

ITE GROUP PLC

UPDATE ON ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

ITE Group plc is preparing its financial statements in accordance with International Financial Reporting Standards ('IFRS') with effect from the year ended 30 September 2006.

The following analysis has been prepared on the basis of International Accounting Standards ('IAS') and IFRS, and related interpretations published by the International Accounting Standards Board ('IASB'), and subsequently approved by the European Commission, and are therefore subject to possible change. As a result, information contained within these statements may require updating for any subsequent amendments to IFRS.

This analysis explains how the Group's previously reported UK GAAP financial performance and position are reported under IFRS. It provides, on an IFRS basis, reconciliations from UK GAAP to IFRS for the following:

- the Group's unaudited consolidated income statement for the year ended 30 September 2005;
- the Group's unaudited consolidated balance sheet as at 30 September 2005;
- the Group's unaudited consolidated cash flow statement for the year ended 30 September 2005;
- and
- the Group's unaudited consolidated balance sheet as at 1 October 2004.

Attention is drawn to the fact that under IFRSs, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative information and explanatory notes, can provide a fair presentation of the company's financial position, results of operations and cash flows.

The financial information contained on pages 8 to 11 has been prepared by management using their best knowledge and judgement of the expected standards and interpretations of the IASB, facts and circumstances, and accounting policies that will be applied when the company prepares its first complete set of IFRS financial statements as at 30 September 2006. The Group's financial results for the six month period ending 31 March 2006 will be prepared under IFRS.

Therefore, until such time the possibility cannot be excluded that the comparative information included in that first complete set of IFRS financial statements may not be consistent with disclosure below.

The financial information presented is unaudited.

BASIS OF PREPARATION

The financial information presented in this document has been prepared on the basis of all International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and interpretations published by the International Accounting Standards Board ('IASB') and its committees, and as interpreted by any regulatory bodies applicable to the Group. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission, and are therefore subject to possible change. As a result, information contained within these statements may require updating for any subsequent amendments to IFRS required for first time adoption or those new standards that the Group may elect to adopt early.

1. IFRS 1 exemptions

IFRS1, "First time adoption of International Financial Reporting Standards" sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies as at 30 September 2005 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 October 2004.

The standard provides a number of optional exceptions to this general principle. The most significant of these are set out below, together with a description in each case of the exception adopted by the Group.

a) Business combinations that occurred before the opening IFRS balance sheet date (IFRS 3, "Business combinations").

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition, 1 October 2004.

All other business combinations since 1 October 2004 have been accounted for under IFRS 3.

b) Share-based payments (IFRS 2, "Share-based payment").

The Group has elected to apply IFRS 2 to all relevant share based payment transactions granted after 7 November 2002 but not fully vested at 1 January 2005.

c) Financial Instruments (IAS 32, "Financial Instruments: Disclosure and Presentation" and IAS 39, "Financial Instruments: Recognition and Measurement").

The Group has not applied IAS 32 and IAS 39 for the period presented and has therefore taken advantage of the exemption in IFRS 1 that enables the Group to apply these standards from 1 October 2005.

d) Foreign currency translation differences (IAS 21, "The effects of changes in foreign exchange rates").

The Group has taken advantage of the IFRS 1 exemption allowing the cumulative translation differences on retranslation of subsidiaries' net assets to be deemed to be zero (for all subsidiaries) at the date of transition to IFRS. Any gains and losses subsequent to disposals of foreign operations will exclude translation differences arising prior to the transition date.

2. Presentation of financial information

The primary statements within the financial information combined in this document have been presented in accordance with IAS 1, "Presentation of Financial Statements". However, this format and presentation may require modification in the event that further guidance is issued and as practice develops.

KEY IMPACT ANALYSIS

The analysis below sets out the most significant adjustments arising from the transition to IFRS.

1. Presentation of Financial Statements

The format of the Group's primary financial statements has been presented in accordance with IAS 1, "Presentation of Financial Statements".

The IFRS cash flow statement explains the change in cash and cash equivalents rather than just cash as under UK GAAP. Cash and cash equivalents under IFRS comprise cash and certain short-term liquid investments. The format of the cash flow statement changes with cash flows being categorised under the headings of "operating", "investing" and "financing".

