,257**	42,972	33,961
		94,093	88,394	86,728
Total assets		**234,876**	221,106	225,093
Current liabilities				
Bank loan and overdraft	14	**(21,847)**	(17,752)	(13,948)
Trade and other payables	13	**(20,182)**	(23,847)	(19,766)
Deferred income		**(85,963)**	(85,429)	(67,867)
Derivative financial instruments	15	**(1,258)**	(1,297)	(906)
Provisions		**(1,095)**	(517)	(565)
		(130,345)	(128,842)	(103,052)
Non-current liabilities				
Bank loan	14	–	(9,633)	(14,483)
Provisions		**(471)**	(846)	(866)
Deferred tax liabilities		**(12,343)**	(10,896)	(13,067)
Derivative financial instruments	15	**(11,588)**	(3,476)	(12,713)
		(24,402)	(24,851)	(41,129)
Total liabilities		**(154,747)**	(153,693)	(144,181)
Net assets		**80,129**	67,413	80,912

Condensed Consolidated Statement of Financial Position continued

	Notes	**31 March 2012 Unaudited £000**	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Equity				
Share capital	16	**2,488**	2,486	2,486
Share premium account		**2,763**	2,734	2,724
Merger reserve		**2,746**	2,746	2,746
Capital redemption reserve		**457**	457	457
ESOT reserve		**(6,396)**	(7,974)	(7,826)
Retained earnings		**81,146**	63,320	87,057
Translation reserve		**2,451**	6,420	148
Hedge reserve		**2,021**	(1,586)	(594)
Put option reserve		**(13,539)**	(2,433)	(13,345)
Equity attributable to equity holders of the parent		**74,137**	66,170	73,853
Non-controlling interests		**5,992**	1,243	7,059
Total equity		**80,129**	67,413	80,912

Condensed Consolidated Cash Flow Statement
For the six months ended 31 March 2012

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011* Unaudited £000	Year ended 30 September 2011 Audited £000
Cash flows from operating activities			
Operating profit from continuing operations	**6,623**	3,708	39,999
Adjustments for non-cash items:			
Depreciation and amortisation	**6,697**	5,261	11,647
Impairment of goodwill	**–**	–	130
Share-based payments	**1,041**	879	1,696
Share of associate profit	**(57)**	–	–
Increase/(decrease) in provisions	**135**	(329)	172
Disposal of property, plant and equipment	**–**	–	35
Foreign exchange loss on operating activities	**616**	310	208
Barter sales	**(300)**	(200)	(501)
Operating cash flows before movements in working capital	**14,755**	9,629	53,386
Increase in receivables	**1,140**	4,587	(10,589)
Utilisation of venue advances and loans	**4,265**	3,730	7,330
Increase in deferred income	**18,096**	30,218	12,656
Increase/(decrease) in payables	**(1,298)**	(10,544)	3,364
Fair value of cash flow hedges released to the income statement	**(122)**	(773)	(1,367)
Cash received on settlement of forward contracts	**202**	409	546
Cash generated from operations	**37,038**	37,256	65,326
Tax paid	**(4,200)**	(2,783)	(11,589)
Venue advances and loans	**(5,860)**	(4,000)	(6,923)
Net cash from operating activities	**26,978**	30,473	46,814
Investing activities			
Interest received	**548**	179	449
(Loss)/gain on derivative financial instruments	**(10)**	(18)	(18)
Acquisition of businesses – cash paid	**(4,915)**	(28,674)	(47,565)
Asset retained by vendor on acquisition of Krasnodar Expo	**–**	–	(2,010)
Cash acquired through acquisitions	**–**	158	3,032
Purchase of property, plant and equipment and computer software	**(825)**	(811)	(1,523)
Net cash utilised from investing activities	**(5,202)**	(29,166)	(47,635)

