

C No 1927339

ITE GROUP PLC ANNUAL REPORT

2005



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ITE Group plc is a leading organiser of international B2B trade exhibitions and conferences.

ITE organises over 150 exhibitions and conferences each year across 16 countries. The Group manages its business from 19 offices and employs over 550 staff.

Several factors contribute to the increasing success of the Group. One key element is ITE's local infrastructure and knowledge in complex markets, supported by a growing network of international offices. ITE's local offices supply vital operational and management support to produce effective, professional and valued events.

ITE's success also derives from the development of strong, diverse brands within industry sectors. ITE's exhibitions and conferences are respected worldwide and are an important source of business opportunities for companies ranging from blue-chip multinationals through to local SMEs.

ITE has an unrivalled combination of sector and regional expertise in the emerging and developing markets in which it specialises. This lies at the core of the Group's business strategy as it pursues the delivery of high quality service for clients to increase their business in these markets.

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Our network of operations

UK Netherlands
Germany South Africa
Ukraine Turkey
Georgia Azerbaijan
Kazakhstan Iran
Uzbekistan Kyrgyz Republic
Russia China

Highlights

	Year ended 30 September 2005	Year ended 30 September 2004
Turnover	£78.5m	£60.8m
Profit before tax	£23.0m	£15.7m
Headline pre-tax profit*	£26.0m	£18.1m
Basic earnings per share	5.7p	3.9p
Diluted earnings per share	5.5p	3.8p
Headline diluted earnings per share**	6.6p	4.7p
Dividend per share	2.75p	2.2p
Net cash	£13.0m	£33.5m
Net assets	£24.2m	£44.4m

* 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 before amortisation and impairment of goodwill (including associates) and profits or losses arising on disposal of group undertakings

Chairman's statement

The momentum seen in 2005 has continued into the current financial year and there are good indications that the underlying growth is set to continue.

Group performance

All sectors of our business have had an excellent year yielding strong financial results. Turnover grew 29% to £78.5m (2004: £60.8m) and headline profit before tax rose 44% to £26.0m (2004: £18.1m). Headline diluted earnings per share improved by 40% to 6.6p per share and diluted earnings per share improved to 5.5p (2004: 3.8p). Profit before tax was £23.0m (2004: £15.7m). A strong performance from annually recurring business was augmented by contributions from the biennial Moscow International Oil & Gas exhibition, and from the once-off organisation of the World Petroleum Congress held in Johannesburg in September. Excluding the effect of these two events turnover from the annually recurring business increased by 14% and gross profits by 15%.

The Group returned £30m to shareholders via a tender to buy back its own shares in July. Due to the cash generative nature of the business, we finished the year with a net £13.0m of cash and a strong balance sheet capable of supporting investment and selective acquisition opportunities that are in line with our strategic plans.

Strategic process

During the year we have continued to implement our strategy of enhancing our core business, principally through a combination of organic growth and 'bolt on' acquisitions where the strategic fit is attractive. Consistent with this strategy we acquired Caspian Events Limited (Caspian Oil & Gas in Azerbaijan) at the beginning of the financial year, BTO AgriHort (Agriculture in Kyiv) in August and Footwear UK (Fashion in Birmingham and London) in September and these have all been successfully integrated into our existing infrastructure.

We tendered for, purchased and cancelled £30m of our own share capital in July demonstrating our desire to improve the efficiency of the Group's balance sheet in light of the Group's strong positive operational cash flow.

A further significant event was the recent conclusion of a long term co-operation agreement with Crocus (the new Moscow exhibition venue). This agreement is supplementary to ITE's main long-term agreement for the Expocentr venue in central Moscow. Given the potential for growth in the Moscow exhibition market fuelled by the new space at Crocus, it is important for ITE to maintain substantive contractual relationships with both of the main venues in Moscow.

Board and management

Following the reduction in the shareholding of Veronis Suhler Stevenson, Christopher Russell stepped down from the Board. In addition, Ross Stobie, Director General of the Moscow office, resigned from the Board following the conclusion of three years of service in Moscow. The Board extends its thanks to both Ross and Christopher who have both played important roles in our success over recent years.

The success of our business largely depends on the relationships that our staff build and maintain with our customers. I should like, therefore, to express the Board's appreciation for the continued efforts which all our staff have made in achieving such a strong set of results.

Dividend

The Board increased the interim dividend to 0.9p per share (2004: 0.55p) and recommends a final dividend of 1.85p per share making a total dividend for the year of 2.75p per share, a 25% increase on last year's total dividend of 2.2p per share. Taken together with the share buy back in the summer the Company will have returned £37m of cash to shareholders this year.

Outlook

The momentum seen in 2005 has continued into the current financial year and there are good indications that the underlying growth is set to continue. Overall the Board is confident that ITE is well positioned to benefit from both the changing exhibitions environment in Moscow, and from the ongoing economic growth apparent across the regions in which we operate.

Iain Paterson
Chairman
6 December 2005

Operating and financial review

Financial performance

Turnover for the year ended 30 September 2005 was £78.5m (2004: £60.8m). Overall gross profit for 2005 was £36.0m, (2004: £27.2m) earned at a gross margin of 45.8% (2004: 44.8%).

This year's result was buoyed by the biennial effect of the Moscow International Oil & Gas exhibition ('MIOGE'), and the once-off contract to organise the World Petroleum Congress ('WPC') in Johannesburg, South Africa. Excluding the effect of these two events the result from annually recurring business was a turnover of £69.4m, representing a 14% improvement on 2004's comparable figure, and a gross profit of £31.3m, a 15% improvement on 2004's comparable figure.

Operating profit of £20.6m for the financial year (2004: £13.8m) was after charging operating expenses of £15.4m (2004: £13.4m). The increase of £2.0m in operating expenses reflects higher levels of staff employed in line with rising activity levels throughout the Group and higher inflation rates in the regions in which ITE operates, together with an increasing cost of expensing the ITE Performance Share Plan (£0.6m in 2005: £0.3m in 2004).

The associate company contribution of £0.5m (2004: £0.5m) is from the Group's 50% owned associate business in Turkey, which reported good sales. However lower yields and higher operating costs culminated in a similar financial contribution to last year.

Trading highlights

In 2005 ITE organised 152 exhibitions in 16 countries (2004: 137 events in 15 countries). There were 24 new launches in the year. Total square metres sold in 2005 were 341,000 (2004: 276,000) at an average yield of £227 per square metre (2004: £220 per metre).

An analysis of the key changes in the Group's overall revenue, gross profit and volume sales is set out below:

	Square metres (000's)	Revenue £m	Gross profit £m
2004 Sales & gross profits	276	60.8	27.2
Biennial & WPC	21	9.1	4.7
	297	69.9	31.9
Non recurring and timing differences	(11)	(3.0)	(0.3)
New launches	11	2.4	0.1
Acquisitions	11	2.1	1.0
Growth on recurring events	33	5.9	2.9
Publishing		1.2	0.4
2005 Sales & gross profits	341	78.5	36.0

The increase in net square metre sold of 65,000 metres was spread throughout Russia and the CIS countries in which ITE operates. The exhibition business in Moscow, helped by the biennial recurrence of the Moscow International Oil and Gas event and the growth of its Mosbuild construction event contributed a 12% increase in its square metre sales. All ITE's offices in the CIS countries enjoyed strong levels of growth with Ukraine's volume of square metre sales growing by 18%, Kazakhstan's and Azerbaijan's sales volumes increasing by 12%, Uzbekistan's by 35%, and St Petersburg's by 10%.

Operating and financial review continued

The top ten events ranked by gross profit sold a total 181,700m² with the annually recurring events in the top ten showing an overall expansion of 13% in volume sales over their 2004 equivalent events. The benefit of having more space to sell, notably at the Mosbuild construction event in Moscow and the Kazakhstan Oil & Gas Exhibition in Almaty underpinned the growth in ITE's biggest events.

Gross profit of £36.0m (2004: £27.2m) analysed by industry sector is set out below:

Gross profit by sector 2005 (2004)

- 1 Construction 32% (40%)
- 2 Oil & Gas 22% (9%)
- 3 Travel 10% (13%)
- 4 Food 10% (12%)
- 5 Motor/Transport 8% (8%)
- 6 Fashion 5% (5%)
- 7 IT 4% (5%)
- 8 Other 9% (8%)

Total gross profit has increased by 32% with much of the activity being driven by the oil and gas and construction sectors. This year the oil and gas sector includes significant contributions from the Kazakhstan International Oil and Gas event, the biennial Moscow International Oil & Gas event, the World Petroleum Congress and the newly acquired Caspian Oil & Gas event. The continuing strength of construction events throughout Russia and the CIS reflects the increasing investment being made year on year into private and public infrastructure projects.

Review of operations

Gross profit analysed by the main geographical regions in which ITE operates is set out below, followed by a review of the most significant events for 2005 in each of the regions.

Gross profit by region 2005 (2004)

- 1 Russia 70% (76%)
- 2 Central Asia & Caucasus 14% (13%)
- 3 Southern & Eastern Europe 4% (3%)
- 4 Western Europe 6% (8%)
- 5 Rest of World 6% (0.2%)

Operating and financial review continued

Russia

Offices: Moscow, St Petersburg

ITE Group's Moscow office has seen changes in the exhibition market environment over the year and has implemented a series of initiatives.

Expocentr, with whom ITE has a long and established trading relationship, continues to host the Group's most important events. A shortage of quality venue space in Moscow has however restricted the growth of some of ITE's exhibitions until recent times. Crocus, a new purpose built exhibition facility in Moscow opened with Phase I of its project in late 2004. In April 2005 ITE held 'Mosbuild+' at Crocus, being a re-location of the Windows & Doors event together with 'Interiors' which was a resounding success. The combined meterage of Mosbuild and Mosbuild+ was 54,400m², an increase of over 20% on the 2004 equivalent combined meterages. ITE has also initiated further re-locations to Crocus for 2006, including Expoelectronica (April 2006), Mining World Russia (April 2006), Moscow International Motor Show (Sept 2006) and Ingredients Russia (Nov 2006). On 28 September 2005, ITE formalised the basis of a long-term co-operation agreement with Crocus until 2015 with respect to certain key exhibitions, and in October ITE made an advance payment of \$10m against specific venue tenancy contracts for the future.

