2005 ITE GROUP PLC

Interim Report 2005

ITE GROUP PLC

Overview

“ITE has delivered a strong trading result for the first six months.”

“Cash flow remains strong and our core markets continue to perform well.”

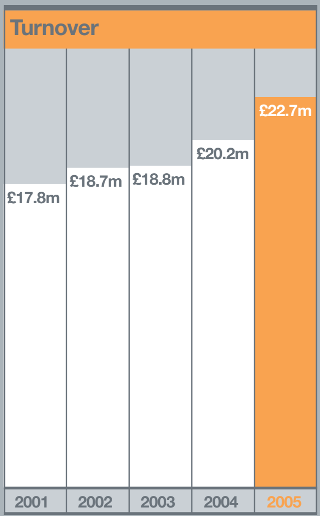
“The Board has approved an interim dividend of 0.9p per share (2004 – 0.55p).”

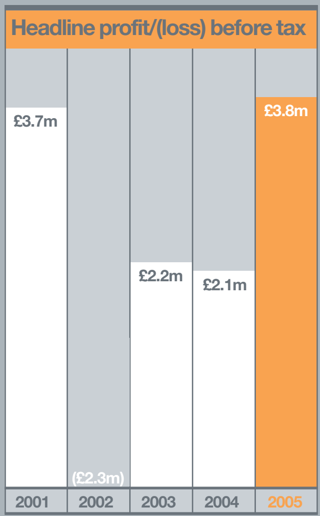
“The Board intends to buy back and cancel up to £30m of its own shares.”

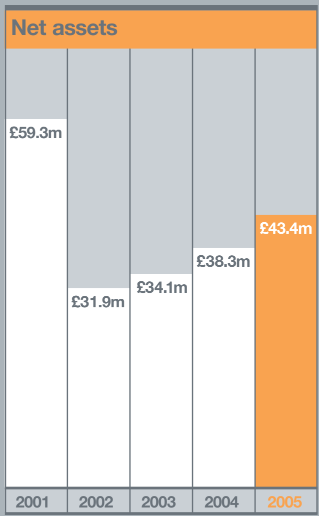
“The Board remains positive with respect to the prospects for the remainder of the year.”

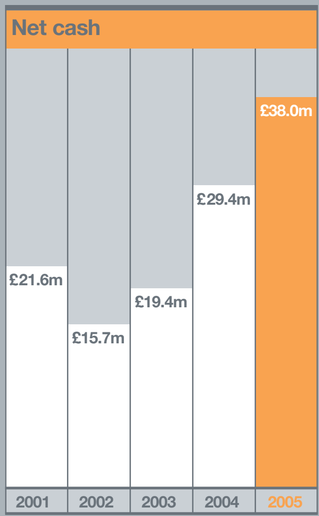
Financial highlights

	Six months to 31 March 2005	Six months to 31 March 2004
Turnover	**£22.7 million**	£20.2 million
Profit before taxation	**£2.2 million**	£0.8 million
Headline profit before taxation*	**£3.8 million**	£2.1 million
Basic and diluted earnings per share	**0.4 pence**	0.1 pence
Headline diluted earnings per share**	**1.0 pence**	0.6 pence
Interim dividend per share	**0.9 pence**	0.55 pence
Net cash	**£38.0 million**	£29.4 million
Net assets	**£43.4 million**	£38.3 million









* Headline profit before taxation is defined as profit before tax, amortisation and impairment of goodwill and investments or losses arising on disposal of group undertakings. A reconciliation between Headline profit before taxation and reported Profit on ordinary activities before taxation is set out in Note 6.

** Headline diluted earnings per share is calculated using profit for the financial period before amortisation and impairment of goodwill and amounts written off investments attributable to the ordinary shareholders. A reconciliation between this profit and the Profit for the financial period is set out in Note 3.

Interim statement

The Board sees significant opportunities in the Group's markets and intends to pursue its growth strategy both organically and through acquisition.

Interim report

ITE has delivered a strong trading result for the first six months with turnover of £22.7m (2004: £20.2m) and Headline profit before tax of £3.8m (2004: £2.1m). Reported pre-tax profits for the six months were £2.2m (2004: £0.8m).

Cash flow remains strong and our core markets continue to perform well. Net cash expended on acquisitions and venue loans for the 6 month period amounted to £3.0m.