2. Intangible assets

a) Goodwill and acquired intangible assets amortisation

IAS 38, "Intangible assets" states that goodwill is not amortised. Instead goodwill is subject to an annual impairment review. As the Group has elected not to apply IFRS 3 retrospectively to business combinations prior to 1 October 2004, the original UK GAAP goodwill balance at 1 October 2004 (£29.3m) has been included in the opening IFRS consolidated balance sheet and is no longer amortised, but continues to be subject to impairment reviews.

b) Intangible assets acquired

Business combinations since 1 October 2004 have been accounted for in accordance with IFRS 3, "Business combinations", with intangible assets recognised and amortised over their useful economic lives where they are separable or arise from a contractual or legal right. Intangible assets relating to customer lists and databases and brand trademarks, are being amortised over their estimated useful lives.

c) Computer software

Under UK GAAP, capitalised computer software is included within tangible fixed assets on the balance sheet as property, plant and equipment. Under IAS 38 only computer software that is integral to a related item of hardware can be included as property, plant and equipment. All other computer software is recorded as an intangible asset. Accordingly a reclassification has been made in the opening balance sheet of £650,000 from property, plant and equipment to intangible assets.

3. Deferred and Current taxes

IAS 12, "Income taxes" requires deferred tax to be provided on all temporary differences rather than just timing differences under UK GAAP. IAS 12 also requires deferred tax to be provided in respect of the Group's employee benefits such as share option schemes. The overall tax impact of these and other IFRS adjustments is quantified in the relevant section of this statement.

4. Share-based payments

IFRS 2, "Share-based payment" states that an expense for equity instruments granted should be recognised in the financial statements based on their "fair value" at the date of grant. This expense, which is in relation to employee option and performance share plans, is then recognised over the vesting period of the relevant scheme.

IFRS 2 has been applied to all options granted after 7 November 2002 and not fully vested by 1

January 2005. The Group has adopted the Black Scholes model for the purpose of computing fair value under IFRS.

5. Post Balance Sheet Events & Dividends

IAS 10, "Events after the Balance Sheet date" requires that dividends declared after the balance sheet date should not be recognised as a liability at that balance sheet date as the liability does not represent a present obligation as defined by IAS 37, "Provisions, Contingent liabilities and Contingent assets".

The final dividend declared in February 2005 in relation to the year ended 30 September 2004 has been reversed in the opening balance sheet and charged to equity in the balance sheet as at 30 September 2005. An adjustment to reverse the dividend declared in February 2006 has also been made to the balance sheet as at 30 September 2005.

6. Income from associates

IAS 1, "Presentation of Financial Statements" requires the aggregated profit or loss of an associate to be disclosed as a single line item within the income statement. Under UK GAAP, the Group separately presented its share of operating profit, interest, tax and minority interest from associate undertakings.

7. Venue loans and prepayments

IAS 32, "Financial Instruments: Disclosure and Presentation" and IAS 39, "Financial Instruments: Recognition and Measurement" require financial assets to be initially recognised at fair value. 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 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.

8. Leases

IAS 17, "Leases" requires that the expense is recognised on a straight line basis over the lease term, including any rent-free or reduced rent periods given at the inception of a lease. The income statement has been adjusted to take into account the amortisation of lease incentives over a longer period than the UK GAAP, which recognises incentives over the period to the first rent review date.

9. Holiday pay accrual

IAS 19, "Employee benefits" requires a liability to be recognised for the amount of accrued holiday pay of employees at the balance sheet date in respect of any holiday amounts which they are still entitled to at that time.

PERFORMANCE MEASUREMENT

Income statement

Headline profit before tax

The Group has for many years presented headline profit before tax as an additional performance measure. This will now be defined as profit before taxation, amortisation and impairment of acquired intangible assets and goodwill and profits and losses arising on disposal of group undertakings.

Headline diluted earnings per share

Future references to headline diluted earnings per share, within the notes to the financial statements, will use profit before amortisation and impairment of acquired intangible assets and goodwill (including associates) and profits or losses arising on disposal of group undertakings.