Our major Moscow exhibitions all enjoyed attractive increases in size with maintained or improved yields. Ingredients Russia in November 2004 continued its expansion, improving space sales by 16% to 5,500m². Moscow International Travel exhibition in March grew 13% to 19,200m² (2004: 17,000m²); and the biennial Moscow International Oil & Gas exhibition in June sold 15,600m² an increase of 9% over its 2003 equivalent. The Motor event held in August was the Moscow International Motor Show, primarily focussed on the spare parts, accessories and repairs and maintenance sectors. Following a series of changes that have taken place over the course of the past year with respect to the Motor sector in Russia, ITE will now pursue its Moscow International Motor Show at Crocus commencing in September 2006. The Moscow Autumn event season finished with a good result from WorldFood Moscow selling 20,300m², but it remains restricted in its growth given current space availability issues at Expocentr.

In May, Alexander Shtalenkov joined ITE as Director General, Moscow with responsibility for further developing the Group's leading Moscow business. Alexander has an established background of managing international businesses in Russia.

The dynamics of supply and demand have changed substantially in Moscow. With the second phase of the new Crocus exhibition facility opening in September 2005, an additional 90,000 gross m² of space has been added to the Moscow exhibition industry over the last two years, effectively doubling the availability of international quality exhibition space in the city. Whilst this assists growth by releasing various constraints on some of ITE's key events, it also invites increasing competition. ITE with its recognised international brands, established venue relationships, and unparalleled office infrastructure is in a strong position from which to benefit from the expected growth in the Moscow exhibitions market.

Exhibitions in St Petersburg represented 22,800m² of ITE's sales in Russia and enjoyed 9% growth in volume. The largest event, Baltic Building Week realised sales of 10,200m² a small increase on the 2004 result. Lenexpo, the St Petersburg venue, has now finished construction of its new pavilion. After de-commissioning some older halls the venue now offers an additional 4,000m² of gross space into which ITE plans to grow its events.

Operating and financial review continued

Central Asia & Caucasus

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

The Central Asia and Caucasus regions have continued their strong growth this year – driven by new launches, new regional opportunities and strong exhibitor demand. This year also included a first time contribution from the Caspian Oil and Gas exhibition which was acquired in October 2004. The combination of organic growth and the aforementioned acquisition delivered an increase from the region of more than 25% in space sold and gross profit over the comparative performance in 2004.

As announced in the interim statement the Kazakhstan Oil and Gas Exhibition, which runs simultaneously with the conference, grew by 20% to over 7,400m². Kazbuild, organised in September also achieved growth of 20% in selling over 8,200m². Both of these exhibitions are now currently space constrained at the Atakent venue facility in Almaty. However the construction team are launching a new Kazbuild Spring in 2006 to satisfy demand.

The Azerbaijan office successfully integrated the Caspian Oil and Gas exhibition acquired in October 2004. ITE substantially improved the profitability of the event in its first edition using its extensive sales network and local office resources. In addition there were several new launches in Baku covering consumer electronics, cleaning and a once-off customs event. However difficulties with availability of the venue which also operates as a sports facility necessarily caused the postponement of BakuBuild from September until October 2005.

ITE Group's exhibition business in Tashkent, Uzbekistan contributed very strong growth more than doubling its sales and profits over the last year. A highlight among ITE's emerging markets, the office initiated eight new launches in the year. TextileExpo achieved a very significant performance in its second edition with space sales more than doubling.

Expansion into new Central Asian regions included the launching of a number of small initial events in Mongolia, Tajikistan and Kyrgyzstan in 2005. ITE Central Asia has now established small offices in Beijing and Urumqi in Western China.

Operating and financial review continued

Eastern & Southern Europe

Offices: Turkey (Istanbul), Ukraine (Kyiv)

The Kyiv office produced a 50% increase in revenue and operating profit for the year ending 30 September 2005. This included excellent first time contributions from the two acquired exhibitions Public Health and Informatica, which together added 6,500m² of sales. WorldFood Ukraine organised in November 2004 was affected by the political unrest at the time and was 15% smaller than in the previous November. However the ordinary course of business was soon re-established in early 2005 and Kievbuild in February 2005 recorded strong growth in achieving sales of over 5,250m².

ITE made two further acquisitions in the year in Kyiv, Photofair Kyiv, a small specialist event focused on digital photography and production, and, more significantly the acquisition of BTO's Kyiv AgriHort. The latter event is conducted in February and is the leading agricultural machinery and products event in the Ukraine. In February 2006 it is scheduled to expand into the newly completed phase II of the IEC exhibition halls, where ITE has been a contributor to the financing arrangements.

ITE's 100% owned Turkish office has continued developing its important and growing role in selling outbound Turkish exhibitors into the Group's Russian and Central Asian exhibitions. It also organises a series of local events and 'Caspian regional conferences'. Yields are still disappointingly low in Turkey and the 19,200m² sold in 2005 only yield marginal profits for ITE.

Associate Company – ITF

ITF, a 50% owned associate business in Istanbul, had a successful trading year with volume sales and revenues both showing strong growth. The 2005 event calendar included Autoshow (cars) and Otomotive (spare parts/accessories) and enjoyed spectacular growth with the Furniture Show, IMOB. The growth however was again at lower yields. The higher yielding clothing fabric and textile event was reduced in size as a consequence of re-positioning its target exhibition market. The Turkish economy has now enjoyed a period of greater stability and the continuance of such a stable economic environment will be welcome.

Operating and financial review continued

Western Europe and UK

Offices: London, Northern England, Hamburg

MODA UK is ITE's seventh highest contributing exhibition to Group gross profits this year. The Womenswear, Menswear and Accessories exhibitions added a catwalk to the shows and invested in a series of new initiatives, which helped support the growth in sales from 21,000m² to 24,000m² this year.

On 28 September ITE announced that it had acquired a series of complementary Footwear exhibitions in the UK, two of which have historically been co-located and share visitor audiences with our MODA Fashion events at the NEC in Birmingham. ITE is currently re-branding the events and will expand the marketing of the events using ITE's UK infrastructure.

RAS Publishing, ITE's business to business fashion publications business, has enjoyed a successful first full year under ITE's stewardship. Circulations of the Womenswear and Menswear Buyer publications were stable, whilst advertising revenue improved by circa 13%. RAS Publishing made a minor acquisition of an accessories magazine during the year, which has been integrated into the business, re-branded and re-launched as Fashion Extras.

Of the total staff number employed in the UK and Western Europe, 27 are based in Germany and are focussed on contributing outbound sales into our Russian and CIS exhibitions; 99 staff are currently based in London, of which more than half are sales orientated with the balance consisting of corporate, finance and administrative roles.

Operating and financial review continued

Rest of World

Offices: Johannesburg

The highlight of the year's 'rest of the world' activity was the organisation of the World Petroleum Congress ("WPC") in Johannesburg, South Africa. The event attracted over 3,200 delegates (80% International), had over 500 speakers and was co-located with a new launch exhibition of 400 exhibitors utilising 9,000 square meters of net space. The event was a resounding success and the level of sponsorship raised for the events, as well as the number of paying foreign delegates attending the event, was the highest ever achieved in the WPC's 72 year history. Furthermore, the exhibition held alongside the congress was the largest oil and gas exhibition ever organised in Africa. ITE developed an unprecedented network of media partners to ensure maximum exposure globally and coupled with the sales, marketing and logistical achievements, the event evidenced ITE's maturity as a leading world class professional event organiser. The culmination of three years work from a dedicated ITE team yielded overall revenues of £5.5m and a pre-tax profit in the year of £2.0m.

Outlook

ITE's strategy is to focus on organic growth opportunities in our core markets, whilst making complementary 'bolt-on' acquisitions.

The recent increase in supply of available Moscow exhibition venue space creates opportunities. ITE will continue to focus on its existing business, increasing its competitiveness and building on its expertise and infrastructure advantages, to ensure the Group will be the major beneficiary of the increase in capacity of the Moscow exhibitions market. Consistent with this ITE has concluded a new ten year co-operation agreement with the Crocus venue in Moscow, that will relieve space constraints on Mosbuild, Expoelectronica and several other events; Increased space could create opportunities for competitors. Nonetheless we believe that ITE is in a very strong position to benefit from the available opportunities and meet the challenges as they arise.

ITE Group's Central Asia business continues to enjoy significant growth opportunities and resides in a region blessed with substantial natural resources. ITE remains the dominant force in conducting international trade exhibitions in the region. The Ukraine business is also contributing excellent growth and will benefit this year from having more available venue space.

ITE Group's emerging and developing markets focus provides many opportunities and challenges. ITE Group's stable senior management team, well established network of local offices, together with its strong reputation and brand identity are key assets which will provide the platform for continued growth. As of 2 December 2005 advance sales for the 2006 event calendar were £43m (2004: £42m), an increase of 10% on a comparable basis with the forward sales position at this time last year. After another successful year and with the Group performing in line with expectations, the Board remains positive and confident with respect to the development and growth prospects ahead for the business.

Ian Tomkins
Chief Executive Officer
6 December 2005

Operating and financial review continued

Group financial review

Earnings per share

The diluted earnings per share increased to 5.5p from 3.8p in the prior year. The Group achieved headline diluted earnings per share of 6.6p per share compared with 4.7p for the year to 30 September 2004. Headline diluted earnings per share is based upon profit for the financial year before amortisation and impairment of goodwill, (including associates) and profits or losses on disposal of Group undertakings.

Acquisitions & disposals

As reported in last year's financial statements ITE acquired 100% of the issued share capital of Caspian Events Limited on 6 October 2004 for £2.2m in cash.

On 2 August 2005 ITE completed the acquisition of 100% of BTO Beurs-en Tentoonstelling – Organisatie B.V. ('BTO') for consideration of €2.0m of which €0.6m is payable in three instalments on the 30 April 2006, 2007 and 2008. BTO owns the AgriHort exhibition held in Kyiv every February, and on which ITE has been the local partner for the last five years.

