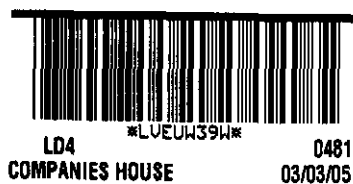


ITE Group plc

Annual Report & Accounts

Year ended 30 September 2004

Registered number: 1927339



Financial Highlights

	Year ended 30 September 2004	Year ended 30 September 2003
Turnover	£60.8m	£58.9m
Profit before tax	£15.7m	£12.3m
Headline pre-tax profit*	£18.1m	£15.5m
Basic earnings per share	3.9p	3.1p
Diluted earnings per share	3.8p	3.0p
Headline diluted earnings per share**	4.7p	4.2p
Dividend per share	2.2p	1.6p
Net cash	£33.5m	£22.1m
Net assets	£44.4m	£38.6m

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
Turnover	£38.8m	£50.4m	£52.4m	£58.9m	£60.8m
Headline pre-tax profit	£12.6m	£12.4m	£8.4m	£15.5m	£18.1m
Net assets	£32.6m	£38.4m	£34.1m	£38.6m	£44.4m
Net cash	£2.7m	£16.3m	£17.7m	£22.1m	£33.5m

* 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 the Profit and Loss Account for details

** 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.

Chairman's Statement

Group Performance

I am pleased to be announcing record results for ITE Group plc. These results reflect the underlying strength of the business and an excellent performance in all of our key markets. This was achieved despite the impact on the results of ITE's biennial cycle. Turnover and Headline profit before tax for 2004 were £60.8 million (2003: £58.9 million) and £18.1 million (2003: £15.5 million) respectively. Headline diluted earnings per share grew by 12% to 4.7p per share and diluted earnings per share improved to 3.8p per share (2003: 3.0p per share). Profit before tax of £15.7 million is a 28% improvement on last year's Profit before tax of £12.3 million. The Group has a strong balance sheet and finished the year with net assets of £44.4 million (2003: £38.6 million) and a net cash balance of £33.5 million (2003: £22.1 million).

Strategic Progress

In addition to our strong core business performance we have made a number of strategic and complementary acquisitions. Most recently in October 2004 we acquired Caspian Events Limited which owns the Caspian Oil and Gas exhibition taking place every year in Azerbaijan. In May we acquired two exhibitions in the Ukraine which have helped to build our presence in this growing market. In June we completed the acquisition of RAS Publishing Group which owns the publishing titles complementary to MODA, our UK Fashion brand. These acquisitions all reflect our strategy of building the business through acquisitions in regions or sectors where we already have relevant knowledge and experience.

We have made more progress in disposing of businesses where there is little scope for management to achieve reasonable returns or improve performance. Further to the disposal of our Czech associate interest in November 2003, we sold our 50% shareholding in ACG our Egyptian associate company in May this year. In October 2004 we disposed of X-RM Limited, a small UK based software Company.

We have made further progress in extending and strengthening our key relationships with the venues that host our exhibitions business. ITE has been instrumental in supporting the construction projects for new facilities in Almaty (Kazakhstan), Kyiv (Ukraine) and St Petersburg (Russia). The expansion in international quality exhibition facilities will provide more space for our exhibition organising business to continue its growth.

Board and Management

There have been no changes to the main Board since we last reported to you. Michael Hartley who joined the Board in October 2003 was appointed Chairman of the Remuneration Committee in February of this year. The Board has made some changes to bring its structure and practices more closely into line with the requirements of the New Combined Code. In particular Marco Sodi and Christopher Russell, the two appointees of Veronis Suhler Stevenson have now agreed to stand for re-election in accordance with normal practice.

The stability of the Board has assisted the Group in developing its management team and I am encouraged at the level of talent that is apparent throughout our local offices. I should like, on behalf of the Board, to reflect our appreciation for all the efforts of our staff that have helped to make 2004 such a rewarding year.

Dividend

Over the last 2 years the organisation and cost base of the Group has been restructured. As the benefits of this are now reflected in this year's financial performance, the Board has re-evaluated the Company's dividend policy and has decided to re-base the dividend by recommending a final dividend of 1.65p per share. The total dividend for the year of 2.2p per share represents a 38% increase over last year's dividend of 1.6p per share. The Group intends to increase future dividends to reflect underlying financial performance.

Chairman's Statement

Outlook

The regions in which the Group operates are experiencing strong growth and the venue space which facilitates expansion of our business is increasing in our significant markets. We believe that ITE is well positioned to take advantage of the anticipated expansion in the exhibition business in developing and emerging markets. With our strong and established positions we remain confident that we can build on the good financial performance of this year.

Iain Paterson
Chairman
7 December 2004

Operating and Financial Review

Financial performance

Turnover for the year was £60.8 million (2003: £58.9 million) and Operating profits were £13.8 million (2003: £11.7 million). The increase in Turnover and Operating profits of 3% and 17% respectively has been earned in the weaker year of our biennial cycle. On a like for like basis (i.e. after adjustment for the effect of our biennial cycle) revenues for 2004 increased by 11% and Operating profit by 49% relative to the 2003 performance.

Sales of exhibition metres for the year were 276,000 (2003: 292,000) at an average Sterling yield of £220 per m² (2003: £202 per m²). Overall our Sterling yields have increased in Moscow where contracts are priced in Euros although there has been some deterioration in other regions where contracts have been priced in US dollars. Yields have also improved as a result of better pricing and discount controls throughout the Group.

Operating profit of £13.8 million for 2004 is an improvement of £2.1 million over last year's comparable figure of £11.7 million. The change consists of a £0.5 million improvement in Gross profit and a £1.6 million reduction in Operating expenses. The improved Gross profit figure has been derived from higher sales made at a consistent 45% gross margin. Operating expenses of £13.4 million (2003: £15.1 million) reflect the benefits of a lower cost base following last year's re-structuring exercise and a net reduction in non recurring items of £0.8 million. Net operating expenses before amortisation of goodwill were £10.9 million (2003: £12.7 million) and now reflect a revised ongoing cost base for the Group at its current level of operation. Foreign exchange losses of £0.4 million (2003 losses of £0.4 million) are included in Net operating expenses.

Our associated company contribution relates solely to our 50% owned business, ITF in Istanbul, Turkey. Revenues and volume sales were both 15% lower than in 2003 on account of calendar changes for two significant events – which were re-scheduled into 2005. Despite this the Group's share of ITF's Operating profits contributed £0.5 million.

Trading highlights

In 2004 ITE organised 141 events in 15 countries (2003: 114 events in 16 countries). We launched 30 new events over the course of the year across a range of industries concentrating on our core markets of Kazakhstan, Ukraine and Moscow. The top ten events ordered by contribution to gross profit in 2004 and their change in size over 2003 are set out below:

<u>Rank</u>	<u>Event</u>	<u>Location</u>	2004 <u>m² sold</u>	2003 <u>m² sold</u>	<u>Growth</u>
1	Mosbuild	Moscow	35,700	34,600	3%
2	Moscow International Travel & Tourism (MITT)	Moscow	16,700	17,500	*
3	World Food Moscow	Moscow	20,000	17,500	14%
4	Moscow International Motor Show / Autosalon	Moscow	16,600	22,800	*
5	MODA UK (bi-annual)	U.K.	21,000	19,000	11%
6	Kazakhstan International Oil & Gas (inc. conference)	Kazakhstan	6,200	5,600	11%
7	Windows & Doors	Moscow	8,900	8,600	3%
8	Baltic Building Week	St Petersburg	9,900	9,000	10%
9	Moscow International Sports & Boat Show**	Moscow	9,900	7,500	32%
10	Ingredients Russia	Moscow	4,700	4,500	4%

* 2003 Events not directly comparable

** Now split into two separate events

Like for like growth in space sales of our top ten annual events was 7%. This reflects the constraint of venue space with respect to our major events, Mosbuild, Windows and Doors and Moscow International Travel and Tourism. World Food Moscow and the Moscow Boat Show procured additional space to facilitate strong performances.

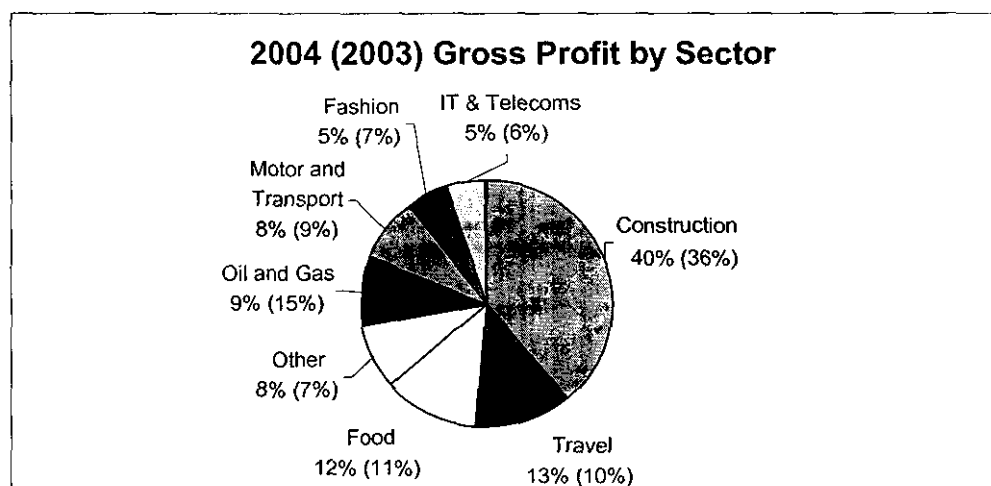
Operating and Financial Review

A detailed analysis of the change in the Group's overall revenue, gross profits and volume sales is set out below:

	Square metres (000's)	Revenue £'million	Gross profit £'million
2003 Sales & gross profits	292	58.9	26.7
Biennial effect	(43)	(4.3)	(2.4)
'Biennially adjusted 2003'	249	54.6	24.3
Non recurring and timing differences	2	0.3	0.1
New launches	12	2.4	0.5
Acquisition	5	0.2	0.1
Growth on recurring events	8	3.3	2.2
2004 Sales & gross profits	276	60.8	27.2

In Moscow volume growth was lower but tighter pricing and the Euro denomination of its sales supported an improved average Sterling yield. Volume growth was stronger in Central Asia but yields suffered from being priced in US dollars. New launches contributed 12,000m² in volume sales, revenues of £2.4 million and gross profits of £0.5 million.

