

## Notes to the Consolidated Financial Statements

### 1. BASIS OF PREPARATION

The consolidated and Company financial statements of Christie Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The consolidated and Company financial statements have been prepared under the historical cost convention with the exception of available for sale financial assets and defined benefit pension scheme, and on a going concern basis.

The financial statements have been prepared in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2010).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and parent company financial statements are disclosed in Note 2.

#### **New and amended standards adopted by the group**

The Group and Company has adopted the following new and amended IFRSs as of 1 January 2009.

- IAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy is only presentational there is no impact on earnings per share.
- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the group or company's financial statements.

Mandatory new standards or interpretations, effective for accounting periods beginning on or after 1 January 2009, not covered specifically above have no impact on the Group's financial statements.

#### **Standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group or Company's accounting periods beginning on or after 1 January 2010 or later periods and have not been early adopted. It is anticipated that these new standards, amendments and interpretations, currently in issue at the time of preparing these financial statements (March 2010) will have no material impact on the Group or Company's financial statements.

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **2.1 Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and

assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

Goodwill is subject to an impairment review both annually and when there are indications that the carrying value may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Retirement benefit obligations

The assumptions used to measure the expense and liabilities related to the Group's two defined benefit pension plans are reviewed annually by professionally qualified, independent actuaries, trustees and management as appropriate. The measurement of the expense for a period requires judgement with respect to the following matters, among others:

- the probable long-term rate of increase in pensionable pay;
- the discount rate;
- the expected return on plan assets; and
- the estimated life expectancy of participating members.

The assumptions used by the Group, may differ materially from actual results, and these differences may result in a significant impact on the amount of pension expense recorded in future periods. In accordance with IAS 19, the Group amortises actuarial gains and losses outside the 10% corridor, over the average future service lives of employees. Under this method, major changes in assumptions, and variances between assumptions and actual results, may affect retained earnings over several future periods rather than one period, while more minor variances and assumption changes may be offset by other changes and have no direct effect on retained earnings.

(c) Deferred taxation

Deferred tax assets are recognised to the extent that the Group believes it is probable that future taxable profit will be available against which temporary timing differences and losses from previous periods can be utilised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised.

### 3. SEGMENT INFORMATION

The Group is organised into two main business segments: Professional Business Services and Stock & Inventory Systems & Services.

The segment results for the year ended 31 December 2009 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Total continuing operations £'000	Discontinued operations £'000	Group £'000
Total gross segment sales	23,370	23,801	2,226	49,397	-	49,397
Inter-segment sales	(104)	-	(2,226)	(2,330)	-	(2,330)
<b>Revenue</b>	<b>23,266</b>	<b>23,801</b>	<b>-</b>	<b>47,067</b>	<b>-</b>	<b>47,067</b>
Operating (loss)/profit after exceptional items	(3,906)	470	(218)	(3,654)	-	(3,654)
Net finance (costs)/credit	(154)	(24)	131	(47)	-	(47)
Loss before tax	(4,060)	446	(87)	(3,701)	-	(3,701)
Taxation				1,752	-	1,752
<b>Loss for the year after tax</b>				<b>(1,949)</b>	<b>-</b>	<b>(1,949)</b>

The segment results for the year ended 31 December 2008 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Total continuing operations £'000	Discontinued operations £'000	Group £'000
Total gross segment sales	37,011	26,515	2,941	66,467	9,691	76,158
Inter-segment sales	(104)	-	(2,941)	(3,045)	-	(3,045)
<b>Revenue</b>	<b>36,907</b>	<b>26,515</b>	<b>-</b>	<b>63,422</b>	<b>9,691</b>	<b>73,113</b>
Operating (loss)/profit before exceptional items	(3,396)	564	158	(2,674)	(3,162)	(5,836)
Exceptional items	(1,964)	-	-	(1,964)	-	(1,964)
Net loss on disposal of Retail Software business	-	-	-	-	(6,193)	(6,193)
<b>Operating (loss)/profit after exceptional items</b>	<b>(5,360)</b>	<b>564</b>	<b>158</b>	<b>(4,638)</b>	<b>(9,355)</b>	<b>(13,993)</b>
Net finance credit/(costs)	127	(42)	(20)	65	(1)	64
<b>Loss before tax</b>	<b>(5,233)</b>	<b>522</b>	<b>138</b>	<b>(4,573)</b>	<b>(9,356)</b>	<b>(13,929)</b>
Taxation				1,173	(807)	366
<b>Loss for the year after tax</b>				<b>(3,400)</b>	<b>(10,163)</b>	<b>(13,563)</b>