Notes to the Consolidated IFRS statement

Earnings per share

Basic and diluted

	UK GAAP IFRS Format (unaudited)	IFRS (unaudited)
	2005	2005
	£000	£000
Profit for the financial year attributable to equity holders of the parent	15,563	18,423

	2005 Number of shares ('000) UK GAAP and IFRS (unaudited)
Weighted average number of shares:	
For basic earnings per share	273,134
Exercise of share options	9,197
For diluted earnings per share	282,331

Income statement
Year ended 30 September 2005

	IFRS adjustments										IFRS adjusted results
	UK GAAP in IFRS format	IFRS 2 Share based payments	IAS 10 Dividends	IAS 17 Leases	IAS 38 Intangible assets	IAS 38 Computer software	IFRS 3 Amortisation	IAS 12 Deferred tax	IAS 28 Associates	IAS 19 Holiday pay	
Revenue	78,547										78,547
Cost of sales	(42,552)										(42,552)
Gross profit	35,995	0	0	0	0	0	0	0	0	0	35,995
Net administrative expenses before amortisation	(12,232)	(531)		53							(12,701)
Other operating income										10	0
Amortisation	(3,142)						2,764				(378)
Total administrative expenses	(15,374)	(531)	0	53	0	0	2,764	0	0	10	(13,079)
Operating profit	20,621	(531)	0	53	0	0	2,764	0	0	10	22,916
Share of associates' profit before goodwill amortisation	612								(236)		376
Amortisation	(153)						153				0
Share of associates' profit	459	0	0	0	0	0	153	0	(236)	0	376
Profit/(provision or loss) on disposal of group undertakings	221										221
Income from investments	2,085										2,085
Finance costs	(427)										(427)
Profit on ordinary activities before taxation	22,959	(531)	0	53	0	0	2,917	0	(236)	10	25,171
Tax on profit on ordinary activities	(7,429)							412	236		(6,781)
Profit for the period from continuing operations	15,530	(531)	0	53	0	0	2,917	412	0	10	18,390
Attributable to:											
Equity holders of the parent	15,563	(531)	0	53	0	0	2,917	412	0	10	18,423
Minority interests	(33)										(33)
	15,530	(531)	0	53	0	0	2,917	412	0	10	18,390
Earnings per share (pence)											
Basic	5.7	(0.2)	0.0	0.0	0.0	0.0	1.1	0.2	0.0	0.0	6.7
Diluted	5.5	(0.2)	0.0	0.0	0.0	0.0	1.0	0.1	0.0	0.0	6.5

Balance Sheet

Balance sheet position - as at 30 September 2005

	IFRS adjustments									IFRS adjusted results
	UK GAAP in IFRS format	IFRS 2 Share based payments	IAS 10 Dividends	IAS 17 Leases	IAS 38 Intangible assets	IAS 38 Computer software	IFRS 3 Amortisation	IAS 12 Deferred tax	IAS 28 Associates	
Non-current assets										
Goodwill	33,698				(5,641)		3,139	1,575		
Other intangible assets	109				5,641	615	(375)			
Property, plant and equipment	1,741					(615)				
Investments in associates	1,257						153			
Venue loans and other loans	2,216									
Deferred tax assets	88							1,307		
	39,109	0	0	0	0	0	2,917	2,882	0	0
Current assets										
Debtors due within one year	22,722									
Cash and cash equivalents	13,019									
	35,741	0	0	0	0	0	0	0	0	0
Total assets	74,850	0	0	0	0	0	2,917	2,882	0	0
Current liabilities										
Trade and other payables	(48,335)		4,603							(112)
Bank loans and overdrafts	(0)									(0)
Provisions										0
	(48,335)	0	4,603	0	0	0	0	0	0	(112)
Non-current liabilities										
Other creditors				(722)						
Provisions for liabilities and charges	(2,316)									
Deferred tax liabilities	(0)							(1,671)		
Bank loans - due after one year										0
	(2,316)	0	0	(722)	0	0	0	(1,671)	0	0
Total liabilities	(50,651)	0	4,603	(722)	0	0	0	(1,671)	0	(112)
Net assets	24,199	0	4,603	(722)	0	0	2,917	1,211	0	(112)
Capital and reserves										
Called up share capital	2,599									
Share premium account	38									
Merger reserve	2,746									
ESOT reserve	(3,562)									
Deferred tax reserve								449		
Profit and loss account	21,432	0	4,603	(722)	0	0	2,917	762	0	(112)
Hedge and translation reserve	751									
	24,005	0	4,603	(722)	0	0	2,917	1,211	0	(112)
Equity attributable to equity holders of the parent	24,005	0	4,603	(722)	0	0	2,917	1,211	0	(112)
Minority interests	194									
	194									
Total equity	24,199	0	4,603	(722)	0	0	2,917	1,211	0	(112)

