Creating marketplaces for business...

2009

ITE Group plc
Half Year Report

ITE

Highlights

ITE's principal markets have significant long-term growth potential and events remain the primary route to market for many of our exhibitors.

Contents

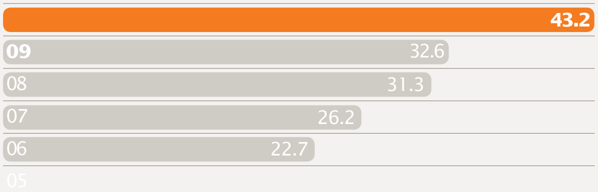
	Six months to 31 March 2009	Six months to 31 March 2008
Volume sales	**188,600m²**	161,100m²
Revenue	**£43.2m**	£32.6m
Operating profit	**£12.1m**	£6.6m
Profit before tax	**£11.1m**	£3.9m
Headline pre-tax profit*	**£13.3m**	£4.7m
Basic earnings per share	**3.4p**	1.1p
Diluted earnings per share	**3.4p**	1.1p
Headline diluted earnings per share**	**4.0p**	1.3p
Interim dividend per share	**1.6p**	1.6p
Net cash	**£25.3m**	£42.3m
Net assets	**£31.4m**	£39.5m

* Headline pre-tax profit is defined as profit before tax, amortisation of acquired intangibles, impairment of goodwill (including associates) and profits or losses arising on disposal of Group undertakings – see note 5 for details.

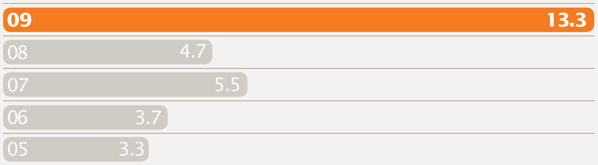
** Headline diluted earnings per share is calculated using profit before amortisation of acquired intangibles, impairment of goodwill (including associates) and profits or losses arising on disposal of Group undertakings – see note 8 for details.

- Good results achieved in challenging trading conditions
- Revenue of £43.2m – up 33% on prior year
- Acquisitions of SFITEX, Siberian Fairs and EMITT strengthen the Group's position in core markets
- £103.3m of revenue booked for the full year – up 11% on this time last year
- Strong balance sheet with net cash of £25.3m to support further investment
- Maintained interim dividend of 1.6p demonstrates the Board's ongoing confidence in the future

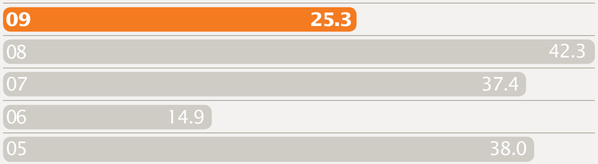
Revenue (£m)



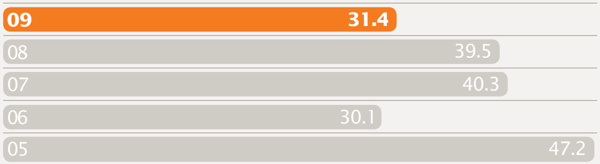
Headline pre-tax profit (£m)*



Net cash at 31 March (£m)



Net assets at 31 March (£m)



* Headline pre-tax profit is defined as profit before tax, amortisation of acquired intangibles, impairment of goodwill (including associates) and profits or losses arising on disposal of Group undertakings – see note 5 for details.

Interim management report

Financial performance

The Group has reported good results for the first six months of the year. Revenues of £43.2 million are 33% higher than last year (2008: £32.6 million), a 10% increase on a like-for-like basis*. Like-for-like revenue growth has benefited from the strength of the Euro against Sterling which offset a 19% decline in like-for-like volume sales from events held in the period. The total volume of metres sold in the period increased by 17% to 188,600m^2 reflecting the contribution of newly acquired businesses, notably the Siberian Fairs portfolio and the Turkish travel event, EMITT. The new acquisitions contributed an incremental £7.1 million of revenue and £2.9 million of headline pre-tax profit.

Gross margin is unchanged on last year at 42% and demonstrates the Group's ability to manage its operational cost base in line with sales performance. Finance income of £0.4 million is less than last year (2008: £1.1 million), reflecting lower interest rates earned on lower average cash balances. Finance costs of £1.4 million this year (2008: £3.9 million) include £1.2 million of charges relating to derivative instruments not in a hedging relationship (2008: £3.5 million), which were in place at 1 October 2008 and were fully closed out by 31 March 2009.

Headline pre-tax profit of £13.3 million (2008: £4.7 million) includes foreign exchange gains of £3.9 million (2008: loss of £2.8 million) and a contribution from new acquisitions of £2.9 million. Reported profit before tax increased from £3.9 million to £11.1 million for the first six months and fully diluted earnings per share has improved from 1.1p to 3.4p.