Gross Profit of £27.2 million (2003: £26.7 million) analysed by industry sector is set out below:

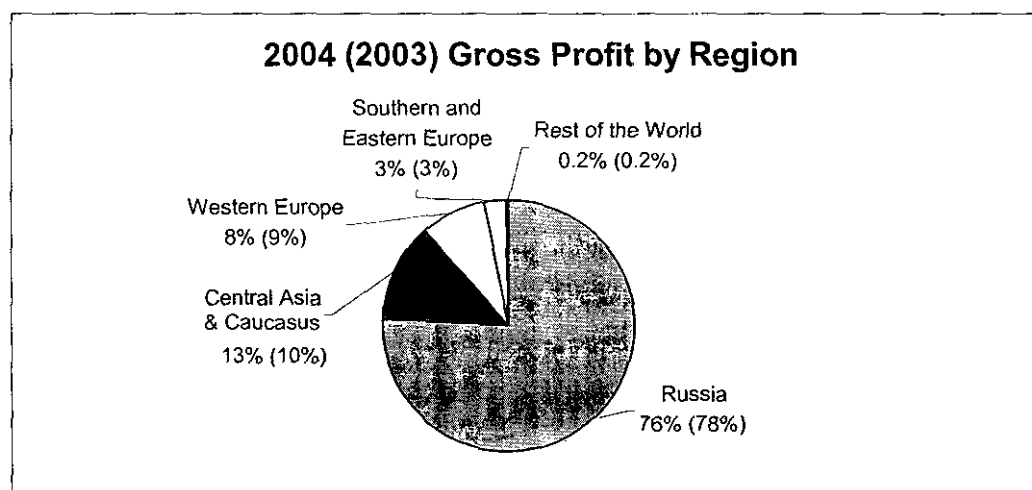


Profits earned from Oil and Gas and the Motor sectors events are proportionately smaller, as is normal in the weaker year of our biennial cycle when we do not hold the Oil and Gas event in Moscow and the Moscow International Motor Show (MIMS) runs in place of Autosalon event. The strength of Construction Events throughout Russia and CIS is apparent, as are the improved profits from the travel sector driven by the events in Moscow and Ukraine.

Operating and Financial Review

Review of Operations

Gross profit of £27.2 million (2003: £26.7 million) analysed into the main geographical regions in which we operate in is set out below followed by a review of the significant events for 2004 in each of those regions.



Russia

Offices: Moscow, St Petersburg.

	2004	2003
Staff employed	161	138
Exhibitions organised	48	34
Square metres sold (000's)	173	180

Despite lower overall volumes sold (see below) revenues were supported by better yields and gross profits earned in Russia rose by 3%.

In 2004 the biennial Moscow International Oil & Gas was not scheduled, and the smaller version of the two Motor events, MIMS took place instead of Autosalon. This biennial effect accounted for a 17,000m² reduction in volume sales. In response to a change in the international calendar of events it has been decided Autosalon will now be scheduled in 'even years' commencing in 2006, with MIMS alternating in the 'odd years'.

A notable success in Moscow this year was the decision to split the Sports and Boats show into two separate events which enabled the Boat show to expand by 35%. We have undertaken infrastructure works with the venue to further enhance this event. World Food Moscow benefited both from additional space being made available and an improvement in yield, to increase its revenues by 28%. The Moscow office launched 6 new events into new market niches for technology and infrastructure.

A significant influence on the performance of a number of our major exhibitions is the availability of quality exhibition space. This year has heralded the opening of a new 30,000m² gross facility, Crocus, in Moscow. Our Mosbuild construction event is scheduled to expand into this facility in 2005 allowing new space for potential growth. We note that Crocus has also started construction of Phase 2 which will increase its overall space available by a further 60,000m² gross which will facilitate further anticipated growth of our leading event.

The St Petersburg office has seen strong growth in volume sales and gross margins of approximately 20% on a like for like basis. Two new launches were successful in addition to 10% growth in size of the office's largest and most profitable event, Baltic Building Week. ITE has advanced a further loan of \$2.1 million to the venue

Operating and Financial Review

owners, Lenexpo, to part finance a construction project on their exhibition grounds. The loan will be recouped by offsetting future venue charges otherwise payable.

Central Asia & Caucasus

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

	2004	2003
Staff employed	116	86
Exhibitions organised	56	38
Square metres sold (000's)	47	29

ITE's offices in these regions achieved dynamic growth with 15 new events – adding 5,100 metres of sales – in addition to the strong performance from existing events. A new office has been established in Tbilisi, Georgia. New events have also been launched in Kyrgyzstan and Tajikistan.

In total the Central Asia & Caucasus region now accounts for 15% of the Group's Revenues and 13% of Gross profits. The most significant contributions were in the Oil and Gas and the Construction sectors. The Central Asian offices currently run 7 construction exhibitions in Almaty, Astana, Atyrau, Baku, Tashkent, Tbilisi and Bishkek and together they increased their sales by over 40% from circa 10,000m² to over 14,000m². Kazakhstan International Oil and Gas Exhibition and its Conference (KIOGE) improved its profits by 16% over last year – largely on the basis of an increase in the size of the exhibition facilitated by the newly constructed pavilion at Almaty, funded by ITE. As reported at the interim stage ITE has made an additional loan of \$1.2 million to support the construction of improved facilities at the Almaty exhibition venue.

The acquisition of the Caspian Oil and Gas Exhibition and Conference in October 2004 complements our portfolio of Oil and Gas events throughout the CIS. This annual event, held in Baku, is one of the pre-eminent Oil and Gas events in the region and the integration into our local office infrastructure and the ITE international sales network has been initiated.

Eastern & Southern Europe*

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

	2004	2003
Staff employed	102	64
Exhibitions organised	28	24
Square metres sold (000's)	36	42

* Figures do not include associate company staff or activity

The Kyiv office in Ukraine completed a successful year increasing its total volume of sales by 50% to 20,000 metres. This was achieved through 5 new launches and strong growth in its 3 core events – Food, Construction and Travel where collectively volume sales and profitability increased by 40%. This office will benefit in the next financial year from the acquisition earlier in the year of two high quality exhibitions serving the Medical and Telecoms sectors. These acquisitions were successfully integrated into our Kyiv office and were held in October 2004. Both events showed growth on the previous shows prior to ITE ownership.

During the year ITE made an additional loan of \$2 million to the IEC venue in Kyiv where construction of an additional pavilion is well under way and due for opening by the middle of next year. ITE holds all its events in the IEC venue where ITE was a participant in the funding of the initial development.

Operating and Financial Review

In Turkey our wholly owned subsidiary (EUF) had a mixed year. The 26,000m2 biennial Ankomak event (construction plant and machinery) was not scheduled to take place and consequently reduced the overall activity level of the office. Optik, an acquisition in 2003 made a successful debut in March 2004.

Associate Company - ITF

ITF our 50% owned associate business in Istanbul organised 12 events (2003: 16 Events). Significantly the Auto and Otomotiv events were not scheduled in 2004. The next editions of these events have more recently been successfully held in November 2004. Despite this the business managed to produce consistent profits in 2004 albeit from a smaller sales base. We maintain tempered optimism with respect to the economic conditions in Turkey, however the task to improve the profitability of the business in Istanbul remains a challenge given the very low yields and strong influence of trade associations on major events.

Western Europe and UK

Offices: London, Huddersfield, Hamburg

	2004	2003
Staff employed	155	110
Exhibitions organised	4	3
Square metres sold (000's)*	21	19

* Relates to exhibitions organised in UK

In June this year ITE acquired the associated publishing titles of Womenswear Buyer and Menswear Buyer which support our MODA UK exhibition. These trade magazines provide advertising and marketing services to the same exhibitors at MODA UK and are read by the same buyers who attend the exhibitions. This acquisition enables us to offer a more complete range of marketing services to our customers. The additional publishing staff share the same offices as our exhibition team and are combining their activities and databases. The Spring and Autumn MODA UK exhibitions performed well – but as anticipated last year the events have plateaued in terms of their growth. MODA is currently reviewing plans to expand the business with new sector and market development.

ITE has international sales offices based in London and Hamburg. The primary role of these sales offices is to facilitate the sale of international exhibitors into the Group's portfolio of exhibitions.

Rest of World

Offices: Johannesburg

	2004	2003
Staff employed	5	-

The Group established an office in Johannesburg in the year initially to service the World Petroleum Congress event to take place in September 2005. In addition ITE has initiated the launch of an exhibition and conference business in various other parts of Africa - including Libya. ITE continues to work with UNCTAD to prospect new opportunities in Africa and in 2005 will launch a new event in Mozambique.

Operating and Financial Review

Outlook

I am pleased that ITE has concluded the year in a very strong operational and financial position. There is a clear route to growth in each of our core markets. Favourable economic conditions in our core markets, allied to an expansion in venue facilities in Moscow, Ukraine, Kazakhstan and Turkey contribute to a healthy prognosis for our exhibition business.

The financial results for 2004 depict a genuinely strong trading result. In addition to organic revenue growth of 11% and 30 new launches, strong gross margins and the benefits of a lower cost base have raised the net Operating margin before charges for goodwill amortisation to a new level of 27% from last year's comparative 24%.

ITE has focussed on the strategy of building on the strengths of our key assets in our core markets where we have competitive advantages and local infrastructure. We have sought to supplement our organic growth plans with selective acquisitions principally in markets and sectors where we have in-depth knowledge. We will continue to prospect suitable opportunities on a prudent and opportunistic basis.

In the forthcoming year, ITE will manage the 18th World Petroleum Congress in addition to organising our biennial Moscow International Oil and Gas Exhibition and Congress. When coupled with our strongly performing core operations the prospects for 2005 are indeed bright. As of 3 December 2004 ITE had achieved advance sales of £42 million in respect of the next financial year (11% ahead of last year on a like for like basis). I continue to be confident and enthused about the prospects ahead for our business.

Ian Tomkins
Chief Executive Officer
7 December 2004

Operating and Financial Review

Group financial review

Earnings per share

The diluted earnings per share increased to 3.8p from 3.0p in the prior year. The Group achieved Headline diluted earnings per share of 4.7p per share compared with 4.2p for the year to 30 September 2003. Headline diluted earnings per share is based upon profit before amortisation and impairment of goodwill, (including associates) and profits or losses on disposal of group undertakings.

Acquisitions & disposals

ITE has made a number of strategic acquisitions over the last twelve months. In May of this year ITE completed the acquisition of two Ukrainian exhibitions for consideration of \$2.8 million in cash. In June of this year ITE's 90% owned subsidiary, ITE Moda Limited, acquired 100% of the RAS Publishing Group for a net cash consideration of £2.0 million. Shortly after the year end, on 6 October 2004 ITE acquired 100% of the share capital of Caspian Events Limited for £2.2 million in cash.

As reported last year ITE disposed of its 50% interest in its Czech associate Incheba Praha and also its related 50% investment in the Slovakian exhibition, Coneco in November 2003. The overall loss on this transaction of £0.8 million was provided for in the 2003 accounts. There remain two loan repayments due from Incheba Praha of CZK 35 million (£0.7 million) each due in December 2004 and December 2005. In May 2004 ITE disposed of its 50% interest in its Egyptian associate, ACG to its fellow owners for \$0.9 million. The sales proceeds are accounted for when they are received and the outstanding amount due under the purchase and sale agreement and not yet received is \$0.3 million.

