

Delivering value in any market...

Annual Report 2012



...by being the best at what we do

Christie Group provides a portfolio of over 40 professional business services for the leisure, retail and care sectors.

These include surveying, valuation, agency, consultancy, finance, insurance, stock control and business software solutions.

Our focus on a limited number of sectors gives us an unrivalled market awareness in each of these areas.

The results: a greater understanding of our clients' operations and a heightened ability to help them improve efficiency, enhance trading profits and increase the value of their businesses. In these ways, and through our innovative use of technology, we have built a reputation for making a significant contribution to our clients' commercial success.

Stock & Inventory Systems & Services

Orridge and Venners are the leading specialists in stock control and inventory management services. Orridge specialises in all fields of retail, Venners focuses on the hospitality sector and Vennersys provides software and systems to the leisure and hospitality sectors.

Professional Business Services

The expertise offered by Christie + Co, Christie Finance and Christie Insurance covers all aspects of valuing, buying, selling, developing, financing and insuring a wide variety of businesses. Its scope is complemented by the comprehensive appraisal and project management services available from Pinders.

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Our brands



Professional Business Services

Christie + Co

Christie + Co is a leading specialist firm providing business intelligence in the hospitality, leisure, care and retail sectors. A market leader in its sectors, it employs the largest teams of sector specialists in the UK providing professional agency and advisory services.

www.christie.com www.christiecorporate.com

Christie Finance

Christie Finance has over 30 years' experience in financing businesses in the hospitality, leisure, care and retail sectors. Christie Finance prides itself on its speed of response to client opportunities and its strong relationships with finance providers.

www.christiefinance.com

Christie Insurance

With over 30 years' experience arranging business insurance in the hospitality, leisure, care and retail sectors, Christie Insurance is a leading company in its markets. It delivers and exceeds clients' expectations in terms of the cost of their insurance and the breadth of its cover.

www.christieinsurance.com

Pinders

Pinders is the UK's leading specialist business appraisal, valuation and consultancy company, providing professional services to the licensed, leisure, retail and care sectors, and also the commercial and corporate business sectors. Pinders staff use business analysis and surveying skills to look at the detail of businesses to arrive at accurate assessments of their trading potential and value.

www.pinders.co.uk www.pinderpack.com

Stock & Inventory Systems & Services

Orridge

Orridge is Europe's longest established stocktaking business and specialises in all fields of retail stocktaking including high street, warehousing and factory operations. Orridge prides itself on the speed with which it supplies high-quality management information to its clients.

www.orridge.co.uk www.orridge.eu

Venners

The leading supplier of stocktaking, inventory, consultancy services and related stock management systems to the hospitality industry. Venners is the largest and longest established stock audit company in the sector in the UK and is growing in mainland Europe.

www.venners.co.uk

Vennersys

Vennersys operates in the UK and North America and delivers turnkey EPoS and ticketing systems to visitor attractions such as historic houses and estates, museums, zoos, safari parks, aquaria and cinemas. It has over 20 years' experience delivering purpose-designed solutions for clients' ticketing, admissions, EPoS and food and beverage sales requirements.

www.vennersys.co.uk www.vennersys.ca

Where we are

Offices

39 offices across the UK and Continental Europe, and in Canada.

Employees

Employing up to 1,350 professional and specialist staff.



Highlights of the year

- Revenue increased by 5.4% to £56.1m (2011: £53.3m)
- Operating profit before exceptional items of £1.4m (2011: £0.7m)
- Profit before tax before exceptional items of £1.3m (2011: £0.6m)
- Dubai office now closed
- Final dividend proposed of 0.5p (2011: 0.5p per share)
- Increases in funding sources for UK purchasers
- New international operations opened in Ireland and Poland
- Christie + Co won 'UK's most active agent' in the Leisure and Hotels category in the EGi Deals Awards for the third year in a row
- Retail stocktaking operation signed its first franchise
- The stocktaking division has enjoyed a good start to 2013 with further new demand for our services

Chairman's statement

“UK purchasers were funded by a total of 21 different sources compared with just four in 2008.”

