International Trade and Exhibitions (JV) Limited

Annual report and financial statements for the year ended
30 September 2001

Registered number: 2801121

Contents

Directors' report

For the year ended 30 September 2001

Financial Statements

The directors present their annual report on the affairs of the company, together with the financial statements for the year ended 30 September 2001.

Principal Activities and Review of the Business

The company's principal activity is the organising of international trade exhibitions and conferences.

The directors intend to continue to develop the company's business and to seek opportunities to expand into new geographical markets.

Results and Dividends

The audited accounts for the period ended 30 September 2001 are set out on pages 5 to 17. The loss for the year, after taxation, amounted to £12,455,047 (2000 – £1,297,956).

Dividends paid during the year totalled £2,500,000 (2000 – £Nil). The dividend was paid on 1 March 2001 at which time the company had sufficient distributable reserves. Since that time the directors have made provision for the impairment of goodwill and writedown of the company's investments.

Directors

The directors during the period were as follows:

Lawrie Lewis	Resigned 22 October 2001
Ian Tomkins	
Stephen Warshaw	Appointed 22 October 2001

Directors' interests

The directors who held office at 30 September 2001 had no interests in the shares of the company. The directors' interests (if any) in parent company shares are disclosed in the group consolidated accounts.

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The Company's trade creditors represented 12 days purchases (2000 – 63 days).

Directors' report (continued)

Directors' responsibilities

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

Approved by the Board

Ian Tomkins
Director

23 July 2002

105 Salusbury Road
London
NW5 6RG

Independent auditors' report

To the shareholders of International Trade and Exhibitions (JV) Limited:

We have audited the financial statements of International Trade and Exhibitions (JV) Limited for the year ended 30 September 2001 which comprise the profit and loss account, balance sheet and the related notes numbered 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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. 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, 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 September 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

23 July 2002

Profit and loss account

For the year ended 30 September 2001

	Notes	2001	2001	2000
		£	£	£
Turnover				
Acquisitions			-	2,019,748
Existing operations			17,351,560	15,449,317
Continuing operations	2		17,351,560	17,469,065
Cost of sales	3		(8,244,847)	(7,727,105)
Gross Profit			9,106,713	9,741,960
Net operating expenses before impairment charge		(7,544,686)		
Impairment charge	4	(3,016,634)		
Amounts written off investments	12	(10,620,351)		
Net operating expenses	3		(21,181,671)	(9,644,568)
Operating (loss)/profit	5		(12,074,958)	97,392
Interest receivable			276,348	314,834
Other income			100,908	54,564
Interest payable			(9,172)	(301)
(Loss)/profit on ordinary activities before taxation			(11,706,874)	466,489
Tax on (loss)/profit on ordinary activities	8		(748,173)	(1,764,445)
Loss on ordinary activities after taxation			(12,455,047)	(1,297,956)
Dividends paid	9		(2,500,000)	-
Retained loss for the year	17		(14,955,047)	(1,297,956)

All of the above results derive from continuing activities.

There are no recognised gains or losses other than those reported in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
30 September 2001

	Notes	2001 £	2000 £
Fixed assets			
Goodwill	10	9,069,294	11,951,017
Tangible fixed assets	11	1,412,721	1,415,277
Investments	12	19,659,811	25,136,880
		30,141,826	38,503,174
Current assets			
Debtors	13	12,027,029	13,814,578
Cash at bank and in hand		9,559,072	740,224
		21,586,101	14,554,578
Current liabilities			
Creditors: amounts falling due within one year	14	(62,318,273)	(41,881,691)
Net current liabilities		(40,732,172)	(27,326,889)
Total assets less current liabilities		(10,590,346)	11,176,285
Creditors: amounts falling due in more than one year	15	(1,951,589)	(8,763,173)
Net (liabilities)/assets		(12,541,935)	2,413,112
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	(12,542,935)	2,412,112
Equity shareholders' funds	18	(12,541,935)	2,413,112

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

Approved by the Board

Ian Tomkins
Director

23 July 2002

1 Accounting policies

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

a) Accounting convention

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

The company made a loss of £15.0 million during the period ended 30 September 2001 and, at that date, its liabilities exceeded its assets. The company is dependent, in the absence of other funding, on the continued financial support of ITE Group Plc. The directors have received confirmation that further support will continue to be made available by ITE Group plc for a period of 12 months from the date of approval of these accounts.

On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that might be necessary if the shareholders were not to provide further support.

b) Group accounts and cash flow statement

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of ITE Group Plc which prepares consolidated accounts which are publicly available. The company is also, on this basis, exempt from the requirement of FRS1 to present a cash flow statement.

c) Turnover

Turnover represents amounts invoiced on completed events for the provision of exhibition and conference facilities and services exclusive of value added tax.

d) Profit recognition on events

Profit is recognised when an event is completed. Billings and cash received in advance, and directly attributable costs arising in the period relating to uncompleted and future events are deferred until the events are completed. The amounts so deferred are included in the balance sheet as deferred event income and prepaid event costs respectively. Losses anticipated at the balance sheet date are provided in full.

