ITE Group plc
Interim Report 2007

Creating marketplaces for business



"ITE's results for the first six months of the financial year reflect strong trading conditions in the Group's core markets of Russia and the CIS."

"The trading environment in Russia and the CIS continues to be resoundingly buoyant and most of ITE's major exhibitions have enjoyed strong growth."

"The exhibition industry in the Group's key markets is set for further growth based upon continuing good prospects for the domestic economies, expanding venue space and strong demand for exhibitions."

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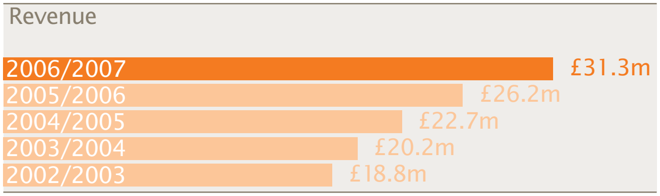
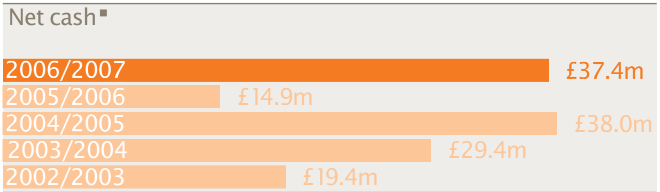
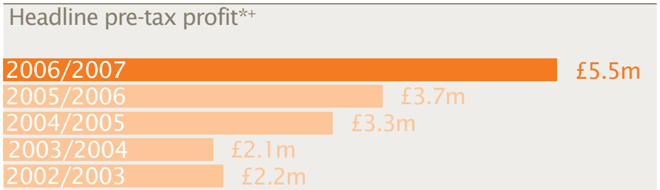
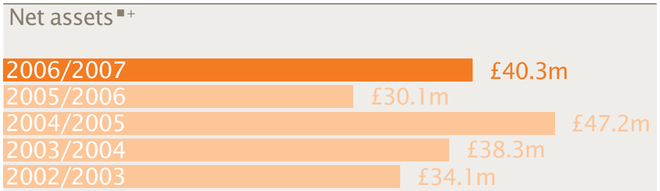
Highlights









Note:

■ ITE Group plc bought back and cancelled 29.1 million shares at a cost of £30 million in August 2005.

* Headline pre-tax profit is defined as profit before tax, amortisation and impairment of goodwill (including associates) and profits or losses arising on disposal of group undertakings – see note 4.

\+ The results for 2003 and 2004 are based on UK GAAP. 2005 through to 2007 are based on IFRS.

	Six months to 31 March 2007	Six months to 31 March 2006
Volume sales	**163,100 m^2**	123,100 m^2
Revenue	**£31.3m**	£26.2m
Profit before tax	**£4.7m**	£3.0m
Headline pre-tax profit*	**£5.5m**	£3.7m
Basic earnings per share	**1.3p**	0.8p
Diluted earnings per share	**1.3p**	0.8p
Headline diluted earnings per share**	**1.5p**	1.0p
Interim dividend per share	**1.3p**	1.0p
Net cash	**£37.4m**	£14.9m
Net assets	**£40.3m**	£30.1m

Notes:
* Headline pre-tax profit is defined as profit before tax, amortisation and impairment of goodwill (including associates) and profits or losses arising on disposal of group undertakings – see note 4
** Headline diluted earnings per share is calculated using profit before amortisation and impairment of goodwill (including associates) and profits or losses arising on disposal of group undertakings – see note 5

- Strong demand in core markets
- Like for like Revenue up 14%
- Like for like Headline profit before tax up 30%
- New ten year venue agreement in Kazakhstan to 2017
- Rolling on-market share buyback programme from free cashflow
- Interim dividend up 30% to 1.3p reflecting prospects and surplus cash
- Board are confident of prospects for the full year
- Forward sales for full year 2007 up 15%+ on a like for like basis