I am pleased to report that the Group revenue was £56.1m for 2012, an increase of 5.4% on the prior year (2011: £53.3m). Operating profits achieved before exceptional items amounted to £1.4m, a significant increase from the prior year (2011: £0.7m). Operating profit after exceptional items amounted to £0.6m (2011: £0.3m). The disruption to normal trading patterns which I referred to at the time of my interim statement in September resulted in a particularly slow third quarter.

Operating losses of £0.8m (2011: £0.4m) were incurred by our Dubai operation, which we took the decision to close shortly before the year-end and have classified as an exceptional item accordingly.

Professional Business Services

Professional Business Services revenues were £30.4m, some £3m higher than in 2011 (£27.4m). Operating profit before exceptional items amounted to £0.6m, a material improvement from the previous year's operating loss before exceptional items of £0.1m.

During the year, our UK purchasers were funded by a total of 21 different sources. This compares markedly with 2008 when the finance arrangements that we brokered principally came from just four sources of finance, giving some appreciation of the increasing availability of funds.

The Spring Uprising and problems in Libya and Syria were unforeseen at the time of our opening in Dubai. These events had a profound impact on early prospects for us in the region and hence our decision to withdraw. We will continue to service consultancy projects in the Middle East from our other international offices.

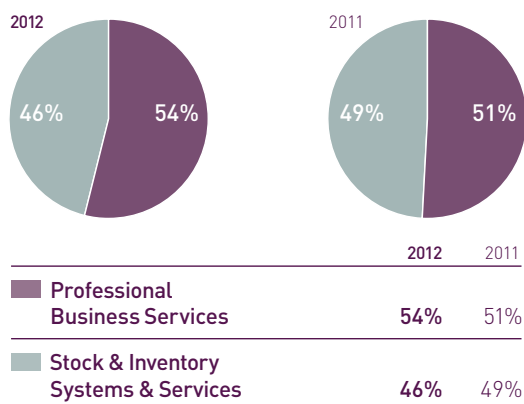
Elsewhere, our international operations made excellent progress. During the year we commenced new operations in Ireland and in Poland. Both these markets are showing an early appreciation of the services we offer.

I'm delighted to advise that our transactional and consulting practice, Christie + Co, has for the third year running, won the EGi Deals Award as the 'UK's most active agent' in the Leisure and Hotels category throughout the provincial mainland of the UK.

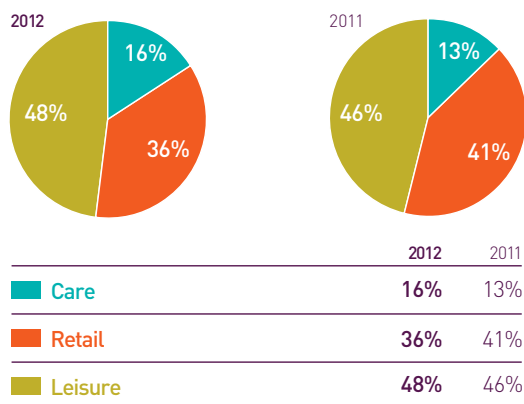
“After stocktaking for the summer’s Olympics, the scale of our capability is unquestioned.”



REVENUE BY DIVISION



REVENUE BY SECTOR



Stock & Inventory Systems & Services

Given the headline collapses in the UK high street retail sector, holding revenue at £25.7m against the prior year of £25.9m was a credible achievement. Operating profit was increased to £0.8m (2011: £0.6m). Our licensed stocktaking business continues to recruit and train new stocktakers. After stocktaking for the summer's Olympics, the scale of our capability is unquestioned. We have continued to win new clients including Charles Wells, Punch Taverns, River Island and Space NK.

Our retail stocktaking operation signed its first franchise, which has proved a catalyst for us developing a stand-alone IT and support system. This new capability provides a method of more rapid expansion for us which we are currently focusing on Continental Europe.

Outlook

Whilst our expectation that the number of distressed sales would slow has proven accurate, we similarly anticipate that the continued demand for businesses will lead to the advent of willing vendor instructions. Inevitably there is some dip in market volumes during this crossover period.