Post balance sheet event

On 22 October 2004 ITE sold its 100% shareholding in X-RM Limited to its Managing Director, Jonathan Block for £1. Jonathan Block was the original vendor of this business to ITE in 2000. Having reviewed the business of X-RM Limited carefully ITE saw no synergy or positive prospects for this loss making business. There was a loss on disposal of £0.1 million in respect of unamortized goodwill.

Tax charge

The tax charge of £5.0 million represents 27% of Headline pre-tax profits. The Group anticipates that for the next 2-3 years the tax rate will 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.

Capital

The Company has issued 3,821,369 ordinary shares of 1p in the year. This represented 1.4% of the issued share capital at 1 October 2003. Of these 3,754,417 were pursuant to the exercise of options and yielded aggregate consideration of £1.0 million. The remaining shares were issued as part of Directors' remuneration.

The Employees Share Option Trust ("ESOT") held 10,427,000 (3.6%) of the Companies issued share capital at the year end (2003: 9,857,000; 3.5%). The ESOT has acquired further shares in the market over the course of the year.

Cash flow

Net cash at 30 September 2004 was £33.5 million (2002: £22.1 million). The cash inflow from operating activities was £21.8 million (2003: £16.9 million). The net cash outflow of £1.3 million on acquisitions and disposals comprises outflows of £3.3 million on acquisitions and £0.2 million on deferred consideration and an inflow of £2.2 million from the disposals of Incheba Praha and ACG in the year

A further £3.4 million was applied in taxation payments and £4.5 million was paid to shareholders as dividends.

Operating and Financial Review

Interest

Net interest earned in the year was £1.1 million (2003: £0.7 million). The Group held average cash balances of £27.4 million through the year (2003: £19.7 million). At 30 September 2004 £17.0 million Sterling was held on term deposits of between 3 and 12 months.

Investment and capital expenditure

The Group's capital expenditure on plant and equipment for the year of £0.7 million (2003: £0.5 million) included exhibition equipment, computer equipment and associated software.

The Group funds the development of venues and facilities where improved facilities will enhance the prospects and profitability of our 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 (both referred to as 'venue loans'). Generally the funding brings rights over future venue use and advantageous pricing arrangements. Venue loans are included under debtors in the balance sheet and are treated as financial investments in the Cash flow statement.

At 30 September 2004 the Group's Sterling value of the outstanding balances was £4.6 million (2002: £3.3 million) advanced against venue construction projects as follows:

	30 September 2003 £m	Repayments £m	New Loans £m	30 September 2004 £m
Kyiv	0.8	(0.3)	1.1	1.6
Almaty	0.7	(0.5)	0.6	0.8
St. Petersburg	1.6	(0.8)	1.2	2.0
Bulgaria	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>0.2</u>
	<u>3.3</u>	<u>(1.6)</u>	<u>2.9</u>	<u>4.6</u>

These balances will be recovered from future venue use within three years except in Bulgaria and St Petersburg. In St Petersburg part of the loan repayments relate to future events taking place between 2007 and 2011. ITE is not presently active in Bulgaria and the loan will be repaid by instalments.

Financial risk

The main risk facing the Group is foreign currency risk. The Board has reviewed and agreed policies to manage financial risk 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 profits 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 £0.4 million (2003: £0.4 million). The exchange rate for the Euro moved from €1.44: £1 at the beginning of the year to €1.46, though it traded around €1.5: £1 for a large part of the year; the exchange rate for the US dollar started the year at \$1.68: £1, and finished the year \$1.8: £1 again having traded at weaker levels in mid-year.

The bulk of the Group's business is in emerging markets and to minimise the currency risk, the Group invoices predominantly in Euros and US dollars. In 2004 62% of the Group's sales were based on Euros and 28% on 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 2004 the weighted average exchange rate against Sterling used for converting US dollar sales was \$1.69 and Euro sales was €1.44.

Operating and Financial Review

The Group uses derivative instruments and currency borrowings to protect itself against the effect of currency fluctuations on its balance sheet. The Group's policy on derivative instruments is that:

- it will only hedge up to 80% of the value of anticipated cash flows and;
- it will not enter into derivative transactions more than 18 months ahead.

Over the course of the year the Group has entered into currency borrowings to minimise the exposure to foreign exchange risk. The currency borrowings can be offset against the matching Sterling deposits. The net cash balances of £33.5 million at 30 September 2004 are shown in the balance sheet.

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.

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 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.

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.

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

7 December 2004

Directors, advisers and other information

Directors	Iain Paterson, Non-executive Chairman Ian Tomkins, Chief Executive Officer 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 Russell Taylor, Finance 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 Old Change House 128 Queen Victoria Street London, EC4V 4BJ
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 2004.

Principal activities

The principal activities of the Group comprise the organisation of trade exhibitions and conferences. The main subsidiary and associate undertakings which affect the profits or net assets of the Group in the year are listed in Note 15 to the accounts.

Details of the Group's performance during the year and expected future developments are contained in the Operating and Financial Review on pages 4 to 12.

Results and dividends

The audited accounts for the year ended 30 September 2004 are set out on pages 32 to 61. The Group profit for the year, after taxation and minority interests, was £10.7 million (2003: £8.3 million).

The Directors recommend a final dividend of 1.65p (2003: 1.1p). The total dividend for the year is 2.2p (2003: 1.6p).

Directors

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

Executive Directors		Non-executive Directors	
Ian Tomkins		Iain Paterson	
Ceyda Erem		Sir Jeremy Hanley	
Alexander Rozin	Resigned 7 November 2003	Michael Hartley	Appointed 21 October 2003
Ross Stobie		Christopher Russell	
Edward Strachan		Marco Sodi	
Russell Taylor			

In accordance with Company Law and the Articles of Association, Iain Paterson, Christopher Russell and Ceyda Erem will retire by rotation at the next general meeting and, being eligible, offer themselves for re-election. The Directors nominated by Veronis Suhler Stevenson under the terms of a subscription agreement dated 11 October 2000 have agreed to stand for re-election. A special resolution amending the Articles of Association accordingly is proposed to the forthcoming Annual General Meeting.

Substantial shareholdings

At 3 December 2004, 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	50,907,036	18%
Fidelity Investments	39,565,690	14%
Aberforth Smaller Companies Trust	35,700,000	13%
Schroder Investment Management Limited	34,882,404	12%
Ceyda Erem	21,022,115	7%
Kyzyl Tan Consultants Limited	16,168,731	6%
ITE Group Employee's Share Trust	10,427,000	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 26.

Directors' Report

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 28,134,927 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 (2003: NIL). 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 is 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.

The Company has a policy of encouraging employees, and especially those from the locations in emerging markets, to move around the offices of the Group thus providing development opportunities for all staff. In addition, employees are assisted in their career development through an annual appraisal scheme. All staff are eligible for share options as the Board feels that it is important for them to take an active part in the success of the Company.

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.

The Company maintains high ethical standards in carrying out its business activities and has clear guidelines for dealing with gifts, hospitality, corruption, fraud and the use of inside information.

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

Annual General Meeting

Shareholders will see from the Notice of the Annual General Meeting on page 62 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*
- 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 a Special Resolution to amend the provision in the Company's Articles of Association concerning re-election of Directors.

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

7 December 2004

Report on Corporate Governance

Statement of compliance with the Code of Best Practice

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 has noted the provisions of the revised Combined Code published in July 2003 and intends to comply with them.

The Company is committed to the principles of corporate governance contained in the Combined Code.

Statement about applying the Principles of Good Governance

The Company has applied the principles of good corporate governance as set out in section 1 of the Combined Code by complying with the Code of Best Practice as reported above. 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 key appointments. The Board monitors the performance of the business against appropriate forecasts or benchmarks and is supplied with financial and operational information on a timely basis. 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 six Executive Directors. The Board currently has five Non-executive Directors (including the Chairman) 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 October 2003.

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 27 and 28.

Veronis Suhler Stevenson, a major shareholder of the Company has appointed Marco Sodi 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 judgment as members of the Remuneration, Audit and Nomination Committees are not affected by their relationship with Veronis Suhler Stevenson. The Board considers Iain Paterson, Michael Hartley and Sir Jeremy Hanley to be independent.

Any Directors appointed since the last General Meeting are required to offer themselves for re-election at least every three years. Veronis Suhler Stevenson have agreed its nominees will stand for re-election.

The Board is committed to adopting a process for evaluation of its performance and that of individual Directors, and the Chairman. An appropriate process will be implemented during the forthcoming year.

Report on Corporate Governance

The following table sets out the number of meetings of the Board, and of the principal committees of the Board during the financial year together with details of attendance.

	Board	Audit	Remuneration	Nomination
Number of meetings	7	4	6	1
Attendance:				
Iain Paterson*	7	3	6	1
Ian Tomkins	7	-	-	-
Ceyda Erem	6	-	-	-
Sir Jeremy Hanley	6	4	5	1
Michael Hartley	7	4	5	1
Christopher Russell	7	4	6	1
Marco Sodi	6	-	-	1
Ross Stobie	5	-	-	-
Edward Strachan	7	-	-	-
Russell Taylor	7	-	-	-

* Iain Paterson stepped down from the Audit Committee on 7 July 2004.

Board Committees

The Board has established three 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 four times a year. The other members are Michael Hartley and Christopher Russell. Iain Paterson served on the committee for most of the year but stepped down in July 2004 in order to observe the provisions of the new Combined Code. 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 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 Audit Committee is satisfied that there are sufficient safeguards in place to ensure auditor independence. The Committee has access to any employee and is able to obtain external advice on any matter as required. At the end of each meeting, the Committee meets with the auditors without any Executives present to discuss matters relating to its remit and any issues arising. The auditors are able to request additional such meetings at any time.

The Remuneration Committee

The Remuneration Committee comprises only Non-executive Directors. The Committee, which is chaired by Michael Hartley, meets at least three times a year. The other members are Sir Jeremy Hanley, Christopher Russell and Iain Paterson. The meetings are attended by the Chief Executive Officer on request of the Committee, and external advisers as appropriate.

Further information about the Committee is set out in the Report on Remuneration on page 20.

The Nomination Committee

The Nomination Committee comprises the Non-executive Directors Iain Paterson, Sir Jeremy Hanley, Michael Hartley, 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, recommending the re-appointment or continuation in office of any Director, and for considering and making recommendations to the Board on its composition and balance.

The Company Secretary is secretary to each of the above Committees.

Report on Corporate Governance

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 Chairmen of the Audit, Remuneration and Nomination Committees are available at Annual General Meetings to answer questions. The Chairman and the Senior Independent Director are generally available to discuss shareholders' concerns as and when required. The Group's website (www.ite-exhibitions.com) is regularly updated with copies of all Group press releases and presentations given to shareholders.

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.

Internal control

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.

A system of internal controls has been established to allow the Board, in conjunction with management, to identify, evaluate and manage the significant risks faced by the Company on an on-going and pro-active basis. The system also seeks to monitor the Company's overall financial, operational and compliance positions and to help safeguard shareholders investments and to protect the Company's assets. The Board is responsible for this process and for ensuring that it remains effective and, in order to facilitate it, it has established a single organizational structure with clearly drawn lines of accountability, appropriate delegation of authority and open lines of communication.