1 Accounting policies (continued)

e) Intangible fixed assets

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, which is up to a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisition 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 written off to reserves is included in determining the profit or loss on disposal.

f) Tangible fixed assets

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

Long leasehold buildings	- 50 years
Fixtures and fittings	- 10 years
Computers and other equipment	- 4 years

g) Investments

Fixed asset investments are shown at cost less provision for any impairment.

h) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the hedged 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 hedged rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

i) Taxation

Current tax, including UK corporation tax payable is provided at amounts expected to be paid (or recovered) using the current tax rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

1 Accounting policies (continued)

j) Pension costs

The amount charged to the profit and loss account in respect of defined contribution schemes is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

k) 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.

2 Segmental analysis

	United Kingdom		Russia & the CIS		Rest of World		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
	£000	£000	£000	£000	£000	£000	£000	£000
Turnover by geographical location of events/activities	452	1,529	14,774	13,835	2,126	2,105	17,352	17,469

The turnover is attributable to the Company's one principal activity, the organisation of trade exhibitions and conferences.

3 Cost of sales, gross profit and net operating expenses

	2001			2000		
	Acquisitions	Existing operations	Continuing Operations	Acquisitions	Existing operations	Continuing Operations
	£000	£000	£000	£000	£000	£000
Cost of sales	94	8,151	8,245	848	6,879	7,727
Gross (loss)/profit	(94)	9,201	9,107	1,172	8,570	9,742
Administrative expenses	-	7,545	7,545	-	5,103	5,103
Impairment of goodwill	-	3,017	3,017	-	4,000	4,000
Amounts written off investments	-	10,620	10,620	538	4	542
Net operating expenses	-	21,182	21,182	538	9,107	9,645

4 Goodwill impairment charge

During the year an impairment review was undertaken by the company. This resulted in an impairment charge against goodwill of £3 million. The charge includes the remaining £2.4 million goodwill in respect of the E-business show, £250,000 on the IS Expo Shows and £360,000 on the Copras Show. The impairments reflect the most recent forecast cash flow contributions to the company. In the prior year there was an impairment loss of £4 million on the E-business show.

5 Operating (loss)/profit is stated after charging:

	2001	2000
	£	£
Depreciation	254,255	325,817
Amortisation of goodwill	914,561	541,595
Exchange differences	759,947	(638,667)
Impairment charge	3,016,634	4,000,000
Amounts written off investments	10,620,351	-
Operating lease rentals	320,000	320,000
Auditors' remuneration - audit services	42,000	38,000
Auditors' remuneration - non-audit services	147,800	117,179

6 Employees

a) Number of employees

The average number of persons (including directors) employed by the company during the year was as follows:

	Number 2001	Number 2000
Administration	36	40
Technical and sales	104	102
	140	142

6 Employees (continued)

b) Employee costs

Their aggregate remuneration comprised:

	2001 £	2000 £
Wages and salaries	6,233,871	5,604,639
Social security costs	748,065	585,344
Other pension costs	27,474	49,179
Gross total	7,009,410	6,239,162
Less: Charged to fellow subsidiaries	(3,408,656)	(2,812,600)
Net charge to the company	3,600,754	3,426,562

7 Directors' remuneration

Emoluments

The emoluments, excluding pension contributions, of the directors of the company were:

	2001 £	2000 £
Remuneration	251,000	239,000
Chairman	68,000	93,000
Highest paid director	183,000	93,000

8 Taxation

	2001 £	2000 £
Tax Charge:		
UK Corporation Tax	839,600	1,730,968
Adjustment in respect of prior years UK Corporation Tax	(250,000)	(79,615)
Provision in respect of non recoverability of overseas withholding tax	158,573	113,092
Tax on loss on ordinary activities	748,173	1,764,445

9 Dividends

	2001 £	2000 £
Interim paid of £2,500 (2000 – Nil) per ordinary share	2,500,000	-
	2,500,000	-

10 Intangible assets - goodwill

	2001 £
Cost	
Cost at 1 October 2000	16,494,606
Additions	1,049,472
Cost at 30 September 2001	17,544,078
Amortisation	
Amortisation at 1 October 2000	4,543,589
Charge for the period	914,561
Impairment charge (note 4)	3,016,634
Amortisation at 30 September 2001	8,474,784
Net book value	
Net book value at 30 September 2001	9,069,294
Net book value at 30 September 2000	11,951,017

10 Intangible assets - goodwill (continued)

Additions in the year can be analysed as:

	Total £
Acquisition of businesses	328,345
Adjustment to contingent consideration in respect of previous acquisitions	721,127
	1,049,472

The acquisition of businesses relates to the purchase of rights to trade exhibitions in the Ukraine.

On 2 November 2000 the Group entered into an agreement with Expo Bureau Ltd to acquire the rights to the Computer Expo and Corporate Systems Exhibitions held annually in Kiev, for consideration of $185,000.