Our leisure agency and advisory business activity has been hit by the recent and unexpected liquidation by the Irish government of the Irish Bank Resolution Corporation ("IBRC") by whom we were engaged. These factors resulted in a quiet period for completed transactions in the first quarter within our PBS division. We are seeing larger company and debt sales in the market which should benefit both our advisory and transactional asset businesses this year.



Christie Group Board of Directors

“We are seeing larger company and debt sales in the market which should benefit both our advisory and transactional asset businesses this year.”

The stocktaking division has enjoyed a good start to 2013 with further new demand for our services, particularly in mainland Europe.

Christie Group relies on the support of its clients and the continuing commitment and professionalism of its quality personnel. It is thanks to them both that we continue to hold our strong market position.

Your Board proposes a maintained final dividend of 0.5p per share, in addition to the 0.5p interim dividend declared in my September statement. If approved, the dividend will be paid on 5 July 2013 to those shareholders on the register on 7 June 2013.

Philip Gwyn
Chairman
5 April 2013

Chief Executive's review

“We are developing our business models and we entered 2013 as a more flexible, productive business.”

Group performance was solid in a UK economy struggling for growth, but from a strategic perspective 2012 was an eventful year.

We are developing our business models and we entered 2013 as a more flexible, productive business.

A strong start to 2012 set the tone for the first part of the year. We ended the first half with Group profits ahead of expectations. However, as the summer unfolded, three major national events captured the nation's attention.

The Diamond Jubilee, the Olympics and the Paralympics were billed as boosting economic activity. For many businesses, ours included, the reality, at least in the short term, turned out to be rather different.

The focus on these events caused some disruption to our third quarter performance. However, we swiftly regained momentum and the Group ended the year strongly with a good pipeline of future business.

During the summer we conducted a strategic review of all our companies. Looking in detail at our business models identified scope for reducing costs in both Pinders and Orridge.

We have worked hard to introduce more scalability into our business model and adapt our operations to changing conditions, and both contraction or expansion in our markets.

A diversified organisation

Christie Group is a balanced, broadly-based organisation. Our revenue splits evenly between our two divisions.

The profitability of our Professional Business Services (PBS) is reliant on market conditions, whereas our Stock & Inventory Systems & Services (SISS) division generates relatively stable cashflows in any economic environment.

These two parts of the Group offer services that relate to the entire lifecycle of a business, from its initial acquisition and associated financial implications, through managing costs and day-to-day operations, all the way to an eventual sale.



**We have capability across
the full business cycle.**



“In an always-online environment employees can be more productive in the field.”

“We identified franchising as a way to internationalise our stocktaking business more rapidly.”

We offer specialist, in-depth, business intelligence. We add value by understanding our chosen sectors – retail, care and leisure – in great detail.

Christie Group companies have always prospered by stressing specialist expertise. This won't change. But how we harness that expertise and how we deploy it to add value for each customer continue to evolve.

Pinders project managers completed the fit-out of our new Christie Group headquarters in London's Carmelite Street in 2012. This concentration of head office resources will de-duplicate our cost base in 2013.

New business models

Recessions are often periods of rapid market development, and they bring opportunities for businesses prepared to engage with their markets. Companies can gain a competitive advantage by developing and refining their business models.

We look critically at all parts of the Group and we are continually asking ourselves what more we can do to strengthen our business, improve our efficiency and enhance quality.

Agility is a key priority. We focus on adding flexibility to our operations and improving the scalability of our business models, whilst all the while offering a consistency of service.

During 2012, we found numerous ways to adapt and strengthen our businesses.

Different strategies suit specific businesses. We restructured operations at Pinders and Orridge, created a new franchising model for Orridge in international markets, added a complementary business to Christie + Co and relocated Christie Insurance's support functions to bolster its competitiveness.

Restructuring operations

Both Pinders and Orridge rely increasingly on mobile technology. In an always-online environment employees can be more productive in the field and require less centralised support.

There was therefore scope for cost reduction at these two companies. We scaled down spending on administration while continuing to invest in profit-generating activities. They are now able to operate at lower fixed costs with no damage to their revenue earning potential. These measures will yield significant annual savings.