The Group remains highly cash generative and generated £20.4 million from operations during the period. Of this, £6.9 million was applied to acquisitions, £8.8 million was distributed as dividends and a further £3.8 million of advances were made to the Employees' Share Ownership Trust to finance the purchase of ITE shares. The Group's net cash balance at 31 March 2009 was £25.3 million.

Overview

Trading conditions in the Group's principal markets have changed substantially over the period since 1 October 2008. October trading was relatively buoyant with bookings running in line with management expectations. The impact of the global financial crisis began to affect Russia and the CIS from the beginning of November – although Kazakhstan had already experienced the onset of this in the final quarter's trading of the last financial year. From November to March the outflow of foreign capital from Russia contributed to the Ruble devaluation of 30% against the world's major currencies, which together with the economic slowdown led to a liquidity crisis for many smaller Russian and CIS businesses. The events held over this period benefited from varying levels of 'pre-crisis' bookings offset by the more difficult trading climate from November onwards. The impact of the economic crisis was greater in local markets and, as a result, the more international events have tended to perform better. The Group has been active in managing its cost base throughout this period, reducing venue commitments in line with demand and staff remuneration in line with sales.

* 'Like-for-like' figures exclude the effect of significant non-annual events, acquisitions and disposals.

Despite the downturn, the events that have taken place have enjoyed similar or improved visitor attendance and 'better than expected' results for exhibitors. This has supported some positive re-booking statistics for next year.

The Group has continued to implement its strategy of strengthening its international sales presence to build on its position in its core markets. The major addition to ITE's product portfolio since 1 October 2008 has been the East Mediterranean International Travel and Tourism event (EMITT), which is held in Istanbul every year. The exhibition was held in February and recorded its biggest ever event at 21,400m². ITE is now marketing EMITT through its various international sales offices and aims to attract a broader international participation in the event for 2010. The Group continues to look for investments that will broaden its sector spread in its existing markets or offer an opportunity to take its existing sectors into new emerging and developing markets.

ITE's strategy is to invest where suitable opportunities present themselves and to return surplus cash to shareholders via dividends and share buybacks. In the current environment, there are likely to be more opportunities arising to make bolt-on investments and so the Group has no plans to make further share buybacks in the second half of the year.

Dividend

The Board has approved an interim dividend of 1.6p per share (2008: 1.6p per share), reflecting a prudent view of the current economic situation. The Board remains committed to a progressive dividend policy over time.

Trading highlights and review of operations

In the six months to 31 March 2009, ITE organised 91 events (2008: 67 events), including 26 acquired events. Total square metres sold in the first half was 188,600m², up from 161,100m² in the first six months of 2008. The result stated before the effect of acquisitions is a like-for-like volume decline of 19%. A summary of the Group's sales and margins from its exhibitions business is set out below:

	Square metres sold 000s	Revenue £m	Gross profit £m
First half 2008	161.1	31.8	13.4
Acquisitions	57.8	7.2	3.6
Timing differences	(7.2)	–	(0.2)
Net organic change	(23.1)	3.5	1.0
First half 2009	**188.6**	**42.5**	**17.8**

The Group's average yield for events held in the first six months was £225 per m² (2008: £197 per m²) a net increase of 14% mostly reflecting the effect of the stronger Euro together with price increases offset by dilution from newly acquired events.

Interim management report
continued

Russia
In April 2008, the Group added a third Russian office with the acquisition of Siberian Fairs in Novosibirsk. This office is now fully integrated into the Group and held 23 events during the period, with space sales totalling 31,200m^2 and contributing £3.9 million of additional revenue. Most of the principal events of this business take place in the first half of the year.

In Moscow, the events which took place in the autumn season were relatively untroubled by the changed trading environment and the Group reported good results from its Ingredients Russia and Pharmtech events. The Moscow International Travel & Tourism event took place in March and, despite the economic backdrop, reported space sales of 20,200m^2 – a minor reduction in size from last year's event, which was 20,800m^2. The strong performance of this event reflects its clear market leadership in this sector and its high proportion of international exhibitors.

St Petersburg's calendar is weighted to the second half of the year and its largest event in the first six months was the newly acquired St Petersburg security event, SFITEX. This took place in October and performed strongly in its first year under the Group's management, improving space sales to 4,400m^2 from circa 3,000m^2.

Central Asia & the Caucasus
The Central Asia & Caucasus market has seen mixed performances, as the global slowdown has impacted different territories at different times. Azerbaijan and Uzbekistan have only recently begun to feel the effects of the slowdown and traded broadly in line with prior year. Kazakhstan, which was affected in the last quarter of the 2008 financial year, has reported a 19% drop in like-for-like space sales for events taking place in the first half of the year.