Interim statement

Overview

ITE's results for the first six months of the financial year reflect strong trading conditions in the Group's core markets of Russia and the CIS. Revenue of £31.3m is 19% ahead of the same period last year and headline pre-tax profit of £5.5m is 48% ahead of last year's headline pre-tax profit of £3.7m. This year's first half results have been skewed by the Ukraine International Travel & Tourism event taking place in March instead of April. After adjusting for this and for acquisitions, the Group reported like for like revenue growth of 14% and a like for like 30% improvement in headline pre-tax profit for the first half. Reported pre-tax profit for the six months was £4.7m (2006: £3.0m).

The trading environment in Russia and the CIS continues to be resoundingly buoyant and most of ITE's major exhibitions have enjoyed strong growth. The business in Central Asia and Caucasus has performed particularly well in the first six months of the year and the Moscow exhibition business, which is second half weighted, has now completed its busy April calendar with results that suggest the full year result for Moscow will exceed our original expectations.

The Group has continued to focus efforts on the organic growth and development of ITE's business in its core markets. ITE has recently announced that it has signed a new 10 year agreement with Atakent (Almaty, Kazakhstan) extending its venue exclusivity rights and agreeing tenancy rates until the end of 2017. Additionally, ITE has financially assisted further expansion of the exhibition facilities at Atakent, by making an additional prepayment of US$1.5m to support the construction of a new pavilion at the venue.

The Group's strategy includes the acquisition of appropriate bolt-on events to supplement the strong organic growth of the existing business. However if appropriate opportunities are not available then the Board remains committed to returning surplus cash to shareholders via dividends and the buyback of shares. As at 31 March 2007 the Group's balance sheet recorded net assets of £40.3m (2006: £30.1m) and net cash balances of £37.4m (2006: £14.9m). Given the continued strength of the Group's balance sheet it is the Board's intention, to pursue a rolling share buyback programme financed by the free cash flow of the business after dividends, and within the limits already approved by shareholders. ITE acquired 1.5m shares at £1.60 each on 30 March, which have since been cancelled.

Board and management

Further to the announcement that Ian Tomkins wishes to step down by the end of 2007, the Nomination Committee has been working closely with a recruitment consultant. The process of selecting a new Chief Executive for the Group is well advanced.

Dividend

The Board has approved an interim dividend of 1.3p per share (2006: 1.0p per share). The increase in the interim dividend reflects both the Board's confidence in ITE's trading prospects and the high level of cash balances held by the Group at 31 March 2007.

Financial performance

Revenue for the first half increased 14% on a like for like basis compared to last year. Gross profit margins achieved over the first six months of 38% are consistent with last year's gross profit margins for the same period.

Operating profits of £4.2m (2006: £2.6m) are stated after administrative costs of £8.0m (2006: £7.4m) which include a £0.8m charge for amortisation of intangible assets (2006: £0.7m). Costs associated with the re-location of the Moscow office to larger premises had a small impact on the administrative costs for the first six months. Net administrative costs for the first six months include £0.3m of foreign exchange gains (2006: £0.1m foreign exchange gain).

Finance income of £0.9m reflects higher average cash balances and rising interest rates. Last year's comparable figure of £0.6m included £0.2m of fair value adjustments.

Headline pre-tax profits for the first half were up 48% to £5.5m (2006: £3.7m), which on a like for like basis represents a 30% improvement in headline pre-tax profit.

Trading highlights and review of operations

In the six months to 31 March 2007 ITE organised 62 events (2006: 52 events) including six new launch events. Total square metres sold were 163,100m^2 (2006: 123,100m^2). A summary analysis of the Group's sales and margins from its exhibitions business is set out below:

	Square metres '000	Revenue £m	Gross profit £m
First half 2006	123.1	25.3	9.6
Timing differences	9.9	1.3	0.6
Acquisitions	2.3	0.4	0.1
Net organic growth	27.8	3.4	1.4
First half 2007	163.1	30.4	11.7

The Group's overall yield for the six month period is £186 per m^2 (£206 per m^2 for the same period last year). This change is largely attributable to the impact of growth in the low yielding AgriHort event in Ukraine, though the decline in the $US also had an impact on both revenue and direct costs in Central Asia. In the full year the impact of the weaker $US will be less, given the predominance of Euro priced business in the second half.