The Company has a comprehensive system of financial reporting. There is a thorough budgeting system for all lines of expenditure, with an annual budget approved by the Board. Historical financial performance and revised forecasts for the full year are reported against budget on a monthly basis. The Board pays particular attention to those matters which, by their nature, expose the Company to significant risks and uncertainties, including exchange rates which can be subject to considerable volatility and can have a material impact on the Company's operating results.

The Company has established procedures to deal with authorizations for expenditure. The Board is committed to ensuring that the Company's data and infrastructure, and its information technology systems, are as secure as is reasonably practicable. Security controls and procedures are in place to prevent unauthorized access to the Company's premises. Hardware and software controls have also been instigated to prevent unauthorized access to the Company's computer system and network. Regular back-ups of electronic information are taken with copies being stored offsite.

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.

This 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.

This 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 Committee assists the Board in discharging its review responsibilities.

Report on Remuneration

Unaudited information

The Remuneration Committee

The members of the Remuneration Committee are Michael Hartley (Chairman), Sir Jeremy Hanley, Iain Paterson and Christopher Russell. All the members are Non-executive Directors. Sir Jeremy Hanley was Chairman of the Committee until 26 February 2004 when Michael Hartley succeeded him in that post.

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 awards under the ITE Group's Performance Share Plans and options under the various ITE Group share option schemes detailed below.

During the year the Committee consulted with New Bridge Street Consultants LLP 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 and have been appointed by the Committee.

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
- 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 Ceyda Erem) and longer term share-based incentive arrangements. Therefore, a significant proportion of Executive Directors' remuneration is performance-related.

The fees of the Non-executive Directors are proposed by the Chief Executive and approved by the Board, taking account of practice adopted in other companies and the time commitment required.

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. Details of the 5 Executive Directors' base salaries for the year commencing 1 October 2004 are set out under 'Directors' service contracts'.

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 2004, Ian Tomkins' and Russell Taylor's maximum annual bonus opportunity will be 100% and 65% of base salary respectively. The performance targets that determine bonus payments are accordingly more challenging than was previously the case. The annual

Report on Remuneration

bonus opportunity of Edward Strachan is based on the performance of the regions for which he is responsible. Ross Stobie and Ceyda Erem do not participate in an annual bonus scheme.

Long term incentives

The Company operates Performance Share Plans and Share Option Schemes. The former is used for Executive Directors and senior management only.

Performance Share Plans

The Company operates the ITE Group plc Employees Performance Share Plan 2004 and the ITE Group plc Key Contractors' Performance Share Plan 2004. Awards can be made to Executives and senior management, and under the latter scheme to key individuals who are not technically Group employees.

The performance targets set for awards to be made in the financial year to 30 September 2005 are set out below.

Aggregate Headline EPS for the financial years ending 30 September 2005, 2006 and 2007	Percentage of award that vests
Below 16.5p	Nil
16.5p	30%
16.5p - 18.0p	Between 30% and 100%

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. The Committee will, for the purposes of third party verification, confirm the extent to which these targets are met with external advisers. For the purposes of these targets, the Company's aggregate fully diluted headline EPS (excluding the costs associated with awards made under the Plan and any other share awards) will be used.

It should also be noted that executive directors will be required to retain shares of a value equal to 25% of the after-tax gain made on the vesting of awards under the Plans, until they have built up a shareholding equal to 1 x salary.

Share Option Plans

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. Options can be granted under the ITE Group 1998 Key Contractor Share Option Scheme to key individuals who are not 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 (the "ESOT").

It is not the Committee's current intention to grant options under the above schemes in the same year to individuals who receive awards under the Performance Share Plans.

Pensions

The Company does not itself have any pension arrangements. The Company does however offer a stakeholder pension to its employees.

Directors' service contracts

Executive Directors

Edward Strachan is remunerated as a consultant through the Company's agreement with Kyzyl Tan Consultants Limited. Edward Strachan's remuneration as a Director is £20,000 and the base consultancy fee to Kyzyl Tan Consultants Limited for the year commencing 1 October 2004 is £230,000. 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

Report on Remuneration

to take account of his specific role and responsibilities. From 1 October 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 fixed terms or 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, the relevant notice period and base salary for 2004-2005 are as follows:

Name	Date of Contract	Notice Period	Base salary 2004-2005
Ian Tomkins	1 July 1998	12 months	£330,000
Russell Taylor	25 March 2003	12 months	£181,500
Ross Stobie	8 November 2002	6 months	\$700,000
Ceyda Erem	1 October 2002	*	\$330,000

* Ceyda Erem's employment as Managing Director of our associate business ITF is governed by the terms of a shareholders' agreement. Her remuneration as a Director of ITE Group plc in addition to the above salary is £15,000 p.a.

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 maximum 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.

Alexander Rozin, who resigned on 7 November 2003 did so under the terms of his contract which required 12 months notice of termination in writing.

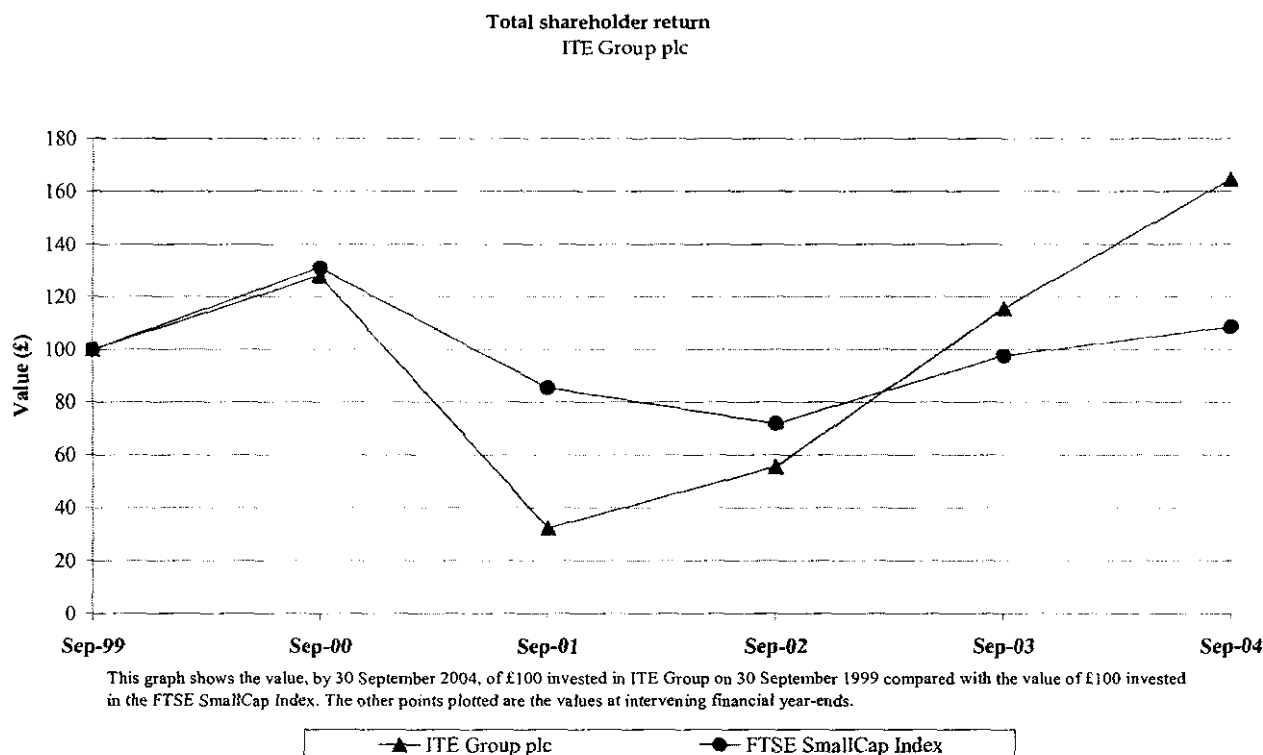
Non-executive Directors

The Chairman and Non-executive Directors all require one months' written notice to terminate their contracts. The dates of the contracts are for Iain Paterson 27 May 2002, for Sir Jeremy Hanley 26 February 2004, for Marco Sodi 1 July 2003, for Christopher Russell 28 June 2001 and for Michael Hartley 20 October 2003.

Report on Remuneration

Performance Graph

Total shareholder return of ITE Group plc over the last five financial years compared with the FTSE Small Cap index.



This graph illustrates the performance of the Company and "The FTSE Small Cap index" over the past five years. The Company is a constituent of the FTSE Small Cap index and that index is considered the most appropriate form of "broad equity market index" against which the Company's performance should be graphed. Performance 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:

	2004 £000	2003 £000
Emoluments	2,158	1,935
Pension contributions	-	2
Compensation for loss of office	120	46
	<u>2,278</u>	<u>1,983</u>
Gains on exercise of share options	510	290
Total	<u>2,788</u>	<u>2,273</u>

Report on Remuneration

Directors' emoluments

Name of Director	Note	Fees/Basic Salary	Annual Bonuses	Compensation for loss of office	2004 total	2003 total
		£'000	£'000	£'000	£'000	£'000
Executive						
Ian Tomkins	1	314	255	-	569	514
Ceyda Erem	1	199	-	-	199	210
Alexander Rozin	2	12	-	120	132	120
Ross Stobie	3	360	-	-	360	445
Edward Strachan	4,5	200	300	-	500	124
Russell Taylor	1,4	177	83	-	260	117
Former directors	4	-	-	-	-	148
Non-executive						
Iain Paterson	6	120	-	-	120	120
Sir Jeremy Hanley		50	-	-	50	50
Michael Hartley	2	28	-	-	28	-
Christopher Russell	7	30	-	-	30	30
Marco Sodi	4,7	30	-	-	30	7
Former directors	4	-	-	-	-	98
Aggregate emoluments		1,520	638	120	2,278	1,983

Notes

- 1 Ian Tomkins was paid \$24,000 (approximately £13,000) for being a director of ITF. Ian Tomkins was paid £15,000 in the prior year to 30 September 2003. Ceyda Erem is paid \$330,000 (approximately £184,000) for her services as Managing Director of ITF. In the prior year Ceyda Erem was paid \$330,000 for these services for the year to 30 September 2003. Russell Taylor was paid \$22,000 (approximately £12,000) for being a director of ITF. Russell Taylor was not a director of ITF in the prior period to 30 September 2003. These amounts are included in the table above.
- 2 The Director served for only part of the year ended 30 September 2004.
- 3 The basic salary for Ross Stobie includes an allowance for living overseas.
- 4 The Director served for only part of the year ended 30 September 2003.
- 5 Edward Strachan is a shareholder of Kyzyl Tan Consultants Limited, which receives consultancy fees for services provided to the Group of £180,000 per annum. In addition to the consultancy fees Kyzyl Tan Consultants Limited earned a performance related bonus of £300,000 for the year. These amounts are included in the table above.
- 6 Iain Paterson receives half of his remuneration in shares.
- 7 Amounts are paid to Veronis Suhler Stevenson International Limited for the provision of the services of these Directors.