On 17 September 2001 the Group acquired the "Cottage", "Bathroom", "Modern Kitchen" and "ClimaTherm" exhibitions from ZAO Arcada, to be held annually in Kiev, for consideration of $285,000, of which $20,000 is payable after the end of "ClimaTherm" 2001.

11 Tangible fixed assets

	Long leasehold buildings £	Plant and equipment £	Total £
Cost			
Cost at 1 October 2000	982,838	1,362,358	2,345,196
Additions	-	428,995	428,995
Transfer to group companies	-	(366,051)	(366,051)
Cost at 30 September 2001	982,838	1,425,302	2,409,140
Depreciation			
Depreciation at 1 October 2000	76,025	853,894	929,919
Charge for the period	51,570	202,685	254,255
Transfer to group companies	-	(188,755)	(188,755)
Depreciation at 30 September 2001	127,595	867,824	995,419
Net book value			
Net book value at 30 September 2001	855,243	557,478	1,412,721
Net book value at 30 September 2000	906,813	508,464	1,415,277

12 Investments

The Company has investments in the following subsidiary undertakings. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

	Country of incorporation or principal business address	Principal activity	Holding	%
Principal subsidiary undertakings				
ITECA	Kazakhstan	Exhibitions & Conferences	Ordinary Shares	100
ZAO Primexpo	Russia	Exhibitions & Conferences	Ordinary Shares	90

Subsidiary undertakings	Shares £000	Loans £000	Total £000
Cost			
1 October 2000	3,956,559	21,180,321	25,136,880
Additions	415,183	4,728,099	5,143,282
30 September 2001	4,371,742	25,908,420	30,280,162
Provisions			
1 October 2000	-	-	-
Charge to profit and loss in year	-	10,620,351	10,620,351
30 September 2001	-	10,620,351	10,620,351
Net Book Value			
30 September 2001	4,371,742	15,288,069	19,659,811
1 October 2000	3,956,559	21,180,321	25,136,880

The 2000 balance sheet has been restated to reclassify long term loans within fixed asset investments.

Additions to shares in the year represents further consideration payable in respect of the company's shareholdings in Iteca and Primexpo which were acquired in September 2000. Consideration is contingent upon the revenues of certain shows and the amounts presently estimated as payable are set out in notes 14 and 15.

The provision against loans of £10,620,351 is in respect of the company's loans to International Trade and Exhibitions (ITE) Worldwide B.V. (a fellow group undertaking).

13 Debtors

	2001	2000
	£	£
Trade debtors	8,023,153	9,194,974
Amounts owed by group companies	2,786,165	1,508,530
Amounts owed by associated companies	-	375,283
Other debtors	659,870	2,183,346
Prepayments and accrued income	557,841	552,445
	12,027,029	13,814,578

14 Creditors: Amounts falling due within one year

	2001	2000
	£	£
Trade creditors	322,767	1,661,950
Amounts owed to group companies	39,788,506	14,685,297
Amounts owed to associated companies	134,421	151,943
Corporation Tax	(123,069)	1,170,188
Other taxation and social security	141,488	131,973
Other creditors	(1,757,109)	815,979
Accruals and deferred event income	19,903,303	17,477,861
Contingent consideration	3,907,966	5,786,500
	62,318,273	41,881,691

15 Creditors: Amounts falling due greater than one year

	2001	2000
	£	£
Contingent consideration	1,951,589	8,763,173

The provision for contingent consideration is in respect of past acquisitions, is payable within the next two years and is an estimate. The actual amount will depend on the future profits of the acquired companies or exhibitions.

16 Called-up share capital

	2001 £	2000 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

17 Profit and loss account

	2001 £	2000 £
At 1 October 2000	2,412,112	3,710,068
Loss for the year	(14,955,047)	(1,297,956)
30 September 2001	(12,542,935)	2,412,112

18 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Opening shareholders' funds	2,413,112	3,711,068
Loss for the year	(14,955,047)	(1,297,956)
Closing shareholders' funds	(12,541,935)	2,413,112

19 Financial commitments

	2001 £	2000 £
Land and buildings		
Expiry date		
- after five years	320,000	320,000
	320,000	320,000

20 Related party transactions

ACG is an associated undertaking of the ITE Group. As at 30 September 2001, the Company owed ACG approximately £160,000. ACG is owned 50% by Ahmed Ghozzi, the son of former ITE Group plc director Mohsen Ghozzi, who was an ITE Group plc director in September 2001.

21 Ultimate parent company

The company is a subsidiary undertaking of ITE Enterprises Limited, a company registered in England and Wales. The smallest and largest group in which the results of International Trade and Exhibitions (JV) Limited are consolidated is that headed by ITE Group Plc. The accounts of ITE Enterprises Limited and the consolidated accounts of ITE Group Plc may be obtained from ITE Group Plc, 105 Salusbury Road, London NW6 6RG, UK.