ITE Group plc

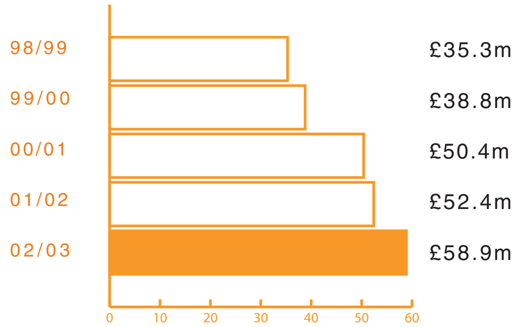
AnnualReport 2003

Contents

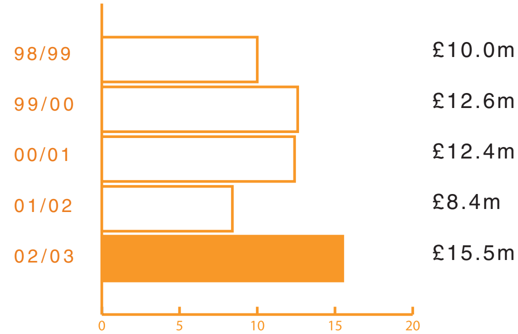
Financial Highlights

	Year ended 30 September 2003	Year ended 30 September 2002
Turnover	**£58.9 million**	£52.4 million
Profit/(loss) before tax	**£12.3 million**	(£0.4) million
Headline pre-tax profit*	**£15.5 million**	£8.4 million
Basic earnings/(loss) per share	**3.1p**	(1.0p)
Diluted earnings/(loss) per share	**3.0p**	(1.0p)
Headline diluted earnings per share**	**4.2p**	2.4p
Dividend per share	**1.6p**	2.45p
Net cash	**£22.1 million**	£17.7 million
Net assets	**£41.0 million**	£36.4 million

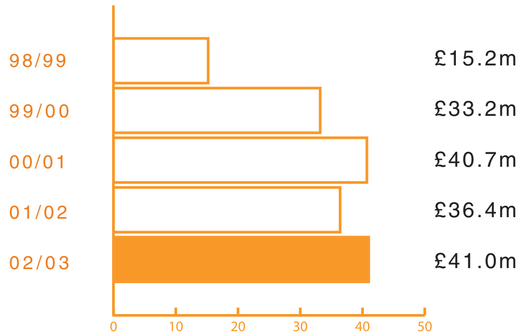
Turnover



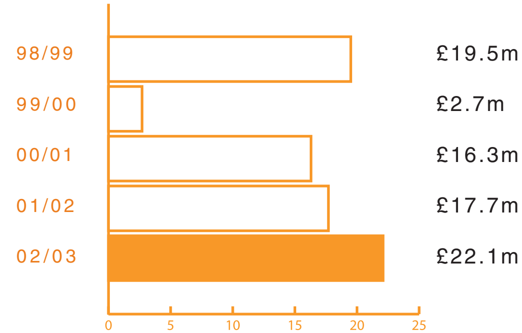
Headline pre-tax profit



Net assets



Net cash



* Headline pre-tax profit is defined as profit before tax, amortisation and impairment of goodwill and profits or losses arising on disposal of group undertakings. In the financial highlights of the annual reports for previous years, Headline profit before tax included profits and losses on disposal of group undertakings. These have been restated above to more accurately reflect the group's underlying performance.

** 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. The Headline diluted earnings per share for the year ended 30 September 2002 reflect the restated Headline profit for the year.

Chairman's Statement

Group performance

I am pleased to report record results for ITE Group plc which demonstrate the underlying strength of our business. Turnover and Headline Profit before tax for the year were £58.9 million and £15.5 million respectively. Headline diluted earnings per share grew by 75% to 4.2p per share and diluted earnings per share improved to 3.0p per share on Profit before tax of £12.3m compared to a loss of 1.0p per share on a Loss before tax of £0.4m in 2002. The Group has a strong balance sheet and ended the year with net cash of £22.1 million.

Strategic progress

We pursued a number of organic growth opportunities during the year, expanding our portfolio of events in sixteen countries and enhancing our major brands. Recently ITE has agreed terms with Expocentr, its principal Moscow venue, to extend the terms of its co-operation agreement covering our key events for a further five years.

We have continued to focus our business on its most profitable areas of activity. Since the year-end we have sold all of our interests in the Czech Republic and Slovakia to Incheba a.s., the owner of the other 50% interest. The effect of the floods in Prague in August 2002 had shifted the focus of the Czech business towards investment in and refurbishment of exhibition halls.

Board and management

There have been a number of changes to your Board during the year. Russell Taylor was appointed Group Finance Director and Company Secretary in March. Russell is a Chartered Accountant whose previous experience included eight years in the exhibitions industry. In July, Edward Strachan, Managing Director of our St Petersburg and Central Asia businesses was appointed to the Board. Edward has been with the Group for over ten years and now brings his breadth of experience of our industry to the Board.

Alex Bernstein resigned from the Board in June. Alex had significantly contributed to building our business in Moscow. Sir Hugh Bidwell, Deputy Chairman, stepped down from the Board in September after seven years with ITE and Alexander Rozin resigned from the Board in November following the sale of our Czech and Slovakian interests. The Board would like to thank these Directors for their contributions to the development of the Group over the years.

In July, Marco Sodi replaced Jeffrey Stevenson as one of the Non-executive Directors nominated by Veronis Suhler Stevenson. Marco is actively involved in the European media sector. Michael Hartley was appointed a Non-executive Director in October. Michael is currently Chairman of Dawson International plc and brings extensive experience of managing and growing internationally diversified groups of businesses.

In addition to the Board changes, we have streamlined and strengthened our management team. I should like, on behalf of the Board, to thank all our staff for the very considerable effort that they have made during the year. We are particularly appreciative of their support during a period of organisational and structural change.

Dividend

The Board has recommended a final dividend of 1.1p per share bringing the total dividend for the year to 1.6p per share. This represents a real increase of 6.7% in the annual dividend in line with the Board's progressive dividend policy.

Outlook

The Group enjoys a leading position in the Moscow, St Petersburg and Central Asian exhibition markets. We believe that these areas will continue to experience economic growth thereby underpinning the expansion of our business. We are opening opportunities for organic growth by taking our existing brands and core products into new emerging markets. With these strong foundations, we are confident that we can add value and continue the good financial performance of this year.

Iain Paterson
Chairman
8 December 2003

Chief Executive Officer's Review

Financial performance

Turnover for the year of £58.9m (2002: £52.4m) and Gross Profits of £26.7m (2002: £21.4m) reflect both the strength of the markets in which we operate and the benefits of re-focusing our business on its most profitable areas. Control of overheads assisted Operating Profits of £11.7m (2002: £6.9m excluding impairment charges) and an increase in Headline Profit before Tax to £15.5m from £8.4m last year. This is the stronger year in our biennial trading pattern and £2.4m of the increase in profits is attributable to events that only take place every two years.

Revenues are 12% higher than last year, despite the effect of a weakening dollar on our revenue streams. Circa £4.4m of the increase in revenue is attributable to our biennial events, Moscow International Oil and Gas and Autosalon. Events which took place last year and did not recur in 2003 (or were discontinued) and other timing differences reduced turnover by £4.3m. New launches and growth in our existing portfolio lifted turnover by £6.4m and profits by £3.6m.

The gross margin achieved of 45% is an improvement on last year's margin of 41%. The improvement is partly attributable to the margins we earn on the two biennial events, and partly to the steps we have taken to reduce our cost of sales and to eliminate less profitable business.

We carried out a review of our operating structure over the summer and the resulting changes yielded annualised savings of over £1m. The costs of the restructuring exercise were £0.4m. The cost of severing our relationship with the Czech and Slovakian exhibition businesses was £0.8m. This included expensing £0.5m of prepayments in respect of unused tenancies and a loss on disposal of £0.2m.

Our associated company contribution in the year primarily relates to our 50% owned business in Istanbul, Turkey. The core business sold 150,000 square metres, but yields are low and profits are depressed by the Turkish Lira, which is only one third of its February 2001 value against the dollar.

The Group has performed well this year and the results represent a highly creditable performance. This set of results confirms that our period of rationalisation and consolidation has been successfully completed and that the Group is making substantial progress. We have contracted £35m of business for the 2004 year which is an increase on a like for like basis of 11%.

Trading highlights

In 2003 we organised 114 events in 16 countries (2002: 117 events in 19 countries) and sold a total of 292,000 square metres of space (2002: 255,800 square metres). We launched 19 new events over the course of the year across a range of industries concentrating on the markets of Kazakhstan, Ukraine and Turkey.

Like for like growth in space sales of our annually recurring events was in excess of 14%, led by exceptionally strong results in our key core events. The top ten events ordered by contribution to gross profit in 2003 and their change in size over the previous year were:

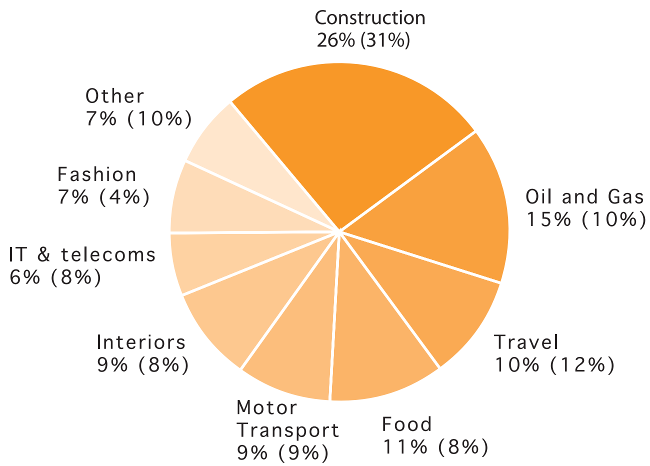
Rank	Event	2003 net sq.m.	2002 net sq.m.	Growth
1	Russia Building Week	34,600	26,900	28%
2	Moscow International Travel & Tourism (MITT)	17,500	15,000	16%
3	Moscow International Oil & Gas/Neftegas	14,300	3,400	*
4	World Food Moscow	17,500	14,600	20%
5	Autosalon / MIMS	22,800	15,600	*
6	MODA UK (bi-annual)	20,900	10,800	93%
7	Kazakhstan International Oil & Gas (+ conference)	5,600	4,500	24%
8	Windows & Doors	8,600	7,400	15%
9	Moscow International Sports & Boat Show	7,400	5,800	28%
10	Ingredients Russia	4,500	2,600	69%

* 2002 Events not comparable due to biennial pattern

We enjoyed considerable growth in our key market, Moscow, which accounts for up to 70% of our gross profit. The main influences were the good performance of our two biennial events and the opening of a new 7,000 net square metre pavilion at the principal exhibition venue, Expocentr.

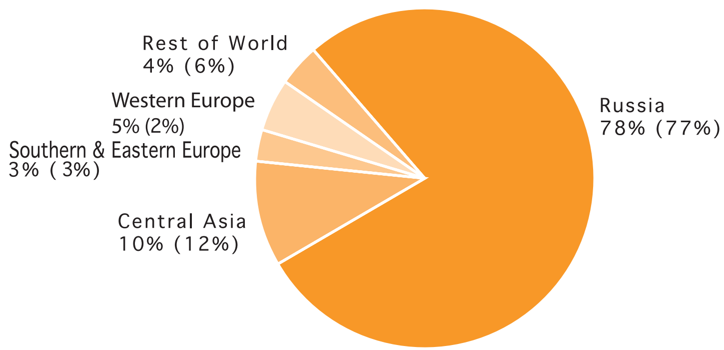
Our Gross Profit of £26.7m (2002: £21.4m) analysed by the industry sectors in which we operate is set out below:

2003 (2002) Gross Profit by Sector



Our Gross Profit of £26.7m (2002: £21.4m) analysed into the main geographical regions in which we operate in is set out below:

2003 (2002) Gross Profit by Region



Expocentr

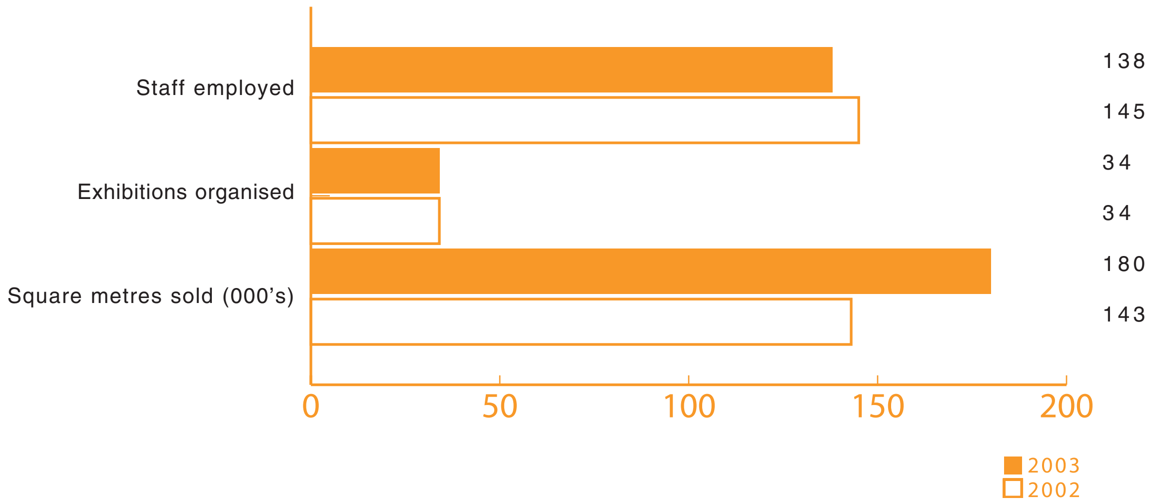
Russia

Offices : Moscow, St Petersburg.

Our Russian exhibition business is very well established and enjoyed growth of 25% in both space and revenues. Russia Building Week expanded to fill the newly built exhibition hall at Expocentr and has further potential to grow, but is constrained for the time being by the availability of good quality exhibition space in Moscow. Moscow International Travel and Tourism show and the World Food Moscow event both enjoyed growth in space sales of more than 15%. Our Oil and Gas event and Autosalon only take place every two years, but nevertheless both enjoyed growth of 20% + over their previous editions. Moscow has become an increasingly competitive environment in recent years and presently continues to be under-resourced in available exhibition space. However, new space will be available soon to provide the opportunity to enhance ITE's growth.