On 28 September 2005 ITE acquired 100% of DEW Events Limited which owns four Footwear exhibitions for an initial consideration of £3.4m in cash. £2.6m of the consideration was paid on completion with a further £0.8m paid in November 2005. There are put and call options existing over management's retained 25% in ITE Footwear Limited (which owns the two London exhibitions) based on a multiple of profits and not normally exercisable before 1 November 2008.

Deferred receipts of \$0.24m from the sale of ITE's interests in ACG have been received in the year, and a further \$0.15m has been received since 30 September 2005. The balance remaining still due is \$0.05m.

Post balance sheet event

In October 2005 ITE Group made advance payments of \$10m to Crocus, a Moscow exhibition venue. The payments are made against specific exhibition venue licence agreements.

Tax charge

The tax charge of £7.4m represents 28.5% of headline pre-tax profits. The Group anticipates that for the next year the tax rate will remain below the UK Corporation tax rate of 30% due to the lower tax rate experienced in some of our major overseas markets. However anticipated changes to Dutch tax legislation has restricted the availability of future tax losses to the Group in Holland.

Capital

The Company cancelled its share premium account of £29,944,011 on 8 July 2005. It subsequently used the distributable reserves so created to buy back and cancel 29,126,208 of its own shares for a cost of £30.2m. The net effect of these transactions was to reduce the issued share capital by 10% and to reduce the Group's net assets by £30.2m. The Company has also issued 3,847,401 ordinary shares of 1p in the year. This represents 1.3% of the issued share capital at 1 October 2004. Of the total new issues 3,802,537 were pursuant to the exercise of options and yielded aggregate consideration of £0.96m. The remaining shares were issued as part of Directors' remuneration.

The Employees Share Option Trust ('ESOT') held 11,127,000 (4.3%) of the Company's issued share capital at the year end (2004: 10,427,000; 3.6%). The ESOT has acquired further shares in the market over the course of the year.

Cash flow

Net cash at 30 September 2005 was £13.0m (2004: £33.5m). Cash inflow from operating activities in the year to 30 September 2005 was £28.6m (2004: £21.8m). Cash outflow on acquisitions was £6.1m. A net £30.0m was applied in buying back the Company's own shares (including ESOT purchases) and after taking account of consideration from new issues. A further £8.4m was applied in taxation payments and £7.1m was paid to shareholders as dividends.

Of the £13.0m of cash £6.5m was held in a trust account, which will be released as certain creditors are paid in full. At 30 September 2005 £2.2m of the cash in trust was expected to be released within one year and £4.3m was expected to be released after 30 September 2006.

Interest

Net interest earned in the year was £1.65m (2004: £1.1m). The Group held average cash balances of £32.9m through the year (2004: £27.4m).

Investment and capital expenditure

The Group's capital expenditure on plant and equipment for the year was £0.4m (2004: £0.7m) and 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 ('advance payments'), or a loan which can be repaid by cash or by offset against future venue fees ('venue loan'). Generally the funding brings rights over future venue use and advantageous pricing arrangements. Venue loans and advance payments are included under debtors in the balance sheet and are treated as financial investments in the Cash flow statement.

At 30 September 2005 the Group's Sterling value of the outstanding balances of advance payments and venue loans was £3.9m (2004: £4.6m) as follows:

	30 September 2004 £m	Repayments £m	New Advances £m	30 September 2005 £m
Kyiv*	1.6	(0.3)	–	1.3
Almaty+	0.8	(0.5)	0.5	0.8
St. Petersburg*	2.0	(0.6)	–	1.4
Uzbekistan*	–	(0.1)	0.3	0.2
Bulgaria+	0.2	(0.1)	–	0.1
	4.6	(1.6)	0.8	3.8

*advance payments
+venue loans

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

This table does not include an advance payment to the Crocus venue in Moscow of US\$10m (£5.7m) made in October 2005.

Financial risk

The main financial 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 invoicing for our international customers. During the year the Group experienced net foreign exchange losses of £0.7m (2004: £0.4m). The exchange rate for the Euro at 30 September 2005 was €1.46: £1 (30 September 2004: €1.46: £1); the exchange rate for the US dollar started the year at \$1.80: £1, and finished the year \$1.76: £1.

The bulk of the Group's business is in emerging markets and to minimise the currency risk, the Group prices predominantly in Euros and US dollars. A proportion of total invoicing amount is settled in local currency equivalent, translated at prevailing rates of at the date of settling invoices. In 2005 52% of the Group's sales were priced in Euros and 41% in US dollars. Overall 70% of the Group's cash receipts in financial year ending 30 September 2005 were in hard currency and 30% was in various local currencies. The Group has a large proportion of its revenues and costs denominated in non-Sterling currencies. Sterling costs exceed Sterling revenues due to the level of UK based costs – in particular London sales and head office costs. At 30 September 2005 the weighted average exchange rate for forward sales against Sterling used for converting US dollar sales was \$1.82 (2005 financial year: \$1.84) and for Euro sales was €1.47 (2005 financial year: €1.47).

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.

Operating and financial review continued

Over the course of the year the Group has entered into currency borrowing arrangements to minimise its exposure to foreign exchange risk. The currency borrowings can be offset against the matching Sterling deposits. The net cash balances of £13.0m at 30 September 2005 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. The Group has overdraft facilities in place both to permit currency borrowing as part of its foreign exchange management and to allow flexibility in where it holds its cash balances.

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.

Adoption of International Financial Reporting Standards ('IFRS')

The Company's adoption of IFRS for the year ending 30 September 2006 will first impact on the interim statement for the six months to 31 March 2006. The main areas that are expected to have an effect on the Group's consolidated pre-tax profits are the treatment of share based payments and the amortisation of goodwill and intangible assets. The Company will issue a restatement of its results for the year ended 30 September 2005 and its consolidated balance sheet at 30 September 2005 presented in accordance with IFRS, prior to making the interim announcement.



Russell Taylor
Finance Director
6 December 2005

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 Marco Sodi, non-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	Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB
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 2005.

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 14 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 20.

Results and dividends

The audited accounts for the year ended 30 September 2005 are set out on pages 37 to 61. The Group profit for the year, after taxation and minority interests, was £15.6m (2004: £10.7m).

The Directors recommend a final dividend of 1.85p (2004: 1.65p). The total dividend for the year is 2.75p (2004: 2.2p).

Directors

The 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
Ross Stobie – Resigned 9 August 2005	Michael Hartley
Edward Strachan	Christopher Russell – Resigned 8 September 2005
Russell Taylor	Marco Sodi

In accordance with Company Law and the Articles of Association, Russell Taylor and Michael Hartley will retire by rotation at the next general meeting and, being eligible, offer themselves for re-election.

Substantial shareholdings

At 2 December 2005, 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
Schroder Investment Management Limited	35,117,033	14%
Aberforth Smaller Companies Trust	34,513,651	13%
Ceyda Erem	19,090,065	7%
Fidelity Investments	15,447,300	6%
Veronis Suhler Stevenson	15,307,237	6%
Kyzyl Tan Consultants Limited	13,387,935	5%
ITE Group Employee's Share Trust	11,057,000	4%
Barclays Bank Plc	8,703,125	3%

Directors' share interests

The Directors who held office at 30 September 2005 had the following interests in the shares of group undertakings:

Name of Director	30 September 2005	30 September 2004
Executive		
Ian Tomkins	10,000	10,000
Ceyda Erem	19,090,065	21,022,115
Edward Strachan*	13,821,416	16,602,212
Russell Taylor	15,000	–
Non-executive		
Iain Paterson	226,864	182,000
Sir Jeremy Hanley	24,090	24,090
Michael Hartley	10,000	–
Marco Sodi	–	–

* Edward Strachan is a shareholder of Kyzyl Tan Consultants Limited, which holds 13,387,935 shares in the Company. These are included in the 13,821,416 above.

The Directors, as employees and potential beneficiaries, have an interest in the 11,127,000 shares held by the ITE Group Employee's Share Trust.

There were no changes in the interests of Directors between 30 September 2005 and 6 December 2005.

Capital re-organisation and purchase and cancellation of own shares

At an Extraordinary General Meeting held on 16 June 2005 the shareholders approved:

- (i) an application be made to the court to cancel its share premium account.
- (ii) the Company be approved to purchase up to 43,321,894 of its own shares at prices up to 130% of the average middle market price of a share for the five business days preceding the purchase and for not less than 1p.

On 7 July 2005 the High Court approved the application from ITE to cancel its share premium. In so doing it required the Company to safeguard the interest of specific creditors by holding in a trust account the initial amount of £10,130,000. The amount held in the trust account is released when the specific creditors have been paid. At 30 September 2005 the balance not yet released was £6,526,000.

On 25 July 2005 the Company acquired 29,126,208 of its own ordinary shares with a nominal value of 1p each. The shares were purchased pursuant to a tender process at a price of 103p each and for an aggregate consideration of £30m. The shares were cancelled on 12 August 2005.

Right to purchase the Company's shares

At an Extraordinary General Meeting on 16 June 2005, the Shareholders authorised the Company to make one or more market purchases of up to 43,321,894 of the Company's Ordinary Shares at a price between 1p (exclusive of expenses) and 130% of the average middle market price of a share for the five business days immediately preceding the date on which the share is purchased.

Since that date the Company has purchased 29,126,208 of its own shares. The Company has a remaining authority to purchase a further 14,195,686 of its own shares.

Donations

The Group made charitable donations of £5,000 (2004: NIL) during the year. 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.

Directors' report continued

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 to 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 issues of share options or awards under the Employee's Performance Share Plan 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 actively controls its energy costs and the office and other waste generated by its business.

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 which 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

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
6 December 2005

Report on corporate governance

Statement of compliance with the revised Combined Code on corporate governance

The FRC 2003 Combined Code ('the Combined Code') came into effect for the Company for the financial year commencing on 1 October 2004. During the financial year the Company complied in all material respects with the Combined Code insofar as it applies to the Company, except as described below.

Until his resignation on 8 September 2005, Christopher Russell was a member of the Audit and Remuneration Committees though he was not considered fully independent under the Combined Code. Christopher Russell was a non-executive Director nominated under the terms of their subscription agreement by Veronis Suhler Stevenson, a significant shareholder in the Company throughout the year. The Board considered this matter carefully and concluded that Christopher Russell's employment by a significant shareholder did not impair his judgement as a contributing member to those Committees. Where the relevant Committee Chairman considered a potential conflict of interest could arise, Christopher Russell did not attend the meeting.