Dividend

The Board has approved an interim dividend of 0.9p per share (2004 – 0.55p). The increase in the interim dividend follows the re-basing of last year's final dividend. The Board aims to increase future dividends progressively in line with earnings. This dividend will be paid on 23 June 2005 to shareholders on the register on 3 June.

Board and management

As previously announced, Ross Stobie, General Manager of our Moscow office, will be resigning from his current role and from the ITE Board on 9 August 2005. The Board extends its thanks to Ross for his contribution over the last three years and for his part in steering the Moscow operation through a significant period of growth and expansion. A new General Manager has been appointed and will be joining the Group in June.

Share buy-back

The Board sees significant opportunities in the Group's markets and intends to pursue its growth strategy both organically and through acquisition. In addition, having regard to the Group's strong cash flow and potential debt capacity the Board has determined that the present level of cash balances are surplus to its requirements. At 31 March 2005 the Group has £38.0m in cash, an increase of £8.6m over the same time last year. The Board intends to buy back and cancel up to £30m of its own shares and has today sent a circular to shareholders requesting their approval for the Company to cancel its share premium account and for a new authority to make market purchases of its own shares. Subject to these approvals and to Court approval being granted for the cancellation of its share premium, the Company will issue a tender document for a share buy-back in July.

Financial performance

Turnover for the first six months of the year was £22.7m (2003: £20.2m). Gross profits of £8.6m (2004: £7.2m) were earned at a margin of 38% (2004: 36%) on revenue. £1.6m of the increase in revenue and £0.8m of the increase in gross profit is attributable to acquisitions made in 2004.

Operating profit for the first six months was £1.0m (2004: £0.4m). Operating costs before amortisation charges were £6.0m (2004: £5.6m) and included foreign exchange losses of £0.4m (2004: £1.0m). The increase in underlying costs was largely attributable to higher staff costs, including the costs of expensing Performance Share Plans and the additional overhead of the RAS Publishing acquisition.

Net interest receipts of £0.9m (2004: £0.4m) were earned on higher average cash balances and better interest rates. ITE's share of associate profits was £0.3m (2004: £0.1m).

Profit before tax of £2.2m (2004: £0.8m) represents an improvement of £1.4m over the comparable result for the same period last year.

Set out below is an analysis of the Group's sales and profits for the first six months:

	Square metres 000's	Revenue £m	Gross profits £m
First Half 2004	85.3	20.2	7.2
Timing differences	(6.7)	(0.9)	(0.4)
Core growth	7.8	1.2	1.0
New events launched	9.1	1.8	0.1
Acquisitions	6.5	1.6	0.8
Non – recurring	(5.0)	(1.2)	(0.1)
First half 2005	**97.0**	**22.7**	**8.6**

After making adjustment for events which have changed datelines and excluding the effect of acquisitions the Group's 'like for like' revenues increased by 9% for the period and its 'like for like' gross profits increased from £7.2m to £8.2m. Average yields per square metre sold fell marginally as they were affected by new launch activity and by the weaker US Dollar.

Interim statement
continued

Trading highlights

During the period to 31 March 2005, ITE organised 69 events (2004: 58 events). The following events were the top ten contributors to interim gross profits:

			Area m² 2004/2005	Area m² 2003/2004
Moscow International Travel and Tourism	Russia	Travel	19,300	17,000
Kazakhstan Oil & Gas	Kazakhstan	Oil & Gas	7,400	6,200
Ingredients Russia	Russia	Food	5,500	4,700
MODA UK Spring	UK	Fashion	12,100	10,300
TransRussia	Russia	Motor/Transport	4,600	3,100
Moscow International Sports Show	Russia	Other	3,300	4,000
Kievbuild	Ukraine	Construction	5,000	4,100
Public Health	Ukraine	Other	3,500	n.a.
Informatica Technology (ITC)	Ukraine	IT & Telecoms	3,000	n.a.
Worldfood Ukraine	Ukraine	Food	2,400	2,800

Public Health and Informatica Technology represent acquisitions made in 2004. Overall growth in the eight other 'top ten' events for the period was 14% in terms of space sales and 17% in terms of revenue.