The recently signed co-operation agreement with Expocentr is of real significance to the Group, as it secures our key Moscow events at the leading Moscow venue of Expocentr for the foreseeable future.

Currently ITE is in new discussions to again further extend the term of our co-operation with Lenexpo, our principal venue in St Petersburg, following on from an agreement made late last year. Our premier events in St Petersburg remain the Baltic Building Week (8,000 Sq.m.) and Interfood St Petersburg (4,000 Sq.m.). We have recently developed a new theme in St Petersburg with the agreement of a joint venture in the food production technology area.



Food exhibition

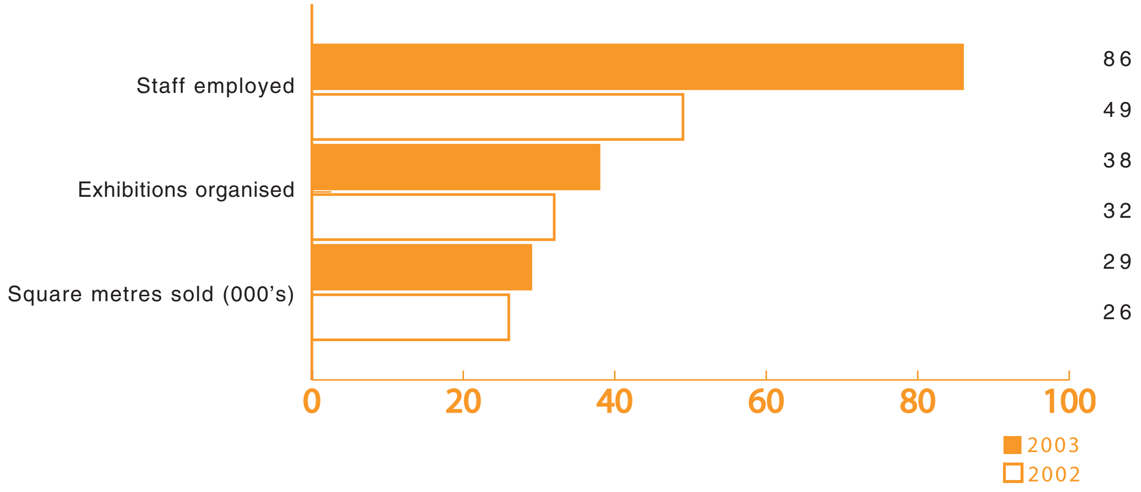
Central Asia

Offices: Kazakhstan (Almaty, Astana, Atyrau), Azerbaijan (Baku) and Uzbekistan (Tashkent).

ITE is the leading international operator established in these regions. The economies in these markets are buoyant, with growth underpinned by strong world oil and gas prices. In 2003 ITE launched 6 new events in the region, mainly in Kazakhstan. The launches were in a range of industries including Building, Fashion, Packaging, Cleaning and Chemicals.

In Kazakhstan, strong growth was developed in the city of Atyrau, where last year's Infrastructure launch was split into three separate exhibitions, all of which filled the existing venue capacity. In Almaty we entered into a funding arrangement to assist our venue partner to build a new exhibition hall, so as to facilitate growth in our construction and oil and gas events (which both grew by circa 30%).

Our events in Azerbaijan are showing strong growth from a modest base – in particular in the medical and construction sectors.



Lighting prepared for exhibition

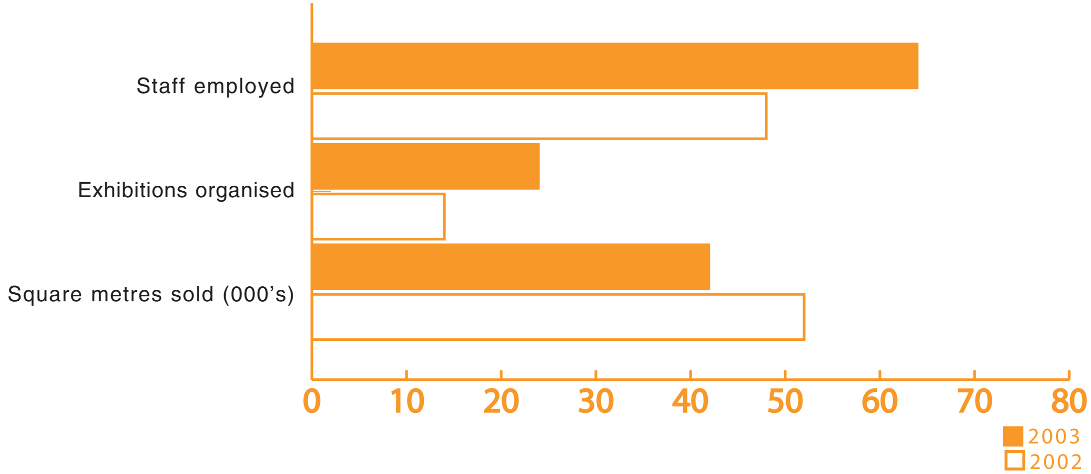
Eastern & Southern Europe

Offices: Turkey (Istanbul), Ukraine (Kyiv).

We have strengthened our teams in Ukraine and Turkey and have increased the number of events held by making a series of new launches. The reduction in space sales reflects the sale of our stand alone Czech business last year and the decision to withdraw from our Belgrade events.

In Kyiv space sales increased by over 30%, though the new launch activity meant that this did not feed through proportionately to profits.

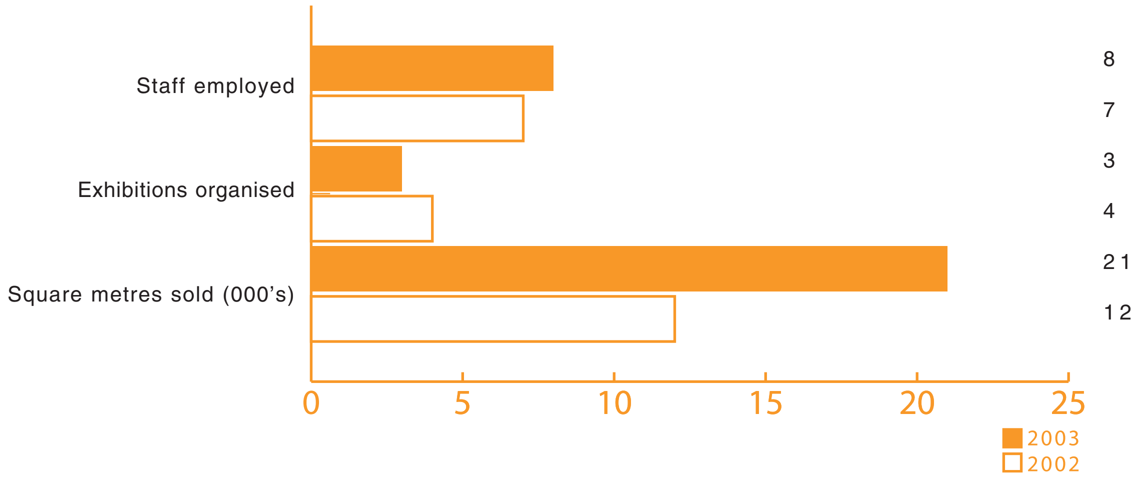
In Turkey our wholly owned business further extended its 'Caspian' brand, with successful launches in the Transport, Banking and Finance and Ecology sectors. Caspian Telecoms, launched last year exhibited further good growth. Overall space sales in Istanbul were affected by a reduction in size of the low yielding construction event, Ankomak, but profits were still higher than in 2002.



Fashion exhibition

Western Europe and UK

One of our strongest performing brands for the year was MODA UK fashion, which takes place in Spring and Autumn at the NEC in Birmingham. In particular Womanswear outperformed all expectations and almost doubled the prior year contribution. In September, ITE acquired a further 15% in ITE Moda Limited bringing our interest up to 90%.

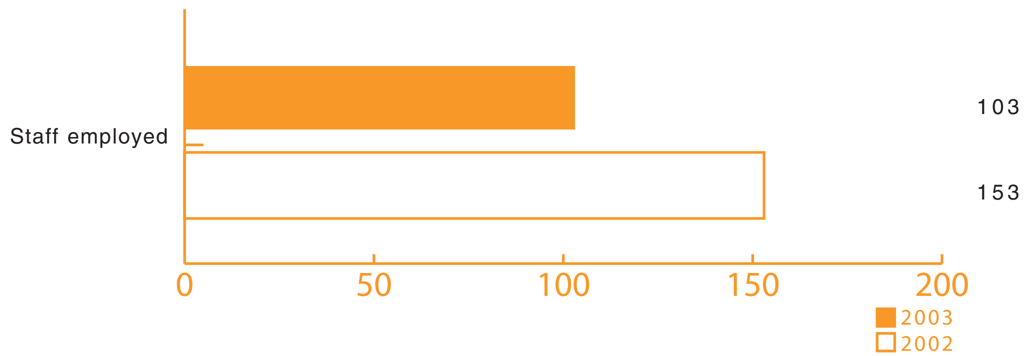


Building and interiors exhibition

International Sales Offices & Rest of World

We have international sales offices based in London and Hamburg which focus on selling international exhibitors into our emerging market events (sales are shown in the regions where the events are held). We recently reviewed the structure of our London office with a view to reducing overheads. Together with other cost control measures we have successfully reduced our cost base in London by circa £1m on an annualised basis, without impacting our sales capacity.

The Group has an increased focus in Africa, although this is not yet significant in revenue terms. Our industry brands are proving to be very strong – particularly in Oil and Gas where our brand has helped us win the tender for the 2005 World Petroleum Congress in Johannesburg. This in turn has provided a platform for ITE to increase the spread of our oil and gas events throughout the African market. If we consider a market to have significant potential, we look to follow with the introduction of other selected events from our portfolio of sector brands.



Contemporary stand design

Associates, Outlook

Associates

During the year ITE held 50% interests in exhibition organising businesses in the Czech Republic, in Turkey and in Egypt. As noted earlier, subsequent to 30 September we have disposed of our Czech Republic interests.

ITF in Istanbul has had an encouraging year, organising 16 events including the re-launch of important Auto events which had been postponed following the economic crisis in 2001. This business is however still the lowest yielding market in which we operate. Although the increase in space sales was of real significance, the challenge for the future is to improve the yields and profitability of the key events.

Outlook

ITE has made very significant steps in consolidating and securing its key business interests throughout the course of the past year. We have considerable assets in our brands, international sales networks and local office infrastructures and these will underpin future growth. The markets in which we specialise continue to offer excellent prospects for us to develop and grow our business further. We are also pursuing new market opportunities to leverage our brand strengths. I look forward to and am excited by the prospects ahead.

Ian Tomkins
Chief Executive Officer
8 December 2003

Financial Review

Turnover for the year was £58.9m against £52.4m for the prior year, an increase of 12%. An analysis of the change in composition of turnover is set out below:

	Revenue £'m	Sq. metres (000's)
2002 Revenue	52.4	256
Non – recurring events	(3.8)	(18)
Timing differences	(0.5)	(3)
Biennial events	4.4	18
New launches	1.1	5
Growth on recurring events	5.3	34
2003 Revenue	58.9	292

Gross Profits increased to £26.7m from £21.4m in the prior year, with gross margins increasing to 45% from 41% in the same period. The difference in our biennial pattern of events accounted for £4.4m of the increase in turnover and for £2.4m of the increase in gross profits.

Net Operating Expenses before goodwill amortisation of £12.7m (2002: £12.6m) includes £0.4m of redundancy costs following a re-structuring of the London office in the summer (the prior year includes £1.4m of redundancy costs and other non- recurring items).

A review of the expected useful economic life of the goodwill in our balance sheet was carried out in the second half of the year. As a result of the review certain events are now being amortised over a shorter period which has resulted in an increased amortisation charge for the year of £2.5m against £2.1m last year.

The share of associates' operating profits was £0.7m in the year and related principally to the results of the Turkish business, where the economy and the Turkish Lira showed signs of stabilising. The comparative loss of £1.4m in 2002 included £1m of non-recurring provisions for prepaid show costs.

The Profit on Ordinary Activities before interest and tax of £11.6m is a £12.7m improvement on the prior year loss of £1.1m.

Post balance sheet event

On 7 November the Group sold its 50% shareholding in Incheba Praha and its 50% profit share in the Coneco exhibition back to its fellow investor, Incheba a.s. The overall loss of £0.8m on this transaction has been provided for at 30 September 2003.

Incheba Praha had been accounted for as an Associated Company until 31 March 2003, when as a result of our discussions with Incheba a.s. at that time the Board concluded that it no longer exerted significant influence over the activities of Incheba Praha. Accordingly from 1 April 2003 the investment in Incheba Praha of £0.2m was accounted for as an investment. The loss of £0.8m on the sale of Coneco and Incheba Praha comprised £0.2m loss on disposal, the write off of a £0.5m prepayment made in connection with Coneco venue rights, and the write off of £0.1m of outstanding debtor balances. Incheba a.s. has guaranteed the outstanding balance of the loan between ITE and Incheba Praha.

Earnings per share

The basic earnings per share increased to 3.1p from a loss of 1.0p in the prior year. The Group achieved Headline diluted earnings per share of 4.2p per share compared with 2.4p for the year to 30 September 2002. Headline diluted earnings per share is based upon profit before amortisation and impairment of goodwill, amounts written off investments and profits or losses on disposal of group undertakings.

Cash flow

Net cash at 30 September 2003 was £22.1m (2002: £17.7m). The cash inflow from operating activities was £14.4m (2002: £10.4m). Of this £1.3m was spent on acquisitions (mainly the purchase of an additional 15% of the minority interest in ITE MODA Limited) and £2.3m was applied in settlement of existing deferred consideration commitments. A further £4.0m was paid out in dividends and £3.7m in tax payments in the year.

Interest

Net interest earned in the year was £0.7m, the same as the prior year. The group held higher average cash balances through the year but our return was reduced by the historically low interest rates available on Sterling, Dollar and Euro deposits. The Group held most of its surplus cash in Sterling throughout 2003.

Taxation

The tax charge of £4.0m represents 26% of Headline pre-tax profits. Last year it was anticipated that the effective tax charge of 25% would be continued into this year. The Group expects the tax charge to remain below the UK corporation tax rate of 30% due to losses available in certain parts of the Group and the lower tax rate experienced in some of our major overseas markets.