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 the Combined Code. The explanation of how the principles have been applied is set out below and in connection with Directors' remuneration, in the Report on remuneration.

Board of Directors

The Board of Directors meets not less than seven times a year. The Board considers a range of matters for its approval, including setting Group strategy, acquisition policy, the budgets, major capital expenditure, material contracts and appointments to subsidiary Boards. The Board monitors the performance of the businesses against appropriate forecasts and key performance indicators. The Board is supplied with financial and operational information on a timely basis to enable it to discharge its duties and carry out its responsibilities. 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. The Senior Independent non-executive Director is Sir Jeremy Hanley.

In addition to the Chairman, during the year the Board comprised three or four non-executive Directors and four to five executive Directors. The Board currently has four non-executive Directors (including the Chairman) and four 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 considers all appointments made to the Board.

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 names and biographies of the Directors are on page 34.

Veronis Suhler Stevenson, a major shareholder of the Company has appointed Marco Sodi, and for the period up to his resignation on 8 September 2005 Christopher Russell, as its Nominee Directors pursuant to the terms of its subscription agreement. Christopher Russell resigned on 8 September 2005 in accordance with the subscription agreement and Veronis Suhler Stevenson's reduced shareholding. The Board do not consider that Mr Sodi is independent in all matters but do consider that his independent judgment as a Board member and his participation on the Nomination Committee is not affected by his 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 the first available annual general meeting. In accordance with the Articles of the Company all Directors are required to stand for re-election at least every three years.

The non-executive Directors met formally without the executives present twice during the year. On one of those occasions the non-executives carried out a formal evaluation of the Board and of its Committees. In addition, the Chairman met individually with each of the directors. The Chairman's performance was evaluated by the Senior Independent Director. A number of matters were discussed at these meetings which served to enhance further the very satisfactory performance of the Board.

Report on corporate governance continued

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	9	4	6	2
Attendance:				
Iain Paterson	9		6	2
Ian Tomkins	8			
Ceyda Erem	7			
Sir Jeremy Hanley	9	4	6	2
Michael Hartley	9	4	6	2
Christopher Russell ^[1]	7	3	6	2
Marco Sodi	8			1
Ross Stobie ^[2]	3			
Edward Strachan	6			
Russell Taylor	9			

[1] Christopher Russell resigned from the Board, Audit, Remuneration and Nomination Committees on 8 September 2005.

[2] Ross Stobie resigned from the Board on 9 August 2005.

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 obtain their feedback and by communicating regularly throughout the year.

Board Committees

The Board has established three committees all of which have written terms of reference. The terms of reference for the committees are available on the Company's website at www.ite-exhibitions.com.

The Audit Committee

The Audit Committee comprises only non-executive Directors. The Committee is chaired by Sir Jeremy Hanley whom the Board considers has appropriate financial expertise to fulfil this role. The other member is Michael Hartley and, up until his resignation on 8 September 2005, Christopher Russell. The meetings are also attended by the Chairman, the Finance Director, the deputy Finance Director and the auditors together with any other member of staff considered necessary by the Committee to complete its work. The Committee meets at least four times a year and at the end of each meeting, meets with the auditors without any executives or other members of staff present to discuss matters relating to its remit and any issues arising.

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 and Company law. In addition the Committee considers the appointment of the Auditors, the scope of the audit and any issues arising, their fees and the nature, extent and costs of any non audit services provided by them. The Committee has access to any employee and is able to obtain external advice on any matter as required. The auditors are able to request additional 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 Iain Paterson, Sir Jeremy Hanley, and up until his resignation on 8 September 2005, Christopher Russell. The meetings are attended by the Chief Executive Officer and external advisers as appropriate.

Further information about the Committee is set out in the Report on Remuneration on page 28.

The Nomination Committee

The Nomination Committee comprises the non-executive Directors Iain Paterson, Sir Jeremy Hanley, Michael Hartley, Marco Sodi and, up until his resignation on 8 September, Christopher Russell. 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.

Independence of external auditors

The Audit Committee has established clear guidelines concerning the levels of discretionary non-audit fees it considers are appropriate to safeguard the independence of the auditors. The Committee has implemented review and approval processes relating to the provision of non-audit services by the auditors, and undertakes an annual assessment of the auditors' independence and effectiveness. The Audit Committee is satisfied that there are sufficient safeguards in place to ensure auditor independence.

Whistle blowing arrangements

The Company has a set policy to enable and encourage staff to report in confidence any possible improprieties in matters of financial reporting or otherwise. The procedures for reporting any such matter have been communicated to all staff.

Internal audit function

The Company does not currently have an internal audit function. The Audit Committee annually considers whether an internal audit function is appropriate and makes an appropriate recommendation to the Board. The central finance function is responsible for checking, monitoring and reporting on the control environment in the Group's accounting centres. The Committee considers that at present the central finance function has sufficient independence to report objectively on the control environment in the accounting centres. The Board has concluded that an internal audit function is not currently required. The Audit Committee will continue to monitor this matter and make appropriate recommendations to the Board.

Review of Internal controls and of risk management process

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 organisational 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 income and expenditure, with an annual budget approved by the Board. Historical financial performance and revised forecasts for the full year are reported against budget and considered by the Board at each meeting. 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 authorisations 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 unauthorised access to the Company's premises. Hardware and software controls have also been instigated to prevent unauthorised access to the Company's computer system and network. Regular back-ups of electronic information are taken with copies being stored offsite.

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 and Iain Paterson. Christopher Russell was also a member of the Remuneration Committee until his resignation on 8 September 2005. All the members are non-executive Directors.

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

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

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

The remuneration packages of the executive Directors comprise base salary and benefits, a performance related bonus (save for 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 four executive Directors' base salaries for the year commencing 1 October 2005 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 2005, Ian Tomkins' and Russell Taylor's maximum annual bonus opportunity will be 100% and 65% of base salary respectively. Edward Strachan's annual bonus opportunity (through Kyzyl Tan Consultants Limited) from 1 October 2005 will be capped at 85% of the base consultancy fee and his remuneration as a Director. Ceyda Erem does not participate in an annual bonus scheme.

The Executive Bonus Plan applying to Ian Tomkins, Russell Taylor and Edward Strachan (through Kyzyl Tan Consultants Limited) for the 2005-06 financial year is based upon achievement of a sliding scale of challenging compound growth targets based upon headline profits before tax. No bonus is payable unless the minimum growth target over the base period is achieved.

Long term incentives

The Company operates Performance Share Plans and Share Option Schemes. The former has until now only been used for executive Directors and senior management. It is now intended to extend the Performance Share Plan to a broader spread of staff and to reduce the use of options.

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 over shares worth up to 100% of base salary each year, 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 2006 are set out below.

Aggregate Headline EPS for the financial years ending 30 September 2006, 2007 and 2008

Percentage of award that vests

Below 19.0p

Nil

19.0p

30%

19.0p – 21.0p

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 will be used (previous issues have used an 'adjusted' fully diluted headline EPS which excluded the costs associated with awards made under the Plan and any other Share awards).

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 to ITE Group employees 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 offers a stakeholder pension to its employees but currently makes no company contribution under this scheme.

Directors' service contracts

Executive Directors

Ian Tomkins (Chief Executive) and Russell Taylor (Finance Director) have UK contracts of employment which follow market best practice for senior management serving in the UK, save for the specific arrangements agreed with Ian Tomkins at the time of his appointment in relation to termination following a change of control. Notice periods and base salary details for all directors are outlined in the relevant tables. There are no contributions to pension schemes or other fringe benefits such as company cars.

Ian Tomkins' contract provides that if within 12 months of a change in control of the Company his contract is terminated without payment of his contractual notice period then the Company shall pay him in lieu of such 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.

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. The Committee's objective will be to avoid rewarding poor performance. Furthermore, the Committee will take account of the executive Director's duty to mitigate his loss.

During the year, the Committee has approved a new three year contract in relation to securing the services of Edward Strachan from 1 October 2005 to 30 September 2008. Edward Strachan's remuneration as a Director is £30,000. In addition Edward Strachan is remunerated as a consultant through the Company's agreement with Kyzyl Tan Consultants Limited. Kyzyl Tan Consultants Limited has entered into a new agreement (dated 18 October 2005) for the provision of Edward Strachan's services. The base consultancy fee under this agreement is £267,500 per annum. Kyzyl Tan Consultants Limited is entitled to a bonus based upon the same targets and criteria as Ian Tomkins and Russell Taylor. The bonus potential is capped at 85% of Kyzyl Tan Consultants Limited's base consultancy fee and Edward Strachan's remuneration as a director. Kyzyl Tan Consultants Limited are further entitled to receive a living away from home allowance of \$90,000 for its employee for each year of the contract, all of which may be payable in advance.

Report on remuneration continued

The Remuneration Committee considers that Edward Strachan's unique knowledge and skills of managing the exhibition business in the regions for which he is responsible are unusual circumstances which warrant the Company entering into a consultancy contract with a fixed term in excess of one year. The Committee believes that this contract is in the best interest of the Company.

Consistent with market practice, other than Edwards 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 total remuneration.

The dates of each contract, the relevant notice period and base salary for 2005-2006 are as follows:

Name	Date of contract	Notice period	Base salary 2005-2006
Ian Tomkins	1 July 1998	12 months	£350,000
Russell Taylor	25 March 2003	12 months	£190,000
Ceyda Erem	1 October 2002	*	\$316,000

* Ceyda Erem's employment as Managing Director of ITE's associate, 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.

Ross Stobie, who resigned on 9 August 2005, did so under the terms of his contract.