Condensed Consolidated Cash Flow Statement continued

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011* Unaudited £000	Year ended 30 September 2011 Audited £000
Financing activities			
Cash paid to acquire non-controlling interests	**–**	–	(763)
Dividends paid	**(10,109)**	(9,537)	(14,105)
Dividends paid to non-controlling interests	**(937)**	–	–
Interest paid	**(652)**	(352)	(1,082)
Proceeds from the issue of share capital	**2**	3	3
Net cash flow in relation to ESOT shares	**–**	1,552	–
Net cash flows from financing activities	**(11,696)**	(8,334)	(15,947)
Net (decrease)/increase in cash and cash equivalents	**10,080**	(7,027)	(16,768)
Net cash and cash equivalents at beginning of period net of debt	**5,530**	22,980	22,980
Effect of foreign exchange rates	**800**	(366)	(682)
Net cash and cash equivalents at end of period net of debt			
Comprising:	**16,410**	15,587	5,530
Cash and cash equivalents	**38,257**	42,972	33,961
Bank overdraft	**(7,822)**	(17,752)	(13,948)
Bank loan	**(14,025)**	(9,633)	(14,483)
	16,410	15,587	5,530
Cash generated from the business			
Cash generated from operations	**37,038**	37,256	65,326
Interest received	**548**	179	449
Interest paid	**(652)**	(352)	(1,082)
Dividends earned from associates	**–**	–	–
	36,934	37,083	64,693
Free cash flow from the business			
Cash generated from the business	**36,934**	37,083	64,693
Tax paid	**(4,200)**	(2,783)	(11,589)
	32,734	34,300	53,104

* The Consolidated Cash Flow Statement as at 31 March 2011 has been restated to separate out the following captions: foreign exchange, barter sales, utilisation of venue loans and advances, fair value of cash flow hedges released to the income statement and cash received on settlement of forward contracts for greater clarity.

The notes on pages 16 to 29 form an integral part of the condensed consolidated financial statements.

Notes to the Interim Financial Statements

1. General information and basis of preparation

The information for the year ended 30 September 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The annual financial statements of ITE Group plc are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies and methods of computation applicable for the year ending 30 September 2012. These accounting policies are consistent with those applied in the preparation of the accounts for the year ended 30 September 2011 except as described below.

The following new standards, amendments to standards and interpretations are mandatory for the period ending 31 March 2012, and have been adopted but have had no impact on the 2012 Group interim statements:

IAS 24 (revised) Related party disclosures
Amendment to IFRIC 14 Prepayments on a minimum funding requirement
Amendment to IFRS 7 Financial instruments disclosures
Amendment to IAS 12 Deferred tax: Recovery of underlying assets
Amendment to IAS 1 Presentation of items of other comprehensive income

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Amendments to IAS 19 'Employee Benefits'
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint arrangements
IFRS 12 Disclosure of interests in other entities
IFRS 13 Fair value measurement
Reissue of amended IAS 27 'Consolidated and Separate Financial Statements' as IAS 27 'Separate Financial Statements'
Reissue of amended IAS 28 'Investments in Associates' as IAS 28 'Investments in Associates

2. Segmental information

IFRS 8 introduces the term Chief Operating Decision Maker ('CODM'). The Executive Board comprising Andy Braid, Neil Jones (Financial Director), Stephen Keen, Suzanne King, Alexander Shtalenkov, Edward Strachan (Executive Director), Russell Taylor (Chief Executive Officer) and Colette Tebbutt is considered to be the CODM.

2. Segmental information continued

ITE's reportable segments are strategic business units that are based in different geographic locations, predominantly in the developing and emerging markets. Each business unit is managed separately and has a different marketing strategy as determined by the local management. The products and services offered by each business unit are identical across the Group.

ITE Group evaluates performance on the basis of profit or loss from operations before tax expense excluding non-recurring gains and losses and foreign exchange gains and losses.

The revenue and profit before taxation are attributable to the Group's one principle activity: the organisation of trade exhibitions, conferences and related activities and can be analysed by geographic segment as follows:

Six months ended 31 March 2012 Unaudited	Russia £000	Central Asia & Caucasus £000	Eastern & Southern Europe £000	UK & Western Europe £000	Rest of World £000	Total Group £000
By geographical location of events/activities						
Revenue	**40,289**	**11,633**	**10,884**	**4,536**	**1,267**	**68,609**
Result	**12,724**	**3,482**	**1,448**	**(10,558)**	**(473)**	**6,623**
By origin of sale						
Revenue	**31,843**	**5,966**	**8,913**	**20,181**	**1,706**	**68,609**
Result	**3,373**	**1,247**	**(2,199)**	**3,636**	**566**	**6,623**
Operating profit						**6,623**
Investment revenue						**590**
Finance costs						**(882)**
Profit before tax						**6,331**
Tax						**(1,362)**
Profit after tax						**4,969**
Capital expenditure	**356**	**17**	**54**	**147**	**14**	**588**
Depreciation and amortisation	**4,243**	**50**	**2,189**	**91**	**124**	**6,697**
Balance sheet						
Assets*	**105,082**	**11,331**	**53,654**	**57,312**	**2,460**	**229,839**
Liabilities*	**(55,193)**	**(7,659)**	**(27,465)**	**(48,898)**	**(201)**	**(139,416)**

* Segment assets and segment liabilities exclude current and deferred tax assets and liabilities.