Treasury

The Group's financial instruments comprise cash, liquid resources, trade debtors and trade creditors arising from its operations. It is the Group's policy that minimal derivative transactions are undertaken and none were undertaken in the year under review.

The main risks facing the Group are foreign currency risk, interest rate risk and liquidity risk. The Board has reviewed and agreed policies to manage these risks as follows:

Foreign currency risk

The Group is exposed to movements in foreign exchange rates against Sterling for both trading transactions and for the translation of net assets and the profit and loss accounts of overseas operations. The principal exposure is to the Euro and Dollar exchange rates which form the basis of pricing for our international customers. During the year the Group experienced net foreign exchange losses of £0.4m (2002: £1.0m). The exchange rate moved from $1.56: £1 at the beginning of the year to $1.68 : £1 at the end of the year and the exchange rate for the Euro moved from 1.59 : £1 at the beginning of the year to 1.44 : £1 at 30 September 2003.

The bulk of the Group's business is in emerging markets, which by its nature creates high levels of foreign currency risk. To offset some of this risk, the Group invoices predominantly in Euros and US dollars. The Group has a large proportion of its revenues and costs denominated in non-Sterling currencies. Sterling costs exceed Sterling revenue due to the level of UK based costs – in particular London sales and head office costs. In November 2002 the Group changed a significant proportion of its pricing from Dollars to Euros. This change has made the Group less sensitive to fluctuations in the US $ exchange rate at the year end and for the future.

It has not been Group policy to use derivative instruments to hedge foreign currency transactions due to the uncertainty surrounding the timing of transactions and the timing of cash flows from foreign currency receivables.

Interest rate risk

The Group finances its operations through cash holdings and debt facilities. The objective of the Group is to maximise investment income and minimise interest costs bearing in mind its liquidity requirements. Throughout the financial year no debt facilities have been required.

For short term debt, such as overdraft facilities or debt with a term of less than six months, fixed or floating rates of interest are used. For debt with a term of greater than six months, it is policy that at least 75% must have fixed rates of interest so as to minimise the Group exposure to interest rate movements. It is not group policy to hedge against interest rate movements.

It is Group policy that surplus cash is not invested in instruments that would put the capital value at risk. All invested funds have a determinable rate of interest.

Financial Review (continued)

Liquidity risk

The Group policy is to ensure continuity of funding for operational needs through cash deposits and debt facilities as appropriate. The key requirement for the business is to maintain flexibility to allow the Group to take advantage of opportunities that could arise over the short term. The needs of the business are determined on a rolling cash flow forecast basis, covering weekly, monthly and twelve monthly requirements. Short term flexibility is maintained by holding cash in current accounts and high liquidity money market funds. Should debt financing be required, the term of the facility would be matched to funding needs.

Accounting policies

The Group's accounting policies are consistent with those of other exhibition organisers. Staff and exhibitor promotion costs are expensed as incurred. Revenue and direct costs are not recognised until the completion of an event.

Investment and capital expenditure

The Group's capital expenditure on plant and equipment for the year of £0.5m (2002: £0.7m) was largely on computer equipment and associated software purchase and development.

The Group funds the development of venues and facilities where such improved facilities will improve the prospects and profitability of its organising business. The funding can take the form of a prepayment of future venue fees, or a loan which can be repaid by cash or by offset against future venue fees. Generally the funding brings rights over future venue use and advantageous pricing arrangements. Depending on the legal form such funding advances are included in the Financial Statements as either 'Prepayments' or 'Other debtors'.

At 30 September 2003 the Group's sterling value of the outstanding balances was £3.3m (2002: £ 1.4m) advanced against facilities as follows:

St. Petersburg	£1.6m
Almaty	£0.7m
Kyiv	£0.8m
Bulgaria	£0.2m

These balances will be recovered from future venue use within three years except in Bulgaria where ITE has no future events planned, and the loan will be repaid by instalments.

Dividend

The Group has recommended a final dividend of 1.1p to give a total dividend of 1.6p for the year. This compares to a total dividend in the prior year of 2.45p. The prior year dividend included 0.95p which related to the year ended 30 September 2001, but which could not be paid in that year for technical reasons. Consequently, the Board increased the interim dividend for 2002 to make good this shortfall.

Going concern

After considering the current financial projections for the Group, the Directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Russell Taylor

Finance Director

8 December 2003

Directors, advisers and other information

Directors	Iain Paterson, Non-executive Chairman Ian Tomkins, Chief Executive Officer Russell Taylor, Finance Director Ceyda Erem, 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 Ross Stobie, Executive Director Edward Strachan, Executive Director
Company Secretary	Russell Taylor
Registered office	ITE Group plc 105 Salusbury Road London, NW6 6RG
Registration number	1927339
Auditors	Deloitte & Touche LLP London
Solicitors	Olswang 90 High Holborn London, WC1V 6XX
Principal Bankers	Barclays Bank plc 27 Soho Square London, W1A 4WA
Company Brokers	Numis Securities Limited Cheapside House 138 Cheapside London, EC2V 6LH
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU
Public Relations	Merlin Financial Communications Limited Royex House Aldermanbury Square London EC2V 7HR
Website	www.ite-exhibitions.com

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the accounts and auditors' report, for the year ended 30 September 2003.

Principal activities

The principal activities of the Group comprise the organisation of trade exhibitions and conferences. The subsidiary and associate undertakings principally affecting the profits or net assets of the Group in the year are listed in Note 13 to the accounts.

Details of the Group's performance during the year and expected future developments are contained in the Chief Executive Officer's Review on pages 5 to 18 and the Financial Review on pages 19 to 21.

Results and dividends

The audited accounts for the year ended 30 September 2003 are set out on pages 39 to 67. The Group profit for the year, after taxation and minority interests, was £8.3 million (2002: Loss of £2.6 million).

The Directors recommend a final dividend of 1.1p (2002: 1.0p). The total dividend for the year is 1.6p (2002: 2.45p).

Directors

The current Directors and those who served throughout the year except as noted, are as follows:

Executive Directors		Non-executive Directors	
Ian Tomkins		Iain Paterson	
Alex Bernstein	Resigned 3 June 2003	Sir Hugh Bidwell	Resigned 19 September 2003
Ceyda Erem		Sir Jeremy Hanley	
Alexander Rozin	Resigned 7 November 2003	Michael Hartley	Appointed 21 October 2003
Ross Stobie*		Christopher Russell	
Edward Strachan	Appointed 1 July 2003	Marco Sodi	Appointed 1 July 2003
Russell Taylor	Appointed 24 March 2003	Jeffrey Stevenson	Resigned 30 June 2003
Stephen Warshaw	Resigned 4 October 2002		

* Mr Stobie became an Executive Director in October 2002 on his appointment as General Director of the Group's business in Moscow.

In accordance with Company Law and the Articles of Association, Ian Tomkins and Sir Jeremy Hanley will retire by rotation at the next general meeting and, being eligible, offer themselves for re-election. Having been appointed since the Annual General Meeting on 27 February 2003, Russell Taylor, Edward Strachan and Michael Hartley offer themselves for re-election.

Substantial shareholdings

At 5 December 2003, the company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company.

Name of holder	Number of shares	Percentage held
Veronis Suhler Stevenson	57,907,036	21%
Fidelity Investments	37,386,830	13%
Schroder Investment Management Limited	34,543,103	12%
Aberforth Smaller Companies Trust	32,716,047	12%
Ceyda Erem	21,260,096	8%
Kyzyl Tan Consultants Limited	16,168,731	6%
Credit Suisse Asset Management	14,650,000	5%
ITE Group Employee's Share Trust	9,857,000	4%

Directors' share interests

The interests of Directors in the ordinary share capital of the company are given in the Report on Remuneration on page 29.

Right to purchase the Company's shares

At the last Annual General Meeting, the shareholders resolved to authorise the Company to make one or more market purchases of up to 27,783,662 of the Company's Ordinary Shares at a price between 1p (exclusive of expenses) and 105% of the average middle market price for an Ordinary Share as derived from the Official List of the UK Listing Authority for the five business days immediately preceding the date on which the Ordinary Share is purchased.

Donations

The Group made no charitable donations in the UK (2002: £4,320). No political donations were made.

Employees

The Group's human resources strategy is to attract and retain talented, high calibre employees focused on achieving excellent results. Remuneration policy is designed to achieve this aim.

It is the Group's policy to consider fully applications for employment by disabled persons, bearing in mind the aptitude of the applicant concerned. In the event of a member of staff becoming disabled, every effort would be made to ensure their continued employment and progression in the Group. It is Group policy that training, career development and promotion of disabled employees match that of other employees as far as possible.

The Group places great importance in the development of its staff to support the business in meeting its objectives. This is reflected in the training initiatives in place for staff, both internally and externally.

Supplier payment policy

The Company's policy, which is also applied to the Group, is to agree payment terms with suppliers when entering into each transaction to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. As the Company is a holding company it has no trade creditors and accordingly no disclosure can be made of the year end creditor days.

Corporate social responsibility

Social interaction

The Board of the Company is aware of both the benefits to its business of engaging with its various constituencies in a socially responsible manner and the risks of failing to do so. As an operator of internationally focused businesses in emerging markets the Company ensures that it is culturally sensitive in its dealings with the local community and that its employment and development policies are non discriminatory and encourage the employment of local nationals at all levels in the Company. Those employees are encouraged to participate in and support their respective communities.

Ethics

The Company actively promotes integrity in its dealings with its employees, customers and suppliers and with the authorities of the countries in which it operates and recognises that a reputation is a valuable and fragile asset gained over a substantial period. The leadership position of its exhibitions and the continued growth of its core shows is evidence of the success of its practices.

Environment

As a media services company, the Group acknowledges that its business has an impact on the Environment, albeit relatively minor. The Company does not manufacture or sell any tangible products. The Company controls actively its energy costs and the office and other waste generated by its business.

Directors' Report (continued)

Annual General Meeting

Shareholders will see from the Notice of the Annual General Meeting on page 68 that they are to consider and, if thought fit, to pass three resolutions as special business. These resolutions have become routine business at the annual general meeting of most public companies. The resolutions relate to:

- renewal of the authority for the Directors to allot relevant securities;
- renewal of the powers of the Directors to allot equity securities as if pre-emption rights did not apply; and
- renewal of the authority for the Company to purchase certain of its own shares, and to hold them as treasury shares.

The Notice of the Annual General Meeting also includes two ordinary resolutions seeking approval for the establishment of new Performance Share Plans.

Auditors

The Directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche LLP as auditors for the ensuing year.

The report of the Directors has been approved by the Board and signed on its behalf by:

Russell Taylor
Company Secretary

8 December 2003

Report on Corporate Governance

The Company is committed to the principles of corporate governance contained in the Combined Code which is appended to the Listing Rules of the Financial Services Authority and for which the Board is accountable to shareholders.

Statement about applying the principles of good governance
The explanation of how the principles have been applied is set out below and in connection with Directors' remuneration, in the Report on Remuneration.

Board of Directors
The Board of Directors meets not less than seven times a year. The Board considers a range of matters for its approval, including setting Group strategy, acquisition policy, the budgets, major capital expenditure, material contracts and appointments to subsidiary Boards and monitors the performance of the businesses against appropriate forecasts or benchmarks. The Board is supplied with financial and operational information on a timely basis, which the Board believes is in a form and of a quality to enable it to discharge its duties and carry out its responsibilities. The Directors are provided with information and guidance concerning the regulations applicable to Companies subject to the Listing Rules and on their duties and responsibilities as Directors. All Directors have access to the Company Secretary and there is a procedure to enable them to take additional independent professional advice at the expense of the Company.

In addition to the Chairman, during the year the Board comprised three or four Non-executive Directors and five to seven Executive Directors. The Board currently has five Non-executive Directors and five Executive Directors which it considers to be an appropriate balance of Executive and Non-executive Directors. The roles of Chairman and Chief Executive are separate.

The Nomination Committee has considered all appointments to the Board made since 1 April 2003. Prior to that date the Board considered the appointment of Directors should involve all Directors.

The Directors' diversity of experience and knowledge of the markets in which ITE operates are key to the development of a robust strategy for the Group and to its execution. The Non-executive Directors contribute an independent and objective view to the management of the company and play a full and active part in the various Board committees. The senior independent Non-executive Director is Sir Jeremy Hanley. The names and biographies of the Directors are on pages 35 and 36.

Veronis Suhler Stevenson, a major shareholder of the Company has appointed Marco Sodi (who replaced Jeffrey Stevenson on 1 July 2003) and Christopher Russell as its Nominee Directors pursuant to the terms of its subscription agreement. The Board do not consider that Messrs Sodi and Russell are independent in all matters but do consider that their independent judgement as members of the Remuneration, Audit, Acquisition and Nomination Committees are not affected by their relationship with Veronis Suhler Stevenson. The Board considers Iain Paterson and Michael Hartley to be independent. Sir Jeremy Hanley has a marketing consultancy arrangement with the Company to promote and open the Group's shows in its overseas territories. The Board does not consider that the existing relationship between Sir Jeremy Hanley and the Company materially interferes with the exercise of his independent judgement.

Any Directors appointed during the year are required to offer themselves for re-election. In accordance with the Articles of the Company all the other Directors are subject to re-election at least every three years as required by the Provisions of the Code of Best Practice except the Directors appointed by Veronis Suhler Stevenson.

Board committees
The Board has established four principal committees all of which have written terms of reference.

The Audit Committee
The Audit Committee comprises only Non-executive Directors. The Committee, which is chaired by Sir Jeremy Hanley, meets at least twice a year. The other members are Michael Hartley, Iain Paterson and Christopher Russell. The meetings are also attended by the Finance Director, the deputy Finance Director and the Auditors.

The Committee is responsible for reviewing accounting procedures and the

Report on Corporate Governance (continued)

internal control environment. The Committee also reviews announcements of the Company's results and monitors compliance with accounting standards. In addition the Committee considers the appointment of the Auditors, the scope of the audit and any issues arising, their fees and the nature, extent and costs of any non audit services provided by them. The Committee has access to any employee and is able to obtain external advice on any matter as required.

The Remuneration Committee

The Remuneration Committee comprises only Non-executive Directors. The Committee, which is chaired by Sir Jeremy Hanley, meets at least three times a year. The other members are Michael Hartley, Iain Paterson and Christopher Russell. The meetings are also attended by the Chief Executive Officer and external advisers as appropriate. It is the intention that Michael Hartley will become Chairman effective at the Annual General Meeting in 2004.