Continued focus on

organic growth

Interim statement
continued

Russia
ITE's Russian business continues to experience strong demand, particularly in Moscow. For the first half of the year space sales were 9% ahead of last year's performance and yields 1% higher. The principal events taking place in Russia over the first six months of the year all performed in line with expectations. Ingredients Russia and TransRussia both delivered space sales growth of circa 10% over last year's events. The Moscow International Travel and Tourism event performed well despite competition and delivered an improvement in yield of 5% which covered a reduction in space sales of 4%. Other notable successes were the integration of Expoclean which was acquired in June 2006, and the successful re-location of Pharmtech to an alternative venue.

Central Asia & the Caucasus
Over the first six months space sales in Central Asia and the Caucasus were 33% higher than for the same period last year. Yields were a net 4% lower reflecting the effect of a weaker $US in which prices for this region are normally based.

The Kazakhstan Oil and Gas exhibition was released from space constraints and grew into the new pavilion 10, the construction of which was funded by ITE. It increased its space sales by 20% to 9,600m^2 (2006: 7,900m^2) and the conference also enjoyed a 10%+ increase in revenues. The portfolio of events in Central Asia and the Caucasus reported good growth across all sectors. Specifically, KazBuild Spring consolidated its strong launch and grew by 20%, reflecting the continuing strength of the construction industry in Central Asia. World Food Kazakhstan grew by over 40% but notably more than doubled its profit, reflecting the incremental profitability of events once they achieve critical mass. Other strong performances were BakuBuild and BakuTel in Azerbaijan and UzBuild in Uzbekistan which from a modest base all delivered growth in excess of 30% over last year's comparable events.

Southern and Eastern Europe
The Kyiv business reported space sales 70% higher than for the same period last year. The two main influences were the significant growth of its AgriHort event and a change in dates of the travel event, Ukraine International Travel and Tourism, which brought it into the first half of the year. Ukraine International Travel and Tourism performed well and delivered growth of 10% over last year. AgriHort grew into the new 3rd pavilion at IEC with space sales of over 16,000m^2 (2006: 9,500m^2). Public Health which was acquired in 2004 delivered space sales 23% up on the prior year performance. On a like for like basis space sales for the Ukraine business were 39% improved over last year, but the low yields of the AgriHort event led to a reduction on a comparable basis of 24% in average yields.

The wholly owned business in Istanbul, Turkey recorded satisfying growth in volumes and yields from a low base. However the performance of our associate company in Turkey, ITF, has been disappointing. The result for the first half is a small improvement on last year's result but this is not expected to be maintained over the full year.

UK and Rest of the World
The Spring MODA Fashion and Footwear exhibition held in February 2007 grew in space terms over last year's equivalent event by 3% though revenues were unchanged. The growth was mostly in the Footwear sector which is benefiting from its inclusion in the MODA portfolio. The Publishing business delivered results marginally behind last year, which was in line with our expectations and realistically reflects the difficult market conditions.

ITE's partnership with Sonatrach in Algeria delivered a successful Oil and Gas exhibition and conference in Oran. Further initiatives in Algeria are in progress.

Outlook

Since 31 March 2007 the Group has organised several of its most important exhibitions for the full financial year. In April ITE's flagship events MosBuild and MosBuild+ sold 85,000m^2 (2006: 68,300m^2) representing overall growth of circa 25%. Most of the growth was in the MosBuild+ event at Crocus which also improved its yield. At Expocentr a newly constructed pavilion was completed earlier than originally scheduled and released space constraints on the MosBuild event. The Moscow International Boat Show successfully re-located to another venue and grew to 8,700m2 (2006: 7,900m^2). Moscow International Protection and Security grew by 10% to 6,700m^2 and having reached capacity at its venue is re-locating next year. Expoelectronica consolidated last year's re-location, improved its yield and profitability.