Franchising

Orridge is active in eighteen countries and offers a pan-European service. Its strength in Europe is a major plus for international retailers.

But building on this international footprint has always been complex. The stocktaking market is very diffuse. There are numerous local operators. Developing scale in new territories can be a painstaking and challenging process.

We identified franchising as a way to internationalise our stocktaking business more rapidly. Potentially, this can be a low-cost, low-risk alternative to opening new branches overseas.

Orridge prepared the ground by codifying its key practices and localising software, as required. In 2012, we established our first franchising operation by signing a 20-year agreement with a corporate franchisee in Germany.

Under the terms of the agreement the franchisee pays rental and royalties to trade under the Orridge brand and use its sophisticated proprietary software. As such, it gains the capacity and the credibility to service large-scale, international clients on our common platform. It is currently in talks with potential franchisees in other territories.

A bolt-on acquisition

When Christie Group originally acquired Orridge in 2002, the vendor retained its business sales division, Orridge Business Sales, which has a strong presence in the 'white coat' sector. In 2012, we took advantage of an opportunity to acquire this business.



The acquisition has quadrupled our share of transactional and valuation services in the pharmacy sector. We have combined our existing white coat agency with Orridge Business Sales to create a Medical division within Christie + Co. The new division is now the clear market leader in the UK pharmacy and medical care sector.

Relocating support services

Dedicated personal attention and industry expertise have won Christie Insurance a very loyal client base. It provides a highly specialist service in our chosen sectors. The brokerage has to tread a fine line. Its clients value its close understanding of their specific requirements, but in a largely commoditised market they also expect very competitive rates.

It therefore needs to keep a very close eye on costs. In 2012, we took the decision to relocate the service and administration elements of the business to South Wales. It will gain valuable economies by taking advantage of the lower cost base and skilled workforce based there. Its new operations centre will allow the company to continue to deliver high-value service at a competitive price.

International operations

We continue to gradually extend our international network. We recognise that it can take time to establish new operations. We build our success on strong networks and in-depth local understanding.

2012 was an important year in the development of our international capabilities. Orridge's excursion into franchising augurs well for the internationalisation of the business.

Christie + Co is strengthening its position in existing territories. Two new international offices, in Dublin and Warsaw, are extending its Europe-wide reach.

Professional Business Services

Property prices have been on a downward trajectory more or less consistently since 2008, but in 2012 we saw signs that we had passed the point of inflexion, and that markets were

moving back into equilibrium. As we emerge from a difficult winter we believe we are now at the start of a gradual recovery.

Several indicators give grounds for optimism. There are significantly fewer distressed sales and more consensual sales. Private buyers are returning to the market as they start to see value in well-priced opportunities. The lack of access to funding, which has constrained markets for so long, is less of an issue. Finally, the proportion of aborted transactions has fallen back to long-term levels.

Stock & Inventory Systems & Services

Our stocktaking businesses gained important new clients during the year. Both businesses have strong client retention rates, but incur high initial costs as new customers come on board.

Additional costs during this initial period are inevitable as we adapt to each customer and harmonise systems. Ultimately, increased volumes will translate into higher profitability. We are investing in systems and training to ensure we continue to offer high-quality services as these businesses grow.

Looking ahead

Today, Christie Group is more focused on its markets and we are more diversified in our service offering, thereby making us more resilient. We are making headway and are focused on our strategic goal of rebuilding profits towards the levels seen before the credit crunch.