The Kazakhstan Oil & Gas event reported an 8% decline in metres sold to 10,300m^2. However reported revenues from both the exhibition and the conference were improved over last year, reflecting price increases and a weaker Sterling. The construction sector continues to reflect the worst effects of the economic crisis and KazBuild Spring experienced more than a 50% reduction in space sales from 5,600m^2 last year to this year's 2,400m^2. Costs have been well controlled, helped by the long-term venue relationship, which allows late reductions in space commitments. Resulting gross margins for this event were comparable with those achieved last year.

In Azerbaijan, the largest event, BakuBuild, took place in October before the economic slowdown and recorded a 46% increase in space sales over the prior year. This event is space constrained in its existing venue and relies on outside space for some of its sales. Construction of the new venue in Baku is continuing and ITE plans to re-locate its main events there when it is completed.

Eastern & Southern Europe

The market in Ukraine has been the most severely affected region for ITE during the economic slowdown. Nonetheless, the office reported a strong first quarter, notably influenced by the Healthcare event, which took place in October and reported sales volume growth of 11%. The second quarter was marked by a severe downturn in the local economic environment and overall, on a like-for-like basis, volume sales fell by 40% over the first half of the financial year. The most difficult market sectors were agriculture and construction, which impacted the sales for the AgriHort event and the building and construction event, KievBuild. ITE's travel event in Kyiv, UITT, was also affected by the difficult trading environment and reported sales of 5,100m² (2008: 7,100m²). However, the Group has managed its cost base well with venue commitments controlled tightly to avoid paying for unused space and, combined with the improved yield, the overall profit for Ukraine was broadly comparable to last year's result.

In Turkey, the recently acquired travel event, EMITT, was held for the first time in February and was the largest staged in its history at 21,400m². The event is the leading travel event in Turkey and ITE expects to consolidate its position by increasing the sales to internationals through its network of offices and agents. The ITF business, owned 50% by ITE, reported an increase in its profits to £0.6 million for the first half of 2009, benefiting this year from the biennial Autoshow event.

UK and Rest of the World

The MODA fashion and footwear business continues to trade in difficult market conditions. The spring event reported sales of 14,900m², a reduction of 13% in space sales from the prior year. Despite the economic backdrop the event was favourably received by exhibitors and visitors alike. The acquisition of Bubble, the childrenswear event, takes the MODA business into a new sector with future growth potential and the first event under MODA's ownership was a notable success.

Outlook

April is the most important month in the Group's financial calendar with four of the Group's top ten contributing events taking place. All of the major April events benefited to differing degrees from 'pre-crisis' bookings as well as experiencing the more difficult trading environment prevalent from November to April. MosBuild, which was affected more in its local than in its international sales, was 74,900m² (2008: 87,200m²). Other shows taking place in April reported a broadly similar trend – the Moscow International Protection & Security event sold 6,300m² (2008: 7,600m²), TransRussia finished with space sales of 7,300m² (2008: 8,200m²) and Expoelectronica sold 5,500m² (2008: 9,000m²). Interstroyexpo, the newly acquired spring construction event took place in St Petersburg and staged a very successful event of 9,500m².

Interim management report
continued

Consistent with this trend, volume bookings for the remainder of the 2009 events are lagging behind the comparative sales position of this time a year ago. The financial effect of this will be partially mitigated by the relative strength of the Euro against Sterling, the Group's flexible cost structure and the ongoing focus on cost management. At 14 May 2009, ITE had booked revenue of £103.3 million (2008: £93.4 million) for this financial year, of which £10.6 million relates to acquisitions not represented in last year's figures. On a like-for-like basis, volume sales for the full financial year are currently circa 20% below last year's sales contracted at the same time. The trading environment in our core markets appears to have stabilised in recent weeks and ITE has, at the end of April, completed events representing over 70% of the Group's expected revenue for the full year.

Looking beyond the effects of the current global downturn, ITE's markets have significant long-term growth potential. Events remain the primary route to market for our exhibitors and ITE has a strong portfolio of leading events which position it well to benefit from a recovery. The Board remains confident that ITE is managing the effects of the current economic crisis effectively and will emerge a stronger business.

By order of the Board

Russell Taylor
Chief Executive Officer
15 May 2009

Disclaimer
The interim management report has been prepared solely to provide additional information to shareholders as a body to assess the Company's strategies and the potential for those strategies to succeed. The interim management report should not be relied on by any other party or for any other purpose.