Looking ahead the availability of extra space at Expocentr has improved the prospects for sales of Moscow International Oil and Gas (June 2007) and World Food Moscow which is due to take place in September this year.

Russia, Central Asia and the Caucasus and Ukraine are enjoying robust growth in all sectors of their economies. The exhibition industry in the Group's key markets is set for further growth based upon continuing good prospects for the domestic economies, expanding venue space and strong demand for exhibitions.

At 11 May 2007 ITE has booked revenue of £85.8m for the full year. This represents a 15%+ increase on a like for like basis over the same period last year. The second half has started well with the Moscow events held since 31 March performing ahead of expectations and the Board remains positive and confident of the prospects for the 2007 financial year.

Iain Paterson
Chairman

Ian Tomkins
Chief Executive Officer

Board remains positive and confident of
prospects for 2007

Consolidated income statement

	Notes	**Six months to 31 March 2007 Unaudited £000**	Six months to 31 March 2006 Unaudited £000	Year ended 30 September 2006 Audited £000
Continuing operations				
Revenue		**31,277**	26,175	82,368
Cost of sales		**(19,243)**	(16,236)	(43,885)
Gross profit		**12,034**	9,939	38,483
Other operating income		**123**	145	278
Administrative expenses before amortisation		**(7,159)**	(6,669)	(14,112)
Amortisation of acquired intangibles		**(794)**	(733)	(1,330)
Total administrative expenses		**(7,953)**	(7,402)	(15,442)
Profit on disposal of group undertakings		**–**	–	158
Share of results of associate		**(23)**	(71)	564
Operating profit		**4,181**	2,611	24,041
Finance income	3	**872**	641	1,368
Finance costs		**(312)**	(285)	(621)
Profit on ordinary activities before taxation		**4,741**	2,967	24,788
Tax	5	**(1,433)**	(928)	(7,351)
Profit for the period from continuing operations		**3,308**	2,039	17,437
Attributable to:				
Equity holders of the parent		**3,327**	2,022	17,401
Minority interests		**(19)**	17	36
		3,308	2,039	17,437
Earnings per share (p)				
Basic	6	**1.3**	0.8	6.9
Diluted	6	**1.3**	0.8	6.7

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

Consolidated balance sheet

	Notes	**31 March 2007 Unaudited £000**	31 March 2006 Unaudited £000	30 September 2006 Audited £000
Non-current assets				
Goodwill		**34,391**	32,705	34,406
Other intangible assets		**5,021**	5,689	5,869
Property, plant & equipment		**1,415**	1,234	1,269
Investments in associates		**1,446**	1,033	1,438
Venue advances and other loans		**2,588**	3,180	3,015
Deferred tax asset		**2,323**	1,797	2,022
		47,184	45,638	48,019
Current assets				
Trade and other receivables	7	**26,994**	29,345	29,594
Cash and cash equivalents		**43,656**	22,601	31,883
		70,650	51,946	61,477
Total assets		**117,834**	97,584	109,496
Current liabilities				
Bank overdraft		**(6,237)**	(7,749)	(10,717)
Trade and other payables	7	**(66,739)**	(55,718)	(50,711)
Provisions		**(1,025)**	(535)	(907)
		(74,001)	(64,002)	(62,335)
Non-current liabilities				
Provisions		**(1,284)**	(1,902)	(1,367)
Deferred tax liabilities		**(2,215)**	(1,549)	(2,145)
		(3,499)	(3,451)	(3,512)
Total liabilities		**(77,500)**	(67,453)	(65,847)
Net assets		**40,334**	30,131	43,649
Capital and reserves				
Called-up share capital		**2,609**	2,607	2,609
Share premium account		**727**	558	698
Merger reserve		**2,746**	2,746	2,746
Capital redemption reserve		**291**	291	291
ESOT reserve		**(1,658)**	(3,021)	(3,016)
Retained earnings		**38,795**	25,861	40,555
Own shares held		**(3,566)**	–	(1,142)
Hedge and translation reserve		**390**	878	889
Equity attributable to equity holders of the parent		**40,334**	29,920	43,630
Minority interests		–	211	19
Total equity		**40,334**	30,131	43,649