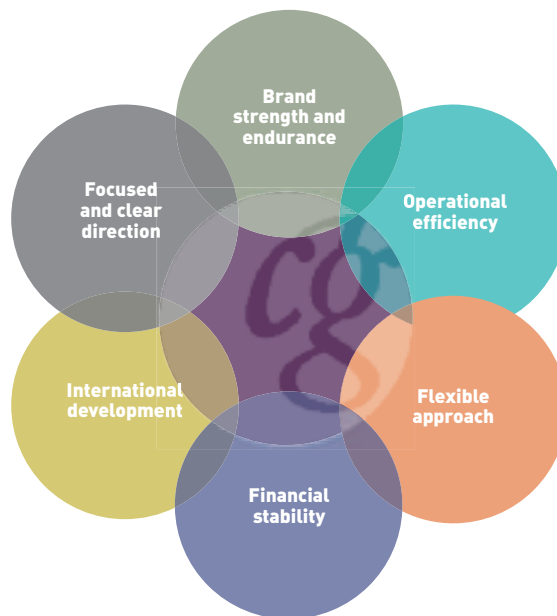
Looking ahead, current indications point to an improving economic picture in 2013. Whatever the prospects for the economy, with our strong track record, extensive client list and more flexible business model, we approach the future with confidence.

David Rugg
Chief Executive
5 April 2013

1. First class service

We continually raise the bar on service, both nationally and internationally.

Many clients stay with us because of the high level of service they come to expect from Christie Group companies. We offer informed, meaningful advice based on extensive experience. We are flexible in the way we meet our clients' needs and respond with tailored solutions.

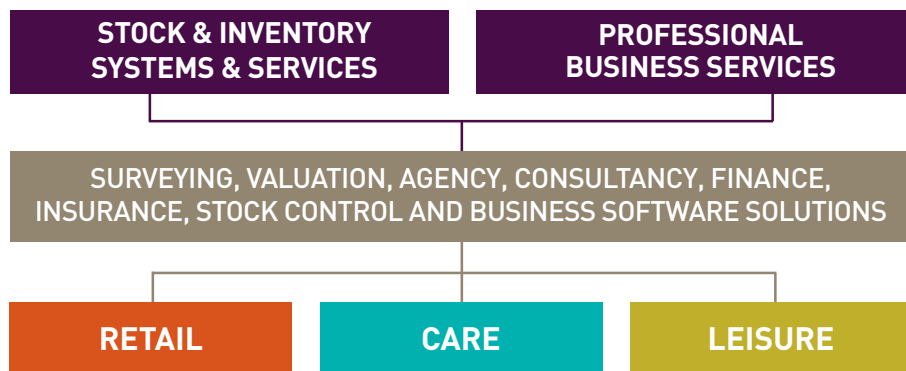


Delivering value in any market...

2. Diversification in skills and markets

Our two divisions provide over 40 professional business services.

Our Professional Business Services division provides a broad portfolio of transaction-related services. The Stock & Inventory Systems & Services division focuses on improving operational efficiency. We value businesses, manage acquisitions, ensure businesses are well-run and help owners control costs effectively.



3. In-depth market knowledge

We bring strength in depth to the retail, leisure and care sectors.

As sector specialists, we are able to contribute relevant skills and knowledge. Our people really understand their markets in detail and are respected for their sector understanding. Our companies are not just external suppliers; they are seen as core sector participants.

Retail

- Supermarkets
- Convenience Stores
- Newsagents
- Booksellers
- Off-licences
- Post Offices
- Warehouses
- Supply Chain Premises
- Professional Practices
- Forecourt Businesses
- Specialist Shops

Care

- Residential Care Homes
- Nursing Homes
- Hospitals
- Daycare Centres
- Childcare Centres
- Close Care/Assisted Living Centres
- Secure Units
- Domiciliary Care Businesses
- Children's Day Nurseries
- Children's Play Centres

Medical

- Dental Practices
- Doctors' Surgeries
- Animal Businesses
- Clinics
- Pharmacies

Education

- Schools
- Colleges
- Special Education Needs Schools and Colleges

Leisure

- Hotels
- Public Houses
- Bars
- Restaurants
- Takeaways
- Sports Centres
- Fitness Centres
- Cinemas
- Entertainment Venues
- Nightclubs
- Gaming and Betting Businesses
- Visitor Attractions
- Destination Resorts
- Serviced Accommodation
- Caravan Parks
- Holiday Parks
- Guesthouses
- Railways
- Currency Bureaux
- Event Caterers
- Bowling Alleys and Greens
- Sports Stadia



4. Integrated services

We provide solutions throughout our clients' business lifecycles.

