

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. These consolidated and Company financial statements have been prepared under the historical cost convention 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 2009).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company'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 statements are disclosed in Note 2.

Interpretations and amendments to published standards effective in 2008

The following amendments and interpretations to standards are mandatory for the Group's accounting periods beginning on or after 1 January 2008.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements as the Group has a pension deficit and is not subject to any minimum funding requirements.
- IFRIC 11, 'IFRS 2 - Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's financial statements. The Company's accounting policy for share based compensation arrangements is already in compliance with the interpretation.

It is anticipated that mandatory new standards or interpretations, effective for accounting periods beginning on or after 1 January 2008, not covered specifically above will 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 Company's accounting periods beginning on or after 1 January 2009 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 2009) will have no material impact on the 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.

21 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, in accordance with the accounting policy. 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.

3. SEGMENT INFORMATION

a. Primary reporting format - business segments

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 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) |
| Revenue | 36,907 | 26,515 | - | 63,422 | 9,691 | 73,113 |
| 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) |
| Operating (loss)/profit after exceptional items | (5,360) | 564 | 158 | (4,638) | (9,355) | (13,993) |
| Net finance credit/(costs) | | | | 65 | (1) | 64 |
| Loss before tax | | | | (4,573) | (9,356) | (13,929) |
| Taxation | | | | 1,173 | (807) | 366 |
| Loss for the year after tax | | | | (3,400) | (10,163) | (13,563) |

The segment results for the year ended 31 December 2007 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 | 51,253 | 24,946 | 2,913 | 79,112 | 11,273 | 90,385 |
| Inter-segment sales | (100) | - | (2,913) | (3,013) | - | (3,013) |
| Revenue | 51,153 | 24,946 | - | 76,099 | 11,273 | 87,372 |
| Operating profit/(loss) | 10,261 | 813 | (205) | 10,869 | (3,868) | 7,001 |
| Net finance credit | | | | 214 | - | 214 |
| Profit/(loss) before tax | | | | 11,083 | (3,868) | 7,215 |
| Taxation | | | | (3,361) | 794 | (2,567) |
| Profit/(loss) for the year after tax | | | | 7,722 | (3,074) | 4,648 |

Christie Group plc 2008 Preliminary Announcement

Other segment items included in the income statements for the years ended 31 December 2008 and 2007 are as follows:

| | Professional Business Services £'000 | Stock & Inventory Systems & Services £'000 | Other £'000 | Total continuing operations £'000 | Discontinued operations £'000 | Group £'000 |
|---|---|---|----------------|--|-------------------------------------|----------------|
| 31 December 2008 | | | | | | |
| Depreciation and amortisation | 383 | 492 | 31 | 906 | 244 | 1,150 |
| Impairment of trade receivables | 856 | 36 | - | 892 | 43 | 935 |
| 31 December 2007 | | | | | | |
| Depreciation, amortisation and impairment | 402 | 554 | 77 | 1,033 | 1,540 | 2,573 |
| Impairment of trade receivables | 469 | 14 | - | 483 | (121) | 362 |

The segment assets and liabilities at 31 December 2008 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 | | | | | | |
| Deferred tax assets | | | | | | 2,063 |
| Current tax assets | | | | | | 596 |
| | | | | | | 18,381 |
| Liabilities | | | | | | |
| Borrowings (excluding finance leases) | 8,721 | 5,144 | 965 | 14,830 | - | 14,830 |
| | | | | | | 700 |
| | | | | | | 15,530 |
| Capital expenditure | | | | | | |
| | 532 | 363 | 8 | 903 | 1,790 | 2,693 |

The segment assets and liabilities at 31 December 2007 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 | | | | | | |
| Deferred tax assets | | | | | | 2,664 |
| | | | | | | 38,744 |
| Liabilities | | | | | | |
| Current tax liabilities | 9,669 | 4,177 | 2,755 | 16,601 | 3,744 | 20,345 |
| Borrowings (excluding finance leases) | | | | | | 700 |
| | | | | | | 1,735 |
| | | | | | | 22,780 |
| Capital expenditure | | | | | | |
| | 277 | 352 | 2 | 631 | 2,667 | 3,298 |