Total compensation for loss of office in the year was £120,000 (2003: £46,000).

Report on Remuneration

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 2003 or date of appointment	Granted during the year	Option price	Exercised during the year	Market price at exercise date	30 September 2004	Exercisable from	Exercisable to	Gain on exercise £000
Alexander Rozin	1998 Discretionary Scheme	1,500,000	-	19p	1,500,000*	53p	-	10-12-2004	9-12-2011	510
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	
	2004 Employees' Performance Share Plan	-	470,588	1p	-	-	470,588	26-2-2007	25-2-2014	
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	
	2004 Employees' Performance Share Plan	-	31,372	1p	-	-	31,372	26-2-2007	25-2-2014	
	2004 Key Contractors' Performance Share Plan	-	282,353	1p	-	-	282,353	26-2-2007	25-2-2014	
Ross Stobie	1998 Discretionary Scheme	1,000,000	-	34.25p	-	-	1,000,000	20-12-2007	19-12-2012	
	2004 Employees' Performance Share Plan	-	313,725	1p	-	-	313,725	26-2-2007	25-2-2014	
Russell Taylor	1998 Discretionary Scheme	1,000,000	-	35.5p	-	-	1,000,000	26-3-2008	25-3-2013	
	2004 Employees' Performance Share Plan	-	258,823	1p	-	-	258,823	26-2-2007	25-2-2014	

* The Remuneration Committee approved the early exercise of Alexander Rozin's options on his resignation as a Board Director following ITE's disposal of its interest in Incheba Praha.

No options lapsed during the year.

The 1998 Discretionary Scheme and Employee Share Trust options are not subject to any performance conditions governing their exercise.

For the 2004 Employees' and Key Contractors' Performance Share Plans, the performance conditions to be met for the awards made in February 2004 require the Company's aggregate Headline diluted earnings per share for the three

Report on Remuneration

years ending 30 September 2004, 2005 and 2006 (excluding the costs associated with such awards or any other share awards) to be equal to or have exceeded 12p, in which case the awards vest as follows:

Aggregate Headline EPS for the financial years ending 30 September 2004, 2005 and 2006	Percentage of Award that vests
Below 12p	Nil
12p	30%
Between 12p and 13.5p	Between 30% and 100% calculated on a straight line basis

The market price of the ordinary shares at 30 September 2004 was 73.5p and the range during the year was 46.5p to 73.5p. The awards were for options to acquire shares for 1p per share.

Directors' interests

The Directors who held office at 30 September 2004 had the following interests in the shares of group undertakings:

Name of Director	<u>30 September 2004</u>	<u>30 September 2003</u>
Executive		
Ian Tomkins	10,000	10,000
Ceyda Erem	21,022,115	21,260,096
Ross Stobie	-	-
Russell Taylor	-	-
Edward Strachan#	16,602,212	16,602,212
Non-executive		
Sir Jeremy Hanley	24,090	24,090
Iain Paterson	182,000	115,048
Christopher Russell	-	-
Marco Sodi	-	-
Michael Hartley	-	-

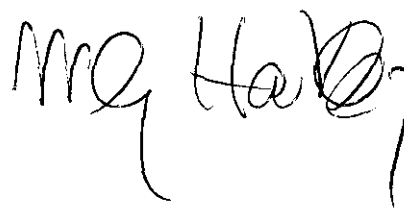
Edward Strachan is a shareholder of Kyzyl Tan Consultants, which holds 16,168,731 shares in the Company. These are included in the 16,602,212 above.

The Directors, as employees and potential beneficiaries, have an interest in the 10,427,000 shares held by the ITE Group Employee's Share Trust.

There were no changes in the interests of Directors between 30 September 2004 and 7 December 2004.

On behalf of the Board

Michael Hartley
Chairman of the Remuneration Committee.
7 December 2004



Directors' biographies

Iain Paterson (57) – Non-executive Chairman – Remuneration, Nomination

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. 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, MOL Rt. (the Hungarian Energy Company) and Hunting plc.

Ian Tomkins (40) – Chief Executive Officer

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 operates in the United Kingdom in joint venture with Warner Brothers.

Ceyda Erem (52) – 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 (59) – 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., the European Advisory Board of CALYON and the Advisory Board of Talal Abu-Ghazaleh International. 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 (55) – Non-executive Director – Audit, Remuneration, Nomination

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. 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.

Christopher Russell (39) – 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 of Veronis Suhler Stevenson ('VSS'), the New York and London based private equity firm focussed exclusively on the media, communications and information industry. Mr Russell is responsible for originating, structuring and monitoring US and International investment opportunities. He established the firm's London office in 2000, and is now based in New York. Prior to joining VSS in 1994, he worked in various corporate positions at NBC Television. Mr Russell holds a BA from Georgetown University and an MBA from Columbia Business School.

Marco Sodi (46) – Non-executive Director – Nomination

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 seven 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

Directors' biographies

Enterprises, the venture capital arm of Exxon Mobil. Born and raised in Florence, Italy, Mr Sodi received a BS from Cornell University.

Ross Stobie (53) – 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 (40) – 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, Central Asia and Caucasus regions. He also has 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 (46) – Finance Director, Company Secretary

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 seven years at Earls Court Olympia Group, where he was Group Finance Director and subsequently, Managing Director of Earls Court & Olympia Halls. A qualified Chartered Accountant, he trained at Touche Ross & Co where he became a Manager in the Corporate Finance Department. He holds a BA in Economics from Lancaster University.

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 the Group 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 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 2004 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 30. 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 report 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.

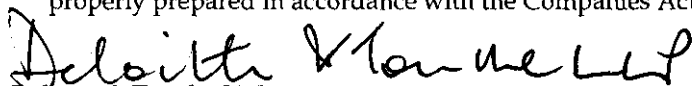
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report on Remuneration described as having been audited 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.

Independent auditors' report

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 2004 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.

A handwritten signature in black ink, appearing to read "Deloitte & Touche LLP", is written over the printed name of the firm.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

7 December 2004

Consolidated Profit and Loss Account

For the year ended 30 September 2004

	Notes	2004 £000	2003 £000
Turnover	2	60,750	58,934
Cost of sales		(33,542)	(32,213)
Gross profit		27,208	26,721
Net operating expenses before goodwill amortisation		(10,883)	(12,720)
Goodwill amortisation		(2,528)	(2,331)
Total net operating expenses	3	(13,411)	(15,051)
Operating profit	2	13,797	11,670
Share of associates' operating profit before goodwill amortisation		676	836
Goodwill amortisation		(221)	(132)
Share of associates' operating profit		455	704
Profit/(provision or loss) on disposal of group undertakings	4	323	(779)
Profit on ordinary activities before interest		14,575	11,595
Interest receivable	5	1,148	760
Interest payable and similar charges	6	(16)	(68)
Profit on ordinary activities before taxation	7	15,707	12,287
Tax on profit on ordinary activities	9	(4,955)	(4,030)
Profit on ordinary activities after taxation		10,752	8,257
Minority interests	23	(31)	6
Profit for the financial year		10,721	8,263
Dividends paid and proposed	11	(5,984)	(4,359)
Retained profit for the year		4,737	3,904
Earnings per share			
Basic	12	3.9p	3.1p
Diluted	12	3.8p	3.0p
Headline diluted	12	4.7p	4.2p

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 2004

		2004	2003
		£000	£000
	Notes		
Profit for the financial year			
Group		10,534	7,762
Associates		187	501
		10,721	8,263
Gain/(loss) on foreign currency translation	22	96	(46)
Adjustment to option reserve for lapsed options	22	-	42
Total recognised gains and losses relating to the year		<u>10,817</u>	<u>8,259</u>

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

Consolidated Balance Sheet

30 September 2004

	Notes	2004	2003 (As restated - see note 1)
		£000	£000
Fixed assets			
Goodwill	13	29,348	30,016
Tangible assets	14	1,862	1,920
Associates	15	1,377	1,057
Other investments	15	74	78
		<u>32,661</u>	<u>33,071</u>
Current assets			
Debtors due within one year	16	23,426	19,557
Debtors due after one year	16	4,060	3,914
Cash at bank and in hand	26	33,546	22,104
		<u>61,032</u>	<u>45,575</u>
Creditors: amounts falling due within one year	17	<u>(47,773)</u>	<u>(39,035)</u>
Net current assets		<u>13,259</u>	<u>6,540</u>
Total assets less current liabilities		45,920	39,611
Provisions for liabilities and charges	18	<u>(1,498)</u>	<u>(984)</u>
Net assets		<u>44,422</u>	<u>38,627</u>
Capital and reserves			
Called up share capital	20	2,852	2,813
Share premium account	21	29,036	27,996
Merger reserve	21	2,746	2,746
Option reserve	21	23	132
ESOT reserve	21	(2,792)	(2,334)
Profit and loss account	21	12,329	7,277
		<u>44,194</u>	<u>38,630</u>
Equity shareholders' funds	22	<u>44,194</u>	<u>38,630</u>
Minority interests	23	<u>228</u>	<u>(3)</u>
Total capital employed		<u>44,422</u>	<u>38,627</u>

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

Company Balance Sheet

30 September 2004

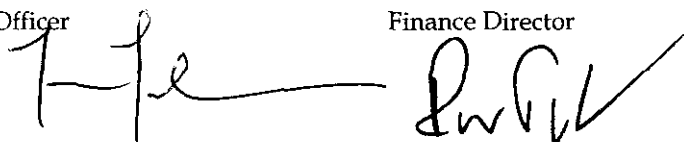
	Notes	2004	2003 (As restated - see note 1)
		£000	£000
Fixed assets			
Investments	15	1,024	1,013
		<u>1,024</u>	<u>1,013</u>
Current assets			
Debtors due within one year	16	653	1,720
Debtors due after one year	16	19,270	35,728
Cash at bank and in hand		21,188	604
		<u>41,111</u>	<u>38,052</u>
Creditors: amounts falling due within one year	17	<u>(4,889)</u>	<u>(3,175)</u>
Net current assets		<u>36,222</u>	<u>34,877</u>
Total assets less current liabilities		<u>37,246</u>	<u>35,890</u>
Net assets		<u>37,246</u>	<u>35,890</u>
Capital and reserves			
Called up share capital	20	2,852	2,813
Share premium account	21	29,036	27,996
Merger reserve	21	2,746	2,746
ESOT reserve	21	(2,792)	(2,334)
Option reserve	21	23	132
Profit and loss account	21	5,381	4,537
Equity shareholders' funds		<u>37,246</u>	<u>35,890</u>

The accounts on pages 32 to 61 were approved by the Board of Directors and signed on its behalf by:

Ian Tomkins
Chief Executive Officer

Russell Taylor
Finance Director

7 December 2004



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

Consolidated Cash Flow Statement

For the year ended 30 September 2004

	Notes	2004 £000	2003 £000
Net cash inflow from operating activities	24	21,754	16,890
Dividends received from associates		172	-
Returns on investments and servicing of finance	25	1,132	692
Taxation	25	(3,363)	(3,677)
Capital expenditure and financial investment	25	(2,858)	(2,306)
Acquisitions and disposals	25	(1,345)	(3,595)
Equity dividends paid		(4,545)	(4,026)
Cash inflow before management of liquid resources and financing		10,947	3,978
Management of liquid resources	25	(19,336)	(5,164)
Financing	25	495	433
Decrease in cash in the year	26	(7,894)	(753)

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 with the exception of the adoption of UITF 38 where the prior year results have been restated (see note 1).