Whether a client is looking to improve, develop, invest in, acquire or dispose of a business, our companies combine to provide support throughout the cycle. Leveraging the synergies that arise from this collaboration within and across our companies enhances both revenue generation and profit conversion.

5. A proven long-term player

Experience counts. We've been through every kind of market scenario and have operated in all economic environments.

Venner's has been operating in the hospitality sector for well over a century.

The Orridge stocktaking business began more than 160 years ago.

Christie + Co has been selling business property for over 75 years.

Benjamin Orridge,
founder of Orridge & Co in 1846.



Poundland

CASE STUDY: **Orridge**

Poundland first opened in 1990 and now operates a UK store base of over 430 attracting over 4.5 million customers every week.

It offers more than 3,000 items and over 1,000 top brands at the single price of just £1. Outsourcing its stocktaking was always the obvious route and, after a series of very successful trials, Orridge delivers a professional, independent and accurate service to a high standard. The Orridge service allows Poundland to analyse how much stock is being lost in each store and whether further investigation is needed.

...by being the best at what we do

Alliance portfolio

CASE STUDY: **Christie + Co**

Acting on behalf of the Alliance Group, Christie + Co successfully sold a portfolio of five branded hotels, within a few months, having received interest in the assets from a number of potential buyers on both a group and individual basis.

The hotels were in Le Cannet, Lille, Lyon, Montpellier and Marseille, and deals were completed individually.



LEON restaurants

CASE STUDY: **Venners**

LEON restaurants needed a great, value-for-money food and beverage stock audit solution. Venners listened to the LEON team, understood the requirements and produced a stock solution that helps the company minimise losses, increase margins, improve management information and enhance security.

Venners brought a high level of professionalism to the process and the two companies now collaborate on agreeing and implementing action plans to continually improve the results.

Fisher's

CASE STUDY: **Christie + Co**

Fisher's is a long-established family of butcher's in Gerrards Cross, Buckinghamshire, which became independent convenience retailers. Tesco, Marks & Spencer, Waitrose and Sainsbury's had targeted the town. Rather than compete with them, Fisher's let, through Christie + Co, two-thirds of their store to J Sainsbury's, retained the rest and returned to their roots of butchery. They now trade side by side and Fisher's has the added benefit of secure rental income from a blue chip covenant.





Seamill Hydro Hotel & Resort

CASE STUDY: **Christie Finance**

Christie Finance arranged funding for the owners of **Seamill Hydro Hotel & Resort**, one of Scotland's most well-renowned and popular family-owned resort hotels. The owners planned extensive improvements to the spa swimming pool and the bedrooms, as well as the establishment of a new 150-seater restaurant and bar. Christie Finance provided expert advice and guidance on how to realise the plans, and put in place a very competitive facility which fully met the needs of the business.



Baskind Pharmacy

CASE STUDY: **Christie + Co**

Christie + Co was instructed by **Zolfo Cooper** and **Santander Bank UK** to dispose of **Baskind Pharmacies** in Administration. The business consisted of three leasehold units in West Yorkshire, and included two standard-hour contracts and one 100-hour contract. After a short marketing campaign 'best and final' offers were invited from all interested parties and over 20 offers were received. Completion is subject to the transfer of the pharmacy contracts and formal assignment of the leasehold interests.

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Live assurance in double-quick time

CASE STUDY: **Christie Insurance**

Christie Insurance was asked to provide life assurance in order to satisfy a bank loan condition for the purchase of a learning disability care home. The bank providing the finance was insisting that cover was in place by completion. In a matter of hours, Christie Insurance provided a quote, went through it with the client in detail, arranged a medical application and organised the set-up of the policy. The client was extremely happy and very satisfied with Christie Insurance's flexible approach and knowledgeable staff.



Building on success with Aspro

CASE STUDY: **Vennersys**

The **Aspro Group**, one of Europe's largest operators of leisure parks, expanded its use of **VENPoS** to the **Blue Reef** sites in **Portsmouth, Hastings, Tynemouth and Newquay**. Aspro had already seen the benefits of the **VENPoS** solution at its **Blue Planet Aquarium** and **Deep Sea World**. **Blue Reef** now uses **VENPoS** to manage bookings, admissions, retail and stock. Aspro also took advantage of the enhanced **Vennersys CRM** suite utilising its new modules, **Customers +** and **Memberships**.