The interim management report includes forward-looking statements made by the directors in good faith based on the information available to us up to the time of approving the interim report. These statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

Condensed consolidated income statement
For the six months ended 31 March 2009

	Notes	**Six months to 31 March 2009 Unaudited £000**	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited Restated* £000
Continuing operations				
Revenue		**43,230**	32,592	109,792
Cost of sales		**(25,280)**	(18,973)	(55,014)
Gross profit		**17,950**	13,619	54,778
Other operating income		**141**	141	292
Administrative expenses before amortisation		**(9,603)**	(7,303)	(16,488)
Amortisation of acquired intangibles		**(2,108)**	(777)	(2,596)
Foreign exchange gain on operating activities		**5,095**	717	266
Total administrative expenses		**(6,616)**	(7,363)	(18,818)
Share of results of associate		**638**	248	173
Operating profit		**12,113**	6,645	36,425
Finance income	3	**438**	1,107	1,907
Finance costs	4	**(1,407)**	(3,866)	(3,917)
Profit on ordinary activities before taxation		**11,144**	3,886	34,415
Tax on profit on ordinary activities	6	**(3,120)**	(1,181)	(11,049)
Profit for the period		**8,024**	2,705	23,366
Attributable to:				
Equity holders of the parent		**8,083**	2,705	23,389
Minority interests		**(59)**	–	(23)
		8,024	2,705	23,366
Earnings per share (p)				
Basic	8	**3.4**	1.1	9.4
Diluted	8	**3.4**	1.1	9.3

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

* Restated for the change in revenue recognition policy. See note 1 for details.

Condensed consolidated statement of recognised income and expense

For the six months ended 31 March 2009

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited Restated* £000
Currency translation on net investment in subsidiary undertakings	**(3,801)**	253	2,921
Decrease in fair value on cash flow hedges	**(4,203)**	–	(51)
Tax on items taken directly to equity	**(175)**	–	(246)
Net (expense)/income recognised directly in equity	**(8,179)**	253	2,624
Transferred to profit or loss on cash flow hedges	**–**	(51)	–
Put option at fair value	**(1,354)**	–	(3,269)
Profit for the period attributable to the shareholders	**8,024**	2,705	23,366
Total recognised (expense)/income for the period	**(1,509)**	2,907	22,721
Attributable to:			
Equity holders of the parent	**(1,450)**	2,907	22,744
Minority interests	**(59)**	–	(23)
	(1,509)	2,907	22,721

* Restated for the change in revenue recognition policy. See note 1 for details.

Condensed consolidated balance sheet
31 March 2009

	Notes	31 March 2009 Unaudited £000	31 March 2008 Unaudited £000	30 September 2008 Audited Restated* £000
Non-current assets				
Goodwill		**42,926**	34,497	40,982
Other intangible assets		**17,495**	4,399	16,115
Property, plant & equipment		**1,578**	1,483	1,727
Investments in associates		**1,793**	1,570	1,381
Venue advances and other loans		**1,444**	1,564	1,001
Deferred tax asset		**1,330**	1,399	1,594
		66,566	44,912	62,800
Current assets				
Trade and other receivables		**31,386**	29,431	42,871
Tax prepayment		**391**	4,118	389
Cash and cash equivalents		**31,567**	43,991	35,709
		63,344	77,540	78,969
Total assets		**129,910**	122,452	141,769
Current liabilities				
Bank overdraft	10	**(6,275)**	(1,722)	(6,568)
Trade and other payables		**(12,848)**	(9,663)	(18,022)
Derivative financial instruments	11	**(7,760)**	(3,147)	(4,257)
Deferred income		**(65,180)**	(65,697)	(64,402)
Provisions		**(700)**	(550)	(264)
		(92,763)	(80,779)	(93,513)
Non-current liabilities				
Provisions		**(546)**	(674)	(653)
Deferred tax liabilities		**(3,602)**	(1,464)	(3,617)
Derivative financial instruments	11	**(1,619)**	–	–
		(5,767)	(2,138)	(4,270)
Total liabilities		**(98,530)**	(82,917)	(97,783)
Net assets		**31,380**	39,535	43,986

Condensed consolidated balance sheet
continued

	Note	31 March 2009 Unaudited £000	31 March 2008 Unaudited £000	30 September 2008 Audited Restated* £000
Equity				
Share capital	12	**2,481**	2,527	2,479
Share premium account		**2,678**	2,108	2,669
Merger reserve		**2,746**	2,746	2,746
Capital redemption reserve		**457**	403	457
ESOT reserve		**(10,765)**	(2,829)	(8,390)
Retained earnings		**41,587**	33,834	42,686
Translation reserve		**(964)**	746	3,414
Hedge reserve		**(4,203)**	–	–
Put option reserve		**(4,623)**	–	(3,269)
Equity attributable to equity holders of the parent		**29,394**	39,535	42,792
Minority interest		**1,986**	–	1,194
Total equity		**31,380**	39,535	43,986

* Restated for the change in revenue recognition policy. See note 1 for details.

