

## **Note 1 to the financial information**

### **Basis of accounting**

ITE Group Plc is a UK listed company and together with its subsidiary operations is hereafter referred to as 'the Company'. The Company is required to prepare its consolidated financial statements in accordance with International Reporting Standards ('IFRS') as endorsed by the European Union for its accounting period beginning on 1 October 2005. As the Company is also required to publish comparative information for this period on a consistent basis its effective transition date to IFRS is 1 October 2004.

IFRS are subject to amendment or interpretation by the International Accounting Standards Board and there is an ongoing process of review and endorsement by the European Commission. For these reasons, it is possible that the information contained within these statements may be subject to further change before the publication of the Company's 2006 Report and Accounts.

The preparation of financial statements under IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, and income and expenses. These estimates and associated assumptions are based on past experience and other factors considered applicable at the time and are used to make judgements about the carrying value of assets and liabilities that cannot be readily determined from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Changes to estimates and assumptions are reflected in the financial statements in the period in which they are made.

The statements are presented in pounds sterling and have been prepared under IFRS using the historical cost convention.

### **IFRS 1 exemptions**

IFRS 1 (First-time adoption of International Financial Reporting Standards) allows a number of exemptions from the full requirements of IFRS for those companies adopting IFRS for the first time. ITE has taken advantage of certain of these exemptions as follows:

#### *Business combinations*

The Group has elected not to apply IFRS 3 (Business combinations) retrospectively to business combinations prior to 1 October 2004.

#### *Share-based payments*

The Group has applied IFRS 2 to share based payments granted since 7 November 2002 and that have not vested by 1 January 2005.

#### *Cumulative equity translation differences*

Under IAS 21 cumulative translation differences for all foreign operations prior to 1 October 2004 have been deemed to be zero. Consequently any gain or loss on disposal will exclude translation differences that arose prior to 1 October 2004.

#### *Valuation of property, plant or equipment*

ITE has elected not to use the fair value of an item of property, plant and equipment at the transition date as its deemed cost.

#### *Financial Instruments*

The Group has elected not to apply IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and presentation) in respect of the year ended 30 September 2005. UK GAAP has continued to be applied in accounting for financial instruments in this period. The Group will adopt IAS 39 and IAS 32 with effect from 1 October 2005 and consequently restate the balance sheet

at that date in accordance with the requirements of these standards, which will generally mean a recognition of financial instruments at fair value.

### **Basis of consolidation**

The Group accounts consolidate the accounts of ITE Group plc and its subsidiary undertakings drawn up to 30 September each year.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets is recognised as goodwill. The interest of minority shareholders is stated at the minority's proportion of the fair values of assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the profit and loss account and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or associate the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill on acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill arising on acquisitions before the date of transition to IFRSs as sterling denominated assets.

### **Intangible assets**

Computer software, trademarks, brands and customer lists are measured initially at purchase cost. Computer software, trademarks, brands and customer lists have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over their estimated useful life.

### **Impairment of assets excluding goodwill**

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of an impairment loss. An impairment loss is recognised as the

amount by which the asset's carrying amount exceeds the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment assets are grouped into cash-generating units.

### **Property, plant and equipment**

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	- term of lease
Plant and equipment	- 4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying value amount of the asset and is recognised in income.

### **Associates**

Associates are entities over which the Group has a significant influence but not control or joint control. In the Group accounts the results and assets and liabilities of associates are accounted for using the equity method. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment. The consolidated income statement includes the Group's share of associates' profits less losses. The share of profits of associates included in the income statement is the net profit after interest, tax and minority interests of the associate. Losses of associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill within the Group's investment in associates.

Where a Group company transacts with an associate, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

### **Venue advances**

Where the Group has advanced funds to venue owners that can be repaid by either off-setting against future venue hire or by cash payment, the fair value is recognised based on the discounted value of future cash receipts. The loan balance is subsequently measured at amortised cost using the "effective interest rate method". As the Group has taken advantage of the of the exemption in IFRS 1 that enables the Group to apply these standards from 1 October 2005, an adjustment in the income statement will be first recognised in the year ended 30 September 2006.

Advances that are prepayments of future venue hire and do not permit the repayment of the principal in cash are recognised at cost as prepayments within debtors due within one year.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts which are not part of the Group's long-term financing activities.

### **Provisions**

Provisions for onerous contracts are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Financial Instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

*Trade debtors and creditors*

Trade debtors and creditors are stated at their nominal value. Trade debtors are reduced by appropriate allowances for estimated irrecoverable amounts.

*Bank borrowings*

Bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis to profit or loss.

*Hedging instruments*

Cash flow hedges are carried at fair value in the balance sheet. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in the hedging reserve and any ineffective portion is recognised in profit or loss.

Fair value hedges are carried at fair value in the balance sheet. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recognised in the income statement, along with any changes in fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion is also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

The Group's use of financial derivatives is governed by the Group's financial policies.

**Revenue**

Revenue represents the fair value of amounts receivable for goods and services provided in the ordinary course of business net of discounts, VAT and other sales related taxes.

Revenue and profit is recognised over the course of an event. Billings and cash received in advance, and directly attributable costs relating to future events are deferred. The amounts so deferred are included in the balance sheet as deferred event income and prepaid event costs respectively. Losses anticipated at the balance sheet date are provided in full.

**Barter transactions**

Where barter transactions occur between advertising and exhibition space, revenue is only recognised if it can be demonstrated that the transaction would have occurred regardless of the barter agreement. If this cannot be shown no revenue or cost is recognised in the profit and loss account.

**Operating profit**

Operating profit is stated before the share of results of associates and before investment income and finance costs.

**Taxation**

The tax expense represents the sum of tax currently payable and deferred tax.

The current tax is based on the taxable profit for the year using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from net profit as reported

in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that does not effect the tax profit or the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange prevailing at that date. Non-monetary assets and liabilities are translated at the rate prevailing at the date the fair value was determined. Gains and losses arising on retranslation of monetary assets are included in profit or loss for the period.

Details of the Group's accounting policies for forward contracts and options are included in the policy on derivative financial instruments.

On consolidation, the results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising are classified as equity and transferred to the Group's translation reserve.

### **Employee Share Trust**

The financial statements include the assets and liabilities of the Employee Share Trust ('ESOT'). Shares in the Company held by the ESOT have been valued at cost and are held in equity. The costs of administration of the ESOT are written off to profit or loss as incurred.

Where such shares are subsequently sold, any net consideration received is included in equity attributable to the Company's equity holders.

### **Share-based payments**

The Group has applied IFRS 2 Share-based payments. IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured using a Black-Scholes model. The expected life used in the model has been adjusted, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**Leases**

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.