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.

b. Secondary reporting format - geographical segments

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 2008 | | | 31 December 2007 | | |
|-------------------|--------------------------------|----------------------------------|----------------|--------------------------------|----------------------------------|----------------|
| | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 |
| Revenue | | | | | | |
| Europe | 62,508 | 9,691 | 72,199 | 75,825 | 11,273 | 87,098 |
| Rest of the World | 914 | - | 914 | 274 | - | 274 |
| | 63,422 | 9,691 | 73,113 | 76,099 | 11,273 | 87,372 |

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

| | 31 December 2008 | | | 31 December 2007 | | |
|-----------------------------|--------------------------------|----------------------------------|----------------|--------------------------------|----------------------------------|----------------|
| | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 |
| Total segment assets | | | | | | |
| Europe | 14,837 | - | 14,837 | 26,212 | 9,777 | 35,989 |
| Rest of the World | 885 | - | 885 | 91 | - | 91 |
| | 15,722 | - | 15,722 | 26,303 | 9,777 | 36,080 |

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

| | 31 December 2008 | | | 31 December 2007 | | |
|----------------------------|--------------------------------|----------------------------------|----------------|--------------------------------|----------------------------------|----------------|
| | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 |
| Capital expenditure | | | | | | |
| Europe | 903 | 1,790 | 2,693 | 630 | 2,667 | 3,297 |
| Rest of World | - | - | - | 1 | - | 1 |
| | 903 | 1,790 | 2,693 | 631 | 2,667 | 3,298 |

| | 31 December 2008 | | | 31 December 2007 | | |
|--|--------------------------------|----------------------------------|----------------|--------------------------------|----------------------------------|----------------|
| | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 | Continuing operations £'000 | Discontinued operations £'000 | Group £'000 |
| Analysis of revenue by category | | | | | | |
| Sale of goods | 405 | 2,836 | 3,241 | 546 | 3,885 | 4,431 |
| Revenue from services | 63,017 | 6,855 | 69,872 | 75,553 | 7,388 | 82,941 |
| | 63,422 | 9,691 | 73,113 | 76,099 | 11,273 | 87,372 |

4. EXCEPTIONAL ITEMS

During the year the Group incurred £1,964,000 (2007: £nil) of exceptional reorganisation costs.

5. FINANCE (CREDIT)/COSTS

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Interest payable on bank loans and overdrafts | 127 | 146 |
| Other interest payable | 34 | 2 |
| Interest payable on finance leases | 1 | 1 |
| Total finance costs | 162 | 149 |
| Bank interest receivable | (178) | (352) |
| Other interest receivable | (49) | (11) |
| Total finance income | (227) | (363) |
| Net finance credit - continuing operations | (65) | (214) |
| Discontinued operations interest payable | 1 | - |
| Net finance credit | (64) | (214) |

6. TAXATION

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK Corporation tax at 28% (2007: 30%) | (981) | 3,058 |
| Foreign tax | - | 29 |
| Adjustment in respect of prior periods | - | (15) |
| Total current tax | (981) | 3,072 |
| Deferred tax | | |
| Origination and reversal of timing differences | (192) | (528) |
| Unutilised losses surrendered on disposal | 807 | - |
| Impact of change in UK tax rate | - | 145 |
| Adjustment in respect of prior periods | - | (122) |
| Total deferred tax | 615 | (505) |
| Tax on (loss)/profit on ordinary activities | (366) | 2,567 |

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

| | 2008 £'000 | 2007 £'000 |
|-------------------------|---------------|---------------|
| Continuing operations | (1,173) | 3,361 |
| Discontinued operations | 807 | (794) |
| | (366) | 2,567 |