Further information about the Committee is set out in the Report on Remuneration on page 29.

The Nomination Committee

The Nomination Committee comprises Sir Jeremy Hanley, Michael Hartley, Iain Paterson, Christopher Russell and Marco Sodi. The Committee, which is chaired by Iain Paterson, is responsible, if requested by the Board, for nominating candidates to the whole Board for approval and for considering and making recommendations to the Board on its composition and balance. The Committee has been effective for all appointments made to the Board since 1 April 2003.

The Acquisition Committee

The Acquisition Committee comprises Michael Hartley, Iain Paterson, Marco Sodi, Russell Taylor and Ian Tomkins. The Committee, which is chaired by Marco Sodi, is responsible to the Board for all aspects of all acquisitions and divestments outside the ordinary course of business up to £5m in consideration. Transactions of a greater size require the formal approval of the Board. The Committee is obliged to report regularly to the Board on all transactions under consideration or in contemplation.

Communication with shareholders

The Board considers communication with all shareholders to be extremely important. Shareholders are provided with full year and interim accounts to help them keep up to date with the performance of the Group and are given the opportunity to ask questions directly of the Board at the Annual General Meeting. The Group's website is regularly updated with copies of all Group press releases.

The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by making strategic presentations to institutional investors every six months following the publication of the half year and annual results, by meeting shareholders to discuss long-term issues and obtaining feedback and by communicating regularly throughout the year.

Statement of compliance with the Code of Best Practice

Except as disclosed above the Company has complied throughout the year with the provisions of the Code of Best Practice set out in section 1 of the Combined Code. The Board intends to comply with the provisions of the revised Combined Code in as much as they are relevant to the Company.

Internal control

In applying the principle that the Board should maintain an ongoing sound system of internal control to safeguard shareholders' investment and the Company's assets, the Directors recognise that they have overall responsibility for ensuring that the Group maintains a system of controls, including financial, operational and compliance controls and risk management to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations. The objective of these systems is to provide reasonable assurance of:

- the identification and management of key business risks;
- the safeguarding of assets against unauthorised use or disposition;
- the maintenance of proper accounting records and reliability of financial information within the business for publication; and
- compliance with legal and regulatory requirements.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The system of internal control has been in place throughout the year and up to the date of approval. It is reviewed regularly by the Board and complies with the Turnbull guidance. The Board has performed a specific assessment of internal controls for the purpose of this annual report. The Audit Commitee assists the Board in discharging its review responsibilites.

The Company does not currently have an internal audit function and the Board considers that such a function is not currently needed. This position is kept under review.

Report on Remuneration

Unaudited information

The Remuneration Committee

The members of the Remuneration Committee are Sir Jeremy Hanley (Chairman), Iain Paterson, Christopher Russell and Michael Hartley. All the members are Non-executive Directors. Sir Jeremy Hanley, the Chairman of the Committee, is also the designated senior independent Non-executive Director of the Company. Jeffrey Stevenson and Sir Hugh Bidwell were members of the Committee until their resignations on 30 June 2003 and 19 September 2003 respectively.

The Remuneration Committee is responsible for:

- recommending to the Board the remuneration and terms and conditions of employment of the Executive Directors and key members of senior management;
- measuring subsequent performance as a prelude to determining the Executive Directors' and key managers' total remuneration on behalf of the whole Board; and
- granting options under the various ITE group share option schemes detailed below.

During the year the Committee appointed New Bridge Street Consultants to advise on executive remuneration and the operation of the various ITE group share option schemes. New Bridge Street Consultants have provided no other advice to the Company. The Committee also received advice from Ian Tomkins in relation to the remuneration of the Company's senior executives (but not in relation to his own remuneration).

Remuneration policy

The Company's principal policy aim is to ensure that remuneration offered is appropriate to attract, retain and motivate Executive Directors and staff with the ability and experience to deliver the Company's strategy and grow the business, having regard to the challenging economic conditions and competition for such people in the markets in which the Company operates.

In formulating its policies the Committee has regard to and balances the following factors:

a) the remuneration packages offered to executives in companies competing in the same markets as the Company;
b) the remuneration practice in the markets in which the Director is principally based;
c) the need to align the interests of the Directors with those of the shareholders;
d) the performance of the individual Director and of the Company as a whole; and
e) any amounts payable to Directors in respect of services performed for the Associates of the Company.

The remuneration packages of the Executive Directors comprise base salary and benefits, a performance related bonus (save for Ross Stobie) and longer term share-based incentive arrangements. Therefore, a proportion of Executive Directors' remuneration is performance-related.

The fees of the Non-executive Directors are proposed by the Chief Executive Officer and approved by the Board.

Policy criteria for various components

Base salary:
This is reviewed annually by the Committee. Base salary levels are set by the Committee taking into account each Executive Director's role, experience, performance and the markets in which they perform their duties.

Variable bonus:
Certain of the Executive Directors and senior management participate in performance-related annual bonus schemes, which recognise Company objectives. For the financial year commencing on 1 October 2003, Ian Tomkins' and Russell Taylor's maximum annual bonus opportunity will be 85% and 50% of base salary respectively. The annual bonus opportunity of Edward Strachan is structured differently to take account of his specific role. Ross Stobie and Ceyda Erem do not participate in an annual bonus scheme.

Long term incentives:
The Company operates the following option schemes: the ITE Group 1998 Company Share Option Plan; the ITE Group 1998 Discretionary Share Option Scheme; the ITE Group 1998 Key Contractor Share Option Scheme, and the ITE Group Employee Share Trust Unapproved Share Option Scheme. Options are granted under the ITE Group 1998 Company Share Option Plan and the ITE Group 1998 Discretionary Share Option Scheme to ITE Group employees (including Executive Directors who are employees). Options can be granted under the ITE Group 1998 Key Contractor Share Option Scheme to certain key individuals who are not technically Group employees. The ITE Group Employee Share Trust Unapproved Share Option Scheme can grant options over shares held in the ITE Group Employees' Share Trust.

At the forthcoming AGM the Company is seeking approval for the establishment of a new Performance Share Plan under which it is intended that awards be made to Executive Directors and other senior managers. Appended to the Notice of AGM is a full description of the main features of the new Plan including a full description of the performance conditions that the Committee intends to apply to the initial awards that are to be made under the Plan. The relevant sections of the Notice of AGM form part of this report.

Pensions:
The Company does not itself have any pension arrangements. The Company does however offer a stakeholder pension to its employees and contributes 10% of an employee's contribution to an employee's defined contribution scheme. During the year the Company has contributed to an individual money purchase scheme on behalf of one of the Directors, until his resignation.

Directors' service contracts

Executive Directors
Edward Strachan was appointed an Executive Director on 1 July 2003 and is still remunerated as a consultant through the Company's agreement with Kyzyl Tan Consultants Limited.

The consultancy agreement (dated 30 September 2002) is for a minimum period of three years which is due to end on 30 September 2005 and is structured to take account of his specific role and responsibilities. From September 2005, the consultancy agreement can be terminated on six months notice.

Consistent with market practice, other than Edward Strachan's arrangements there are no service contracts or other employment arrangements with any of the Executive Directors with notice periods in excess of one year or terms which would expose the Company to compensation payments in excess of one year's package.

The dates of each contract and the relevant notice period are as follows:

Name	Date of contact	Notice Period
Ian Tomkins	1 July 1998	12 months
Russell Taylor	25 March 2003	12 months
Ross Stobie	8 November 2002	6 months
Alexander Rozin	5 December 2001	12 months
Ceyda Erem	1 October 2002	0 months
Alex Bernstein	1 November 1999	4 months

Ian Tomkins' contract provides that if within 12 months of a change in control of the Company his contract is terminated without notice (save in certain circumstances such as gross misconduct) or he resigns in circumstances that amount to constructive dismissal, the Company shall pay him in lieu of notice (less statutory deductions) an amount equal to 95% of salary, contractual benefits and bonus that he would have received had he remained in employment during the notice period. For the purposes of calculating the bonus amount it will be assumed that the target has been achieved.

The consultancy agreement relating to Edward Strachan provides that if following a change in control of the Company his services are materially changed to his detriment, within six months of the change in control he can terminate the consultancy agreement on giving three months notice.

In the event of early termination of an Executive Director's contract it is the Committee's policy that (subject to the provisions of each contract) the amount of compensation (if any) paid to the Executive Director will be determined by reference to the relevant circumstances that prevail at the time. However, the Committee's aim will be to avoid rewarding for poor performance. Furthermore, the Committee will take account of the Executive Director's duty to mitigate his loss.

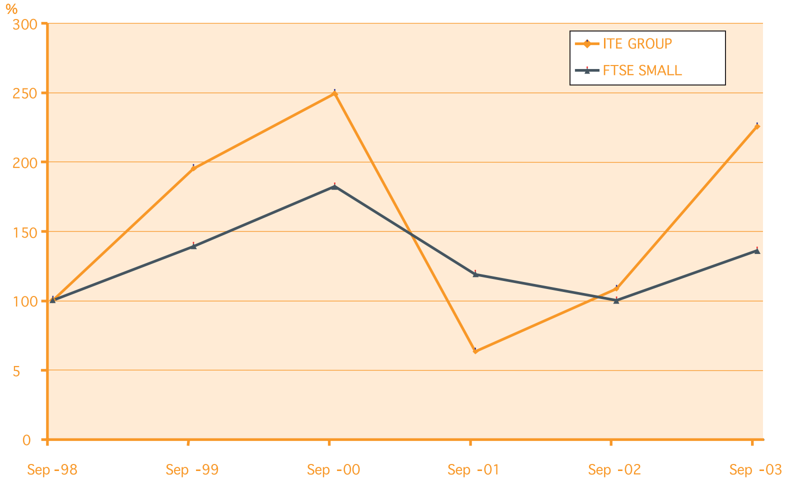
Report on Remuneration (continued)

Non-executive Directors

Iain Paterson and Sir Jeremy Hanley: Six months written notice is required to terminate the contract. The dates of the contracts are 27 May 2002 and 25 February 2003 respectively.
Marco Sodi, Christopher Russell and Michael Hartley: Not less than 30 days notice in writing is required to terminate the contract. The dates of the contracts are 1 July 2003, 28 June 2001 and 20 October 2003 respectively.
Jeffrey Stevenson who resigned on 30 June did so under the terms of a contract which required 30 days notice for termination. Sir Hugh Bidwell who resigned on 21 September did so under the terms of a contract which required six months notice in writing for termination.

Performance graph

Total shareholder return of ITE Group Plc over the last five financial years compared with the FTSE Small Cap Index



As required by the legislation regarding disclosure in the remuneration report, this graph illustrates the performance of the Company and a "broad equity market index" over the past five years. As the Company is a constituent of the FTSE Small Cap index, that index is considered the most appropriate form of "broad equity market index" against which the Company's performance should be graphed. Performance, as required by the legislation, is measured by Total Shareholder Return (share price growth plus dividends paid).

Audited information

Aggregate Directors' remuneration

The total amounts for Directors' remuneration and other benefits were as follows:

	2003 £000	2002 £000
Emoluments	**1,862**	1,461
Pension contributions	**2**	19
Compensation for loss of office	**46**	408
	1,910	1,888
Gains on exercise of share options	**290**	311
Total	**2,200**	2,199

Directors' emoluments

Name of Director	Note	Fees/Basic salary £'000	Taxable benefits £'000	Annual bonuses £'000	Pension contributions £'000	Compensation for loss of office £'000	**2003 total £'000**	2002 total £'000
Executive								
Ian Tomkins	6	264	-	250	-	-	**514**	274
Alexander Bernstein	7	120	-	-	-	-	**120**	240
Ceyda Erem	6	137	-	-	-	-	**137**	19
Alexander Rozin	8	120	-	-	-	-	**120**	222
Ross Stobie	2,10	445	-	-	-	-	**445**	8
Stephen Warshaw	1,2	4	1	-	2	21	**28**	511
Russell Taylor	1	84	-	33	-	-	**117**	-
Edward Strachan	1, 9	43	-	81	-	-	**124**	-
Former directors	2	-	-	-	-	-	**-**	390
Non- executive								
Sir Hugh Bidwell		50	-	-	-	25	**75**	100
Sir Jeremy Hanley	4	50	-	-	-	-	**50**	50
Iain Paterson	2, 5	120	-	-	-	-	**120**	42
Christopher Russell	3	30	-	-	-	-	**30**	30
Jeffrey Stevenson	1, 3	23	-	-	-	-	**23**	30
Marco Sodi	1, 3	7	-	-	-	-	**7**	-
Aggregate emoluments		1,497	1	364	2	46	**1,910**	1,916

Notes

1 The Director served for only part of the year ended 30 September 2003.

2 The Director served for only part of the year ended 30 September 2002.

3 Amounts are paid to Veronis Suhler Stevenson International Limited for the provision of the services of these Directors.

4 Sir Jeremy Hanley receives £20,000 for consultancy services in addition to his Directors fees. This is included in the figures above.

5 Iain Paterson receives half of his remuneration in shares.

6 Ian Tomkins is paid $24,000 (approximately £15,000) for being a director of ITF. Ian Tomkins was paid £4,000 in the prior year for the period 1 July 2002 to 30 September 2002. Ceyda Erem is paid $204,000 (approximately £122,000) for being a director of ITF. In the prior year Ceyda Erem was paid £4,000 for these services for the period from 1 July 2002 to 30 September 2002.

7 Alexander Bernstein received a salary of £120,000 per annum. The amount charged in the year ended 30 September 2002 was for the two years ended 30 September 2002.

8 In the year ended 30 September 2002 Alexander Rozin received a bonus of £102,000 in relation to work performed in 2001.

9 Edward Strachan is a shareholder of Kyzyl Tan Consultants Limited, which receives consultancy fees for services provided to the Group of £150,000 per annum. Of this £37,500 is included as Director's emoluments for the period when Mr Strachan has been a director. In addition to the consultancy fees Kyzyl Tan Consultants Limited earned a performance related bonus of £324,000 for the year. This has been pro-rated for the time he was a Director.

10 The basic salary for Ross Stobie includes an allowance for living overseas.

Total compensation for loss of office in the year was £46,000 (2002: £408,000).