The revenue in the period of £68.6 million includes £0.3 million of barter sales.

Notes to the Interim Financial Statements continued

2. Segmental information continued

Six months ended 31 March 2011 Unaudited	Russia £000	Central Asia & Caucasus £000	Eastern & Southern Europe £000	UK & Western Europe £000	Rest of World £000	Total Group £000
By geographical location of events/activities						
Revenue	26,672	10,304	10,617	4,518	931	53,042
Result	8,446	3,443	2,445	(10,069)	(557)	3,708
By origin of sale						
Revenue	18,180	4,824	8,824	20,711	503	53,042
Result	1,459	1,388	(1,069)	2,541	(611)	3,708
Operating profit						3,708
Investment revenue						193
Finance costs						(384)
Profit before tax						3,517
Tax						(717)
Profit after tax						2,800
Capital expenditure	479	21	–	307	4	811
Depreciation and amortisation	3,026	50	1,890	150	145	5,261
Balance sheet						
Assets*	108,851	10,886	31,497	63,293	3,973	218,500
Liabilities*	(71,187)	(4,122)	(6,530)	(57,687)	(1,025)	(140,551)

* Segment assets and segment liabilities exclude current and deferred tax assets and liabilities.

The revenue in the period of £53.0 million includes £0.2 million of barter sales.

Year ended 30 September 2011 Audited	Russia £000	Central Asia & Caucasus £000	Eastern & Southern Europe £000	UK & Western Europe £000	Rest of World £000	Total Group £000
By geographical location of events/activities						
Revenue	105,650	21,853	17,940	8,950	1,063	155,456
Result	47,320	7,852	4,042	(17,975)	(1,240)	39,999
By origin of sale						
Revenue	71,594	10,998	15,981	56,841	42	155,456
Result	25,831	3,562	(1,324)	12,919	(989)	39,999
Operating profit						39,999
Investment revenue						582
Finance costs						(1,487)
Profit before tax						39,094
Tax						(8,292)
Profit after tax						30,802
Capital expenditure	680	117	21	456	–	1,274
Depreciation and amortisation	6,612	176	4,002	586	271	11,647
Balance sheet						
Assets*	99,078	13,061	41,138	66,006	2,774	222,057
Liabilities*	(51,786)	(5,718)	(20,804)	(48,360)	(1,603)	(128,271)

* Segment assets and segment liabilities exclude current and deferred tax assets and liabilities.

The revenue in the period of £155.5 million includes £0.5 million of barter sales.

3. Investment revenue

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Interest receivable from bank deposits	**548**	179	437
Interest receivable from Inland Revenue repayments	**–**	–	12
Gain on derivative financial instruments	**42**	14	14
Gain on settlement of contingent consideration	**–**	–	119
	590	193	582

Notes to the Interim Financial Statements continued

4. Finance costs

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Interest on bank loans and overdrafts	**443**	177	741
Bank charges	**209**	175	341
Loss on exercise of Ekin Fuar put option	**–**	–	269
Loss on settlement of contingent consideration	**–**	–	104
Loss on derivative financial instruments	**–**	32	32
Imputed interest charge on discounted put option liabilities	**230**	–	–
	882	384	1,487

5. Reconciliation of profit on ordinary activities before taxation to headline pre-tax profit

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Profit on ordinary activities before taxation	**6,331**	3,517	39,094
Amortisation of acquired intangibles	**6,146**	4,801	10,717
Loss on exercise of Ekin Fuar put option	**–**	–	269
Gain on settlement of contingent consideration	**–**	–	(119)
Loss on settlement of contingent consideration	**–**	–	104
Transaction costs (completed and pending)	**438**	810	1,180
Impairment of goodwill	**–**	–	130
Imputed interest charge on discounted put option liabilities	**230**	–	–
Headline pre-tax profit	**13,145**	9,128	51,375

6. Taxation

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Current tax			
UK corporation tax	**570**	782	2,526
Foreign tax	**1,959**	1,165	8,127
	2,529	1,947	10,653
Deferred tax	**(1,167)**	(1,230)	(2,361)
Tax on profit on ordinary activities	**1,362**	717	8,292

Tax rate at the interim is charged at 21.5% (2011: 23%) representing the best estimate of the weighted average annual corporation tax expected for the financial year.