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:

Land and buildings short leasehold	- term of lease
Plant and equipment	- 4 years

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

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.

Accounting policies

Revenue and profit recognition on events

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

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.

Share options

The cost of share options is charged on a straight line basis over the term to exercise of the options. The cost is calculated as the difference between the market value at date of grant and exercise price.

Barter transactions

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

Employee Share Trust

The financial statements have been prepared to include the assets and liabilities of the Employee Share Trust ("ESOT") as required by UITF 38 'Accounting for ESOP Trusts'. Shares in the Company held by the ESOT have been valued at the original cost to the ESOT. The costs of administration of the ESOT are written off to the profit and loss account as incurred.

Notes to the Accounts

1 Restatement of prior year balance sheets

The results for the year ended 30 September 2003 have been restated to reflect the adoption of UITF 38 "Accounting for ESOP trusts" which resulted in the investment in Company shares held by the ESOT being reclassified from Other investments to ESOT Reserve.

2 Segmental information

The turnover and profit 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.

	UK & Western Europe £000	Central Asia & Caucasus £000	Russia £000	Eastern & Southern Europe £000	Rest of World £000	Total Group £000
<u>Year ended 30 September 2004</u>						
Turnover by geographical location of events/activities	4,220	9,579	41,267	4,359	1,325	60,750
Turnover by origin of sale	45,892	4,012	9,054	1,603	189	60,750
Operating profit/(loss)	11,387	1,446	1,665	(487)	(214)	13,797
Share of associates' operating profit	-	-	-	455	-	455
						14,252
Interest receivable (net)						1,132
Profit on disposal of group undertakings						323
Profit on ordinary activities before tax						15,707
Segment net assets/(liabilities)	41,073	953	1,162	157	(300)	43,045
Share of associates' net assets	-	-	-	1,377	-	1,377
Net assets						44,422
<u>Year ended 30 September 2003</u>						
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 receivable (net)						692
Provision for loss on disposal of group undertakings						(779)
Profit on ordinary activities before tax						12,287
Segment net assets/(liabilities)	35,530	119	1,973	(43)	(9)	37,570
Share of associates' net assets	-	-	-	1,057	-	1,057
Net assets						38,627

Notes to the Accounts

3 Net operating expenses

Net operating expenses includes total administrative expenses of £13.7 million (2003: £15.3 million) and rental income of £303,000 (2003: £287,000).

In the prior year, administrative expenses included £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.

4 Profit/(provision or loss) on disposal of group undertakings

On 20 May 2004 the 50% holding in ACG & ITE Trade Fairs SAE was disposed of for consideration of \$850,000. As at 30 September 2004 \$460,000 had been received and a provision has been made against the outstanding consideration of \$390,000. The profit on disposal is £465,000, including the release of £195,000 of the Group's share of net liabilities (see note 15).

Also included in this balance is a provision against the goodwill in X-RM Limited of £142,000 following the decision to close down the company (see note 29).

5 Interest receivable

	2004 £000	2003 £000
Interest receivable from bank deposits	1,065	656
Interest receivable on loans to associates	73	98
Share of associates interest receivable	10	6
	<u>1,148</u>	<u>760</u>

6 Interest payable and similar charges

	2004 £000	2003 £000
Bank loans and overdrafts	15	15
Share of associates interest payable	1	53
	<u>16</u>	<u>68</u>

Notes to the Accounts

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2004 £000	2003 £000
Depreciation and amounts written off tangible fixed assets	471	454
Amortisation of goodwill and trade investments (including associates)	2,749	2,463
Operating lease rentals - other	1,093	954
Loss on disposal of fixed assets	103	101
Exchange loss	425	380
	<u> </u>	<u> </u>
Auditors' remuneration		
- Audit services		
Statutory audit	189	310
Other	33	30
- Tax services		
Compliance	16	15
Advisory services	320	161
- Other	-	21
	<u> </u>	<u> </u>
Total auditors' remuneration	558	537
	<u> </u>	<u> </u>

In addition to the £558,000 auditors' remuneration above, the Group also incurred fees of £59,000 on due diligence work which have been capitalised in the year as part of a cost of acquisition.

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.

8 Staff costs

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

	2004 Number	2003 Number
Administration	179	157
Technical and sales	307	275
	<u>486</u>	<u>432</u>

	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	9,817	10,122
Social security costs	1,252	1,264
Other pension costs	173	141
	<u>11,242</u>	<u>11,527</u>

Details of audited Directors' remuneration are shown in the Report on Remuneration on pages 23 to 26.

Notes to the Accounts

9 Tax on profit on ordinary activities

Analysis of tax charge in the year:

	2004 £000	2003 £000
Group taxation on current year profit		
UK corporation tax on profit for the year	5,086	3,425
Adjustment to UK tax in respect of previous years	(722)	(365)
	<u>4,364</u>	<u>3,060</u>
Overseas taxation – current year	423	783
Overseas taxation – previous years	147	47
Share of associates' tax	278	155
	<u>848</u>	<u>985</u>
Total current tax	<u>5,212</u>	<u>4,045</u>
Deferred tax		
Origination and reversal of timing differences	(257)	(15)
Total tax	<u><u>4,955</u></u>	<u><u>4,030</u></u>

Factors affecting tax charge in the year:

	2004 £000	2003 £000
Profit on ordinary activities before tax	<u>15,707</u>	<u>12,287</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	4,712	3,686
Effects of:		
Expenses not deductible for tax purposes	1,072	1,130
Capital allowances in excess of depreciation	48	-
Non-utilisation of tax losses	323	146
Withholding tax and other irrecoverable taxes	79	(138)
Adjustments to tax charge in respect of previous years	(575)	(318)
Losses utilised	(359)	(461)
Non-taxable income	(88)	-
	<u><u>5,212</u></u>	<u><u>4,045</u></u>

Notes to the Accounts

9 Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges:

The Group has carried forward tax losses of £300,000 which the Group expects will 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 year. The Group's overseas tax rates typically differ to the UK. The tax rate in Russia is 24% and in Ukraine it has been reduced to 25%, whereas in Germany the effective rate is approximately 40%.

Provision for deferred tax:

	2004 £000	2003 £000
Accelerated capital allowances	79	623
Tax losses carried forward	(89)	(503)
Other timing differences	(127)	-
Deferred tax (debtor)/creditor	<u>(137)</u>	<u>120</u>
Provision at the start of the year	120	135
Deferred tax credit in the profit and loss account	<u>(257)</u>	<u>(15)</u>
Deferred tax (debtor)/creditor at the end of the year	<u>(137)</u>	<u>120</u>

10 Profit attributable to ITE Group plc

The profit for the year dealt with in the accounts of the parent company, ITE Group plc, was £6.8 million (2003: £4.9 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.

11 Dividends paid and proposed

	2004 £000	2003 £000
Interim paid of 0.55p (2003 - 0.5p) per ordinary share	1,515	1,265
Final proposed of 1.65p (2003 - 1.1p) per ordinary share	<u>4,469</u>	<u>3,094</u>
	<u>5,984</u>	<u>4,359</u>

Under the terms of the trust deed dated 20 October 1998, the ITE Group Employees Share Trust, which holds 10,427,000 (2003: 9,857,000) ordinary shares representing 3.7% of the Company's called-up ordinary share capital, has agreed to waive all dividends due to it.

Notes to the Accounts

12 Earnings per share

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

	Headline diluted		Basic and diluted	
	2004	2003	2004	2003
	£000	£000	£000	£000
Profit for the financial year	10,721	8,263	10,721	8,263
Amortisation of goodwill (including associates)	2,749	2,463	-	-
(Profit)/loss on disposal of group undertakings	(323)	779	-	-
	<u>13,147</u>	<u>11,505</u>	<u>10,721</u>	<u>8,263</u>
	2004		2003	
	Number of shares		Number of shares	
	('000)		('000)	
Weighted average number of shares:				
For basic earnings per share	274,435		270,527	
Exercise of share options	7,203		3,643	
For diluted earnings per share	<u>281,638</u>		<u>274,170</u>	

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 of goodwill and profits or losses arising on disposal of group undertakings.

Notes to the Accounts

13 Goodwill

	2004	2003
	£000	£000
Cost		
1 October	53,866	52,345
Additions	4,042	1,521
Disposals	(2,979)	-
30 September	<u>54,929</u>	<u>53,866</u>
Amortisation		
1 October	(23,850)	(21,519)
Charge for the year	(2,528)	(2,331)
Disposals	939	-
Provision for disposal of subsidiary	(142)	-
30 September	<u>(25,581)</u>	<u>(23,850)</u>
Net book value		
30 September	<u>29,348</u>	<u>30,016</u>

Additions in the year can be analysed as follows:

	2004	2003
	£000	£000
Acquisition of minority interests in subsidiaries	-	1,353
Acquisition of businesses	1,813	47
Acquisition of subsidiaries	2,229	-
Adjustment to contingent consideration in respect of previous acquisitions	-	121
	<u>4,042</u>	<u>1,521</u>

The acquisition of businesses for £1.8 million relates to the purchase of the Optik show in Turkey (£0.2 million), the Informatica and Public Health shows in Ukraine (£1.5 million) and the Upem show in St. Petersburg (£0.1 million).

The acquisition of subsidiaries of £2.2 million relates to the purchase of 90% of the shares in RAS Holdings Limited on 24 June 2004.

During the year the useful economic life of the assets above was reviewed and where the lives were shortened, additional amortisation of £503,000 was incurred. No useful economic lives were increased.

Notes to the Accounts

13 Goodwill (continued)

The following table sets out the fair value of the identifiable assets and liabilities acquired from RAS Holdings Limited and their fair value to the Group.

	Book value	Revaluation	Accounting policy alignment	Fair value
	£'000	£'000	£'000	£'000
Fixed assets				
Tangible fixed assets	231	61	-	292
Current assets				
Debtors	272	-	23	295
Cash	19	-	-	19
Total assets	522	61	23	606
Creditors	(534)	-	-	(534)
Net assets	(12)	61	23	72
Minority interest				(7)
Goodwill				2,229
Total assets acquired				2,294
Satisfied by:				
Cash consideration				2,000
Contingent consideration				180
Costs of acquisition				114
Total consideration				2,294

The revaluation of £61,000 was to revalue a property that was subsequently sold by the Company. The alignment in accounting policy was to recognise a deferred tax asset for tax losses that were to be utilised in the near future.

The RAS Holdings Group made a loss for the period from 1 April 2004 to 24 June 2004 of £99,000 and a profit of £79,000 for the year ended 31 March 2004.