Report on Remuneration (continued)

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options are as follows:

Director	Scheme	1 October 2002 or date of appointment	Granted during the year	Option price	Exercised during the year	Market price at exercise date	30 September 2003	Exercisable from	Exercisable to	Gain on exercise £000
Alexander Bernstein	1998 Discretionary Scheme	320,000	-	47.5p	-	-	320,000	17-11-2001	16-11-2008	
		500,000	-	19p	-	-	500,000	10-12-2004	9-12-2011	
Sir Hugh Bidwell	1998 Discretionary Scheme	22,000	-	47.5p	-	-	22,000	10-2-2002	9-2-2008	
		278,000	-	47.5p	-	-	278,000	17-11-2001	16-11-2008	
	Employees Share Trust	65,000	-	38.75p	-	-	65,000	29-5-2001	28-5-2011	
		65,000	-	38.75p	-	-	65,000	29-5-2002	28-5-2012	
Alexander Rozin	1998 Discretionary Scheme	1,500,000	-	19p	-	-	1,500,000	10-12-2004	9-12-2011	
Ian Tomkins	1998 Discretionary Scheme	40,000	-	70.75p	-	-	40,000	11-1-2003	10-1-2010	
		310,000	-	66.5p	-	-	310,000	25-5-2003	24-5-2010	
		500,000	-	19p	-	-	500,000	10-12-2004	9-12-2011	
		1,000,000	-	34.25p	-	-	1,000,000	18-3-2007	17-3-2012	
			2,000,000	34.25p	-	-	2,000,000	20-12-2007	19-12-2012	
	Employee Share Trust	75,000	-	38.75p	-	-	75,000	29-5-2001	28-5-2011	
		75,000	-	38.75p	-	-	75,000	29-5-2002	28-5-2012	
Stephen Warshaw	1998 Discretionary Scheme	2,000,000	-	19p	2,000,000	33.5p	-	1-11-2002	30-4-2003	290
Edward Strachan	1998 Discretionary Scheme	100,000	-	47.5p	-	-	100,000	17-11-2001	16-11-2008	
		500,000	-	19p	-	-	500,000	10-12-2004	9-12-2011	
		1,000,000	-	26.5p	-	-	1,000,000	1-10-2007	30-9-2012	
	Employee Share Trust	75,000	-	38.75p	-	-	75,000	29-5-2001	28-5-2011	
		75,000	-	38.75p	-	-	75,000	29-5-2002	28-5-2012	
Ross Stobie	1998 Discretionary Scheme	-	1,000,000	34.25p	-	-	1,000,000	20-12-2007	19-12-2012	
Russell Taylor	1998 Discretionary Scheme	-	1,000,000	35.5p	-	-	1,000,000	26-3-2008	25-3-2013	

No options lapsed during the year.
No options are subject to performance conditions governing their exercise
The market price of the ordinary shares at 30 September 2003 was 53p and the range during the year was 26.5p to 56.25p.
The options were awarded for nil cost.

Directors' interests

The Directors who held office at 30 September 2003 had the following interests in the shares of group undertakings:

Name of Directors	**30 September 2003**	30 September 2002
Executive		
Ian Tomkins	**10,000**	10,000
Ceyda Erem	**21,260,096**	21,260,096
Alexander Rozin	**-**	2,000,000
Ross Stobie	**-**	-
Russell Taylor	**-**	-
Edward Strachan*	**16,602,212**	-
Non-executive		
Sir Jeremy Hanley	**24,090**	24,090
Iain Paterson	**115,048**	34,615
Christopher Russell	**-**	-
Marco Sodi	**-**	-

* Edward Strachan is a shareholder of Kyzyl Tan Consultants, which holds 16,168,731 shares in the Company. These are included in the 16,602,212 above.

The Directors, as employees and potential beneficiaries, have an interest in the 9,857,000 shares held by the ITE Group Employee's Share Trust.

There were no changes in the interests of Directors between 30 September 2003 and 8 December 2003.

On behalf of the Board

Sir Jeremy Hanley
Chairman of the Remuneration Committee

8 December 2003

Directors' biographies

Ceyda Erem (51) – Executive Director
Ceyda Erem was appointed a Director of the Company with responsibility for our Associate interests in Turkey in December 1999. She is the founder, owner and Chairwoman of CNR, a company that manages the largest exhibition halls in Istanbul. Having graduated from Bursa Uludag University in 1976, she worked in the advertising industry until founding the business of CNR in 1985. Since that time, Ms Erem has been involved on a full time basis in the running of CNR, being primarily responsible for its successful development to date.

The Rt. Hon. Sir Jeremy Hanley, KCMG (58) - Non-executive Director
Audit, Remuneration, Nomination
Sir Jeremy Hanley was appointed a Non-executive Director of the Company in March 1998. He is a Chartered Accountant. His other directorships include the GTECH Holdings Corporation Inc., and the European Advisory Board of Credit Lyonnais. He is a senior consultant with Kroll. He is a Director of the Arab-British Chamber of Commerce and a Vice-President of the British-Iranian Chamber of Commerce. Sir Jeremy was a Member of Parliament for Richmond and Barnes from 1983 to 1997 and held a number of ministerial positions including Under Secretary of State for Northern Ireland, Minister of State for the Armed Forces, Cabinet Minister without Portfolio whilst Chairman of the Conservative Party and Minister of State for Foreign & Commonwealth Affairs. He retired from politics in 1998 to concentrate on his Director's duties. Sir Jeremy is the senior independent Non-executive Director.

Michael Hartley (54) – Non-executive Director
Audit, Remuneration, Nomination, Acquisition
Michael Hartley was appointed a Non-executive Director of the Company on 21 October 2003. He brings extensive international management experience to the Board, having spent 10 years with Coats Viyella plc, for the last three years as Chief Executive of the Viyella division. Mr Hartley is currently Chairman of Dawson International plc. He has worked extensively in Asia, Australia and Africa, and brings to ITE his experience of business practices in these markets. Mr Hartley has also held several chief executive and marketing roles in the retail sector, including at Tootal Group plc, Lewis Meeson Ltd, Trinity International Holdings plc and Marks & Spencer plc. Mr Hartley holds an MBA from Manchester Business School.

Iain Paterson (56) – Non-executive Chairman
Audit, Remuneration, Nomination, Acquisition
Iain Paterson was appointed a Director and Non-executive Chairman of the Company in May 2002. He has over 33 years of international management experience at a senior level, most particularly in the oil industry. Most recently he was a Board Member and International Director of Enterprise Oil plc. Previously he spent 14 years at British Petroleum plc. He is currently Chairman of Sondex plc and holds Non-executive Directorships at Paladin Resources plc and MOL Rt. (the Hungarian Energy Company) and Hunting plc.

Christopher Russell (38) - Non-executive Director
Audit, Remuneration, Nomination
Christopher Russell was appointed a Non-executive Director of the Company in June 2001. He is a Managing Director and Principal of Veronis Suhler Stevenson ('VSS'), the New York and London based private equity firm focused exclusively on the media, communications and information industry. Mr Russell is responsible for originating, developing, structuring and monitoring US and International investment opportunities. Prior to joining VSS in 1994, he worked in various corporate positions at NBC Television. Mr Russell holds a B.A. from Georgetown University and an MBA from Columbia Business School.

Marco Sodi (45) – Non-executive Director
Nomination, Acquisition
Marco Sodi heads Veronis Suhler Stevenson's London based affiliate, Veronis Suhler Stevenson International, and is a Partner of Veronis Suhler Stevenson ('VSS'), and a Managing Member of the General Partner of the Fund. Mr Sodi developed VSS's international activities throughout the 1990's and established the Firm's London office in 2000. Mr Sodi has been active with each of the Equity Funds since 1990 and has led six separate platform investments. Prior to joining VSS in 1988, Mr Sodi was a Partner at Salem Solutions, a financial consulting firm, and worked at Exxon Enterprises, the venture capital arm of ExxonMobil. Born and raised in Florence, Italy, Mr Sodi received a BS from Cornell University.

Ross Stobie (52) – Executive Director

Ross Stobie was appointed as a Non-executive Director in June 2002 and assumed an Executive role as General Director of the Group's business in Moscow in October 2002. He has considerable experience and expertise in emerging markets, particularly through his work for BG Group plc (formerly British Gas) over the past six years. He joined BG specifically to run the Group's Russian operations, where as President of BG Russia he had direct responsibility for all the Group's substantial interests in that region. More recently he has held the position of Chief Executive BG India. Prior to joining BG Group he held senior positions at BHP and BP.

Edward Strachan (39) – Executive Director

Edward Strachan joined ITE in 1993 when he launched ITE's local operation in Kazakhstan. Since then he has been managing ITE's operations in St Petersburg and the Caspian region. This year he took responsibility for EUF, ITE's 100% owned operation in Turkey. He brings to the Board his extensive experience of launching and managing exhibitions throughout Russia and the Caspian regions.

Russell Taylor (45) – Finance Director

Acquisition

Russell Taylor was appointed Finance Director on 24 March 2003. He was previously Finance Director of Air Miles International Group, where he managed all financial and commercial aspects of the international loyalty schemes business. He brings extensive experience of all sectors of the exhibition industry, having spent nine years at P&O Group, where he was Group Finance Director at Earls Court Olympia and subsequently, Managing Director of Earls Court & Olympia Halls. A qualified Chartered Accountant, he trained at Touche Ross & Co where he then became a Manager in the Corporate Finance Department. He also holds a BA in Economics from Lancaster University.

Ian Tomkins (39) – Chief Executive Officer

Acquisition

In October 2002 Ian Tomkins was appointed Chief Executive Officer having originally joined the Company in July 1998. Previously Ian had been appointed Finance Director and Company Secretary in May 2000. Ian qualified as a Chartered Accountant with Price Waterhouse in Australia in 1988 and completed six years of service with the firm. He subsequently served as Financial Controller with Village Roadshow Ltd, a publicly listed Australian cinema exhibition, media and leisure company that operated in the United Kingdom in joint venture with Warner Brothers.

Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the systems of internal control, for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

To the members of ITE Group plc

We have audited the financial statements of ITE Group Plc for the year ended 30 September 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Report on Remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Report on Remuneration. Our responsibility is to audit the financial statements and the part of the Report on Remuneration described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report on Remuneration described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Report on Corporate Governance reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Report on Remuneration and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on Remuneration described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report on Remuneration described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report on Remuneration described as having been audited.

Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2003 and of the profit of the Group for the year then ended; and
- The financial statements and part of the Report on Remuneration described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

8 December 2003

Consolidated Profit and Loss Account

For the year ended 30 September 2003

	Notes	2003 £000	2002 £000
Turnover	1	**58,934**	52,431
Cost of sales		**(32,213)**	(31,012)
Gross profit		**26,721**	21,419
Net operating expenses before impairment and goodwill amortisation		**(12,720)**	(12,581)
Impairment charge		**-**	(6,220)
Goodwill amortisation		**(2,331)**	(1,905)
Total net operating expenses	2	**(15,051)**	(20,706)
Operating profit		**11,670**	713
Share of associates' operating profit/(loss) before goodwill amortisation		**836**	(1,211)
Goodwill amortisation		**(132)**	(160)
Share of associates' operating profit/(loss)		**704**	(1,371)
Provision or loss on disposal of group undertakings	27	**(779)**	(476)
Profit/(loss) on ordinary activities before interest		**11,595**	(1,134)
Interest receivable	3	**760**	824
Interest payable and similar charges	4	**(68)**	(95)
Profit/(loss) on ordinary activities before taxation		**12,287**	(405)
Tax on profit/(loss) on ordinary activities	7	**(4,030)**	(2,350)
Profit/(loss) on ordinary activities after taxation		**8,257**	(2,755)
Minority interests	21	**6**	152
Profit/(loss) for the financial year		**8,263**	(2,603)
Dividends	9	**(4,359)**	(6,548)
Retained profit/(loss) for the year		**3,904**	(9,151)
Earnings/(loss) per share			
Basic	10	**3.1p**	(1.0p)
Diluted	10	**3.0p**	(1.0p)
Headline diluted	10	**4.2p**	2.4p

The accompanying notes are an integral part of this consolidated profit and loss account.
All results derived from the continuing operations of the Group.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 30 September 2003

	Notes	2003 £000	2002 £000
Profit/(loss) for the financial year			
Group		**7,762**	(1,281)
Associates		**501**	(1,322)
		8,263	(2,603)
(Loss)/gain on foreign currency translation	20	**(46)**	22
Adjustment to option reserve for lapsed options	20	**42**	115
Total recognised gains and losses relating to the year		**8,259**	(2,466)

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated Balance Sheet

30 September 2003

	Notes	2003 £000	2002 (as restated - note 19) £000
Fixed assets			
Goodwill	11	**30,016**	30,826
Tangible assets	12	**1,920**	2,041
Associates	13	**1,057**	612
Other investments	13	**2,412**	2,492
		35,405	35,971
Current assets			
Debtors due within one year	14	**19,557**	18,225
Debtors due after one year	14	**3,914**	4,148
Cash at bank and in hand		**22,104**	17,693
		45,575	40,066
Creditors: Amounts falling due within one year	15	**(39,035)**	(38,426)
Net current assets		**6,540**	1,640
Total assets less current liabilites		**41,945**	37,611
Provisions for liabilities and charges	16	**(984)**	(1,241)
Net assets		**40,961**	36,370
Capital and reserves			
Called-up share capital	18	**2,813**	2,778
Share premium account	19	**27,996**	27,495
Merger reserve	19	**2,746**	2,478
Option reserve	19	**132**	239
Profit and loss account	19	**7,277**	3,377
Equity shareholders' funds	20	**40,964**	36,367
Minority interests	21	**(3)**	3
Total capital employed		**40,961**	36,370

The accompanying notes are an integral part of this consolidated balance sheet.

Company Balance Sheet

30 September 2003

	Notes	2003 £000	2002 (as restated - note 19) £000
Fixed assets			
Investments	13	**3,347**	3,359
Current assets			
Debtors due within one year	14	**1,720**	410
Debtors due after one year	14	**35,728**	33,366
Cash at bank and in hand		**604**	2,909
		38,052	36,685
Creditors: Amounts falling due within one year	15	**(3,175)**	(3,096)
Net current assets		**34,877**	33,589
Total assets less current liabilties		**38,224**	36,948
Net assets		**38,224**	36,948
Capital and reserves			
Called-up share capital	18	**2,813**	2,778
Share premium account	19	**27,996**	27,495
Merger reserve	19	**2,746**	2,478
Option reserve	19	**132**	239
Profit and loss account	19	**4,537**	3,958
Equity shareholders' funds		**38,224**	36,948

The accompanying notes are an integral part of this balance sheet.