Russia

The Moscow team organised 14 events in the first half of the year. The most significant events were the Moscow International Travel Show, Ingredients Russia, TransRussia and the Moscow International Sports event. The Travel show grew by 13% in space sales, but less in revenue while Ingredients Russia's 16% growth in space sales was translated into 20% revenue growth. TransRussia, affected last year by competitor activity, rebounded strongly and the 10th edition of the TransRussia event was the most successful ever in revenue, space, visitor attendance and profit terms. The Moscow Sports show reduced in size this year as the market was disturbed by a new competitive launch.

The St Petersburg office organised 3 events in the first six months each of which performed to expectations.

Central Asia

The annual Kazakhstan Oil and Gas exhibition grew in size by 20%, making use of the new exhibition pavilion built in Almaty with assistance from ITE. The conference, which is organised concurrently with the exhibition, grew modestly and contributed to an overall increase in revenues from the whole event of 10%. Overall there were 22 events (including 9 new launches) organised by the teams in Kazakhstan, Uzbekistan and Azerbaijan over the period. Two promising events, Worldfood Kazakhstan and Atyrau Build both showed good growth on the previous editions.

Ukraine

The Kyiv team organised 14 events over the six month period including the successful integration of the two acquisitions in the Health and Information technology sectors. Both new shows benefited from a move to the IEC venue, with which ITE has a close co-operation, and overall realised a 20% increase on the 2004 pre-acquisition events. Worldfood Kiev, held in November 2004, partially suffered from political events at the time. Following the resolution of political events Kievbuild, held in February 2005, enjoyed excellent support and delivered strong growth.

Turkey

ITF, our 50% associate operating in Istanbul delivered improved profits over the first six months with good contribution from the two automotive shows. The second half has begun well with a very successful re-branding and re-launch initiative on the Furniture event.

UK

The MODA UK fashion exhibition in Birmingham continued its strong performance with another 16% growth in space sales, further consolidating its market leading position in the sector. The RAS Publication acquisition has integrated well with the exhibition team and achieved its revenue expectations. During the period RAS acquired the title to a new magazine, Fashion Extras, focussing on the accessories market.

Outlook

Since 31 March the Group has organised some of its other major exhibitions. The 2005 edition of MosBuild expanded into the new Crocus exhibition facility in Moscow and was an unprecedented success. The additional exhibition space made available facilitated an increase in size of the overall MosBuild Building and Construction event (including Windows and Doors) from last year's 44,600 net square metres to over 54,000 net square metres this year. The Moscow International Boat Show, Moscow International Protection and Security Show and Expoelectronica all substantially improved their performances with overall growth of 14% in square metres sold.

At 13 May 2005 £64.1m of revenue (14 May 2004: £53.3m) has been contracted for the 2005 financial year. The World Petroleum Congress, which ITE is organising and which is due to take place in September 2005, has to date achieved its sales targets and should make a significant additional contribution to this financial year.

Among our remaining top ten events still to take place are the Moscow International Oil and Gas Exhibition in June, the Moscow International Motor Show taking place in August, World Food Moscow and Baltic Building Week both taking place in September and forward sales on each event are well advanced. The Board remains positive with respect to the prospects for the remainder of the year.

Ian Tomkins
Chief Executive Officer

Iain Paterson
Chairman

Consolidated profit and loss account

	Note	**Six months to 31 March 2005 Unaudited £000**	Six months to 31 March 2004 Unaudited £000	Year ended 30 September 2004 Audited £000
Turnover		**22,666**	20,153	60,750
Cost of sales		**(14,116)**	(12,938)	(33,542)
Gross profit		**8,550**	7,215	27,208
Net operating expenses before goodwill amortisation		**(5,993)**	(5,566)	(10,883)
Goodwill amortisation		**(1,535)**	(1,274)	(2,528)
Total operating expenses		**(7,528)**	(6,840)	(13,411)
Operating profit		**1,022**	375	13,797
Share of associates' operating profit before goodwill amortisation		**370**	134	676
Goodwill amortisation		**(76)**	(76)	(221)
Share of associates' operating profit		**294**	58	455
Profit on disposal of group undertakings		**–**	–	323
Profit on ordinary activities before interest		**1,316**	433	14,575
Investment income		**1,098**	365	1,148
Interest payable		**(187)**	(2)	(16)
Profit on ordinary activities before taxation		**2,227**	796	15,707
Tax on profit on ordinary activities		**(1,077)**	(528)	(4,955)
Profit on ordinary activities after taxation		**1,150**	268	10,752
Minority interests		**–**	(1)	(31)
Profit for the financial period		**1,150**	267	10,721
Dividends		**(2,544)**	(1,448)	(5,984)
Retained (loss)/earnings		**(1,394)**	(1,181)	4,737
Earnings per share				
Basic	3	**0.4p**	0.1p	3.9p
Diluted	3	**0.4p**	0.1p	3.8p
Headline diluted	3	**1.0p**	0.6p	4.7p

All results derived from the continuing operations of the Group.