Notes to the Accounts

14 Tangible fixed assets

	Land and buildings short leasehold £000	Plant and equipment £000	Total £000
Group			
Cost			
1 October 2003	1,003	1,666	2,669
Additions	-	591	591
Acquisition of subsidiary	250	116	366
Transfers	(21)	21	-
Disposals	(265)	(404)	(669)
30 September 2004	967	1,990	2,957
Depreciation			
1 October 2003	219	530	749
Charge for the year	49	422	471
Acquisition of subsidiary	-	74	74
Transfers	(16)	16	-
Disposals	(3)	(196)	(199)
30 September 2004	249	846	1,095
Net book value			
30 September 2004	718	1,144	1,862
30 September 2003	784	1,136	1,920

15 Fixed asset investments

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Subsidiary undertakings	-	-	1,000	1,000
Other investments	74	78	24	13
	74	78	1,024	1,013
Associates	1,377	1,057	-	-
	1,451	1,135	1,024	1,013

Notes to the Accounts

15 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, except for RAS Holdings Limited and RAS Publishing Limited which publish trade magazines.

	Country of incorporation or principal business address	Effective Holding	%
<i>Subsidiary undertakings</i>			
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
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 Uluslararası Fuar Taititit Hizmetleri A.S.	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 Uzbekistan	Uzbekistan	Ordinary shares	100
ITE Moda Limited	England	Ordinary shares	90
ITE Enterprises Limited+	England	Ordinary shares	100
RAS Holdings Limited	England	Ordinary shares	90
RAS Publishing Limited	England	Ordinary shares	90
ITE Exhibitions and Conferences South Africa (Pty) Ltd	South Africa	Ordinary shares	100

Associates

Istanbul Fuarcilik AS	Turkey	Ordinary shares	50
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+ Held directly by ITE Group plc.

Notes to the Accounts

15 Fixed asset investments (continued)

Company - Subsidiary undertakings

	Shares £000	Loans £000	Total £000
Cost			
1 October 2003	10,181	23,574	33,755
30 September 2004	10,181	23,574	33,755
Provisions			
1 October 2003	9,181	23,574	32,755
30 September 2004	9,181	23,574	32,755
Net Book Value			
30 September 2004	1,000	-	1,000
30 September 2003	1,000	-	1,000

Associates

	Group £000
Share of net assets/liabilities	
1 October 2003	72
Disposal	195
Share of retained profit for the year	346
30 September 2004	613
Goodwill	
1 October 2003	985
Amortisation of goodwill	(221)
30 September 2004	764
Net book value	
30 September 2004	1,377
30 September 2003	1,057

Notes to the Accounts

15 Fixed asset investments (continued)

Other investments and loans

	Group			Company		
	Other investments £000	Loans £000	Total £000	Other investments £000	Loans £000	Total £000
Cost						
1 October 2003	9,031	1,640	10,671	3,013	1,640	4,653
Additions	23	-	23	12	-	12
Disposals	(181)	-	(181)	-	-	-
30 September 2004	<u>8,873</u>	<u>1,640</u>	<u>10,513</u>	<u>3,025</u>	<u>1,640</u>	<u>4,665</u>
Provisions						
1 October 2003	8,953	1,640	10,593	3,000	1,640	4,640
Disposals	(157)	-	(157)	-	-	-
Charge in the year	<u>3</u>	<u>-</u>	<u>3</u>	<u>1</u>	<u>-</u>	<u>1</u>
30 September 2004	<u>8,799</u>	<u>1,640</u>	<u>10,439</u>	<u>3,001</u>	<u>1,640</u>	<u>4,641</u>
Net book value						
30 September 2004	<u>74</u>	<u>-</u>	<u>74</u>	<u>24</u>	<u>-</u>	<u>24</u>
30 September 2003	<u>78</u>	<u>-</u>	<u>78</u>	<u>13</u>	<u>-</u>	<u>13</u>

The disposal in the year relates to the investment in Incheba Praha transferred from associates in the prior year that was disposed of this year.

Notes to the Accounts

16 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Debtors due within one year				
Trade debtors	19,271	15,499	-	-
Other debtors	361	419	653	472
Tax prepayment	-	1,248	-	1,248
Deferred tax asset (see note 9)	137	-	-	-
Loan to Incheba Praha	716	505	-	-
Venue loans and other loans	1,608	910	-	-
Prepayments and accrued income	1,333	976	-	-
	<u>23,426</u>	<u>19,557</u>	<u>653</u>	<u>1,720</u>
Debtors due after one year				
Amounts owed by Group undertakings	-	-	19,270	35,728
Loan to Incheba Praha	742	1,516	-	-
Venue loans and other loans	3,318	2,398	-	-
	<u>4,060</u>	<u>3,914</u>	<u>19,270</u>	<u>35,728</u>

The Venue loans and other loans of £3.3 million due after one year includes £0.6 million due after more than five years.

17 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade creditors	578	837	-	11
Taxation and social security	5,085	4,453	-	-
Deferred consideration	180	238	-	-
Proposed dividends	4,550	3,111	4,550	3,111
Other creditors	2,900	1,981	9	53
Accruals and deferred income	34,480	28,415	330	-
	<u>47,773</u>	<u>39,035</u>	<u>4,889</u>	<u>3,175</u>

Notes to the Accounts

18 Provisions for liabilities and charges

Group	National Insurance on share options £000	Onerous leases £000	Deferred Taxation £000	Total £000
1 October 2003	460	404	120	984
Charged/(credited) to the profit and loss account	264	426	(120)	570
Utilised in the year	-	(56)	-	(56)
30 September 2004	<u>724</u>	<u>774</u>	<u>-</u>	<u>1,498</u>

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 where the exercise price exceeds the market value at 30 September 2004.

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 13 ½ years to run and carries a rental cost of £92,000 per annum. On 20 December 2002 the Company sublet the property for a period of five years for a rental of £62,000 per annum. The differential between rental income and cost 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 year.

At 30 September 2004 Deferred taxation was represented by an asset balance (see note 16).

19 Derivatives and other financial instruments

The Group financial review provides details of the policies and 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

19 Derivatives and other financial instruments (continued)

Interest rate profile

The interest rate and currency profile of the Group's financial assets at 30 September 2004 was as follows:

Currency	Total 2004 £000	Floating rate 2004 £000	Fixed rate 2004 £000	Interest free 2004 £000
Sterling	27,399	2,899	24,500	-
US Dollar	5,444	2,229	-	3,215
Euro	1,245	1,245	-	-
Russian Rouble	854	854	-	-
Other	2,683	2,683	-	-
	<u>37,625</u>	<u>9,910</u>	<u>24,500</u>	<u>3,215</u>

The assets subject to floating rates of interest are cash balances based on money market rates at call, net of currency borrowings over which a right of set-off exists, and loans to Incheba Praha and Bulgarreklama, subject to interest at the rate of 1% and 2% above Euro LIBOR respectively.

The assets subject to fixed rates have an average interest rate of 4.8% for a weighted average period of 0.4 years. Interest free loans represent the portion of venue loans recoverable after one year.

The profile at 30 September 2003 for comparison purposes was as follows:

Currency	Total 2003 £000	Floating rate 2003 £000	Fixed rate 2003 £000	Interest free 2003 £000
Sterling	17,329	12,165	5,164	-
US Dollar	3,436	1,250	-	2,186
Swiss Francs	905	905	-	-
Euro	817	817	-	-
Russian Rouble	1,286	1,286	-	-
Other	2,250	2,250	-	-
	<u>26,023</u>	<u>18,673</u>	<u>5,164</u>	<u>2,186</u>

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.

Other than short term creditors the Group had no financial liabilities at 30 September 2004 or 30 September 2003.

Notes to the Accounts

19 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 reduced by the currency borrowings entered into by the Company to minimise the Group's exposure to foreign currency risk and over which a right to set-off exists. As at 30 September 2004 these exposures were as follows:

Functional currency of Group operation	Net foreign currency monetary assets				
	US dollar £000	Euro £000	Swiss Francs £000	Other £000	Total £000
Sterling	<u>6,336</u>	<u>5,315</u>	<u>-</u>	<u>5,814</u>	<u>17,465</u>

The exposures at 30 September 2003 for comparison purposes were as follows:

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

Fair values

The fair values of the Group's financial assets do not materially differ from their book values.

Notes to the Accounts

20 Called up share capital

	2004 £000	2003 £000
<i>Authorised</i>		
375,000,000 ordinary shares of 1 pence each (2003: 375,000,000)	<u>3,750</u>	<u>3,750</u>
<i>Allotted, called up and fully-paid</i>		
285,170,636 ordinary shares of 1 pence each (2003: 281,349,267)	<u>2,852</u>	<u>2,813</u>

During the year the company allotted 3,754,417 (2003: 2,331,883) ordinary shares of 1 penny each pursuant to the exercise of share options. 66,952 ordinary shares were issued in respect of Directors remuneration (2003: 80,433). The total consideration for the shares issued was £970,000 (2003: £739,000).

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

Number of shares	Subscription price	Exercisable from	Exercisable to
1,605,683 *	1p	27-2-2007	26-2-2014
59,877	9.185p	2-4-1998	21-8-2007
3,034,000	19p	10-12-2004	10-12-2011
1,000,000	26.5p	1-10-2007	30-9-2012
4,610,000	34.25p	18-3-2005	20-12-2012
1,000,000	35.5p	26-3-2008	25-3-2013
300,000 **	38.75p	29-5-2001	28-5-2012
340,000	47.5p	17-11-2001	16-11-2008
3,839,000	53.25p	9-12-2006	9-12-2013
250,000	56.25p	9-9-2006	9-9-2013
210,528	57p	18-12-2003	18-12-2010
310,000	66.5p	25-5-2003	24-5-2010
51,000	70p	23-2-2004	23-2-2011
60,000 **	70.75p	11-1-2003	10-1-2010
276,000	70.75p	11-1-2003	10-1-2010
<u>16,946,088</u>			

* These options were granted under the Employees' Performance Share Plan.

** 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, 4,000,000 53.25p options were granted during the year under the ITE Discretionary Option Schemes, of which 161,000 have lapsed, leaving 3,839,000 included in the table above. Also 1,605,683 1p options were issued under the Performance Share Plan.

Details of options granted to Directors are found in the Report on Remuneration on pages 20 to 26.