Consolidated cash flow statement

	Notes	**Six months to 31 March 2007 Unaudited £000**	Six months to 31 March 2006 Unaudited £000	Year ended 30 September 2006 Audited £000
Cash flows from operating activities				
Operating profit from continuing operations		**4,181**	2,611	24,041
Adjustments for:				
Depreciation and amortisation		**1,065**	987	1,895
Other non-cash expenses		**791**	102	208
Share of associate loss/(profit)		**23**	71	(564)
Gain on disposal of subsidiary		**–**	–	(158)
Increase/(decrease) in provisions		**202**	(22)	(213)
Operating cash flows before movements in working capital		**6,262**	3,749	25,209
Decrease/(increase) in receivables		**2,819**	(961)	(233)
Increase in payables		**15,274**	14,767	9,244
Cash generated from operations		**24,355**	17,555	34,220
Tax paid		**(3,294)**	(4,352)	(9,064)
Venue advances and loans		**(728)**	(6,773)	(7,422)
Net cash from operating activities		**20,333**	6,430	17,734
Investing activities				
Interest received		**872**	409	925
Dividends received from associates		**–**	322	422
Acquisition of intangibles		**(133)**	(1,061)	(3,026)
Purchase of property, plant & equipment		**(293)**	(226)	(422)
Net cash used in investing activities		**446**	(556)	(2,101)
Financing activities				
Dividends paid		**(6,316)**	(4,623)	(7,143)
Interest paid		**(312)**	(285)	(621)
Net cash flow in relation to ESOT shares		**1,811**	541	541
Purchase of own shares		**–**	–	(1,142)
Proceeds from issue of share capital		**11**	510	634
Net cash flows from financing activities		**(4,806)**	(3,857)	(7,731)
Net increase in cash and cash equivalents		**15,973**	2,017	7,902
Net cash and cash equivalents at beginning of period		**21,166**	13,019	13,019
Effect of foreign exchange rates		**280**	(184)	245
Net cash and cash equivalents at end of period	8	**37,419**	14,852	21,166

	31 March 2007 £000	31 March 2006 £000	30 September 2006 £000
Comprised of:			
Cash and cash equivalents	**43,656**	22,601	31,833
Bank overdrafts	**(6,237)**	(7,749)	(10,717)
	37,419	14,852	21,166

Consolidated statement of recognised income and expense

	Six months to 31 March 2007 Unaudited £000	Six months to 31 March 2006 Unaudited £000	Year ended 30 September 2006 Audited £000
Currency translation on net investment in subsidiary undertakings	**(276)**	78	(197)
(Loss)/gain on cash flow hedge	**(18)**	–	356
Tax on items taken directly to equity	**–**	–	159
Net (expense)/income recognised directly in equity	**(294)**	78	318
Transferred to profit or loss on cash flow hedges	**(202)**	–	(22)
Implementation of IAS 39	**–**	–	(500)
Profit for the period attributable to the shareholders	**3,308**	2,039	17,437
Total recognised income and expense for the period	**2,812**	2,117	17,233
Attributable to:			
Equity holders of the parent	**2,831**	2,100	17,197
Minority interests	**(19)**	17	36
	2,812	2,117	17,233

Notes

1 The interim results have been prepared in accordance with IFRS that the directors expect to be applicable as at 30 September 2007. IFRS are subject to amendment or interpretation by the International Accounting Standards Board and there is an ongoing process of review and endorsement by the European Commission.