Consolidated balance sheet

	Note	**31 March 2005 Unaudited £000**	31 March 2004 Unaudited £000	30 September 2004 Audited £000
Fixed assets				
Goodwill		**30,459**	26,961	29,348
Tangible assets		**1,808**	2,007	1,862
Associates		**1,161**	1,075	1,377
Other investments		**85**	56	74
		33,513	30,099	32,661
Current assets				
Debtors due within one year	4	**22,643**	16,942	23,426
Debtors due after one year		**2,699**	2,966	4,060
Cash at bank and in hand		**38,009**	29,356	33,546
		63,351	49,264	61,032
Creditors: amounts falling due within one year	4	**(51,953)**	(40,118)	(47,773)
Net current assets		**11,398**	9,146	13,259
Total assets less current liabilities		**44,911**	39,245	45,920
Provisions for liabilities and charges		**(1,499)**	(940)	(1,498)
Net assets		**43,412**	38,305	44,422
Capital and reserves				
Called-up share capital		**2,887**	2,851	2,852
Share premium account		**29,877**	29,018	29,036
Merger reserve		**2,746**	2,746	2,746
ESOT reserve		**(3,580)**	(2,303)	(2,792)
Option reserve		**–**	23	23
Profit and loss account		**11,254**	5,973	12,329
Equity shareholders' funds		**43,184**	38,308	44,194
Minority interests		**228**	(3)	228
Total capital employed		**43,412**	38,305	44,422

Company balance sheet

	31 March 2005 Unaudited £000	31 March 2004 Unaudited £000	30 September 2004 Audited £000
Fixed assets			
Investments	**1,034**	1,022	1,024
	1,034	1,022	1,024
Current assets			
Debtors due within one year	**675**	508	653
Debtors due after one year	**13,866**	30,404	19,270
Cash at bank and in hand	**25,789**	5,024	21,188
	40,330	35,936	41,111
Creditors: amounts falling due within one year	**(2,866)**	(1,639)	(4,889)
Net current assets	**37,464**	34,297	36,222
Total assets less current liabilities	**38,498**	35,319	37,246
Net assets	**38,498**	35,319	37,246
Capital and reserves			
Called-up share capital	**2,887**	2,851	2,852
Share premium account	**29,877**	29,018	29,036
Merger reserve	**2,746**	2,746	2,746
ESOT reserve	**(3,580)**	(2,303)	(2,792)
Option reserve	**–**	23	23
Profit and loss account	**6,568**	2,984	5,381
Equity shareholders' funds	**38,498**	35,319	37,246

Consolidated cash flow statement

	Note	**Six months to 31 March 2005 Unaudited £000**	Six months to 31 March 2004 Unaudited £000	Year ended 30 September 2004 Audited £000
Net cash inflow from operating activities	5	**14,202**	9,196	21,754
Dividends received from associates		**437**	–	172
Returns on investments and servicing of finance		**911**	345	1,132
Taxation		**(4,510)**	(2,017)	(3,363)
Capital expenditure and financial investment		**258**	(73)	(2,858)
Acquisitions and disposals		**(2,347)**	1,818	(1,345)
Equity dividends paid		**(4,560)**	(3,012)	(4,545)
Cash inflow before management of liquid resources and financing		**4,391**	6,257	10,947
Management of liquid resources		**(2,500)**	(5,049)	(19,336)
Financing		**72**	995	495
Increase/(decrease) in cash in the period		**1,963**	2,203	(7,894)

Analysis of net funds

	30 September 2004 £000	Cash flow £000	**31 March 2005 £000**
Cash at bank and in hand	9,046	1,963	**11,009**
Net funds	9,046	1,963	**11,009**
Cash held on deposit	24,500	2,500	**27,000**
Cash shown on balance sheet	33,546	4,463	**38,009**

Notes

1. The interim results have been prepared on the historical cost basis, are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The interim results are prepared on the basis of accounting policies set out in the annual financial statements of the Group for the year ended 30 September 2004. These interim results were approved by the Board on 20 May 2005 and copies of this document are being sent to shareholders. Further copies are available from the Company's registered office.