Notes to the Accounts

21 Reserves

Group	Share premium account £000	Merger reserve £000	Option reserve £000	ESOT reserve £000	Profit and loss account £000	Total £000
1 October 2003 (as previously reported)	27,996	2,746	132	-	7,277	38,151
Restatement for UITF 38	-	-	-	(2,334)	-	(2,334)
1 October 2003 (as restated)	27,996	2,746	132	(2,334)	7,277	35,817
Exercise of options	1,005	-	(109)	30	-	926
Retained profit for the year	-	-	-	-	4,737	4,737
Gain on foreign currency translation	-	-	-	-	96	96
Gain on exercise of ESOT options	-	-	-	-	20	20
Options issued in the year at a discount to market value	-	-	-	-	199	199
Shares issued for remuneration	35	-	-	-	-	35
Purchase of shares	-	-	-	(488)	-	(488)
30 September 2004	<u>29,036</u>	<u>2,746</u>	<u>23</u>	<u>(2,792)</u>	<u>12,329</u>	<u>41,342</u>

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	ESOT reserve £000	Profit and loss account £000	Total £000
1 October 2003 (as previously reported)	27,996	2,746	132	-	4,537	35,411
Restatement for UITF 38	-	-	-	(2,334)	-	(2,334)
1 October 2003 (as restated)	27,996	2,746	132	(2,334)	4,537	33,077
Exercise of options	1,005	-	(109)	30	-	926
Retained profit for the year	-	-	-	-	824	824
Gain on exercise of ESOT options	-	-	-	-	20	20
Shares issued for remuneration	35	-	-	-	-	35
Purchase of shares	-	-	-	(488)	-	(488)
30 September 2004	<u>29,036</u>	<u>2,746</u>	<u>23</u>	<u>(2,792)</u>	<u>5,381</u>	<u>34,394</u>

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

21 Reserves (continued)

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 reserve arises in connection with the Employee Share Ownership Trust. The amount of the reserve represents the deduction in arriving at shareholders funds for the consideration paid for the Company's shares purchased by the Trust which had not vested unconditionally in employees at the Balance Sheet date.

The ESOT held 10,427,000 shares in ITE Group plc at 30 September 2004 (2003: 9,857,000 shares). No grants of share options have been made during the financial year. The market value of the ordinary shares held by the ESOT at 30 September 2004 was £7.7 million (2003: £5.2 million).

The Company has agreed to make available to the ESOT an interest-free loan of up to £7.5 million for the purpose of buying shares. At 30 September 2004, the amount of the loan drawn down was £2.4 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 2004.

The trustees have waived their current and future rights to all dividend entitlement on the shares held by the ESOT. 205,000 options were exercised and 15,000 options lapsed during the year. Of the total shares held by the ESOT, all are under option as at 30 September 2004. Details of the options in issue and their exercise dates can be seen at Note 20 to the accounts.

22 Reconciliation of movement in Group shareholders' funds

	2004	2003
	£000	£000
Profit for the financial year	10,721	8,263
Other recognised gains and losses relating to the year (net)	96	(4)
	<u>10,817</u>	<u>8,259</u>
Dividends paid and proposed on equity shares	(5,984)	(4,359)
Gain on ESOT shares issued	20	-
ESOT reserve	(458)	(2,334)
Options issued at a discount to market value	199	-
New shares issued	<u>970</u>	<u>697</u>
Net increase in shareholders' funds	<u>5,564</u>	<u>2,263</u>
Opening shareholders' funds	<u>38,630</u>	<u>36,367</u>
Closing shareholders' funds	<u><u>44,194</u></u>	<u><u>38,630</u></u>

Notes to the Accounts

23 Minority interests

	2004 £000	2003 £000
1 October	(3)	3
Profit/(loss) on ordinary activities after taxation	31	(6)
Additional capital paid into subsidiary undertakings	200	-
30 September	<u>228</u>	<u>(3)</u>
All minority interests relate to equity interests.		

24 Reconciliation of operating profit to operating cash flows

	2004 £000	2003 £000
Operating profit	13,797	11,670
Depreciation charges	471	454
Amortisation	2,528	2,331
Loss on sale or write down of fixed assets	103	267
(Increase)/decrease in debtors	(2,638)	1,217
Increase in creditors	6,546	649
Increase in provisions	947	302
Net cash inflow from operating activities	<u>21,754</u>	<u>16,890</u>

25 Analysis of cash flows

	2004 £000	2003 £000
<i>Returns on investments and servicing of finance</i>		
Interest received	1,168	760
Interest paid	(36)	(68)
Net cash inflow	<u>1,132</u>	<u>692</u>
<i>Taxation</i>		
UK corporation tax paid	(2,616)	(2,511)
Overseas tax paid	(747)	(1,166)
Net cash outflow	<u>(3,363)</u>	<u>(3,677)</u>

Notes to the Accounts

25 Analysis of cash flows (continued)

	2004 £000	2003 £000
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets and investments	(678)	(496)
Increase in venue loans	(2,819)	(2,451)
Loan repayments	639	641
Net cash outflow	(2,858)	(2,306)
<i>Acquisitions and disposals</i>		
Purchase of subsidiary undertakings and businesses	(3,372)	(1,301)
Deferred consideration	(182)	(2,294)
Disposal of subsidiaries and associates	2,209	-
Net cash outflow	(1,345)	(3,595)
<i>Management of liquid resources</i>		
Cash placed on deposit	(19,336)	(5,164)
Cash held on deposit at 30 September 2004 was £24.5 million (2003: £5.2 million).		

	2004 £000	2003 £000
<i>Financing</i>		
Issue of ordinary share capital	933	433
Net acquisition of shares	(438)	-
Net cash inflow	495	433

26 Analysis of net funds

	30 September 2003 £000	Cash flow £000	30 September 2004 £000
Cash at bank and in hand	16,940	(7,894)	9,046
Net funds	16,940	(7,894)	9,046
Cash held on deposit	5,164	19,336	24,500
Cash shown on balance sheet	22,104	11,442	33,546

Notes to the Accounts

27 Reconciliation of net cash flow to movement in net funds

	2004 £000	2003 £000
Decrease in cash in the year	(7,894)	(753)
Movement in net funds in year	(7,894)	(753)
Net funds at 1 October	16,940	17,693
Net funds at 30 September	9,046	16,940

28 Financial commitments

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

	Group				Company	
	2004	2004	2003	2003	2004	2003
	Land and buildings £000	Other £000	Land and buildings £000	Other £000	Land and buildings £000	Land and buildings £000
Expiry date						
- within one year	322	-	465	1	-	-
- between two and five years	366	6	173	19	-	-
- after five years	696	-	320	-	92	90
	<u>1,384</u>	<u>6</u>	<u>958</u>	<u>20</u>	<u>92</u>	<u>90</u>

29 Post balance sheet events

On 22 October 2004 the Group sold 100% of the shares in X-RM Limited to Jonathan Block, a director of X-RM Limited, for £1. The Profit and Loss account for the year ended 30 September 2004 includes a provision against the value of goodwill in X-RM Limited of £142,000 within profit/(provision or loss) on disposal of group undertakings and an accrual for redundancy and restructuring costs of X-RM Limited of £100,000 within administrative expenses.

On 5 October 2004 the Group acquired 100% of the shares in Caspian Events Limited for £2.2 million.

30 Related party transactions

Ceyda Erem has a controlling interest in CNR, a company that owns and manages the largest exhibition halls in Istanbul. During the year ITF was charged £3.2 million by CNR for rent, hall services such as electricity, security and advertising and stand construction (2003: £3.7 million). At 30 September 2004 ITE owed ITF £11,400 (2003: ITF owed ITE £3,500). At 30 September 2004 CNR owed ITF £0.7 million (2003: £1.2 million). No commissions were paid to ITF by the Group during the year (2003: £96,000).

Notes to the Accounts

30 Related party transactions (continued)

Ceyda Erem has advanced a loan to ITF for which no interest is charged. The balance at the end of the year was £5,000 (2003: £94,000).

Alexander Rozin, who resigned as a director in the year, has a controlling interest in Incheba a.s. and therefore, held a material interest in the purchase of Incheba Praha from the Group on 7 November 2003. Incheba a.s. and ITE advanced loans of CZK 130,750,000 (£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 2004 the principal and interest owed to ITE was £1.5 million (2003: £2.0 million). During the year the interest receivable by ITE was £48,000 (2003: £81,000). Alexander Rozin received £120,000 as compensation for loss of office upon his resignation.

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 £169,000 (2003: £150,000).

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 24 February 2005 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 2004.
2. To re-appoint Iain Paterson as a Director of the Company.
3. To re-appoint Christopher Russell as a Director of the Company.
4. To re-appoint Ceyda Erem as a Director of the Company.
5. To declare a final dividend.
6. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to agree their remuneration.
7. To approve the Remuneration report.

Special Business

To consider and, if thought fit, to pass the following resolutions of which numbers 8 and 9 will be proposed as Ordinary Resolutions and numbers 10, 11 and 12 will be proposed as Special Resolutions:

8. That the amendment to Rule 2 of the ITE Group plc Employees' Performance Share Plan 2004 which is detailed in note 4 below and which is now produced to the Meeting be and is hereby approved and adopted and that the Directors be hereby authorised to take all steps which they consider necessary or expedient to carry out the amendment into effect.
9. 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 £898,294, 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.
10. That subject to the passing of resolution 9 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 9 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:

Notice of Annual General Meeting

- (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 £142,585; and 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.

11. 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 28,517,064;
- (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 15 months from the date of the Annual General Meeting at which this resolution is passed, whichever is the earlier; and
- (e) the Company may make a contract or contracts to purchase Ordinary Shares which would or might be executed wholly or partly after the expiry of the authority hereby conferred and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

12. That the Articles of Association of the Company be altered by deleting the existing article 89 and substituting in lieu thereof: "For the avoidance of doubt, any Director appointed by the Investor in accordance with Articles 82(A) to 82(C) (inclusive) shall, whilst holding office as such, be subject to retirement by rotation, and shall be taken into account in determining the number of Directors that retire in each year provided that if more than one Director has been appointed by the Investor in accordance with Articles 82(A) to 82(C) (inclusive) and pursuant to Article 86 all of the Directors appointed by the Investor would be due to retire at the same Annual General Meeting, the Director appointed by the Investor who has been in office for the shortest period since his or her last election shall be exempt from retirement at such Annual General Meeting and, if all such Directors have held office for the same period of time, the Investor shall have the right to determine in its sole discretion the particular Director that shall be exempt from retirement at the Annual General Meeting.

By order of the Board

Russell Taylor

Notice of Annual General Meeting

Company Secretary
7 December 2004

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 signed must be deposited at or posted to the offices of the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time appointed for holding the meeting. 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 22 February 2005 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 22 February 2005 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. Resolution 8 is proposed in order to maintain consistency between the Employees' Performance Share Plan 2004 (the "Employees' Plan") and the previous ITE Group 1998 Discretionary Share Option Scheme (the "1998 Scheme") in relation to the limit on the number of shares over which awards may be granted. The amendment provides for all options granted prior to re-admission of the Company's shares to the Official List of the UK Listing Authority and any options granted in replacement of such options to be excluded from the overall limits on the number of shares that may be placed under option under the Employees' Plan. Such an exclusion parallels that which was provided for in the 1998 Scheme.
5. Copies of the Employees' Plan as amended 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.

Financial calendar

Final dividend 2004

Ex date	26 January 2005
Record date	28 January 2005
Annual General Meeting	24 February 2005
Payment date	4 March 2005

Interim dividend 2005

Record date	June 2005
Payment date	July 2005