The financial information for the period ended 31 March 2007 is unaudited and does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. The interim results are prepared on the basis of accounting policies set out in the annual financial statements of the Group for the year ended 30 September 2006. These interim results were approved by the Board on 18 May 2007 and copies of this document are being sent to shareholders. Further copies are available from the Company's registered office.

2 The results for the year ended 30 September 2006 have been extracted from the statutory accounts, which have been reported on by the Group's auditors and have been delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985.

3 Finance income

	Six months to 31 March 2007 Unaudited £000	Six months to 31 March 2006 Unaudited £000	Year ended 30 September 2006 Audited £000
Interest receivable from bank deposits	**830**	386	787
Interest receivable from Inland revenue repayments	**28**	–	115
Interest receivable on advances to venues	**11**	18	17
Interest receivable on loan to Incheba Praha	**–**	5	5
Unwind of fair value discount on venue advances	**3**	232	444
	872	641	1,368

4 Reconciliation of headline profit before taxation to profit on ordinary activities before taxation

	Six months to 31 March 2007 Unaudited £000	Six months to 31 March 2006 Unaudited £000	Year ended 30 September 2006 Audited £000
Profit on ordinary activities before taxation	**4,741**	2,967	24,788
Amortisation of acquired intangibles	**794**	733	1,330
Profit on disposal of subsidiary undertakings	**–**	–	(158)
Headline profit before taxation	**5,535**	3,700	25,960

5 Taxation

	Six months to 31 March 2007 Unaudited £000	Six months to 31 March 2006 Unaudited £000	Year ended 30 September 2006 Audited £000
Current tax			
UK corporation tax	**1,002**	644	3,959
Foreign tax	**646**	552	3,388
	1,648	1,196	7,347
Deferred tax	**(215)**	(268)	4
Tax on profit on ordinary activities	**1,433**	928	7,351

Tax at the interim is charged at 30% (2006: 31%) representing the best estimate of the weighted average annual corporation tax expected for the financial year.

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

	Headline diluted		Basic and diluted	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Profit for the financial period	**3,327**	2,022	**3,327**	2,022
Amortisation of acquired intangibles	**794**	733	**–**	–
Tax effect of amortisation	**(157)**	(158)	**–**	–
	3,964	2,597	**3,327**	2,022

	2007 Number of shares (000)	2006 Number of shares (000)
Weighted average number of shares:		
For basic earnings per share	**253,505**	250,710
Dilutive effect of exercise of share options	**7,382**	10,406
For diluted earnings per share	**260,887**	261,116

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.

7 Trade and other receivables include trade debtors of £14.9m (31 March 2006: £13.5m; 30 September 2006: £22.0m) and venue advances and other loans of £2.6m (31 March 2006: £6.4m; 30 September 2006: £4.1m).

Trade and other payables include deferred income of £55.8m (31 March 2006: £47.4m; 30 September 2006: £39.7m).

8 As a result of the capital reduction in July 2005, £4.1m is held in a trust account, which will be released as certain creditors are paid in full. At 31 March 2007, £0.5m of the cash in trust was expected to be released within one year.

Independent review report to ITE Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 March 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2007.

Deloitte & Touche LLP
Chartered Accountants
London
18 May 2007

Directors and professional advisers

Directors
Iain Paterson, Non-executive Chairman
Ian Tomkins, Chief Executive Officer
The Rt Hon Sir Jeremy Hanley, KCMG, Non-executive Director
Michael Hartley, Non-executive Director
Edward Strachan, Executive Director
Russell Taylor, Finance Director
Malcolm Wall, Non-executive Director

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Financial calendar

Interim dividend

Record date	1 June 2007
Payment date	22 June 2007

Final dividend

Record date	January 2008
Payment date	March 2008

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