Condensed consolidated cash flow statement

For the six months ended 31 March 2009

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited Restated* £000
Cash flows from operating activities			
Operating profit from continuing operations	**12,113**	6,645	36,425
Adjustments for:			
Depreciation and amortisation	**2,543**	1,079	3,314
Share-based payments	**650**	425	931
Other non-cash expenses	**(169)**	(860)	(654)
Loss on sale of fixed asset	**–**	6	1
Share of associate profit	**(638)**	(248)	(173)
Increase/(decrease) in provisions	**546**	(440)	1,147
Operating cash flows before movements in working capital	**15,045**	6,607	40,991
Decrease/(increase) in receivables	**9,216**	6,017	(10,164)
Increase in deferred income	**778**	17,652	18,245
(Decrease)/increase in payables	**(4,595)**	(1,815)	3,785
Cash generated from operations	**20,444**	28,461	52,857
Tax paid	**(4,777)**	(1,435)	(7,043)
Venue advances and loans	**(1,912)**	(740)	(830)
Net cash from operating activities	**13,755**	26,286	44,984
Investing activities			
Interest received	**438**	1,107	1,902
Derivative financial instruments	**–**	(993)	(2,990)
Dividends received from associates	**208**	–	198
Acquisition of business	**(6,886)**	(680)	(13,508)
Purchase of property, plant & equipment, computer software and other intangibles	**(346)**	(548)	(1,075)
Net cash used in investing activities	**(6,586)**	(1,114)	(15,473)
Financing activities			
Dividends paid	**(8,751)**	(7,967)	(12,050)
Interest paid	**(216)**	(387)	(598)
Net cash flow in relation to ESOT shares	**(3,769)**	(2,129)	(7,793)
Purchase of own shares	**–**	–	(8,078)
Proceeds from issue of share capital	**12**	1,243	1,810
Net cash outflows from financing activities	**(12,724)**	(9,240)	(26,709)
Net (decrease)/increase in cash and cash equivalents	**(5,555)**	15,932	2,802

Condensed consolidated cash flow statement
continued

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited Restated* £000
Net cash and cash equivalents at beginning of period	**29,141**	26,657	26,657
Effect of foreign exchange rates	**1,706**	(320)	(318)
Net cash and cash equivalents at end of period	**25,292**	42,269	29,141

* Restated for the change in revenue recognition policy. See note 1 for details.

	31 March 2009 Unaudited £000	31 March 2008 Unaudited £000	30 September 2008 Audited £000
Comprised of:			
Cash and cash equivalents	**31,567**	43,991	35,709
Bank overdrafts	**(6,275)**	(1,722)	(6,568)
	25,292	42,269	29,141

Notes to the interim financial statements

1. Basis of preparation

The interim financial information for the period ended 31 March 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the 30 September 2008 statutory accounts has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

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 2009. These accounting policies are consistent with those applied in the preparation of the accounts for the year ended 30 September 2008 except for the change in accounting policy described below.

Change in accounting policy

IAS 18 "Revenue"

In the current financial year, ITE Group plc has changed its accounting policy on event revenue recognition. Previously, the Group recognised revenue on a straight line basis, evenly over the days over which an event was being held. As a result of the change in policy, revenue is now recognised on completion of the event. Management judges that the new policy provides a more accurate representation of the revenue earned as the Company's obligations can only be fully discharged on completion of an event, and a partial service can not be provided. The comparative financial statements for 2008 have been restated. The effects of these changes on the comparative figures are:

- Year ended 30 September 2008: Decrease in 'Revenue' of £271,000, a decrease in 'Cost of sales' of £159,000 and a decrease in 'Tax on profit on ordinary activities' of £22,000. On the balance sheet 'Trade and other receivables' increased by £159,000, 'Deferred income' increased by £271,000, 'Trade and other payables' decreased by £22,000 and 'Retained earnings' decreased by £90,000.
- Six months to 31 March 2008: No impact as no shows were overlapping in the 2007 and 2008 financial periods.

The expected 2009 full year effect of the above accounting policy change will equate to the reversal of the effects described in the first point above.

Notes to the interim financial statements
continued

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

Six months ended 31 March 2009

Unaudited	UK & Western Europe £000	Central Asia & Caucasus £000	Russia £000	Eastern & Southern Europe £000	Rest of World £000	Total Group £000
By geographical location of events/activities						
Revenue	3,703	10,561	20,620	8,200	146	**43,230**
Result	(5,502)	4,222	9,787	3,022	(54)	**11,475**
By origin of sale						
Revenue	21,742	4,767	11,991	4,730	–	**43,230**
Result	878	1,096	8,473	1,165	(137)	**11,475**
Share of results of associates						**638**
Operating profit						**12,113**
Finance income						**438**
Finance costs						**(1,407)**
Profit before tax						**11,144**
Tax						**(3,120)**
Profit after tax						**8,024**
Capital expenditure	262	39	28	17	–	**346**
Depreciation and amortisation	975	15	1,249	304	–	**2,543**
Balance Sheet						
Assets*	67,351	6,912	45,510	6,619	4	**126,396**
Investment in associates						**1,793**
Consolidated total assets						**128,189**
Liabilities*	54,074	4,788	29,542	4,604	153	**93,161**

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

The revenue in the period of £43.2 million includes £0.1 million of barter sales.