7. Dividends

	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Final dividend for the year ended 30 September 2011 of 4.2p (2010: 4.0p) per ordinary share	**10,109**	9,537	9,537
Interim dividend for the year ended 30 September 2011 of 1.9p per ordinary share	**–**	–	4,568
Proposed interim dividend for the year ending 30 September 2012 of 2.1p (2011: 1.9p) per ordinary share	**5,087**	4,566	–

The proposed interim dividend was approved by the Board on 17 May 2012 and has not been included as a liability as at 31 March 2012.

8. Earnings per share

The calculations of earnings per share from continuing operations are based on the following results and numbers of shares.

	Headline diluted			Basic and diluted		
	Six months to 31 March 2012 Unaudited £000	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000	**Six months to 31 March 2012 Unaudited £000**	Six months to 31 March 2011 Unaudited £000	Year ended 30 September 2011 Audited £000
Profit for the financial period attributable to equity holders of the parent	**5,099**	2,680	30,724	**5,099**	2,680	30,724
Amortisation of acquired intangibles	**6,146**	4,801	10,717	**–**	–	–
Tax effect of amortisation	**(1,321)**	(1,052)	(2,358)	**–**	–	–
Transactional costs	**438**	810	1,180	**–**	–	–
Loss on exercise of Ekin Fuar put option	**–**	–	269			–
Loss on settlement of contingent consideration	**–**	–	104	**–**	–	–
Gain on settlement of contingent consideration	**–**	–	(119)	**–**	–	–
Tax effect of other adjustments	**–**	–	(27)	**–**	–	–
Impairment of goodwill	**–**	–	130	**–**	–	–
Imputed interest charge on discounted put option liabilities	**230**	–	–	**–**	–	–
	10,592	7,239	40,620	**5,099**	2,680	30,724

Notes to the Interim Financial Statements continued

8. Earnings per share continued

	Six months to 31 March 2012 Number of shares ’000	Six months to 31 March 2011 Number of shares ’000	Year ended 30 September 2011 Number of shares ’000
Weighted average number of shares:			
For basic earnings per share	**240,954**	238,852	239,635
Dilutive effect of exercise of share options	**3,725**	4,125	5,132
For diluted earnings per share	**244,679**	242,977	244,767

Headline diluted earnings per share is intended to provide a consistent measure of Group earnings on a year-on-year basis.

Headline diluted earnings per share is calculated using profit attributable to equity holders of the parent for the financial year before amortisation of acquired intangibles, impairment of goodwill, profits or losses on disposal of Group undertakings, revaluation of financial liabilities in relation to minority put options, imputed interest charges on put option liabilities and direct costs relating to completed and pending acquisitions and disposals.

9. Acquisition of businesses

Autoexpo

On 2 December 2011 the Group’s Ukrainian subsidiary purchased the exhibition assets of Limited Liability Company Autoexpo (‘Autoexpo’) for cash consideration paid of US$6 million (£3.8 million).

The acquisition of this company is consistent with ITE’s strategy of expanding its business model into new sectors in existing markets.

The Group incurred transaction costs of £0.1 million in relation to this acquisition.

Details of the aggregate net assets acquired as adjusted from book to fair value, and the attributable goodwill are presented as follows:

Assets acquired

	Book value £000	Adjustments £000	Fair value £000
Property, plant and equipment	31	–	31
Intangible fixed assets – Trademarks	–	1,679	1,679
Intangible fixed assets – Customer relationships	–	1,344	1,344
Net assets acquired	**31**	**3,023**	**3,054**
Goodwill arising on acquisition			710
Total cost of acquisition			**3,764**
Satisfied by net cash paid			3,764

9. Acquisition of businesses continued

The exhibition assets acquired are a portfolio of 10 exhibitions, including SIA, the Kyiv International Autosalon as well as others operating in ITE's core market sectors of travel & tourism, building & construction and oil & gas.

The values used in accounting for the identifiable assets and liabilities of these acquisitions are provisional in nature at balance sheet date. If necessary, adjustments will be made to these carrying values and the related goodwill, within 12 months of the acquisition date.