Other segment items included in the statements of comprehensive income for the years ended 31 December 2009 and 2008 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Total continuing operations £'000	Discontinued operations £'000	Group £'000
<b>31 December 2009</b>						
Depreciation and amortisation	313	365	29	707	-	707
Impairment of trade receivables	(501)	69	-	(432)	-	(432)
<b>31 December 2008</b>						
Depreciation and amortisation	383	492	31	906	244	1,150
Impairment of trade receivables	856	36	-	892	43	935

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Total continuing operations £'000	Discontinued operations £'000	Group £'000
Assets	6,886	4,906	3,659	15,451	-	15,451
Deferred tax assets				3,067	-	3,067
				<b>18,518</b>	-	<b>18,518</b>
Liabilities	9,540	4,479	837	14,856	-	14,856
Borrowings (excluding finance leases)				2,694	-	2,694
				<b>17,550</b>	-	<b>17,550</b>
Capital expenditure	4	135	-	139	-	139

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year are as follows;

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Total continuing operations £'000	Discontinued operations £'000	Group £'000
Assets	6,413	6,135	3,174	15,722	-	15,722
Deferred tax assets						2,063
Current tax assets						596
						<b>18,381</b>
Liabilities	8,721	5,144	965	14,830	-	14,830
Borrowings (excluding finance leases)						700
						<b>15,530</b>
Capital expenditure	532	363	8	903	1,790	2,693

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude taxation.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

The Group manages its business segments on a global basis. The UK is the home country of the parent. The Group's revenue is mainly in Europe. Revenue is allocated based on the country in which the customer is located.

	31 December 2009			31 December 2008		
	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations	Group
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>						
Europe	46,577	-	46,577	62,508	9,691	72,199
Rest of the World	490	-	490	914	-	914
	<b>47,067</b>	<b>-</b>	<b>47,067</b>	<b>63,422</b>	<b>9,691</b>	<b>73,113</b>

Total segment assets are allocated based on where the assets are located.

	31 December 2009			31 December 2008		
	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations	Group
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total segment assets</b>						
Europe	15,335	-	15,335	14,837	-	14,837
Rest of the World	116	-	116	885	-	885
	<b>15,451</b>	<b>-</b>	<b>15,451</b>	<b>15,722</b>	<b>-</b>	<b>15,722</b>

Capital expenditure is allocated based on where the assets are located.

	31 December 2009			31 December 2008		
	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations	Group
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital expenditure</b>						
Europe	139	-	139	903	1,790	2,693
Rest of World	-	-	-	-	-	-
	<b>139</b>	<b>-</b>	<b>139</b>	<b>903</b>	<b>1,790</b>	<b>2,693</b>

	31 December 2009			31 December 2008		
	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations	Group
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Analysis of revenue by category</b>						
Sale of goods	307	-	307	405	2,836	3,241
Revenue from services	46,760	-	46,760	63,017	6,855	69,872
	<b>47,067</b>	<b>-</b>	<b>47,067</b>	<b>63,422</b>	<b>9,691</b>	<b>73,113</b>

#### 4. EXCEPTIONAL ITEMS

During the year the Group incurred £nil (2008: £1,964,000) of exceptional reorganisation costs.

#### 5. FINANCE COSTS/(CREDIT)

	2009 £'000	2008 £'000
Interest payable on bank loans and overdrafts	80	127
Other interest payable	68	34
Interest payable on finance leases	-	1
<b>Total finance costs</b>	<b>148</b>	<b>162</b>
Bank interest receivable	(9)	(178)
Other interest receivable	(92)	(49)
<b>Total finance credit</b>	<b>(101)</b>	<b>(227)</b>
<b>Net finance costs/(credit) - continuing operations</b>	<b>47</b>	<b>(65)</b>
Discontinued operations interest payable	-	1
<b>Net finance costs/(credit)</b>	<b>47</b>	<b>(64)</b>