2. Segmental information (continued)

Six months ended 31 March 2008

Unaudited	UK & Western Europe £000	Central Asia & Caucasus £000	Russia £000	Eastern & Southern Europe £000	Rest of World £000	Total Group £000
By geographical location of events/activities						
Revenue	3,801	10,700	10,770	6,986	335	32,592
Result	(4,129)	4,999	2,898	2,918	(289)	6,397
By origin of sale						
Revenue	20,552	4,094	4,645	3,172	129	32,592
Result	4,988	592	195	601	21	6,397
Share of results of associates						248
Operating profit						6,645
Finance income						1,107
Finance costs						(3,866)
Profit before tax						3,886
Tax						(1,181)
Profit after tax						2,705
Capital expenditure	308	51	186	3	–	548
Depreciation and amortisation	877	59	136	7	–	1,079
Balance Sheet						
Assets*	81,411	6,968	23,964	2,972	50	115,365
Investment in associates						1,570
Consolidated total assets						116,935
Liabilities*	44,557	5,134	26,741	2,346	56	78,834

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

The revenue in the period of £32.6 million includes £0.1 million of barter sales.

Notes to the interim financial statements
continued

2. Segmental information (continued)
Six months ended 31 March 2008

Audited	UK & Western Europe Restated* £000	Central Asia & Caucasus Restated* £000	Russia Restated* £000	Eastern & Southern Europe Restated* £000	Rest of World Restated* £000	Total Group Restated* £000
By geographical location of events/activities						
Revenue	12,280	21,973	65,685	9,252	602	109,792
Result	(7,480)	8,893	33,705	2,183	(1,049)	36,252
By origin of sale						
Revenue	55,787	11,096	36,811	5,971	128	109,792
Result	18,645	2,107	15,044	485	(30)	36,252
Share of results of associates						173
Operating profit						36,425
Finance income						1,907
Finance costs						(3,917)
Profit before tax						34,415
Tax						(11,049)
Profit after tax						23,366
Capital expenditure	535	75	444	22	–	1,076
Depreciation and amortisation	2,430	115	752	17	–	3,314
Balance Sheet						
Assets**	83,775	7,852	44,957	1,819	2	138,405
Investment in associates						1,381
Consolidated total assets						139,786
Liabilities**	49,605	5,967	33,849	1,703	42	91,166

* Restated for the change in revenue recognition policy. See note 1 for details.
** Segment assets and segment liabilities exclude current and deferred tax assets and liabilities.

The revenue in the year of £109.8 million includes £0.2 million of barter sales.

3. Finance income

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Interest receivable from bank deposits	**420**	1,100	1,874
Interest receivable from Inland Revenue repayments	**–**	–	15
Interest receivable on advances to venues	**15**	7	13
Unwind of fair value discount on venue advances	**3**	–	5
	438	1,107	1,907

4. Finance costs

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Interest on bank loans and overdrafts	**99**	302	360
Bank charges	**117**	85	238
Loss on derivative financial instruments	**1,191**	3,479	3,319
	1,407	3,866	3,917

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

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited Restated £000
Profit on ordinary activities before taxation	**11,144**	3,886	34,415
Amortisation of acquired intangibles	**2,108**	777	2,596
Headline pre-tax profit	**13,252**	4,663	37,011

6. Taxation

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited Restated £000
Current tax			
UK corporation tax	**514**	585	5,209
Foreign tax	**2,621**	512	5,886
	3,135	1,097	11,095
Deferred tax	**(15)**	84	(46)
Tax on profit on ordinary activities	**3,120**	1,181	11,049

Tax rate at the interim is charged at 28% (2008: 30%) representing the best estimate of the weighted average annual corporation tax expected for the financial year.

Notes to the interim financial statements
continued

7. Dividends

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Final dividend for the year ended 30 September 2008 of 3.7p (2007: 3.2p) per ordinary share	**8,809**	8,045	8,045
Interim dividend for the year ended 30 September 2008 of 1.6p per ordinary share			4,005
Proposed interim dividend for the year ending 30 September 2009 of 1.6p (2008: 1.6p) per ordinary share	**3,791**	3,995	

The proposed interim dividend was approved by the Board on 14 May 2009 and has not been included as a liability as at 31 March 2009.