Goodwill arising on acquisition (£0.7 million) represents the perceived value placed by the Group of having an established operating position in a new emerging market. The goodwill and intangible assets are expected to qualify for tax deductions in Ukraine. No deferred tax liabilities arise in relation to the acquired intangible assets.

The acquired business has contributed £0.1 million to Group revenue and a loss of £0.2 million to profit before tax since acquisition. If the acquisition had occurred on 1 October 2011 the acquired business would have contributed approximately £0.5 million to Group revenue and £0.2 million to profit before tax in the period.

On 10 February 2012 the Group acquired 100% of the share capital of Expo.KZ LLP for consideration of $650,000 (£410,000), some of which was paid in April 2012. The assets acquired comprise a small number of trade events in Kazakhstan.

10. Goodwill

	2012 £000
At 1 October	70,684
Addition of Autoexpo	710
Exchange differences	2,297
At 31 March	**73,691**

11. Other intangible assets

	2012 £000
At 1 October	58,867
Addition of Autoexpo	3,019
Addition of Expo.KZ LLP	410
Addition of computer software	227
Amortisation of intangibles in the period	(6,146)
Exchange differences	1,546
At 31 March	**57,923**

Notes to the Interim Financial Statements continued

12. Trade and other receivables

	31 March 2012 Unaudited £000	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Trade receivables	**25,786**	21,841	35,299
Other receivables	**4,825**	3,526	2,272
Venue advances and prepayments	**8,176**	5,774	6,015
Prepayments and accrued income	**14,104**	13,890	8,037
	52,891	45,031	51,623

13. Trade and other payables

	31 March 2012 Unaudited £000	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Trade payables	**1,102**	978	879
Taxation and social security	**2,660**	2,645	3,169
Other payables	**3,651**	4,172	3,104
Accruals	**9,356**	7,937	8,475
Deferred consideration	**314**	4,600	–
Contingent consideration	**3,099**	3,515	4,139
	20,182	23,847	19,766

14. Bank loan and overdraft

	31 March 2012 Unaudited £000	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Current liabilities			
Bank overdraft	**7,822**	17,752	13,948
Bank loan	**14,025**	–	–
	21,847	17,752	13,948
Non-current liabilities			
Bank loan	**–**	9,633	14,483
	–	9,633	14,483

14. Bank loan and overdraft continued

The bank overdraft is repayable on demand. The borrowings are denominated in both Euros and US Dollars. The borrowings are arranged at floating interest rates, thus exposing the Group to cash flow interest risk. The overdraft is taken out to act as a partial hedge against the UK trade receivables in Euros and US Dollars.

The Group has a secured bank loan of £14.0 million as at 31 March 2012 (31 March 2011: £9.6 million, 30 September 2011: £14.4 million) denominated in Euros. The loan is fully repayable in November 2012 so is shown as a current liability at 31 March 2012.

15. Derivative financial instruments

	31 March 2012 Unaudited £000	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Current assets			
Foreign currency forward contracts	**1,007**	345	221
	1,007	345	221
Non-current assets			
Foreign currency forward contracts	**838**	–	79
	838	–	79

	31 March 2012 Unaudited £000	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Current liabilities			
Foreign currency forward contracts	**–**	694	215
Put options	**1,258**	603	691
	1,258	1,297	906
Non-current liabilities			
Foreign currency forward contracts	**18**	1,791	762
Put options	**11,570**	1,685	11,951
	11,588	3,476	12,713

Foreign currency derivatives

The Group utilises foreign currency forward contracts to hedge future Euro denominated sales made from the UK. The Group is party to foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are denominated in Euros which represents the Group's primary billing currency. Under the forward contracts, the Group has an obligation to sell Euros for Sterling at specified rates at specified dates.

Notes to the Interim Financial Statements continued

15. Derivative financial instruments continued

As at 31 March 2012 the notional amounts of outstanding foreign currency forward contracts that the Group has committed to are as follows:

Derivative assets

	31 March 2012 Unaudited €000	31 March 2011 Unaudited €000	30 September 2011 Audited €000
Foreign currency forward contracts	**84,950**	9,000	28,250
	84,950	9,000	28,250

Derivative liabilities

	31 March 2012 Unaudited €000	31 March 2011 Unaudited €000	30 September 2011 Audited €000
Foreign currency forward contracts	**10,450**	103,150	66,400
	10,450	103,150	66,400

The arrangements as at 31 March 2012 cover exchange exposures over the next 36 months, with €71.8 million covering exposures after September 2012. These instruments have been designated in hedging relationships, with any changes in their fair value being recorded in equity.