The tax (credit)/charge for the year is lower (2007: higher) than the standard rate of corporation tax in the UK (28% (2007:30%)). The differences are explained below:

Tax on (loss)/profit on ordinary activities

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| (Loss)/profit on ordinary activities before tax | (13,929) | 7,215 |
| (Loss)/profit on ordinary activities at standard rate of UK corporation tax of 28% (2007: 30%) | (3,900) | 2,165 |
| Effects of: | | |
| - tax losses not yet utilised | 648 | 672 |
| - expenses not deductible for tax purposes | 2,605 | 228 |
| - taxable deductions | (393) | (379) |
| - utilisation of tax losses and other deductions | - | (18) |
| - adjustment to tax charge in respect of previous periods | - | (137) |
| - fixed asset timing differences | 6 | (14) |
| - other timing differences | 119 | 433 |
| - rate differential on certain tax losses | (66) | - |
| - origination and reversal of timing differences | (192) | (528) |
| - unutilised losses surrendered on disposal | 807 | - |
| - impact of change in UK tax rate | - | 145 |
| Total tax (credit)/charge | (366) | 2,567 |

7. DISCONTINUED OPERATIONS

The results of the discontinued operations are summarised below:

| | 2008 £'000 | 2007 £'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 year after tax of the Retail Software business | (3,794) | (2,734) |
| Total loss of the Retail Software business | (9,987) | (2,734) |
| Loss for the year after tax of Christie Corporate Finance | (176) | (340) |
| | (10,163) | (3,074) |

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:

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

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

| | £'000 |
|------------------------------|--------------|
| Intangible assets - Goodwill | 3,085 |
| Intangible assets - Other | 4,566 |
| Current tax assets | 677 |
| | 8,328 |

The results for the Retail Software business are presented below:

| | 2008 £'000 | 2007 £'000 |
|---|----------------|----------------|
| Revenue | 9,671 | 11,014 |
| Employee benefit expenses | (7,692) | (7,905) |
| | 1,979 | 3,109 |
| Depreciation, amortisation and impairment | (244) | (1,540) |
| Other operating expenses | (4,722) | (5,097) |
| Operating loss | (2,987) | (3,528) |
| Taxation | (807) | 794 |
| Loss for the period after tax | (3,794) | (2,734) |

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

| | 2008 £'000 | 2007 £'000 |
|-------------------------|----------------|---------------|
| Operating activities | (332) | 1,981 |
| Investing activities | (742) | (2,668) |
| Net cash outflow | (1,074) | (687) |

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 | 2007 £'000 |
|----------------------------|---------------|---------------|
| Revenue | 20 | 259 |
| Employee benefit expenses | (168) | (377) |
| | (148) | (118) |
| Other operating expenses | (27) | (222) |
| Operating loss | (175) | (340) |
| Total finance costs | (1) | - |
| Loss for the period | (176) | (340) |

8. DIVIDENDS

| Group and Company | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Interim | | |
| 2007 interim, paid October 2007 (1.50p) | - | 362 |
| 2008 interim, paid October 2008 (0.50p) | 123 | - |
| Final | | |
| 2006 final, paid June 2007 (2.75p) | - | 668 |
| 2007 final, paid June 2008 (2.75p) | 671 | - |
| | 794 | 1,030 |