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 Mar 2009 Unaudited £000	Six months to 31 Mar 2008 Unaudited £000	Year ended 30 Sept 2008 Audited Restated £000	**Six months to 31 Mar 2009 Unaudited £000**	Six months to 31 Mar 2008 Unaudited £000	Year ended 30 Sept 2008 Audited Restated £000
Profit for the financial period attributable to equity holders of the parent	**8,083**	2,705	23,389	**8,083**	2,705	23,389
Amortisation of acquired intangibles	**2,108**	777	2,596	**–**	–	–
Tax effect of amortisation	**(544)**	(214)	(713)	**–**	–	–
	9,647	3,268	25,272	**8,083**	2,705	23,389

	Six months to 31 March 2009 Number of shares ('000)	Six months to 31 March 2008 Number of shares ('000)	Year ended 30 September 2008 Number of shares ('000)
Weighted average number of shares:			
For basic earnings per share	**239,023**	249,914	249,647
Dilutive effect of exercise of share options	**1,172**	2,552	2,493
For diluted earnings per share	**240,195**	252,466	252,140

8. Earnings per share (continued)

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 and impairment of goodwill and profits or losses arising on disposal of Group undertakings.

9. Acquisition of business

On 23 January 2009 the Group acquired 100% of the issued share capital of Newex Marketing Limited for a cash consideration of USD 5.1 million (£3.6 million) and contingent consideration of £0.6 million, based upon the performance of the business over 2009 and 2010. Newex Marketing Limited owns 75% of the company which owns EMITT, the annual travel and tourism exhibition taking place in Istanbul, Turkey and the leading Hotel Guide for the Turkish market.

The acquisition of this event is consistent with ITE's strategy of building a leading market position in the international travel and tourism exhibitions market, where ITE already has a strong market presence. The event was held in February 2009 and revenues and profits have been recognised in the condensed consolidated income statement for the six months to March 2009.

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

	Newex Marketing Limited
Net assets acquired £000	
Intangible fixed assets	3,762
Trade and other receivables	2,059
Cash and cash equivalents	388
Deferred tax asset	221
Trade and other payables	(2,974)
Deferred tax liability	(752)
Equity minority interest	(851)
Net assets acquired	1,853
Goodwill arising on acquisition	2,285
Total cost of acquisition	**4,138**
Satisfied by:	
Net cash paid	3,581
Deferred consideration	557
	4,138
Net cash outflow arising on acquisition:	
Net cash paid	3,581
Cash and cash equivalents acquired	(388)
	3,193

Notes to the interim financial statements
continued

9. Acquisition of business (continued)
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. The goodwill arising on acquisition of Newex Marketing Limited represents significant expected synergies with other operations of the Group and the complementarity achieved with the Group's existing emerging market strategy.

Details of net assets acquired on 23 January 2009 and the related fair value adjustments are presented as follows:

Assets acquired	Book value £000	Adjustments £000	Fair value £000
Intangible fixed assets	–	3,762	3,762
Property, plant and equipment	72	(72)	–
Trade and other receivables	2,059	–	2,059
Cash	388	–	388
Deferred tax asset	221	–	221
Trade and other payables	(2,974)	–	(2,974)
Deferred tax liability	–	(752)	(752)
Equity minority interest	–	(851)	(851)
Net assets acquired	**(234)**	**2,087**	**1,853**

The acquired business has contributed £2.2 million to Group revenue and £0.7 million to profit before tax. If the acquisition had occurred on 1 October 2008 there would have been no difference to these results.

10. Bank overdraft
The bank overdraft is repayable on demand. The borrowing is 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.

11. Derivative financial instruments

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Current liabilities			
Foreign currency derivatives	**3,938**	3,147	988
Put options	**3,822**	–	3,269
	7,760	3,147	4,257
Non-current liabilities			
Foreign currency derivatives	**265**	–	–
Put options	**1,354**	–	–
	1,619	–	–

Foreign currency derivatives

The Group utilises foreign currency derivatives to hedge significant future transactions and cash flows. 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.

In 2008, the Group used foreign currency forward-plus contracts, whereby the Group had a right, but not an obligation, to sell Euros for Sterling at a specified rate range at specified dates. However, if the spot rate was at or below the specified barrier rate on any business day during the barrier period the right to sell Euros became an obligation, at the specified strike rate.

As at 31 March 2009 the notional amounts of outstanding foreign currency forward contracts that the Group has committed to are as follows:

	Six months to 31 March 2009 Unaudited €000	Six months to 31 March 2008 Unaudited €000	Year ended 30 September 2008 Audited €000
Foreign currency forward contracts	**72,700**	–	–
Foreign currency forward-plus contracts	**–**	29,000	11,000
	72,700	29,000	11,000

The arrangements as at 31 March 2009 cover exchange exposures over the next 30 months, with €45.9 million covering exposures after September 2009. These instruments have been designated in effective hedging relationships, with any changes in their fair value being recorded in equity.