Non-executive Directors

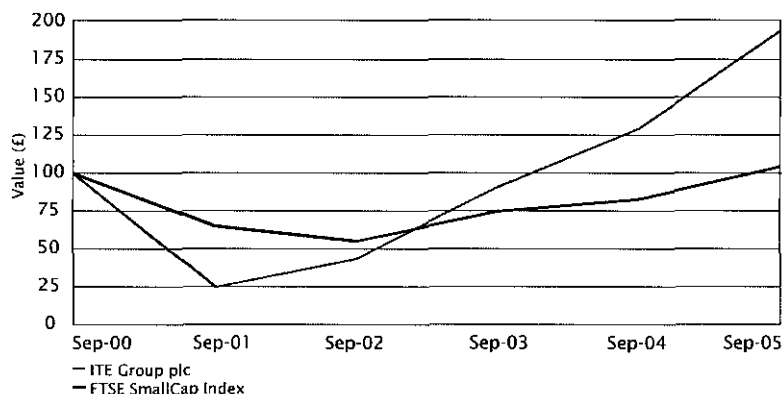
The Chairman and non-executive Directors are entitled to one months' written notice to terminate their contracts but no further rights to compensation payments on termination. The dates of the contracts are for Iain Paterson 27 May 2002, for Sir Jeremy Hanley 26 February 2004, for Marco Sodi 1 July 2003, and for Michael Hartley 20 October 2003. Christopher Russell, who resigned on 8 September 2005, did so under the terms of his contract.

Performance graph

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

Total shareholder return

Source: Thomson Financial



This graph shows the value, by 30 September 2005, of £100 invested in ITE Group on 30 September 2000 compared with the value of £100 invested in the FTSE SmallCap Index. The other points plotted are the values at intervening financial year-ends.

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 measured. 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:

	2005 £000	2004 £000
Emoluments	2,378	2,158
Compensation for loss of office	–	120
	2,378	2,278
Gains on exercise of share options	798	510
Total	3,176	2,788

Directors' emoluments

Name of Director	Note	Fees/basic Salary £000	Annual Bonuses £000	Compensation for loss of office £000	2005 total £000	2004 total £000
Executive						
Ian Tomkins	1	344	330	–	674	569
Ceyda Erem	1	186	–	–	186	199
Ross Stobie	2,3	325	–	–	325	360
Edward Strachan	5	250	360	–	610	500
Russell Taylor	1	195	118	–	313	260
Former Directors		–	–	–	–	132
Non-executive						
Iain Paterson	6	120	–	–	120	120
Sir Jeremy Hanley		62	–	–	62	50
Michael Hartley	4	30	–	–	30	28
Christopher Russell	2,7	28	–	–	28	30
Marco Sodi	7	30	–	–	30	30
Aggregate emoluments		1,570	808	–	2,378	2,278

Notes

- 1 Ian Tomkins was paid \$24,000 (approximately £13,000) for being a director of ITF. Ian Tomkins was paid \$24,000 in the prior year to 30 September 2004. Ceyda Erem is paid \$316,000 (approximately £171,000) for her services as Managing Director of ITF. In the prior year Ceyda Erem was paid \$330,000 (approximately £184,000) for her services in the year to 30 September 2004. Russell Taylor was paid \$24,000 (approximately £13,000) for being a director of ITF. Russell Taylor was paid \$22,000 for being a director of ITF for part of the prior year to 30 September 2004. These amounts are included in the table above.
- 2 The Director served for only part of the year ended 30 September 2005.
- 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 2004.
- 5 Edward Strachan is a shareholder of Kyzyl Tan Consultants Limited, which received consultancy fees for services provided to the Group of £230,000 per annum. In addition to the consultancy fees Kyzyl Tan Consultants Limited earned a performance related bonus of £360,000 for the year. These amounts are included in the table above.
- 6 Iain Paterson receives half of his remuneration in shares issued at an average mid market price over the year.
- 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 £nil (2004: £120,000).

Report on remuneration continued

Directors' share options

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

Director	Scheme	1 October 2004 or date of appointment	Granted during the year	Option price	Exercised during the year	Market price at exercise date	30 September 2005	Exercisable from	Exercisable to	Gain on exercise £000
Ian Tomkins	1998	40,000	–	70.75p	–	–	40,000	11-1-2003	10-1-2010	
	Discretionary	310,000	–	66.5p	–	–	310,000	25-5-2003	24-5-2010	
	Scheme	500,000	–	19p	500,000	85p	–	–	–	330
		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	75,000	–	38.75p	75,000	85p	–	–	–	35
	Share Trust	75,000	–	38.75p	75,000	85p	–	–	–	34
	2004									
	Employees' Performance									
	Share Plan	470,588	–	1p	–	–	470,588	26-2-2007	25-2-2014	
			328,070	nil*	–	–	328,070	13-1-2008	12-1-2015	
Edward Strachan	1998	100,000	–	47.5p	–	–	100,000	17-11-2001	16-11-2008	
	Discretionary	500,000	–	19p	500,000	85p	–	–	–	330
	Scheme	1,000,000	–	26.5p	–	–	1,000,000	1-10-2007	30-9-2012	
	Employee	75,000	–	38.75p	75,000	85p	–	–	–	35
	Share Trust	75,000	–	38.75p	75,000	85p	–	–	–	34
	2004									
	Employees' Performance									
	Share Plan	31,372	–	1p	–	–	31,372	26-2-2007	25-2-2014	
			23,392	nil*	–	–	23,392	13-1-2008	12-1-2015	
	2004 Key Contractors' Performance									
	Share Plan	282,353	–	1p	–	–	282,353	26-2-2007	25-2-2014	
			225,146	1p	–	–	225,146	13-1-2008	12-1-2015	
Ross Stobie**	1998	1,000,000	–	34.25p	–	–	1,000,000	20-12-2007	19-12-2012	
	Discretionary Scheme									
	2004 Employees' Performance									
	Share Plan	313,725	–	1p	–	–	313,725	26-2-2007	25-2-2014	
Russell Taylor	1998	1,000,000	–	35.5p	–	–	1,000,000	26-3-2008	25-3-2013	
	Discretionary Scheme									
	2004 Employees' Performance									
	Share Plan	258,823	–	1p	–	–	258,823	26-2-2007	25-2-2014	
			180,439	nil*	–	–	180,439	13-1-2008	12-1-2015	

* Contingent Award

** Pursuant to the relevant scheme rules the Remuneration Committee has approved the early exercise of Ross Stobie's options on his resignation as a Board Director, and a partial award under the Performance Share Plan.

The market price of the ordinary shares at 30 September 2005 was 107p and the range during the year was 72.5p to 108p.

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 on 26 February 2004 require the Company's aggregate headline diluted earnings per share for the three 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 12.2p, 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 12.2p	Nil
12.2p	30%
Between 12.2p and 13.7p	Between 30% and 100% calculated on a straight line basis

The market price of an Ordinary share on 26 February 2004 was 63.75p.

For the 2004 Employees' and Key Contractors' Performance Share Plans, the performance conditions to be met for the awards made on 13 January 2005 require the Company's aggregate headline diluted earnings per share for the three years ending 30 September 2005, 2006 and 2007 (excluding the costs associated with such awards or any other share awards) to be equal to or have exceeded 17.1p, in which case the awards vest as set out below:

Aggregate Headline EPS for the financial years ending 30 September 2005, 2006 and 2007	Percentage of Award that vests
Below 17.1p	Nil
17.1p	30%
Between 17.1p and 18.6p	Between 30% and 100% calculated on a straight line basis

The market price of an Ordinary share on 13 January 2005 was 85.5p.

The Remuneration Committee have adjusted the aggregate headline EPS targets for the February 2004 awards and the January 2005 awards so that scheme participants are neither more nor less likely to achieve the targets as a result of the Company's purchase and cancellation of its own shares in July 2005. The original and revised targets are shown below:

	Feb 2004		Jan 2005	
	Original targets	Revised targets	Original targets	Revised targets
Nil award	below 12.0p	below 12.2p	below 16.5p	below 17.1p
30% award	12p	12.2p	16.5p	17.1p
100% award	13.5p	13.7p	18.0p	18.6p

On behalf of the Board

Michael Hartley
Chairman of the Remuneration Committee
6 December 2005



Directors' biographies

Iain Paterson (58)

Non-executive Chairman – Remuneration, Nomination
Iain Paterson was appointed a Director and non-executive Chairman of the Company in May 2002. He has over 30 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 MOL Rt. (the Hungarian Energy Company), Hunting plc and AmorGroup International plc.

Ian Tomkins (41)

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 (53)

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 (60)

Non-executive Director – Audit, Remuneration, Nomination
Sir Jeremy Hanley was appointed a non-executive Director of the Company in March 1998. He is a Chartered Accountant. His other directorships include the GTECH Holdings Corporation Inc. and NYMEX Europe Limited. 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 (56)

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 ten 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.

Marco Sodi (47)

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

Edward Strachan (41)

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 CIS regions.

Russell Taylor (47)

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 2005 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' 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 directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report 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 directors' remuneration report 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 also report to you if, in our opinion, the Company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the July 2003 FRC 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 directors' remuneration report 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

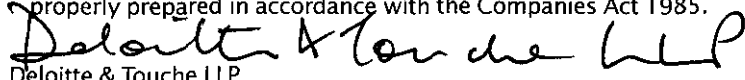
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described 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 directors' remuneration report 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 directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2005 and of the profit of the Group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
6 December 2005

Consolidated profit and loss account

For the year ended 30 September 2005

	Notes	2005 £000	2004 £000
Turnover	1	78,547	60,750
Cost of sales		(42,552)	(33,542)
Gross profit		35,995	27,208
Net operating expenses before goodwill amortisation		(12,232)	(10,883)
Goodwill amortisation		(3,142)	(2,528)
Total net operating expenses	2	(15,374)	(13,411)
Operating profit	1	20,621	13,797
Share of associates' operating profit before goodwill amortisation		612	676
Goodwill amortisation		(153)	(221)
Share of associates' operating profit		459	455
Profit on disposal of group undertakings	3	221	323
Profit on ordinary activities before interest		21,301	14,575
Interest receivable	4	2,085	1,148
Interest payable and similar charges	5	(427)	(16)
Profit on ordinary activities before taxation	6	22,959	15,707
Tax on profit on ordinary activities	8	(7,429)	(4,955)
Profit on ordinary activities after taxation		15,530	10,752
Minority interests	22	33	(31)
Profit for the financial year		15,563	10,721
Dividends paid and proposed	10	(7,146)	(5,984)
Retained profit for the year		8,417	4,737
Earnings per share			
Basic	11	5.7p	3.9p
Diluted	11	5.5p	3.8p
Headline diluted	11	6.6p	4.7p