## 6. TAXATION

	2009 £'000	2008 £'000
<b>Current tax</b>		
UK Corporation tax at 28% (2008: 28%)	29	(981)
Foreign tax	15	-
Adjustment in respect of prior periods	(832)	-
<b>Total current tax credit</b>	<b>(788)</b>	<b>(981)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,004)	(192)
Unutilised losses surrendered on disposal	-	807
<b>Total deferred tax (credit)/charge</b>	<b>(1,004)</b>	<b>615</b>
<b>Tax credit on loss on ordinary activities</b>	<b>(1,792)</b>	<b>(366)</b>

The tax (credit)/charge is split between continuing and discontinued activities as follows:

	2009 £'000	2008 £'000
Continuing operations	(1,792)	(1,173)
Discontinued operations	-	807
	<b>(1,792)</b>	<b>(366)</b>

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 28% as follows:

### Tax on loss on ordinary activities

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	(3,845)	(13,929)
Loss on ordinary activities at standard rate of UK corporation tax of 28% (2008: 28%)	(1,077)	(3,900)
Effects of:		
- tax losses not yet utilised	747	648
- expenses not deductible for tax purposes	685	2,605
- taxable deductions	(362)	(393)
- utilisation of tax losses and other deductions	(384)	-
- adjustment to tax charge in respect of previous periods	(833)	-
- fixed asset timing differences	(328)	6
- other timing differences	(242)	119
- rate differential on certain tax losses	2	(66)
- origination and reversal of timing differences	-	(192)
- unutilised losses surrendered on disposal	-	807
<b>Total tax credit</b>	<b>(1,792)</b>	<b>(366)</b>

## 7. DISCONTINUED OPERATIONS

The results of the discontinued operations are summarised below:

	2008 £'000
Profit on disposal of Retail Software business	2,135
Fair value adjustment of Retail Software business assets	(8,328)
Net loss on disposal of Retail Software business	(6,193)
Loss for the period after tax of the Retail Software business	(3,794)
<b>Total loss of the Retail Software business</b>	<b>(9,987)</b>
Loss for the period after tax of Christie Corporate Finance	(176)
	<b>(10,163)</b>

## 7A. RETAIL SOFTWARE BUSINESS

On 30 September 2008 the Group completed the disposal of its Retail Software business for consideration of €4,000,000 cash, translating to £3,164,000 on exchange. Associated costs of disposal were £1,367,000, with net liabilities on disposal amounting to £338,000, resulting in a profit on disposal of £2,135,000 as set out below:

	2008 £'000
Consideration received	3,164
Costs	(1,367)
Net liabilities at 30 September 2008	338
<b>Profit on disposal</b>	<b>2,135</b>

Prior to the completion of the disposal of the Software business an adjustment to fair values was recognised of £8,328,000 as follows:

	2008 £'000
Intangible assets - Goodwill	3,085
Intangible assets - Other	4,566
Current tax assets	677
	<b>8,328</b>

The results for the Retail Software business are presented below:

	2008 £'000
Revenue	9,671
Employee benefit expenses	(7,692)
	1,979
Depreciation, amortisation and impairment	(244)
Other operating expenses	(4,722)
<b>Operating loss</b>	<b>(2,987)</b>
Taxation	(807)
<b>Loss for the period after tax</b>	<b>(3,794)</b>

The net cash flows after tax of this discontinued operation are as follows:

	2008 £'000
Operating activities	(332)
Investing activities	(742)
<b>Net cash outflow</b>	<b>(1,074)</b>

## 7B. CHRISTIE CORPORATE FINANCE

On 1 August 2008 Christie Corporate Finance was closed. This was previously included in the Professional Business Services segment. From this date it has been classified as a discontinued operation.

The results for Christie Corporate Finance are presented below:

	2008 £'000
Revenue	20
Employee benefit expenses	(168)
	(148)
Other operating expenses	(27)
Operating loss	(175)
Total finance costs	(1)
Loss for the period	(176)

## 8. DIVIDENDS

Group and Company	2009 £'000	2008 £'000
Interim		
2008 interim, paid October 2008 (0.50p)	-	123
Final		
2007 final, paid June 2008 (2.75p)	-	671
	-	794

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, which excludes the shares held in the Employee Share Ownership Plan (ESOP) trust.