Notes to the interim financial statements
continued

11. Derivative financial instruments (continued)
At 31 March 2009, the fair value of these derivatives is estimated to be a liability of approximately £4.2 million (31 March 2008: liability of £3.1 million on forward-plus contracts; 30 September 2008: liability of £1.0 million on forward-plus contracts). This is based on market valuations. This amount has been deferred in equity at 31 March 2009.

Put options
The Group is party to a number of put options to acquire the minority 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.

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Put option for Primexpo North West LLC	**3,822**	–	3,269
Put option for Newex Marketing Limited	**1,354**	–	–
	5,176	–	3,269

12. Share capital

	Six months to 31 March 2009 Unaudited £000	Six months to 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Authorised			
375,000,000 ordinary shares of 1 penny each (31 March 2008: 375,000,000)	**3,750**	3,750	3,750
Allotted and fully-paid			
248,107,702 ordinary shares of 1 penny each (31 March 2008: 252,689,987)	**2,481**	2,527	2,479

During the period, the Company allotted 199,800 ordinary shares of 1 penny each pursuant to the exercise of share options. The total consideration for the shares issued was £11,500.

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

13. Events after the balance sheet date
There have been no events after the balance sheet date requiring disclosure in the interim management report.

14. 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 2009. Transactions between the Group and its associates, where relevant, are disclosed below.

14. Related party transactions (continued)

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 £41,366 (31 March 2008: £39,000; 30 September 2008: £62,000).

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 £98,100 (31 March 2008: £88,000; 30 September 2008: £130,000).

During the period ended 31 March 2009 consultancy fees of £120,000 (31 March 2008: £120,000; 30 September 2008: £320,000) were paid to Kyzyl Tan Consultants Limited ("Kyzyl Tan"), of which Edward Strachan is a significant shareholder.

15. 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.

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 and ITE is constantly looking at opportunities to diversify further.

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. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the interim report and financial statements.

Notes to the interim financial statements
continued

15. Principal risks and uncertainties (continued)

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.

Commercial relationships
The Group has key commercial relationships with venues which secure the Group's right to run its exhibitions in the future. These key relationships are regularly reviewed and the Group seeks to maintain its exhibition rights for at least three years forward for significant exhibitions.

Venue availability
Damage 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 against such an event in the short term.

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, reduce 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.

Financial risk
The Group also faces financial risks, the key risk being foreign currency risk. The Group is exposed to movements in foreign exchange rates against Sterling for both trading transactions and for the translation of overseas operations. The principal exposure is to the Euro exchange rate, which forms the basis of invoicing for most transactions. The Group seeks to minimise exposure by limiting balances in soft currency deposits and securing forward contracts against its future sales receipts.

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
15 May 2009

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 2009 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in recognised income and expense, the consolidated cash flow statement and related notes 1 to 15. 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 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.

Independent review report to ITE Group plc
continued

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 2009 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 Auditors
London, United Kingdom
15 May 2009

Directors and professional advisers

Directors
Iain Paterson, non-executive Chairman
Russell Taylor, Chief Executive Officer
Neil England, non-executive Director
Michael Hartley, non-executive Director
Neil Jones, Group Finance Director
Edward Strachan, executive Director
Malcolm Wall, non-executive Director

Company Secretary
Neil Netto

Registered office
ITE Group plc
105 Salusbury Road
London, NW6 6RG

Registration number
1927339

Auditors
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
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire, HD8 0LA

Public Relations
Financial Dynamics
Holborn Gate
26 Southampton Buildings
London, WC2A 1PB

Website
www.ite-exhibitions.com

Financial calendar

Interim dividend

Record date	29 May 2009
Payment date	19 June 2009

Final dividend

Record date	February 2010
Payment date	March 2010

ITE would like to thank all those who participated in producing this report, particularly the members of staff for their contributions.

This report is printed on Hello Silk paper, which is FSC certified (FSC Mixed Sources product group from well managed forests and other controlled sources) and is produced at a mill that is certified to the ISO14001 and EMAS environmental management standards. The pulp is bleached using mainly a Totally Chlorine Free (TCF) process, but some is bleached using an Elemental Chlorine Free (ECF) process. This material is recyclable and biodegradable.

A copy of this report is available on our website.

If you have finished reading the report and no longer wish to retain it, please pass it on to other interested readers, return it to ITE or dispose of it in your recycled paper waste.

Designed and produced by The College www.thecollege.uk.com

ITE Group plc
International headquarters
105 Salusbury Road
London, NW6 6RG
Tel: +44 (0)20 7596 5000
Fax: +44 (0)20 7596 5111
E-mail: enquiry@ite-exhibitions.com
www.ite-exhibitions.com