At 31 March 2012, the fair value of these derivatives is estimated to be an asset of approximately £1.8 million (31 March 2011: liability of £2.1 million on forward contracts; 30 September 2011: liability of £0.7 million on forward contracts). This is based on market valuations. This amount has been deferred in equity at 31 March 2012.

Put options

The Group has been party to a number of put options to acquire the non-controlling interests arising from business combinations. These instruments are initially recognised at fair value on the balance sheet with all subsequent changes in fair value taken to the income statement.

	31 March 2012 Unaudited £000	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Put option for Ekin Fuar	**777**	1,206	691
Put option for Summit Trade Events Limited	**999**	1,082	1,082
Put option for Scoop	**481**	–	440
Put option for Yem Fuar	**10,571**	–	10,429
	12,828	2,288	12,642

16. Share capital

	31 March 2012 Unaudited £000	31 March 2011 Unaudited £000	30 September 2011 Audited £000
Authorised			
375,000,000 ordinary shares of 1 penny each (31 March 2011: 375,000,000)	**3,750**	3,750	3,750
Allotted and fully-paid			
248,838,407 ordinary shares of 1 penny each (31 March 2011: 248,568,749)	**2,488**	2,486	2,486

During the period, the Company allotted 269,658 (2011: 248,568) ordinary shares of 1 penny each pursuant to the exercise of share options. The total consideration for the shares issued was £40,722 (2011: £38,478).

The Company has one class of ordinary shares which carry no right to fixed income.

17. Events after the balance sheet date

On 3 April, the Group acquired Beautex Co LLC for a total consideration of €8.6 million (£7.2 million), subject to the profits of Intercharm 2011 and BeautyExpo 2012.

On 10 May, the Group acquired certain trade and exhibition assets of Unitech Exhibitions Pvt. Ltd, a private company operating in India. Two events were acquired: Roof India and Hand Tools & Fasteners Expo for consideration of 115 million Indian Rupees (£1.3 million).

Due to the proximity of these acquisitions to the date of signing these accounts, the IFRS 3 acquisition accounting has not been finalised and the associated IFRS 3 disclosures are therefore to be completed.

18. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with key management personnel will be disclosed in the Group's Annual Report for the year ended 30 September 2012. There have been no material changes in related party transactions.

Transactions between the Group and its associates, where relevant, are disclosed below.

Trading transactions

In Kazakhstan, ITECA, a Group subsidiary, has transacted with Datacom and Saban Holdings for the provision of web systems and office rental respectively. Edward Strachan, a Group Director, is a significant shareholder of Datacom and Saban Holdings. In total, the services charged to ITECA were £35,000 (31 March 2011: £24,000; 30 September 2011: £54,000).

In St Petersburg, Primexpo, a Group subsidiary, has transacted with Cavalry House for the provision of office rental. Edward Strachan, a Group Director, is a significant shareholder of Cavalry House. In total, the services charged to Primexpo were £95,000 (31 March 2011: £94,000; 30 September 2011: £190,000).

Notes to the Interim Financial Statements continued

18. Related party transactions continued

During the period ended 31 March 2012 consultancy fees of £120,000 (31 March 2011: £120,000; 30 September 2011: £303,000) were paid to Kyzyl Tan Eurasian Advisors Limited ('Kyzyl Tan'), of which Edward Strachan is a significant shareholder. Kyzyl Tan was also paid a living away from home allowance of £19,000 (30 September 2011: £38,000). These payments were made under a contract for Kyzyl Tan to provide the services of Edward Strachan to the Group.

19. Principal risks and uncertainties

The Group identifies and monitors the key risks and uncertainties affecting the Group and runs the business in a way that minimises the impact of such risks where possible. There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The principal risks and uncertainties are detailed below and in our most recent annual report.

Political uncertainty and regulatory risk

The Group's business is principally carried out in Russia and the CIS. Changes in law or the regulatory environment could have an effect on some or all of the exhibitions of the Group. ITE has reduced the risk by establishing its business as independent Russian and CIS companies fully contributing to the local economy, and the diversity of businesses across sectors and geography provides protection for the longer-term prospects of the Group.