The accounts on pages 39 to 67 were approved by the Board of Directors and signed on its behalf by:

Ian Tomkins
Chief Executive Officer
8 December 2003

Russell Taylor
Finance Director

Consolidated Cash Flow Statement

For the year ended 30 September 2003

	Notes	2003 £000	2002 £000
Net cash inflow from operating activities	22	**14,439**	10,393
Returns on investments and servicing of finance	23	**692**	1,080
Taxation	23	**(3,677)**	(2,300)
Capital expenditure and financial investment	23	**145**	(643)
Acquisitions and disposals	23	**(3,595)**	(5,624)
Equity dividends paid		**(4,026)**	(1,623)
Cash inflow before management of liquid resources and financing		**3,978**	1,283
Management of liquid resources	23	**(5,164)**	2,300
Financing	23	**433**	155
(Decrease)/increase in cash in the year	24	**(753)**	3,738

The accompanying notes are an integral part of this consolidated cash flow statement.

Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Basis of consolidation

The Group accounts consolidate the accounts of ITE Group plc and its subsidiary undertakings drawn up to 30 September each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, being between ten and up to a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 30 September 1998 and earlier was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

The useful economic lives for goodwill are periodically reviewed and this can result in them being reduced if circumstances dictate.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land and buildings	- term of lease
Plant and equipment	- 4 years

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the Company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Associates

In the Group accounts investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Turnover

Turnover represents amounts receivable for goods and services provided in the ordinary course of business net of VAT and other sales related taxes. Turnover is recognised when an event is completed.

Accounting Policies (continued)

Profit recognition on events

Profit is recognised when an event is completed. Billings and cash received in advance, and directly attributable costs relating to future events and those straddling the year end, are deferred until the events are completed. 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.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

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 on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the Statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Leases

Rentals 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.

Notes to the accounts

1 Segmental information

The turnover and profit/(loss) before taxation are attributable to the Group's one principal activity, the organisation of trade exhibitions and conferences and can be analysed by geographic segment as follows.

Year ended 30 September 2003	UK & Western Europe £000	Central Asia £000	Russia £000	Eastern & Southern Europe £000	Rest of World £000	Total Group £000
Turnover by geographical location of events/activities	**3,456**	**7,647**	**42,648**	**4,506**	**677**	**58,934**
Turnover by origin of sale	**44,480**	**3,218**	**8,529**	**2,588**	**119**	**58,934**
Operating profit	**9,338**	**416**	**1,740**	**172**	**4**	**11,670**
Share of associates' operating profit/(loss)	-	-	-	**807**	**(103)**	**704**
						12,374
Interest recievable (net)						**692**
Provision for loss on disposal of group undertakings						**(779)**
Profit on ordinary activites before tax						**12,287**
Segment net assets/ (liabilites)	**37,864**	**119**	**1,973**	**(43)**	**(9)**	**39,904**
Share of associates' net assets	-	-	-	**1,057**	**-**	**1,057**
Net assets						**40,961**

Year ended 30 September 2002	UK & Western Europe £000	Central Asia £000	Russia £000	Eastern & Southern Europe £000	Rest of World £000	Total Group £000
Turnover by geographical location of events/activities	2,692	6,764	34,851	6,220	1,904	52,431
Turnover by origin of sale	41,700	2,778	5,821	2,132	-	52,431
Operating profit/(loss)	475	159	417	(398)	60	713
Share of associates' operating loss	-	-	-	(973)	(398)	(1,371)
						(658)
Loss on disposal of interest in group undertakings						(476)
Interest recievable (net)						729
Loss on ordinary activites before tax						(405)
Segment net assets/(liabilties)	34,663	(56)	1,151	16	(16)	35,758
Share of associates' net assets	-	-	-	398	214	612
Net assets						36,370

Notes to the accounts (continued)

2 Net operating expenses

Net operating expenses includes total administrative expenses of £15.3 million (2002: £21.3 million) and rental income of £287,000 (2002: £150,000). The balance for the prior year related to income in relation to profit rights in an externally run exhibition of £442,000.

Administrative expenses include £0.4 million of redundancy costs and, in connection with the Group's activities in the Czech Republic and Slovakia, £0.8 million of operating charges and £0.6 million of goodwill amortisation. In the prior year, administrative expenses included non-recurring items of £1.4 million, being £0.6 million of redundancy and restructuring costs, £0.3 million of provision against loans and £0.5 million of provision against rent and repairs.

3 Interest receivable

	2003 £000	2002 £000
Interest receivable from bank deposits	**656**	739
Interest receivable on loans to associates	**98**	85
Share of associates interest receivable	**6**	-
	760	824

4 Interest payable and similar charges

	2003 £000	2002 £000
Bank loans and overdrafts	**15**	15
Share of associates interest payable	**53**	80
	68	95

5 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

		2003 £000	2002 £000
Depreciation and amounts written off tangible fixed assets		**455**	449
Amortisation of goodwill and trade investments (including associates)		**2,463**	2,065
Impairment of goodwill on subsidiaries and investments		**-**	6,220
Operating lease rentals - other		**954**	1,086
Loss/(profit) on sale of fixed assets		**101**	(69)
Exchange loss		**380**	1,041
Auditor's remuneration			
- Audit services	Statutory audit	**310**	248
	Other	**30**	35
- Tax services	Compliance	**15**	15
	Advisory services	**144**	17
- Other		**21**	28
Total auditors' remuneration		**520**	343

The Statutory audit fee represents the charge for the Group as a whole. It is not considered practical to allocate an amount to the Company.

6 Staff costs

The average monthly number of employees (including Executive Directors) was:

	2003 Number	2002 Number
Administration	**157**	109
Technical and sales	**275**	278
	432	387

Their aggregate remuneration comprised:	£000	£000
Wages and salaries	**10,122**	11,514
Social security costs	**1,264**	1,513
Other pension costs	**141**	69
	11,527	13,096

Details of audited Directors' remuneration are shown in the Report on Remuneration on pages 29 to 34.

Notes to the accounts (continued)

7 Tax on profit/(loss) on ordinary activites

Analysis of tax charge in the period:	2003 £000	2002 £000
Group taxation on current year profit		
UK corporation tax on profit for the period	3,425	1,930
Adjustment to UK tax in respect of previous periods	(365)	(305)
	3,060	1,625
Overseas taxation – current period	783	848
Overseas taxation – previous periods	47	496
Share of associates' tax	155	(129)
	985	1,215
Total current tax	4,045	2,840
Deferred tax		
Origination and reversal of timing differences	(15)	(490)
Total tax	4,030	2,350

Factors affecting tax charge in the period:

	2003 £000	2002 £000
Profit/(loss) on ordinary activities before tax	12,287	(405)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	3,686	(121)
Effects of:		
Expenses not deductible for tax purposes	1,130	2,522
Capital allowances in excess of depreciation	-	(204)
Non-utilisation of tax losses	146	316
Withholding tax and other irrecoverable taxes	(138)	627
Adjustments to tax charge in respect of previous periods	(318)	191
Losses utilised	(461)	(491)
	4,045	2,840

7 Tax on profit/(loss) on ordinary activites (continued)

Factors that may affect future tax charges:

The Group has carried forward tax losses which should reduce tax payments in future years for some Group companies. Capital allowances are expected to continue to be in excess of depreciation in the next few years, although not significantly higher than for the current period. The Group's overseas tax rates differ to the UK. The tax rate in Russia has reduced to 24%, whereas in Germany the effective rate is approximately 40%.

Provision for deferred tax:

	2003 £000	2002 £000
Accelerated capital allowances	**623**	638
Tax losses carried forward	**(503)**	(503)
Provision for deferred tax	**120**	135
Provision at the start of the year	**135**	625
Deferred tax credit in the profit and loss account	**(15)**	(490)
Provision at the end of the year	**120**	135

8 Profit attributable to ITE Group plc

The profit for the year dealt with in the accounts of the parent company, ITE Group plc, was £4.9 million (2002: £9.4 million). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

9 Dividends

	2003 £000	2002 £000
Interim paid of 0.5p (2002 – 1.45p) per ordinary share	**1,265**	3,770
Final proposed of 1.1p (2002 – 1.0p) per ordinary share	**3,094**	2,778
	4,359	6,548

Under the terms of the trust deed dated 20 October 1998, the ITE Group Employees Share Trust, which holds 9,857,000 ordinary shares representing 3.5% of the Company's called-up ordinary share capital, has agreed to waive all dividends due to it.

Notes to the accounts (continued)

10 Earnings per share

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

	Headline diluted		Basic and diluted	
	2003 £000	2002 (restated) £000	**2003 £000**	2002 £000
Profit/(loss) for the financial year	**8,263**	(2,603)	**8,263**	(2,603)
Amortisation of goodwill	**2,463**	2,065	**-**	-
Exceptional amounts written off goodwill and investments	**-**	6,220	**-**	-
Loss on disposal of group undertakings	**779**	476	**-**	-
	11,505	6,158	**8,263**	(2,603)

Weighted average number of shares:	**2003 Number of shares ('000)**	2002 Number of shares ('000)
For basic earnings per share	**270,527**	258,372
Exercise of share options	**3,643**	2,837
For diluted earnings per share	**274,170**	261,209

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. In the prior year, Headline diluted earnings per share included profits and losses on disposal of group undertakings.

11 Goodwill

	2003 £000	2002 £000
Cost		
1 October	**52,345**	52,714
Additions	**1,521**	2,976
Disposals	**-**	(3,345)
30 September	**53,866**	52,345
Amortisation		
1 October	**(21,519)**	(16,703)
Charge for the year	**(2,331)**	(1,904)
Impairment of goodwill	**-**	(6,220)
Disposals	**-**	3,308
30 September	**(23,850)**	(21,519)
Net book value		
30 September	**30,016**	30,826

Additions in the year can be analysed as follows:

	2003 £000	2002 £000
Acquisition of minority interests in subsidiaries	**1,353**	1,940
Acquisition of businesses	**47**	976
Adjustment to contingent consideration in respect of previous acquisitions	**121**	60
	1,521	2,976

The acquisition of minority interests in subsidiaries of £1.4 million relates to the purchase of the 15% of the minority interest in ITE Moda Limited, such that the Company now owns 90% of ITE Moda Limited, the purchase of the remaining minority interests in Intermedia Exhibitions and Conferences Limited and the remaining interest in Iteca Caspian Limited.

Notes to the accounts (continued)

12 Tangible fixed assets

Group	Land and buildings short leasehold £000	Plant and equipment £000	Total £000
Cost			
1 October 2002	1,003	1,536	2,539
Additions	-	456	456
Disposals	-	(326)	(326)
30 September 2003	**1,003**	**1,666**	**2,669**
Depreciation			
1 October 2002	169	329	498
Charge for the year	50	405	455
Disposals	-	(204)	(204)
30 September 2003	**219**	**530**	**749**
Net book value			
30 September 2003	**784**	**1,136**	**1,920**
30 September 2002	834	1,207	2,041

13 Fixed asset investments

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Subsidiary undertakings	**-**	-	**1,000**	1,000
Other investments and loans	**78**	135	**13**	2
Own shares	**2,334**	2,357	**2,334**	2,357
	2,412	2,492	**3,347**	3,359
Associates	**1,057**	612	**-**	-
	3,469	3,104	**3,347**	3,359

During the year the holding in Incheba Praha was transferred from Associates to Other investments and loans, at a value of £181,000 as detailed in the Financial Review on page 19.

13 Fixed asset investments (continued)

Principal Group investments

The parent company and the Group have investments in the following subsidiary undertakings and associates which principally affected the results or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted. The principal activity of all the companies listed is the organisation of exhibitions and conferences, with the exception of X-RM Limited, which is a provider of software services.

	Country of incorporation	Holding	%
Subsidiary undertakings			
International Trade and Exhibitions (JV) Limited	England	Ordinary shares	100
ITE Exhibitions & Conferences Limited	England	Ordinary shares	100
IEG International Limited+	England	Ordinary shares	100
X-RM Limited	England	Ordinary shares	100
Intermedia Exhibitions and Conferences Limited	England	Ordinary shares	100
IEG-Gima International Exhibition Group GmbH & Co KG	Germany	Ordinary shares	100
International Trade and Exhibitions (ITE) Worldwide B.V.	Netherlands	Ordinary shares	100
E Uluslararasi Fuar Tantitim Hizmetleri AS	Turkey	Ordinary shares	100
Premier Expo	Ukraine	Ordinary shares	100
ITE LLC	Russia	Ordinary shares	100
OOO Primexpo	Russia	Ordinary shares	100
ITECA	Kazakhstan	Ordinary shares	100
Iteca Caspian LLC	Azerbaijan	Ordinary shares	100
ITE Moda Limited	England	Ordinary shares	90
ITE Enterprises Limited+	England	Ordinary shares	100
Associates			
Istanbul Fuarcilik AS	Turkey	Ordinary shares	50
ACG & ITE Trade Fairs SAE	Egypt	Ordinary shares	50

+ Held directly by ITE Group plc.

Notes to the accounts (continued)

13 Fixed asset investments (continued)

Company - Subsidiary undertakings	Shares £000	Loans £000	Total £000
Cost			
1 October 2002	10,181	23,574	33,755
30 September 2003	**10,181**	**23,574**	**33,755**
Provisions			
1 October 2002	9,181	23,574	32,755
30 September 2003	**9,181**	**23,574**	**32,755**
Net Book Value			
30 September 2003	**1,000**	-	**1,000**
30 September 2002	1,000	-	1,000

Associates	Group £000
Share of net assets	
1 October 2002	(505)
Transfer to investments	(181)
Share of retained profit for the year	758
30 September 2003	**72**
Goodwill	
1 October 2002	1,117
Amortisation of goodwill	(132)
30 September 2003	**985**
Net book value	
30 September 2003	**1,057**
30 September 2002	612

During the year the holding in Incheba Praha was transferred from Associates to Other investments and loans, at a value of £181,000 as detailed in the Financial Review on page 19.