	31 December 2009 £'000	31 December 2008 £'000
Loss from continuing operations attributable to equity holders of the Company	(2,053)	(3,400)
Loss from discontinued operations attributable to equity holders of the Company	-	(10,163)
Loss from total operations attributable to equity holders of the Company	(2,053)	(13,563)

	31 December 2009 Thousands	31 December 2008 Thousands
Weighted average number of ordinary shares in issue	24,722	24,486
Adjustment for share options	1	74
Weighted average number of ordinary shares for diluted earnings per share	24,723	24,560

	31 December 2009 Pence	31 December 2008 Pence
<b>Basic earnings per share</b>		
Continuing operations	(8.30)	(13.88)
Discontinued operations	-	(41.51)
<b>Total operations</b>	<b>(8.30)</b>	<b>(55.39)</b>
<b>Fully diluted earnings per share</b>		
Continuing operations	(8.30)	(13.88)
Discontinued operations	-	(41.51)
<b>Total operations</b>	<b>(8.30)</b>	<b>(55.39)</b>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. The basic and diluted loss per share is the same, as the exercise of share options would reduce the loss per share and is, therefore, anti-dilutive.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

## 10. NOTES TO THE CASH FLOW STATEMENT

### Cash used in operations

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<b>Continuing operations</b>				
(Loss)/profit for the year	(1,949)	(3,400)	392	(8,163)
Adjustments for:				
- Taxation	(1,752)	(1,173)	(779)	(189)
- Finance costs/(credit)	47	(65)	(176)	(7,626)
- Impairment of investments in subsidiaries	-	-	13	3,313
- Depreciation	641	890	-	-
- Amortisation of intangible assets	66	16	-	-
- Loss/(profit) on sale of property, plant and equipment	5	(28)	-	-
- Loss on sale of intangible assets	-	13	-	-
- Foreign currency translation	30	279	-	(352)
- Increase in provision for other liabilities and charges	321	1,861	-	-
- Movement in available-for-sale financial asset	(141)	19	(141)	19
- Movement in share option charge	92	98	1	1
- Movement in retirement benefit obligation	225	(1,069)	9	(77)
- Increase in non-current other receivables	(84)	-	-	-
Changes in working capital (excluding the effects exchange differences on consolidation):				
- Increase in inventories	(1)	-	-	-
- Decrease/(increase) in trade and other receivables	982	1,260	(2,933)	1,021
- (Decrease)/increase in trade and other payables	(658)	(3,473)	(667)	1,769
<b>Cash used in continuing operations</b>	<b>(2,176)</b>	<b>(4,772)</b>	<b>(4,281)</b>	<b>(10,284)</b>
<b>Discontinued operations</b>				
Loss for the year	-	(10,163)	-	-
Adjustments for:				
- Taxation	-	807	-	-
- Finance costs	-	1	-	-
- Depreciation	-	211	-	-
- Amortisation and impairment of intangible assets	-	33	-	-
- Fair value adjustment of Retail Software business assets	-	8,328	-	-
- Profit on sale of Retail Software business	-	(2,135)	-	-
- Foreign currency translation	-	(529)	-	-
Changes in working capital (excluding the effects exchange differences on consolidation):				
- Increase in inventories	-	(145)	-	-
- Increase in trade and other receivables	-	(837)	-	-
- Increase in trade and other payables	-	3,947	-	-
<b>Cash used in discontinued operations</b>	<b>-</b>	<b>(482)</b>	<b>-</b>	<b>-</b>
<b>Cash used in operations</b>	<b>(2,176)</b>	<b>(5,254)</b>	<b>(4,281)</b>	<b>(10,284)</b>

## 11. RECONCILIATION OF MOVEMENT IN NET FUNDS

	As at 1 January 2009 £'000	Cash flow £'000	As at 31 December 2009 £'000
Cash and cash equivalents	2,328	1,208	3,536
Bank overdrafts	-	(1,813)	(1,813)
Invoice discounting	(700)	(181)	(881)
Finance leases due within one year	(6)	6	-
	<u>1,622</u>	<u>(780)</u>	<u>842</u>

**Financial information**

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under either Section 498(2) or (3) of the Companies Act 2006.

**Key dates**

The Annual Report and Financial Statements are scheduled to be posted to shareholders in early May. The Annual General Meeting of the Company is scheduled to take place at 10am on Wednesday 16 June 2010 at 39 Victoria Street, London, SW1H 0EU.