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 2005

	Notes	2005 £000	2004 £000
Profit for the financial year			
Group		15,325	10,534
Associates		238	187
		15,563	10,721
Gain on foreign currency translation	20	750	96
Total recognised gains and losses relating to the year		16,313	10,817

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

Consolidated balance sheet

30 September 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Goodwill	12	33,698	29,348
Tangible assets	13	1,741	1,862
Associates	14	1,257	1,377
Other investments	14	109	74
		36,805	32,661
Current assets			
Debtors due within one year	15	22,810	23,426
Debtors due after one year	15	2,216	4,060
Cash at bank and in hand	25	13,019	33,546
		38,045	61,032
Creditors: amounts falling due within one year	16	(48,335)	(47,773)
Net current (liabilities)/assets		(10,290)	13,259
Total assets less current liabilities		26,515	45,920
Provisions for liabilities and charges	17	(2,316)	(1,498)
Net assets		24,199	44,422
Capital and reserves			
Called up share capital	19	2,599	2,852
Share premium account	20	38	29,036
Capital redemption reserve	20	291	–
Merger reserve	20	2,746	2,746
Option reserve	20	–	23
ESOT reserve	20	(3,562)	(2,792)
Profit and loss account	20	21,893	12,329
Equity shareholders' funds	21	24,005	44,194
Minority interests	22	194	228
Total capital employed		24,199	44,422

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

Company balance sheet

30 September 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Subsidiary undertakings	14	1,000	1,000
Other investments	14	40	24
		1,040	1,024
Current assets			
Debtors due within one year	15	793	653
Debtors due after one year	15	14,236	19,270
Cash at bank and in hand		6,616	21,188
		21,645	41,111
Creditors: amounts falling due within one year	16	(4,778)	(4,889)
Net current assets		16,867	36,222
Total assets less current liabilities		17,907	37,246
Net assets		17,907	37,246
Capital and reserves			
Called up share capital	19	2,599	2,852
Share premium account	20	38	29,036
Capital redemption reserve	20	291	–
Merger reserve	20	2,746	2,746
Option reserve	20	–	23
ESOT reserve	20	(3,562)	(2,792)
Profit and loss account	20	15,795	5,381
Equity shareholders' funds		17,907	37,246

The accounts on pages 37 to 61 were approved by the Board of Directors and signed on its behalf by:



Ian Tomkins
Chief Executive Officer
6 December 2005



Russell Taylor
Finance Director

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

Consolidated cash flow statement

For the year ended 30 September 2005

	Notes	2005 £000	2004 £000
Net cash inflow from operating activities	23	28,598	21,754
Dividends received from associates		437	172
Returns on investments and servicing of finance	24	1,658	1,132
Taxation	24	(8,378)	(3,363)
Capital expenditure and financial investment	24	13	(2,858)
Acquisitions and disposals	24	(5,785)	(1,345)
Equity dividends paid		(7,088)	(4,545)
Cash inflow before management of liquid resources and financing		9,455	10,947
Management of liquid resources	24	17,974	(19,336)
Financing	24	(29,982)	495
Decrease in cash in the year	25	(2,553)	(7,894)

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

Accounting policies

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

Basis of accounting

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

Basis of consolidation

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

Goodwill

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

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

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

Tangible fixed assets

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

Land and buildings short leasehold	– term of lease
Plant and equipment	– four 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.

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

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative instruments for speculative purposes. 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 and Performance share plan

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. Segmental information

The turnover and profit before taxation are attributable to the Group's principal activity, the organisation of trade exhibitions, conferences and related activities 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
Year ended 30 September 2005						
Turnover by geographical location						
of events/activities	6,031	12,121	48,381	5,047	6,967	78,547
Turnover by origin of sale	51,701	4,765	13,316	2,870	5,895	78,547
Operating profit/(loss)	16,115	1,030	3,002	(274)	748	20,621
Share of associates' operating profit	—	—	—	459	—	459
						21,080
Interest receivable (net)	1,579	11	34	16	18	1,658
Profit on disposal of group undertakings	—	—	—	221	—	221
Profit on ordinary activities before tax	17,694	1,041	3,036	422	766	22,959
Segment net assets/(liabilities)	19,155	370	3,336	92	(11)	22,942
Share of associates' net assets	—	—	—	1,257	—	1,257
Net assets						24,199

	UK & Western Europe £000	Central Asia & Caucasus £000	Russia £000	Eastern & Southern Europe £000	Rest of World £000	Total Group £000
Year ended 30 September 2004						
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

2. Net operating expenses

Net operating expenses includes total administrative expenses of £15.7m (2004: £13.7m) and other operating income of £316,000 (2004: £303,000).

3. Profit on disposal of group undertakings

The profit on disposal of £221,000 represents the release of the provision of \$390,000 against outstanding consideration at 30 September 2004, of this \$190,000 has been received in the year, \$150,000 has been received since year end and the remaining \$50,000 is due in December 2005.

4. Interest receivable

	2005 £000	2004 £000
Interest receivable from bank deposits	2,002	1,065
Interest receivable on advances to venues	34	–
Interest receivable on loan to Incheba Praha	32	73
Share of associates interest receivable	17	10
	2,085	1,148

5. Interest payable and similar charges

	2005 £000	2004 £000
Bank loans and overdrafts	426	15
Share of associates interest payable	1	1
	427	16

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £000	2004 £000
Depreciation	448	471
Amortisation of goodwill and trade investments (including associates)	3,295	2,749
Operating lease rentals – other	1,195	1,093
Loss on disposal of fixed assets	79	103
Exchange loss	703	425
Auditors' remuneration		
– Audit services Statutory audit	169	189
Other	72	33
	241	222
– Tax services Compliance	150	150
Advisory services	93	186
Total auditors' remuneration	484	558

In addition to the £484,000 auditors' remuneration above, the Group also incurred fees of £14,000 (2004: £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.

Notes to the accounts continued

7. Staff costs

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

	2005 Number	2004 Number
Administration	211	179
Technical and sales	355	307
	566	486
	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	11,618	9,817
Social security costs	1,470	1,252
Other pension costs	226	173
	13,314	11,242

Details of audited Directors' remuneration are shown in the Report on Remuneration on pages 28 to 33.

8. Tax on profit on ordinary activities

Analysis of tax charge in the year:

	2005 £000	2004 £000
Group taxation on current year profit		
UK corporation tax on profit for the year	5,835	5,086
Adjustment to UK tax in respect of previous years	(443)	(722)
	5,392	4,364
Overseas taxation – current year	1,759	423
Overseas taxation – previous years	(8)	147
Share of associates' tax	237	278
	1,988	848
Total current tax	7,380	5,212
Deferred tax		
Origination and reversal of timing differences	49	(257)
Total tax	7,429	4,955

Factors affecting tax charge in the year:

	2005 £000	2004 £000
Profit on ordinary activities before tax	22,959	15,707
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	6,888	4,712
Effects of:		
Expenses not deductible for tax purposes	991	1,072
Capital allowances in excess of depreciation	(7)	48
Non-utilisation of tax losses	75	323
Withholding tax and other irrecoverable taxes	145	79
Adjustments to tax charge in respect of previous years	(451)	(575)
Losses utilised	(196)	(359)
Non-taxable income	(65)	(88)
	7,380	5,212

8. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges:

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:

	2005 £000	2004 £000
Accelerated capital allowances	85	79
Tax losses carried forward	(20)	(89)
Other timing differences	(153)	(127)
Deferred tax debtor	(88)	(137)
(Debtor)/provision at the start of the year	(137)	120
Deferred tax charge/(credit) in the profit and loss account	49	(257)
Deferred tax debtor at the end of the year	(88)	(137)

9. Profit attributable to ITE Group plc

The profit before dividends for the year dealt with in the accounts of the parent company, ITE Group plc, was £17.8m (2004: £6.8m). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

10. Dividends paid and proposed

	2005 £000	2004 £000
Interim paid of 0.9p (2004 – 0.55p) per ordinary share	2,544	1,515
Final proposed of 1.85p (2004 – 1.65p) per ordinary share	4,602	4,469
	7,146	5,984

Under the terms of the trust deed dated 20 October 1998, the ITE Group Employees Share Trust, which at 30 September 2005 held 11,127,000 (2004: 10,427,000) ordinary shares representing 4.3% of the Company's called-up ordinary share capital, has agreed to waive all dividends due to it.

11. Earnings per share

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

	Headline diluted		Basic and diluted	
	2005 £000	2004 £000	2005 £000	2004 £000
Profit for the financial year	15,563	10,721	15,563	10,721
Amortisation of goodwill (including associates)	3,295	2,749	–	–
Profit on disposal of group undertakings	(221)	(323)	–	–
	18,637	13,147	15,563	10,721

11. Earnings per share (continued)

	2005 Number of shares (000's)	2004 Number of shares (000's)
Weighted average number of shares:		
For basic earnings per share	273,134	274,435
Exercise of share options	9,197	7,203
For diluted earnings per share	282,331	281,638

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.

12. Goodwill

	2005 £000	2004 £000
Cost		
1 October	54,929	53,866
Additions	7,493	4,042
Disposals	(1,144)	(2,979)
30 September	61,278	54,929
Amortisation		
1 October	(25,581)	(23,850)
Charge for the year	(3,142)	(2,528)
Disposals	1,143	939
Provision for disposal of subsidiary	-	(142)
30 September	(27,580)	(25,581)
Net book value		
30 September	33,698	29,348

Additions in the year can be analysed as follows:

	2005 £000	2004 £000
Acquisition of businesses	421	1,813
Acquisition of subsidiaries	7,072	2,229
	7,493	4,042

The acquisition of businesses for £421,000 relates to the purchase of the Photofair and Kiev International sports shows in the Ukraine (£0.3m) and a fashion magazine in the UK (£0.1m).

The acquisition of subsidiaries of £7.1m relates to the purchase of 100% of the shares in Caspian Events Limited on 5 October 2004, the purchase of 100% of the shares in ITE Exhibitions BV (formerly BTO Beurs en Tentoonstelling-Organisatie B.V.) on 2 August 2005 and the purchase of 100% of the shares in ITE Moda Footwear Limited (formerly DEW Events Limited) on 28 September 2005.