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 2008 £'000 | 31 December 2007 £'000 |
|--|------------------------------|------------------------------|
| (Loss)/profit from continuing operations attributable to equity holders of the Company | (3,400) | 7,722 |
| Loss from discontinued operations attributable to equity holders of the Company | (10,163) | (3,074) |
| (Loss)/profit from total operations attributable to equity holders of the Company | (13,563) | 4,648 |

| | 31 December 2008 Thousands | 31 December 2007 Thousands |
|---|----------------------------------|----------------------------------|
| Weighted average number of ordinary shares in issue | 24,486 | 24,310 |
| Adjustment for share options | 74 | 610 |
| Weighted average number of ordinary shares for diluted earnings per share | 24,560 | 24,920 |

| | 31 December 2008 Pence | 31 December 2007 Pence |
|---|------------------------------|------------------------------|
| Basic earnings per share | | |
| Continuing operations | (13.88) | 31.76 |
| Discontinued operations | (41.51) | (12.64) |
| Total operations | (55.39) | 19.12 |
| Fully diluted earnings per share | | |
| Continuing operations | (13.88) | 30.99 |
| Discontinued operations | (41.51) | (12.34) |
| Total operations | (55.39) | 18.65 |

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)/generated from operations

| | 2008 £'000 | Group 2007 £'000 |
|---|----------------|------------------------|
| Continuing operations | | |
| (Loss)/profit for the year | (3,400) | 7,722 |
| Adjustments for: | | |
| - Taxation | (1,173) | 3,361 |
| - Finance credit | (65) | (214) |
| - Impairment of investments in subsidiaries | - | - |
| - Depreciation | 890 | 1,010 |
| - Amortisation of intangible assets | 16 | 23 |
| - Profit on sale of property, plant and equipment | (28) | - |
| - Loss on sale of intangible assets | 13 | - |
| - Foreign currency translation | 279 | 236 |
| - Increase in provision for other liabilities and charges | 1,861 | 295 |
| - Movement in available-for-sale financial asset | 19 | 9 |
| - Movement in share option charge | 98 | 121 |
| - Movement in retirement benefit obligation | (1,069) | (1,945) |
| - Increase in non-current other receivables | - | - |
| Changes in working capital (excluding the effects exchange differences on consolidation): | | |
| - Increase in inventories | - | (4) |
| - Decrease/(increase) in trade and other receivables | 1,260 | (3,064) |
| - (Decrease)/increase in trade and other payables | (3,473) | (1,573) |
| Cash (used in)/generated from continuing operations | (4,772) | 5,977 |
| Discontinued operations | | |
| Loss for the year | (10,163) | (3,074) |
| Adjustments for: | | |
| - Taxation | 807 | (794) |
| - Finance cost | 1 | - |
| - Depreciation | 211 | 207 |
| - Amortisation and impairment of intangible assets | 33 | 1,333 |
| - Loss on sale of property, plant and equipment | - | 10 |
| - Fair value adjustment of Retail Software business assets | 8,328 | - |
| - Profit on sale of Retail Software business | (2,135) | - |
| - Foreign currency translation | (529) | (24) |
| - Movement in retirement benefit obligation | - | (11) |
| Changes in working capital (excluding the effects exchange differences on consolidation): | | |
| - Increase in inventories | (145) | (68) |
| - (Increase)/decrease in trade and other receivables | (837) | 4,094 |
| - Increase in trade and other payables | 3,947 | 302 |
| Cash (used in)/generated from discontinued operations | (482) | 1,975 |
| Cash (used in)/generated from operations | (5,254) | 7,952 |

11. RECONCILIATION OF MOVEMENT IN NET FUNDS

| | As at 1 January 2008 £'000 | Cash flow £'000 | Non-cash movement £'000 | As at 31 December 2008 £'000 |
|------------------------------------|-------------------------------------|--------------------|-------------------------------|---------------------------------------|
| Cash in hand and at bank | 10,593 | (8,674) | 409 | 2,328 |
| Invoice discounting | - | (700) | - | (700) |
| Debt due after one year | (1,275) | 1,275 | - | - |
| Debt due within one year | (460) | 460 | - | - |
| Finance leases due within one year | (8) | 2 | - | (6) |
| | 8,850 | (7,637) | 409 | 1,622 |

Financial information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 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 237(2) or (3) of the Companies Act 1985.

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 17 June 2008 at 39 Victoria Street, London, SW1H 0EU.