13 Fixed asset investments (continued)

Other investments and loans

	Group			Company		
	Other investments	Loans	Total	Other investments	Loans	Total
	£000	£000	£000	£000	£000	£000
Cost						
1 October 2002	8,790	1,640	10,430	3,002	1,640	4,642
Additions	60	-	60	11	-	11
Transfer from Associates	181	-	181	-	-	-
30 September 2003	**9,031**	**1,640**	**10,671**	**3,013**	**1,640**	**4,653**
Provisions						
1 October 2002	8,655	1,640	10,295	3,000	1,640	4,640
Charge in the year	298	-	298	-	-	-
30 September 2003	**8,953**	**1,640**	**10,593**	**3,000**	**1,640**	**4,640**
Net book value						
30 September 2003	**78**	**-**	**78**	**13**	**-**	**13**
30 September 2002	135	-	135	2	-	2

The provision in the year relates to £141,000 against an investment held by IEG-Gima in a sales agency in Germany and £157,000 against the investment in Incheba Praha transferred from associates in the year.

Own shares

Cost	Group £'000	Company £'000
At 1 October 2002	2,357	2,357
Movement in the period	(23)	(23)
At 30 September 2003	**2,334**	**2,334**

At the Extraordinary General Meeting held on 17 November 1998, shareholders approved the establishment of the ITE Group Employee Share Ownership Trust (ESOT). The terms of the ESOT allow the trustees to transfer shares to employees who exercise options under the Company's Share Option Schemes, to grant options to employees and to accumulate shares by buying in the market or subscribing for shares at market value. The ESOT is capable of holding a maximum of 5% of the Company's issued ordinary share capital. The ESOT held 9,857,000 shares in ITE Group plc at 30 September 2003 (2002: 9,957,000 shares). No grant of share options has been made during the financial year.

The Company has agreed to make available to the ESOT an interest-free loan of up to £2.5 million for the purpose of buying shares. At 30 September 2003, the amount of the loan drawn down was £2.1 million. The ITE Group plc Company profit and loss account and balance sheet include the results of the ESOT for the year ended 30 September 2003.

The trustees have waived their current and future rights to all dividend entitlement on the shares held by the ESOT. No options were exercised and 105,000 options lapsed during the year. A balance of 580,000 options remained in issue at 30 September 2003. Details of the options in issue and their exercise dates can be seen at Note 18 to the accounts.

Notes to the accounts (continued)

14 Debtors

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Debtors due within one year				
Trade debtors	**15,499**	13,826	**-**	-
Amounts owed by associates	**-**	988	**-**	-
Other debtors	**638**	1,526	**472**	410
Tax prepayment	**1,248**	-	**1,248**	-
Loan to Incheba Praha	**505**	-	**-**	-
Prepayments and accrued income	**1,667**	1,885	**-**	-
	19,557	18,225	**1,720**	410
Debtors due after one year				
Amounts owed by Group undertakings	**-**	-	**35,728**	33,366
Loan to Incheba Praha	**1,516**	2,484	**-**	-
Other debtors	**2,398**	1,408	**-**	-
Prepayments and accrued income	**-**	256	**-**	-
	3,914	4,148	**35,728**	33,366

15 Creditors: amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Trade creditors	**837**	939	**11**	-
Taxation and social security	**4,453**	2,992	**-**	187
Deferred consideration	**238**	2,122	**-**	-
Proposed dividends	**3,111**	2,778	**3,111**	2,778
Other creditors	**1,981**	1,889	**53**	131
Accruals and deferred income	**28,415**	27,706	**-**	-
	39,035	38,426	**3,175**	3,096

16 Provisions for liabilities and charges

	National Insurance on share options £000	Deferred taxation £000	Onerous leases £000	Contingent consideration £000	Total £000
Group					
1 October 2002	94	135	468	544	1,241
Charged/(released) to the profit and loss account	366	(15)	-	121	472
Utilised in the period	-	-	(64)	(665)	(729)
30 September 2003	**460**	**120**	**404**	**-**	**984**

The provision for national insurance on share options is calculated by reference to the employers national insurance cost on the potential gain based on the difference between the exercise price and share price for those share options "in the money" at 30 September 2003.

Deferred taxation is shown at Note 7 to the accounts.

The onerous lease provision relates to the differential between rental income and lease commitments on two properties, one in the UK and one in the US. The UK lease has a further 14 1/2 years to run and carries a rental of £90,000 per annum. On 20 December 2002 the Company subleased the property for a period of five years for a rental of £62,000 per annum. The differential has been provided for over the remaining term of the lease. The US lease runs to 2006 and has been fully provided for in this period.

17 Derivatives and other financial instruments

The Financial Review provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year.

The numerical disclosures in this note deal with financial assets and liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: disclosures" (FRS 13). Certain financial assets such as investments in subsidiary and associated companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Notes to the accounts (continued)

17 Derivatives and other financial instruments (continued)

Interest rate profile

The interest rate and currency profile of the Group's financial assets at 30 September 2003 was as follows:

Currency	**Total 2003 £000**	Floating rate 2003 £000	Fixed rate 2003 £000
Sterling	**17,329**	12,165	5,164
US Dollar	**1,250**	1,250	-
Swiss Francs	**905**	905	-
Euro	**817**	817	-
Russian Rouble	**1,286**	1,286	-
Other	**2,563**	2,563	-
	24,150	18,986	5,164

The assets subject to floating rates of interest are cash balances based on money market rates at call and a loan to Incheba Praha subject to interest at the rate of 1% above Euro LIBOR. The asset subject to a fixed rate of interest is a cash deposit with an interest rate of 3.74% for a period of six months.

The profile at 30 September 2002 for comparison purposes was as follows:

Currency	Total 2002 £000	Floating rate 2002 £000	Fixed rate 2002 £000
Sterling	13,147	13,147	-
US Dollar	1,449	1,449	-
Swiss Francs	2	2	-
Euro	1,365	1,365	-
Russian Rouble	1,439	1,439	-
Other	2,775	2,775	-
	20,177	20,177	-

The assets subject to floating rates of interest are cash balances based on money market rates at call and a loan to Incheba Praha subject to interest at the rate of 1% above Euro LIBOR.

17 Derivatives and other financial instruments (continued)

Currency exposures

The table below shows the Group's currency exposures; i.e. those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the functional currency of the operating unit involved. As at 30 September 2003 these exposures were as follows:

	Net foreign currency monetary assets				
Functional currency of Group operation	US dollar £000	Euro £000	Swiss Francs £000	Other £000	Total £000
Sterling	6,846	12,106	905	4,489	24,346

The exposures at 30 September 2002 for comparison purposes were as follows:

	Net foreign currency monetary assets				
Functional currency of Group operation	US dollar £000	Euro £000	Swiss Francs £000	Other £000	Total £000
Sterling	9,811	1,988	26	6,685	18,510

Maturity of financial liabilities

The Group had no financial liabilities at 30 September 2003

	Total 2003 £000	Total 2002 £000
In more than one year but not more than two years	-	544
Total	-	544

Fair values

The fair values of the Group's financial assets and liabilities are equal to book values.

Notes to the accounts (continued)

18 Called-up share capital

	2003 £000	2002 £000
Authorised		
375,000,000 ordinary shares of 1 pence each	**3,750**	3,750
Allotted, called-up and fully-paid		
281,349,267 ordinary shares of 1 pence each (2002: 277,836,618)	**2,813**	2,778

During the year the company allotted 2,331,883 (2002: 1,688,516) ordinary shares of 1 penny each pursuant to the exercise of share options. 80,433 ordinary shares were issued in respect of Directors remuneration and a total of 1,100,333 ordinary shares were issued to satisfy deferred consideration relating to the acquisition of subsidiary entities. The total consideration for the shares issued was £739,000.

Options granted under the Company share option plans are as follows:

Number of shares	Subscription price	Exercisable from	Exercisable to
344,294	9.185p	2-4-1998	21-8-2007
5,858,000	19p	10-12-2004	9-12-2011
1,000,000	26.5p	1-10-2007	30-9-2012
4,650,000	34.25p	20-12-2005	19-12-2012
1,000,000	35.5p	26-3-2008	25-3-2013
505,000 *	38.75p	29-5-2001	28-5-2012
1,265,000	47.5p	17-11-2001	16-11-2008
250,000	56.25p	9-9-2006	8-9-2013
263,160	57p	18-12-2003	17-12-2010
310,000	66.5p	25-5-2003	24-5-2010
71,000	70p	23-2-2004	22-2-2011
75,000 *	70.75p	11-1-2003	10-1-2010
476,000	70.75p	11-1-2003	10-1-2010
16,067,454			

* These options were granted under the ITE Group Employee Share Trust Option Scheme. All other options are granted under the ITE Discretionary Option Schemes.

In total, 4,450,000 options were granted during the year and are included in the table above.
Details of options granted to Directors are found in the Report on Remuneration on pages 29 to 34.

19 Reserves

Group	Share premium account £000	Merger reserve £000	Option reserve £000	Profit and loss account £000	Total £000
1 October 2002 (as previously reported)	31,010	-	239	2,340	33,589
Transfer to merger reserve	(3,515)	2,478	-	1,037	-
1 October 2002 (as restated)	27,495	2,478	239	3,377	33,589
Exercise of options	475	-	(65)	-	410
Retained profit for the year	-	-	-	3,904	3,904
Gain on foreign currency translation	-	-	-	(46)	(46)
Adjustment to option reserve for lapsed options	-	-	(42)	42	-
Purchase consideration	-	268	-	-	268
Shares issued for remuneration	26	-	-	-	26
30 September 2003	**27,996**	**2,746**	**132**	**7,277**	**38,151**

The prior year adjustment relates to the correction required to follow the merger relief provisions of the Companies Act 1985 to account for acquisitions involving the issue of shares at a premium. A net total of £2,478,000 has been transferred to the merger reserve which consists of £3,515,000 from the share premium account to reflect the premium on shares issued for acquisitions made in prior years and against this £1,037,000 in respect of goodwill amortisation and impairments previously charged in the Group consolidated accounts.

The cumulative amount of goodwill written off against the Group's reserves is £72,675,000 (2002: £72,675,000).

Company	Share premium account £000	Merger reserve £000	Option reserve £000	Profit and loss account £000	Total £000
1 October 2002 (as previously reported)	31,010	-	239	2,921	34,170
Transfer to merger reserve	(3,515)	2,478	-	1,037	-
1 October 2002 (as restated)	27,495	2,478	239	3,958	34,170
Exercise of options	475	-	(65)	-	410
Retained profit for the year	-	-	-	537	537
Adjustment to option reserve for lapsed options	-	-	(42)	42	-
Purchase consideration	-	268	-	-	268
Shares issued for remuneration	26	-	-	-	26
30 September 2003	**27,996**	**2,746**	**132**	**4,537**	**35,411**

The option reserve was established upon the acquisition by Cementone plc in March 1998 and represents the difference between the fair value and exercise price of share options issued at the date of acquisition.

Notes to the accounts (continued)

20 Reconciliation of movement in Group shareholders' funds

	2003 £000	2002 £000
Profit/(loss) for the financial year	8,263	(2,603)
Other recognised gains and losses relating to the year (net)	(4)	137
	8,259	(2,466)
Dividends paid on equity shares	(4,359)	(6,548)
New shares issued	697	3,346
Net increase/(reduction) in shareholders' funds	4,597	(5,668)
Opening shareholders' funds	36,367	42,035
Closing shareholders' funds	40,964	36,367

21 Minority Interests

	2003 £000	2002 £000
1 October	3	(1,287)
Loss on ordinary activities after taxation	(6)	(152)
Acquisition of minority interests in subsidiary undertakings	-	992
Disposal of subsidiary undertaking	-	450
30 September	(3)	3

All minority interests relate to equity interests.

22 Reconciliation of operating profit to operating cash flows

	2003 £000	2002 £000
Operating profit	11,670	713
Depreciation charges	454	449
Amortisation	2,331	1,905
Impairment	-	6,220
Profit/(loss) on sale or write down of fixed assets	267	(69)
Increase in debtors	(1,234)	(2,776)
Increase in creditors	649	3,951
Increase in provisions	302	-
Net cash inflow from operating activities	**14,439**	10,393

23 Analysis of cash flows

	2003 £000	2002 £000
Returns on investments and servicing of finance		
Interest received	760	873
Interest paid	(68)	(15)
Dividends received from associates	-	222
Net cash inflow	**692**	1,080
Taxation		
UK corporation tax paid	(2,511)	(1,300)
Overseas tax paid	(1,166)	(1,000)
Net cash outflow	**(3,677)**	(2,300)
Capital expenditure and financial investment		
Purchase of tangible fixed assets and investments	(496)	(679)
Sale of tangible fixed assets	-	36
Loan repayments	641	-
Net cash inflow/(outflow)	**145**	(643)

Notes to the accounts (continued)

23 Analysis of cash flows (continued)

	2003 £000	2002 £000
Acquisitions and disposals		
Purchase of subsidiary undertakings	**(1,301)**	(1,035)
Deferred consideration	**(2,294)**	(3,633)
Disposal of subsidiaries	**-**	(91)
Other investments	**-**	(865)
Net cash outflow	**(3,595)**	(5,624)
Management of liquid resources		
Cash (placed)/withdrawn on deposit	**(5,164)**	2,300

Cash held on deposit at 30 September 2003 was £5.2 million (2002: £Nil)

	2003 £000	2002 £000
Financing		
Issue of ordinary share capital	**433**	155
Net cash inflow	**433**	155

24 Analysis of net funds

	30 September 2002 £000	Cash flow £000	**30 September 2003 £000**
Cash at bank and in hand	17,693	(753)	**16,940**
Net funds	17,693	(753)	**16,940**
Cash held on deposit	-	5,164	**5,164**
Cash shown on balance sheet	17,693	4,411	**22,104**

25 Reconciliation of net cash flow to movement in net funds

	2003 £000	2002 £000
(Decrease)increase in cash in the year	**(753)**	3,738
Movement in net funds in year	**(753)**	3,738
Net funds at 1 October	**17,693**	13,955
Net funds at 30 September	**16,940**	17,693

26 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Group				Company	
	2003 Land and buildings £000	**2003 Other £000**	2002 Land and buildings £000	2002 Other £000	**2003 Land and buildings £000**	2002 Land and buildings £000
Expiry date						
- within one year	**465**	**1**	197	4	**-**	-
- between two and five years	**173**	**19**	522	-	**-**	-
- after five years	**320**	**-**	363	-	**90**	90
	958	**20**	1,082	4	**90**	90

27 Post balance sheet events

On 7 November 2003 an agreement was signed between Incheba Praha, Incheba a.s. and ITE whereby ITE disposed of its interest in Incheba Praha and Incheba a.s. and any rights in the Coneco exhibition. The loan between ITE and Incheba Praha was reduced by CZK 23,160,000 in November 2003 with the remaining balance being repaid in equal tranches in December 2004 and 2005. A provision has been made for the difference between the consideration due and the net book value of the assets of £779,000. Details of related party transactions between ITE and Incheba Praha and Incheba a.s. are disclosed in note 28.