Economic instability reduces demand for exhibition space

Reduced demand for exhibition space would reduce the profits of exhibitions. ITE operates across a wide range of sectors and countries to minimise the exposure to any single market. ITE, through its relationships with venues and staff has a relatively flexible cost structure, allowing it to manage its event margins in the short and medium term. This was evidenced by the Company's performance during the recent recession.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Management Report. The financial position of the Group, its cash flows and liquidity position are described in the financial statements and notes. The Group has considerable financial resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Group continues to adopt the going concern basis in preparing the interim report and financial statements.

Commercial relationships

The Group has key commercial relationships with venues which secure the Group's rights to run its exhibitions in the future. A significant change in relationship could impact the Group's ability to operate its events. These key relationships are regularly reviewed and the Group seeks to maintain its exhibition rights for at least three years forward for significant exhibitions.

19. Principal risks and uncertainties continued

Venue availability

Damage to or unavailability of a particular venue could impact the Group's short-term trading position. Accordingly, the Group carries business interruption insurance which protects profits on its largest events against such an event in the short term. In the longer term the Group seeks to maintain good relationships with its principal venues to ensure the continuance of availability.

Competitor risk

Competition has existed in ITE's markets for some years. ITE faces competitive pressures on a market-by-market basis. In all of its overseas markets, ITE has a strong position as an international organiser, achieved through effective use of its international sales network and its established brands for major events. A single exhibition or sector in a market could have its prospects curtailed by a strong competitor launch; however, the breadth of ITE's portfolio of events, with its geographic and sector diversity, reduces the risk of a competitive threat to the Group's overall business.

People

ITE's employees have long-standing relationships with customers and venues, and a unique knowledge of the exhibitions business. Loss of key staff to a competitive event could impact the short-term prospects of a specific event or sector. ITE has sought to build loyalty in its staff by ensuring remuneration is competitive and through a wide distribution of the Group's long-term incentive plans. ITE has a good record of retaining its key staff through both growth and recessionary times.

Financial risk – foreign currency risk

The Group is exposed to movements in foreign currency exchange rates against Sterling for both trading transactions and for the translation of overseas operations. The principal exposures are to the Sterling/Euro exchange rate, which forms the basis of invoicing for most sales transactions within the Group. It is also exposed to the Ruble which forms the base books of the Group's Russian operations. The Group seeks to minimise exposure by protecting a certain amount of Euro denominated sales with forward contracts and utilising currency overdraft and term loan facilities to hedge foreign currency balance sheet assets.

Recent guidance released by the Financial Reporting Council ('FRC') requires the Group to comment on its exposure to risks from the Eurozone crisis. The Group's liquidity risk (its ability to service short-term liabilities) is considered low in all scenarios bar a fundamental collapse of the financial markets. Whilst the Group's revolving credit facility is normally at least partially drawn in Euros (€16.7 million at 16 May 2012) this could alternatively be drawn in other currencies (Sterling or US$), and at 16 May 2012 there is headroom of £13.5 million on the Group's borrowing facilities. As at 18 May 2012 the Group also held Euro denominated cash balances of €12.1 million with only €4.2 million held in banks within the Eurozone.

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of interim financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (Indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By the order of the Board

Russell Taylor
Chief Executive Officer
18 May 2012

Independent Review Report to ITE Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
18 May 2012

Directors and professional advisers

Directors	Marco Sodi, non-executive Chairman Russell Taylor, Chief Executive Officer Neil England, non-executive Director Michael Hartley, non-executive Director Linda Jensen, non-executive Director Neil Jones, Group Finance Director Edward Strachan, executive Director
Company Secretary	John Price
Registration number	1927339
Registered office	ITE Group plc 105 Salusbury Road London, NW6 6RG
Auditor	Deloitte LLP London
Solicitors	Olswang 90 High Holborn London, WC1V 6XX
Principal Bankers	Barclays Bank plc 27 Soho Square London, W1D 3QR
Company Brokers	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London, EC4M 7LT
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Public Relations	Financial Dynamics Holborn Gate 26 Southampton Buildings London, WC2A 1PB
Website	www.ite-exhibitions.com

Financial calendar

Interim dividend

Record date	6 July 2012
Payment date	9 August 2012

Final dividend

Record date	January 2013
Payment date	February 2013

Notes

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Designed and produced by **Emperor Design Consultants Ltd**
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