2. The results for the year ended 30 September 2004 have been extracted from the statutory accounts, which have been reported on by the Group's auditors and have been delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985.

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

	Headline diluted		Basic and diluted	
	2005 £000	2004 £000	**2005 £000**	2004 £000
Profit for the financial period	**1,150**	267	**1,150**	267
Amortisation of goodwill	**1,611**	1,350	**–**	–
	2,761	1,617	**1,150**	267

	2005 Number of shares (000)	2004 Number of shares (000)
Weighted average number of shares:		
For basic earnings per share	**276,479**	273,716
Exercise of share options	**8,762**	7,059
For diluted earnings per share	**285,241**	280,775

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 for the financial year before amortisation and impairment of goodwill and profits or losses arising on disposal of group undertakings.

4. Debtors include trade debtors of £14.6m (31 March 2004: £11.5m; 30 September 2004: £19.3m) .

Creditors: amounts falling due within one year include deferred income of £43.5m (31 March 2004: £32.9m; 30 September 2004: £31.1m).

5. Reconciliation of operating profit to operating cash flows

	Six months to 31 March 2005 Unaudited £000	Six months to 31 March 2004 Unaudited £000	Year ended 30 September 2004 Audited £000
Operating profit	**1,022**	375	13,797
Depreciation charges	**224**	232	471
Amortisation	**1,535**	1,274	2,528
(Profit)/loss on sale of fixed assets	**–**	(6)	103
Decrease/(increase) in debtors	**1,569**	1,880	(2,638)
Increase in creditors	**9,330**	5,604	6,546
Increase/(decrease) in provisions	**522**	(163)	947
Net cash inflow from operating activities	**14,202**	9,196	21,754

6. Reconciliation of Headline profit before taxation to Profit on ordinary activities before taxation

	Six months to 31 March 2005 Unaudited £000	Six months to 31 March 2004 Unaudited £000	Year ended 30 September 2004 Audited £000
Profit on ordinary activities before taxation	**2,227**	796	15,707
Amortisation of goodwill and trade investments (including associates)	**1,611**	1,350	2,749
Loss on disposal of subsidiary undertakings	**–**	–	(323)
Headline profit before taxation	**3,838**	2,146	18,133

Independent review report to ITE Group plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 March 2005 which comprises the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the analysis of net funds and related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting polices and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2005.

Deloitte & Touche LLP
Chartered Accountants
London
20 May 2005

Directors and professional advisers

Directors
Iain Paterson
Non-executive Chairman

Ian Tomkins
Chief Executive Officer

Russell Taylor
Finance Director

Ceyda Erem
Executive Director

Ross Stobie
Executive Director

Edward Strachan
Executive Director

The Rt Hon Sir Jeremy Hanley, KCMG,
Non-executive Director

Michael Hartley
Non-executive Director

Christopher Russell
Non-executive Director

Marco Sodi
Non-executive Director

Company Secretary
Russell Taylor

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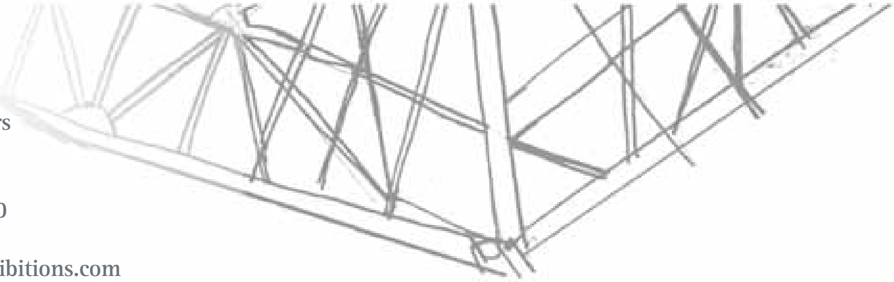
Financial calendar

Interim dividend

Record date	3 June 2005
Payment date	23 June 2005

Final dividend

Record date	January 2006
Payment date	March 2006



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