During the year the useful economic life of the assets above remained unchanged.

12. Goodwill (continued)

The following tables set out the fair value of the identifiable assets and liabilities acquired in Caspian Events Limited. Following the acquisition of Caspian Events Limited, the trade and assets of the company were sold to ITE Exhibitions and Conferences (JV) Limited.

The revaluations were to fixed assets (£42,000) and to deferred tax (£20,000).

In the four months to 5 October 2004, the Company made a profit before tax of £338,000 and in the year ended 31 May 2004 made a profit before tax of £86,000.

	Book value £000	Revaluation £000	Fair value £000
Fixed assets			
Tangible fixed assets	42	(42)	–
Current assets			
Debtors	46	(20)	26
Cash	13	–	13
Total assets	101	(62)	39
Creditors	(91)	1	(90)
Net assets	10	(61)	(51)
Goodwill			2,308
Total assets acquired			2,257
Satisfied by:			
Cash consideration			2,200
Costs of acquisition			57
Total consideration			2,257

12. Goodwill (continued)

The following table sets out the fair value of the identifiable assets and liabilities acquired in ITE Exhibitions BV and ITE Moda Footwear Limited.

	ITE Exhibitions BV Book and Fair value £000	ITE Moda Footwear Limited Book and Fair value £000
Current assets		
Debtors	27	537
Cash	394	181
Total assets	421	718
Creditors	(293)	(611)
Net assets	128	107
Goodwill	1,334	3,430
Total assets acquired	1,462	3,537
Satisfied by:		
Cash consideration	1,023	2,655
Contingent consideration	416	785
Costs of acquisition	23	97
Total consideration	1,462	3,537

For both acquisitions above the book value of assets and liabilities acquired was the same as the fair value to the Group.

ITE Exhibitions BV made a profit before tax of €447,000 in the period from 1 January 2005 to 30 June 2005. The contingent consideration is based on a percentage of the estimated profits for 2006, 2007 and 2008.

The acquisition of ITE Moda Footwear Limited was completed after part of the business previously carried on by the company had been hived out. The profit for the remaining business that was acquired was approximately £800,000 before tax for the year before acquisition. The contingent consideration is based on the estimated profits for events held in April and October 2005. These events are organised by a subsidiary of ITE Moda Footwear Limited, which is owned 75% by the Group.

13. Tangible fixed assets

Group	Land and buildings short leasehold £000	Plant and equipment £000	Total £000
Cost			
1 October 2004	967	1,990	2,957
Additions	–	392	392
Disposals	–	(411)	(411)
30 September 2005	967	1,971	2,938
Depreciation			
1 October 2004	(249)	(846)	(1,095)
Charge for the year	(49)	(399)	(448)
Disposals	–	346	346
30 September 2005	(298)	(899)	(1,197)
Net book value			
30 September 2005	669	1,072	1,741
30 September 2004	718	1,144	1,862

14. Fixed asset investments

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Subsidiary undertakings	–	–	1,000	1,000
Other investments	109	74	40	24
	109	74	1,040	1,024
Associates	1,257	1,377	–	–
	1,366	1,451	1,040	1,024

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	%
Subsidiary undertakings			
International Trade and Exhibitions (JV) Limited	England	Ordinary shares	100
ITE Exhibitions & Conferences Limited	England	Ordinary shares	100
IEG International Limited+	England	Ordinary shares	100
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 Tantanım 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
ITE Moda Footwear Ltd	England	Ordinary shares	100
ITE Exhibitions BV	Netherlands	Ordinary shares	100
Associates			
Istanbul Fuarcilik AS	Turkey	Ordinary shares	50

+ Held directly by ITE Group plc.

14. Fixed asset investments (continued)

Company – Subsidiary undertakings

	Shares £000	Loans £000	Total £000
Cost			
1 October 2004	10,181	23,574	33,755
30 September 2005	10,181	23,574	33,755
Provisions			
1 October 2004	9,181	23,574	32,755
30 September 2005	9,181	23,574	32,755
Net book value			
30 September 2005	1,000	–	1,000
30 September 2004	1,000	–	1,000

Group – Associates

	£000
Share of net assets	
1 October 2004	613
Share of retained profit for the year	33
30 September 2005	646
Goodwill	
1 October 2004	764
Amortisation of goodwill	(153)
30 September 2005	611
Net book value	
30 September 2005	1,257
30 September 2004	1,377

Other investments and loans

	Other investments £000	Group Loans £000	Total £000	Other investments £000	Company Loans £000	Total £000
Cost						
1 October 2004	8,873	1,640	10,513	3,025	1,640	4,665
Additions	38	–	38	19	–	19
Written off	(3,000)	(1,640)	(4,640)	(3,000)	(1,640)	(4,640)
30 September 2005	5,911	–	5,911	44	–	44
Provisions						
1 October 2004	8,799	1,640	10,439	3,001	1,640	4,641
Written off	(3,000)	(1,640)	(4,640)	(3,000)	(1,640)	(4,640)
Charge in the year	3	–	3	3	–	3
30 September 2005	5,802	–	5,802	4	–	4
Net book value						
30 September 2005	109	–	109	40	–	40
30 September 2004	74	–	74	24	–	24

15. Debtors

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Debtors due within one year				
Trade debtors	17,637	19,271	-	-
Other debtors	302	361	-	231
Deferred tax asset (see note 8)	88	137	-	-
Loan to Incheba Praha	744	716	-	-
Venue advances and other loans	1,786	1,608	651	422
Prepayments and accrued income	2,253	1,333	142	-
	22,810	23,426	793	653
Debtors due after one year				
Amounts owed by Group undertakings	-	-	14,236	19,270
Loan to Incheba Praha	-	742	-	-
Venue advances and other loans	2,216	3,318	-	-
	2,216	4,060	14,236	19,270

The Venue advances and other loans of £2.2m due after one year include £0.3m (2004: £0.6m) due after more than five years.

16. Creditors: amounts falling due within one year

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade creditors	351	578	-	-
Taxation and social security	3,867	5,085	-	-
Deferred consideration	-	180	-	-
Proposed dividends	4,608	4,550	4,608	4,550
Other creditors	3,300	2,900	170	9
Accruals and deferred income	36,209	34,480	-	330
	48,335	47,773	4,778	4,889

17. Provisions for liabilities and charges

Group	National Insurance on share options £000	Onerous leases £000	Contingent consideration £000	Total £000
1 October 2004	724	774	–	1,498
Charged/(credited) to the profit and loss account	344	(414)	–	(70)
Utilised in the period	–	(345)	–	(345)
Acquired in the period	–	–	1,233	1,233
30 September 2005	1,068	15	1,233	2,316

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 2005.

The remaining onerous lease provision relates to the differential between rental income and lease commitments on a US property. The US lease runs to 2006 and has been fully provided for.

The contingent consideration arose on the acquisitions of ITE Exhibitions BV and ITE Moda Footwear Limited, as set out in Note 12.

18. 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.

Interest rate profile

The interest rate and currency profile of the Group's financial assets at 30 September 2005 was as follows:

Currency	Total 2005 £000	Floating rate 2005 £000	Interest free 2005 £000
Sterling	4,368	4,368	–
US Dollar	5,744	3,705	2,039
Euro	1,180	1,180	–
Russian Rouble	2,090	2,090	–
Other	4,036	4,036	–
	17,418	15,379	2,039

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, loans to Incheba Praha and Bulgarreklama and part of the advances to venues in Kyiv and St Petersburg, subject to interest at the rate of 1% and 2% above Euro LIBOR respectively.

Interest free loans represent the portion of venue advances recoverable after one year.

18. Derivatives and other financial instruments (continued)

The profile at 30 September 2004 for comparison purposes was as follows:

Currency	Total 2004 £000	Floating rate 2004 £000	Interest free 2004 £000	Fixed rate 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	–	–
	37,625	9,910	3,215	24,500

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.

Other than short term creditors the Group had no financial liabilities at 30 September 2005 or 30 September 2004.

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 2005 these exposures were as follows:

Functional currency of Group operation	US dollar £000	Net foreign currency monetary assets Euro £000	Sterling £000	Other £000	Total £000
Sterling	3,113	4,799	1,771	904	10,587

The exposures at 30 September 2004 for comparison purposes were as follows:

Functional currency of Group operation	US dollar £000	Net foreign currency monetary assets Euro £000	Other £000	Total £000
Sterling	6,336	5,315	5,814	17,465

Fair values

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

19. Called up share capital

	2005 £000	2004 £000
Authorised		
375,000,000 ordinary shares of 1 pence each (2004: 375,000,000)	3,750	3,750
Allotted, called up and fully-paid		
259,891,829 ordinary shares of 1 pence each (2004: 285,170,636)	2,599	2,852

During the year the Company allotted 3,802,537 (2004: 3,754,417) ordinary shares of 1 pence each pursuant to the exercise of share options. 44,864 ordinary shares were issued in respect of Directors remuneration (2004: 66,952). The total consideration for the shares issued was £950,000 (2004: £970,000). During the year the company also cancelled 29,126,208 shares for a total consideration of £30.2m.

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
	1,201,493*	1p	13-01-2008	12-01-2015
	168,000	19p	10-12-2004	10-12-2011
	1,000,000	26.5p	1-10-2007	30-9-2012
	4,250,000	34.25p	18-3-2005	20-12-2012
	1,000,000	35.5p	26-3-2008	25-3-2013
	247,500	47.5p	17-11-2001	16-11-2008
	3,619,000	53.25p	9-12-2006	9-12-2013
	250,000	56.25p	9-9-2006	9-9-2013
	310,000	66.5p	25-5-2003	24-5-2010
	45,000	70p	23-2-2004	23-2-2011
	60,000**	70.75p	11-1-2003	10-1-2010
	266,000	70.75p	11-1-2003	10-1-2010
	2,797,500	85.5p	07-12-2007	06-12-2014
	16,820,176			

* 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, 2,850,000 85.5p options were granted during the year under the ITE Discretionary Option Schemes, of which 52,500 have lapsed, leaving 2,797,500 included in the table above. Also 1,201,493 1p options were issued under the Performance Share Plan.