Notes to the accounts (continued)

28 Related party transactions

Ceyda Erem has a controlling interest in CNR, a company that owns and manages the largest exhibition halls in Istanbul and therefore, had a material interest in the purchase by the Group of its 50% interest in Istanbul Fuarcilik A.S. ("ITF") in December 1999. CNR was the vendor in that transaction and continues to maintain an ongoing 50% interest in the Associate. Commissions paid to ITF by the Group during the year amounted to £96,000 (2002: £140,000). During the year ITF was charged approximately £3.7 million by CNR for rent, hall services such as electricity, security and advertising and stand construction (2002: £3.5 million). At 30 September 2003 ITF owed ITE approximately £3,500 (2002: £21,000). At 30 September 2003 CNR owed ITF £1.2 million (2002: £2.4 million) of which £0.9 million (2002: £2.0 million) has been provided against.

Ceyda Erem has advanced a loan to ITF for which no interest is charged. The balance at the end of the year was £94,000 (2002: £224,000).

Alexander Rozin has a controlling interest in Incheba a.s. and therefore, held a material interest in the purchase by the Group of its 50% interest in Incheba Praha in November 1999. Incheba a.s. was the vendor in that transaction and continues to hold an ongoing 50% interest in the Associate. Incheba a.s. and ITE advanced loans of CZK 130,750,000 (approximately £2.5 million) each to Incheba Praha, on which interest has been charged at a variable rate of 1% above Euro LIBOR since 1 January 2002. At 30 September 2003 the principal and interest owed to ITE was £2.0 million (2002: £2.5 million). During the year the interest receivable by ITE was £81,000 (2002: £85,000). During the year there was a reversal of prior period management fees to ITE of £416,000 and ITE received an invoice towards flood damage costs of £388,000. As at 30 September 2003, Incheba Praha owed ITE £35,000 (2002: £0.9 million) for management and licence fees, which has been fully provided for.

Goodwill includes £2.0 million (2002: £2.6 million) in relation to the Coneco exhibition run by Incheba a.s. to which ITE is entitled to 50% of the profits. In 2003 no profit share has been recognised by ITE and amortisation of £0.6 million has been charged (2002: £442,000 before an amortisation charge of £149,000).

Alexander Rozin received a salary and car allowance of $120,000 (approximately £75,000) for being Chairman of Incheba Praha.

At 30 September 2003, Incheba a.s. owed ITE £110,000 (2002: £210,000) in relation to the Coneco exhibition which has been included in the provision for the loss on disposal. The provision also includes a charge of £0.5 million for a hall rental prepayment for the Coneco exhibition paid to Incheba a.s. in 2001. The remainder of the provision represents the carrying value of the investment in Incheba Praha of £181,000.

On 30 September 2002 ITE entered into an agreement with Kyzyl Tan Consultants Limited, of which Edward Strachan is a shareholder, to acquire their 50% interest in various trade shows, for consideration of £150,000 and an amount based on the profit for the 2002 events (in 2002 assessed to be £564,000). The final consideration was £850,000.

In Kazakhstan, Iteca has transacted with Datacom, Expo Design and Saban Holding for the provision of web systems, stand construction services and office rental respectively. Edward Strachan is a shareholder of all three companies. In total the services charged to Iteca were approximately £150,000. No amounts were owed to these companies at 30 September 2003.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Olswang, 90 High Holborn, London WC1V 6XX on 26 February 2004 at 12.00 noon for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts and the Auditors' report for the year ended 30 September 2003.
2. To re-appoint Russell Taylor as a Director of the Company.
3. To re-appoint Ian Tomkins as a Director of the Company.
4. To re-appoint Edward Strachan as a Director of the Company.
5. To re-appoint Sir Jeremy Hanley as a Director of the Company.
6. To re-appoint Michael Hartley as a Director of the Company.
7. To declare a final dividend.
8. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to agree their remuneration.
9. To approve the Report on Remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions of which numbers 10, 13 and 14 will be proposed as Ordinary Resolutions and numbers 11 and 12 will be proposed as Special Resolutions:

10. That the Directors be, and they are hereby, generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £936,507, provided that this authority shall expire fifteen months from the date of this resolution or, if earlier, at the conclusion of the Company's next Annual General Meeting and provided that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and provided further that this authority shall be in substitution for and shall replace any existing authority pursuant to the said section 80 to the extent not utilised at the date this resolution is passed.

11. That subject to the passing of resolution 10 above, the Directors be, and they are hereby, empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) of the Company for cash, either pursuant to the authority conferred by resolution 10 above or by an allotment of equity securities such as is referred to in section 94(3A) of the Act as if sub-section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment:

(a) of equity securities in connection with an offer of such securities by way of rights or other pre-emptive offer to holders of ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be practicable) to their respective holding of such Ordinary Shares but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements or any legal or practical problems arising under or as a result of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the issue and/or transfer and/or holding of any securities in uncertificated form; and

(b) (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £140,675, and this power shall expire at the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of this resolution, whichever is earlier, so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

12. That the Company be, and it is hereby, generally and unconditionally authorised for the purpose of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares, provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 28,134,927;

Notice of Annual General Meeting (continued)

(b) the minimum price which may be paid for an Ordinary Share is 1 pence (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than an amount equal to 105 per cent of the average of the closing middle market price for an Ordinary Share as derived from the Official List of the UK Listing Authority for the five business days immediately preceding the date on which the Ordinary Share is purchased;

(d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of this resolution, whichever is the earlier; and

(e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which would or might be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

13. The ITE Group plc Employees' Performance Share Plan 2004 (the "Employee Plan") which is summarised in the Additional information attached to this notice and is now produced to the Meeting be and is hereby approved and adopted and that the Directors be and are hereby authorised to take all steps which they consider necessary or expedient to establish and carry the Employee Plan into effect.

14. The ITE Group plc Key Contractors' Performance Share Plan 2004 (the "Key Contractor Plan") which is summarised in the Additional information attached to this notice and is now produced to the Meeting be and is hereby approved and adopted and that the Directors be and are hereby authorised to take all steps which they consider necessary or expedient to establish and carry the Key Contractor Plan into effect.

By order of the Board

Company Secretary
8 December 2003

Registered Office:
105 Salusbury Road, London NW6 6RG

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of them. A proxy need not be a member of the Group.

2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the form duly executed (and any authority under which it is executed or a notarilly certified copy and such authority must be deposited at the offices of the Company's registrar, Capita IRG plc (proxies), The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for holding the meeting. Completion and deposit of the form of proxy shall not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.

3. The Company specifies pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 that only those members registered in the register of members of the Company as at 6.00 p.m. on 24 February 2004 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjournment meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after 6.00 p.m. on 24 February 2004 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of the adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Copies of the Employee Plan and the Key Contractor Plan will be available at the offices of the Company's solicitors, Olswang, whose address is 90 High Holborn, London WC1V 6XX from the date of this document until the close of the Annual General Meeting and will be available at the Annual General Meeting for 15 minutes prior to and during the Annual General Meeting.

<u>Additional information relating to the resolutions 13 and 14 above</u>

The ITE Group plc Employees' Performance Share Plan 2004 (the "Employee Plan") and The ITE Group plc Key Contractors' Performance Share Plan 2004 (the "Key Contractor Plan") (together the "Plans").

Introduction: The principal terms of the proposed Employee Plan are set out below. The principal terms of the Key Contractor Plan are broadly similar. However, under the Key Contractor Plan only those who provide services to a member of the Group (meaning the Company and any of its subsidiaries) under a contract for services are eligible to participate and references to cessation of employment within the Group are replaced with references to ceasing to provide services to a member of the Group. The Employee Plan limits set out below also apply to awards made under the Key Contractor Plan.

The Employee Plan may operate in conjunction with the ITE Group Employees' Share Trust (the "Trust"). The Trust may be funded by the Company to allow it to purchase or subscribe for Ordinary Shares in the Company to satisfy awards made under the Employee Plan. The Employee Plan limits referred to below will also apply in respect of all Ordinary Shares in the Company ("Ordinary Shares") issued to the Trust to satisfy awards under the Employee Plan.

Awards under the Employee Plan will take the form of either a contingent right to receive Ordinary Shares in the future free of charge (a "Contingent Award") or an option with an option price set at the nominal value of 1p per Ordinary Share. Awards under the Key Contractor Plan will only take the form of an option.

The Plans will be administered by the Remuneration Committee (the "Committee").

<u>Key features of the Employee Plan</u>

Eligibility: Any employee or full-time director of the Company or of any other member of the Group will be eligible to participate. Awards may be granted up to six months from reaching normal retirement age.

Making of awards: Awards may usually only be made under the Employee Plan, at the discretion of the Committee, within 42 days of the announcement of the Company's final or interim results. However, where the Committee considers there are exceptional circumstances awards may

Notice of Annual General Meeting (continued)

be made at other times. The Plan will have a ten year life, although the Committee will review it after no more than five years.

Vesting of awards: Awards vest after a three year period provided performance conditions have been achieved. Unvested awards will normally lapse if a participant ceases to be employed within the Group. However, in certain "good leaver" situations (such as illness, disability, redundancy etc), or in other exceptional circumstances, awards may vest early subject to the extent to which the Committee determines that the performance conditions are achieved at the date of cessation.

On retirement awards will either remain unaffected or, if the Committee determines, may vest early subject to the extent to which the Committee determines that the performance conditions have been achieved at the date of retirement, with account also taken of the time elapsed since grant.

In the event of a change of control of the Company, awards may vest early subject to the extent to which the Committee determines that the performance conditions have been achieved at the date of the change of control, with account also taken of the time elapsed since grant.

Participants will either be required to pay the 1p nominal value to acquire the Ordinary Shares on exercise, or will acquire the Ordinary Shares on vesting for no cost. The Employee Plan will also allow awards, if the Committee so determines, to be satisfied by a "cash alternative" payment, although it is not currently envisaged that this feature will be used.

Performance conditions: For all awards made in the current financial year, the performance condition will be based on the Company's aggregate fully diluted headline EPS (excluding the costs associated with awards made under the Employee Plan and any other share awards) over the three year period following grant as follows:

Percentage of award that vests	Aggregate EPS for the financial years ending 30 September 2004, 2005 and 2006
30%	12p
Between 30% and 100%	12p - 13.5p

Straight line vesting occurs between aggregate EPS of 12p and 13.5p. There will be no re-testing of the performance conditions if the targets are not achieved at the end of the relevant three year period. Therefore, if the performance condition is not met at the end of this period the award will lapse. These performance conditions have been chosen by the Committee to take account of the Company’s biennial business cycle and to incentivise management to deliver sustained EPS performance over the relevant three year period in excess of expectations. The Committee will, for the purposes of third party verification, confirm the extent to which these targets are met with external advisers.

For future awards, the Committee will ensure that a similar approach is taken to setting targets and the Committee will consult with the Company's major shareholders in this respect. However, the Committee intends to obtain formal shareholders' approval before any materially different performance conditions are applied to future awards.

Individual limits: Awards over shares worth no more than 1 x base salary may be made each year.

Share retention: The Company intends to introduce an internal share ownership policy that will apply to Executive Directors. This will require Executive Directors to retain shares of a value equal to 25% of the after-tax gain made on the vesting or exercise of awards under the Employee Plan, until they have built up a shareholding equal to 1 x base salary.

Employee Plan Limits: It is intended that either market purchased or new issue shares will be used to source Ordinary Shares for awards. To the extent that new issue shares are used, these will count towards the aggregate limit that provides that no more than 10% of the Company's issued share capital should be subject to awards made under the Plans or awards or options made under any other share incentive scheme adopted by the Company in any ten year period. In addition, also to the extent that new issue shares are used, no more than 5% of the Company's issued share capital can be subject to awards made under the Plans or awards or options made under any other share incentive scheme adopted by the Company in the ten year period following adoption of the Plans, subject always to adherence to the 10% in ten year limit.

Rights attaching to Ordinary Shares: Ordinary Shares issued or transferred to participants on the vesting or exercise of an award will rank equally with the Ordinary Shares then in issue save for rights attaching to Ordinary Shares by reference to a record date preceding the date of vesting or exercise. The Company will apply to the UK Listing Authority for admission to the Official List of any new Ordinary Shares issued.

Adjustment of awards: In the event of a variation in the Company's share capital, such as a rights or capitalisation issue or reduction of capital, the Committee may make an appropriate adjustment to the number of shares over which an award has been made.

Amendments to the Employee Plan: The Committee may at any time amend the Employee Plan in any respect providing that any amendment to the rules dealing with who is eligible to participate, individual or Employee Plan limits or the rule dealing with the adjustment of options following a variation of share capital cannot be altered to the advantage of participants unless approved by the Company in general meeting (except for minor amendments to benefit the administration of the Employee Plan or to take account of changes in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company, the Group or for a participant).

PAYE/NIC elections: The Employee Plan provides an indemnity to the Company from the award holder in respect of any income tax and employee's national insurance liabilities. It also allows the Company to sell shares on the award holder's behalf to meet these liabilities.

If the award takes the form of an option the award holder may, in the Committee's discretion, and as a condition of exercise of an award, be required to indemnify the Company in respect of any employers' national insurance liability (or overseas equivalent) on exercise or alternatively, to enter into an election with the Company to pass this liability from the Company to the award holder.

Overseas Employee Plan: The Employee Plan provides that additional sections of the rules may be adopted for participants outside of the UK. Awards granted under such additional sections may be granted subject to different terms and conditions in order to take account of local laws. However, additional sections must conform to the basic principles of the Employee Plan and must not increase the limits set out in the Employee Plan.

Pension: Awards under the Plans are not pensionable.

Financial calendar

Final dividend 2003

Ex date	28 January 2004
Record date	30 January 2004
Annual General Meeting	26 February 2004
Payment date	4 March 2004

Interim dividend 2004

Record date	June 2004
Payment date	July 2004

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