Cash flow statement
Year ended 30 September 2005

	UK GAAP in IFRS format	IFRS adjustments									IFRS adjusted results
		IFRS 2 Share based payments	IAS 10 Dividends	IAS 17 Leases	IAS 38 Intangible assets	IAS 38 Computer software	IFRS 3 Amortisation	IAS 12 Deferred tax	IAS 28 Associates	IAS 19 Holiday pay	
Cash flow from operating activities											
Profit from operations	20,621	(531)	0	53	0	0	2,764		0	10	22,916
Adjustments for:											
Depreciation	448										448
Foreign exchange loss											0
Loss on sale or write down of assets	79										79
Amortisation	3,142						(2,764)				378
Increase/(decrease) in provisions	974			(53)							922
Share based payments		531									531
Operating cash flows before movements in working capital	25,264	0	0	0	0	0	0	0	0	10	25,274
Decrease in trade receivables	1,969										1,969
Increase in trade payables	1,365									(10)	1,355
Cash generated from operations	28,598	0	0	0	0	0	0	0	0	0	28,598
Tax paid	(8,378)										(8,378)
Interest paid	(427)										(427)
Net cash from operating activities	19,793	0	0	0	0	0	0	0	0	0	19,793
Cash flow from investing activities											
Interest received	2,085										2,085
Dividends received from associates	437										437
Disposal of subsidiary											0
Acquisition of subsidiary	(5,785)										(5,785)
Venue advances	(828)										(828)
Loan and venue repayments	1,271										1,271
Purchase of property, plant & equipment	(430)										(430)
Purchase of intangibles											0
Net cash used in investing activities	(3,250)	0	0	0	0	0	0	0	0	0	(3,250)
Cash flows from financing activities											
Dividends paid	(7,088)										(7,088)
Repayment of borrowings											0
Acquisition and cancellation of shares	(30,185)										(30,185)
Acquisition of shares by ESOT	(869)										(869)
Proceeds from exercise of options on shares held by ESOT	145										145
Proceeds from issue of share capital	927										927
Cash flows from financing activities	(37,070)	0	0	0	0	0	0	0	0	0	(37,070)
Net increase/(decrease) in cash and cash equivalents	(20,527)	0	0	0	0	0	0	0	0	0	(20,527)
Cash and cash equivalents at beginning of period	33,546										33,546
Cash and cash equivalents at end of period	13,019	0	0	0	0	0	0	0	0	0	13,019

Balance Sheet

Opening balance sheet position - as at 1 October 2004

	IFRS adjustments						IFRS adjusted results
	UK GAAP in IFRS format	IFRS 2 Share based payments	IAS 10 Dividends	IAS 17 Leases	IAS 38 Computer software	IAS 12 Deferred tax	
Non-current assets							
Goodwill	29,348						29,348
Other intangible assets	75				651		726
Property, plant and equipment	1,862				(651)		1,211
Investments in associates	1,377						1,377
Venue loans and other loans	4,060						4,060
Deferred tax assets	137					807	944
	36,858	0	0	0	0	807	37,665
Current assets							
Debtors due within one year	23,289						23,289
Cash and cash equivalents	33,546						33,546
	56,835	0	0	0	0	0	56,835
Total assets	93,693	0	0	0	0	807	94,500
Current liabilities							
Trade and other payables	(47,774)		4,533				(43,362)
Bank loans and overdrafts	0						0
Provisions							0
	(47,773)	0	4,533	0	0	0	(43,362)
Non-current liabilities							
Other creditors				(774)			(774)
Provisions for liabilities and charges	(1,498)						(1,498)
Deferred tax liabilities					(159)		(159)
Bank loans - due after one year							0
	(1,498)	0	0	(774)	0	(159)	(2,431)
Total liabilities	(49,271)	0	4,533	(774)	0	(159)	(45,793)
Net assets	44,422	0	4,533	(774)	0	648	48,707
Capital and reserves							
Called up share capital	2,852						2,852
Share premium account	29,036						29,036
Merger reserve	2,746						2,746
ESOT reserve	(2,792)						(2,792)
Deferred tax reserve						298	298
Profit and loss account	12,352	0	4,533	(774)	0	350	16,339
Hedge and translation reserve							0
Equity attributable to equity holders of the parent	44,194	0	4,533	(774)	0	648	48,479
Minority interests	228						228
Total equity	44,422	0	4,533	(774)	0	648	48,707