Details of options granted to Directors are found in the Report on Remuneration on pages 28 to 33.

20. Reserves

Group	Share premium account £000	Merger reserve £000	Capital Redemption reserve £000	Option reserve £000	ESOT reserve £000	Profit and loss account £000	Total £000
1 October 2004	29,036	2,746	–	23	(2,792)	12,329	41,342
Exercise of options	912	–	–	(23)	99	–	988
Retained profit for the year	–	–	–	–	–	8,417	8,417
Gain on foreign currency translation	–	–	–	–	–	750	750
Gain on exercise of ESOT options	–	–	–	–	–	48	48
Options issued in the year at a discount to market value	–	–	–	–	–	592	592
Shares issued for remuneration	35	–	–	–	–	–	35
Capital reduction	(29,945)	–	–	–	–	29,945	–
Purchase and cancellation of shares	–	–	291	–	–	(30,188)	(29,897)
Purchase of shares by ESOT	–	–	–	–	(869)	–	(869)
30 September 2005	38	2,746	291	–	(3,562)	21,893	21,406

The cumulative amount of goodwill written off against the Group's reserves is £72,675,000 (2004: £72,675,000).

Company	Share premium account £000	Merger reserve £000	Capital Redemption reserve £000	Option reserve £000	ESOT reserve £000	Profit and loss account £000	Total £000
1 October 2004	29,036	2,746	–	23	(2,792)	5,381	34,394
Exercise of options	912	–	–	(23)	99	–	988
Retained profit for the year	–	–	–	–	–	10,609	10,609
Gain on exercise of ESOT options	–	–	–	–	–	48	48
Shares issued for remuneration	35	–	–	–	–	–	35
Capital reduction	(29,945)	–	–	–	–	29,945	–
Purchase and cancellation of shares	–	–	291	–	–	(30,188)	(29,897)
Purchase of shares by ESOT	–	–	–	–	(869)	–	(869)
30 September 2005	38	2,746	291	–	(3,562)	15,795	15,308

During the year the Company acquired and cancelled 29,126,208 shares. Further details can be found in the Directors' report.

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.

20. 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 11,127,000 shares in ITE Group plc at 30 September 2005 (2004: 10,427,000 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 2005 was £11,905,890 (2004: £7.7m).

The Company has agreed to make available to the ESOT an interest-free loan of up to £7.5m for the purpose of buying shares. At 30 September 2005, the amount of the loan drawn down was £3.2m. The ITE Group plc Company profit and loss account and balance sheet include the results of the ESOT for the year ended 30 September 2005.

The trustees have waived their current and future rights to all dividend entitlement on the shares held by the ESOT. 300,000 options were exercised during the year. Of the total shares held by the ESOT, all are under option as at 30 September 2005. Details of the options in issue and their exercise dates can be seen at Note 19 to the accounts.

21. Reconciliation of movement in Group shareholders' funds

	2005 £000	2004 £000
Profit for the financial year	15,563	10,721
Gain on foreign currency translation	750	96
	16,313	10,817
Dividends paid and proposed on equity shares	(7,146)	(5,984)
Gain on ESOT shares issued	48	20
ESOT reserve	(771)	(458)
Options issued at a discount to market value	592	199
Share Buy back	(30,188)	-
New shares issued	963	970
Net (decrease)/increase in shareholders' funds	(20,189)	5,564
Opening shareholders' funds	44,194	38,630
Closing shareholders' funds	24,005	44,194

22. Minority interests

	2005 £000	2004 £000
1 October	228	(3)
(Profit)/loss on ordinary activities after taxation	(33)	31
Additional capital paid into subsidiary undertakings	-	200
30 September	194	228

All minority interests relate to equity interests.

23. Reconciliation of operating profit to operating cash flows

	2005 £000	2004 £000
Operating profit	20,621	13,797
Depreciation charges	448	471
Amortisation	3,142	2,528
Loss on sale or write down of fixed assets	79	103
Decrease/(increase) in debtors	1,969	(2,638)
Increase in creditors	1,365	6,546
Increase in provisions	974	947
Net cash inflow from operating activities	28,598	21,754

24. Analysis of cash flows

	2005 £000	2004 £000
<i>Returns on investments and servicing of finance</i>		
Interest received	2,085	1,168
Interest paid	(427)	(36)
Net cash inflow	1,658	1,132
<i>Taxation</i>		
UK corporation tax paid	(6,205)	(2,616)
Overseas tax paid	(2,173)	(747)
Net cash outflow	(8,378)	(3,363)
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets and investments	(430)	(678)
Venue advances	(828)	(2,819)
Loan and venue repayments	1,271	639
Net cash inflow/(outflow)	13	(2,858)
<i>Acquisitions and disposals</i>		
Purchase of subsidiary undertakings and businesses	(6,373)	(3,372)
Cash from acquisitions	588	-
Deferred consideration	-	(182)
Disposal of subsidiaries and associates	-	2,209
Net cash outflow	(5,785)	(1,345)
<i>Management of liquid resources</i>		
Cash placed on Trust	(6,526)	-
Cash placed on deposit	24,500	(19,336)
Net cash inflow/(outflow)	17,974	(19,336)

There was no cash held on deposit at 30 September 2005 (2004: £24.5m).

24. Analysis of cash flows (continued)

	2005 £000	2004 £000
<i>Financing</i>		
Issue of ordinary share capital	927	933
Proceeds from exercise of options on shares held by ESOT	145	–
Acquisition and cancellation of shares	(30,185)	(438)
Acquisition of shares by ESOT	(869)	–
Net cash (outflow)/inflow	(29,982)	495

25. Analysis of net funds

	30 September 2004 £000	Cash flow £000	30 September 2005 £000
Cash at bank and in hand	9,046	(2,553)	6,493
Net funds	9,046	(2,553)	6,493
Cash held on deposit	24,500	(24,500)	–
Cash held on Trust	–	6,526	6,526
Cash shown on balance sheet	33,546	(20,527)	13,019

As a result of the capital reduction, £6.5m is held in a trust account, which will be released as certain creditors are paid in full. At 30 September 2005 £2.2m of the cash in trust was expected to be released within one year and £4.3m was expected to be released after 30 September 2006.

Subsequent to year end, ITE Group made advance payments of \$10m to Crocus, a Moscow exhibition venue. The payments are made against specific exhibition venue licence agreements.

26. Reconciliation of net cash flow to movement in net funds

	2005 £000	2004 £000
Decrease in cash in the year	(2,553)	(7,894)
Movement in net funds in year	(2,553)	(7,894)
Net funds at 1 October	9,046	16,940
Net funds at 30 September	6,493	9,046

27. Financial commitments

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

	2005 Land and buildings £000	Group 2005 Other £000	2004 Land and buildings £000	2004 Other £000	Company 2005 Land and buildings £000	2004 Land and buildings £000
Expiry date						
– within one year	512	–	322	–	–	–
– between two and five years	182	–	366	6	–	–
– after five years	440	–	696	–	–	92
	1,134	–	1,384	6	–	92

28. 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 £3.5m by CNR for rent, hall services such as electricity, security and advertising and stand construction (2004: £3.2m). At 30 September 2005 ITE owed ITF Nil (2004: ITE owed ITF £11,400). At 30 September 2005 CNR owed ITF £0.9m (2004: £0.7m). During the year ITF advanced CNR £630,000 which was fully repaid during the year. Interest of £4,000 was charged at a rate of 15.25% on the advance. This was fully paid during the year. 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 (2004: £5,000).

In Kazakhstan, ITECA has transacted with Datacom, Expo Design and Saban Holdings for the provision of web systems, stand construction services and office rental respectively. Edward Strachan is a significant shareholder of all three companies. In total the services charged to ITECA were £148,000 (2004: £169,000).

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 23 February 2006 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 2005.
2. To re-appoint Russell Taylor as a Director of the Company.
3. To re-appoint Michael Hartley as a Director of the Company.
4. To declare a final dividend.
5. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to agree their remuneration.
6. To approve the Remuneration report.

Special Business

To consider and, if thought fit, to pass the following resolutions of which number 7 will be proposed as an Ordinary Resolution and numbers 8, 9 and 10 will be proposed as Special Resolutions:

7. 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 £866,306, provided that this authority shall expire 15 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.
8. That subject to the passing of resolution 7 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 7 above or by an allotment of equity securities such as is referred to in section 94(3A) of the Act as if sub-section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment:
 - (a) of equity securities in connection with an offer of such securities by way of rights or other pre-emptive offer to holders of ordinary shares of 1 pence each in the capital of the Company ('Ordinary Shares') in proportion (as nearly as may be practicable) to their respective holding of such Ordinary Shares but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements or any legal or practical problems arising under or as a result of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the issue and/or transfer and/or holding of any securities in uncertificated form; and
 - (b) (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £129,945; and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 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.

9. 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 25,989,182;
 - (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.
10. That the Articles of Association of the Company be amended as follows:
- (a) by deleting the definition of "Investor" in Article 2;
 - (b) by deleting Articles 82(A) to 82(G) inclusive and Article 89;
 - (c) by deleting the words "This Article 84.1(g) shall not apply to any Director appointed in accordance with Articles 82(A) to 82(C) (inclusive)." in Article 84.1(g); and
 - (d) by deleting the words "other than a Director appointed by the Investor in accordance with Articles 82(A) to 82(C) (inclusive)" in Article 84.2.

By order of the Board

Russell Taylor
Company Secretary
23 December 2005



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 21 February 2006 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 21 February 2006 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. On 12 December 2005 Veronis Suhler Stevenson notified the Company that it had sold its shareholding in ITE Group plc. The subscription agreement between the Company and Veronis Suhler Stevenson has subsequently been terminated. Accordingly, a special resolution (resolution 10 above) is proposed to alter the Articles of Association of the Company to remove certain provisions that are no longer necessary following Veronis Suhler Stevenson ceasing to be a shareholder. A copy of the Articles of Association (as amended by resolution 10) 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 2005

Ex date	25 January 2006
Record date	27 January 2006
Annual General Meeting	23 February 2006
Payment date	3 March 2006

Interim dividend 2006

Record date	June 2006
Payment date	July 2006

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