Gordonstoun School

CASE STUDY: **Pinders**

Pinders was asked to provide valuation advice in relation to **Gordonstoun School** in **Elgin, Moray**. **Gordonstoun School** has a world famous reputation and includes three generations of British royalty among its notable alumni, the most recent being **Prince Charles**. The property comprises an eclectic mix of buildings of varying age, construction and style, and includes a number of listed buildings plus nine staff houses/buildings on a site extending to 243 acres.

Orridge We aim to grow the business organically in the United Kingdom where we will build on our leading market position in the retail and pharmacy sectors and develop our reputation for consistent, high-quality service. We will invest in our franchising model alongside our existing European business to accelerate our growth in international territories.

Divisional review

Stock & Inventory Systems & Services

Orridge is a leading stocktaking company in the UK with strong international coverage. We serve Continental Europe from our office in Brussels. In the UK, we target two main sectors, retail and pharmacy, and also perform stocktaking services for supermarkets, the warehouse and distribution sector, while offering flexible and bespoke supply chain solutions.

We provide a broad range of service options, including core line and pick quality audits, on-shelf availability, full wall-to-wall counts and perpetual inventory. We have the resources to deliver service excellence in high volumes. In 2012, we counted 100 million items of clothing, 120 million items of books and stationery and 400 million of health and beauty and dispensary stock items.

We controlled an average of 140 stocktakes every working day of the year, a four percent improvement on our 2011 performance in a tough year for retailers. We serve a broad spread of clients, from smaller to blue-chip companies. We have long-term relationships with household names in the retail and pharmacy sectors, including WH Smith, Boots, Arcadia Group, Lloyds Pharmacy, Co-op and Calvin Klein. Among new clients gained during the year were leading names such as Jack Wills, River Island, Space NK and VF Europe.

The tough trading conditions in the high street over the past few years are well documented. Few retailers have escaped the effects of the recessionary conditions in the UK and the slowdown across Europe.

In some ways this has helped our business. Low sales volumes and wafer-thin margins force retailers to keep a tight rein on stock. Ultimately though, market pressure also translates into pressure on our own margins.

It is therefore essential to maintain price competitiveness. In 2012, we introduced worker league tables as part of a broad-based initiative to boost individual productivity.

Retailers want rapid, intuitive reporting to help them manage inventory and identify stock shortfalls early on. Online analytics and graphical reporting allow clients to drill down into results and identify patterns and trends in real time.

We have continued to invest in technology to improve both the quality of our reporting and the efficiency with which we deliver our counts. We introduced system enhancements such as tablet-based reporting to deliver swifter, more accurate counts. Our proprietary Genesis ERM system allows us to optimise even the most demanding client schedule.

Larger clients in particular value our capacity to deploy sufficient resources to meet their needs. During the year, for instance, we successfully undertook a count of 40 million contact lenses within a 24-hour period for Johnson & Johnson.

As technology has improved, our workforce has become more mobile and self-reliant. This has allowed us to scale back on fixed costs. In 2012, we restructured the business to reduce below-the-line costs. This had no impact on our revenue-earning capability.

We expanded our European operation during the year with the launch of our first franchise arrangement in Germany. The corporate franchisee pays royalties and rental fees in exchange for our sophisticated proprietary software and the right to trade under the Orridge brand. Having codified our practices, we are already in active negotiations with potential franchisees elsewhere in Europe.



Left to right: Darren Flack, Client Relationship Director; Peter Davies, Sales Director; Maxine Johnson, General Manager; Orridge Europe; Allen Edwards, Services Director; Phil Kendall, Finance Director.

Arcadia Group

Orridge has provided stocktaking services to Arcadia Group since 2003. Since then, the service has developed to meet the needs of this dynamic retailer and is continually adapting to keep pace with Arcadia's strategy.

The service now ranges from fully-managed stocktake invigilation counts to wall-to-wall stocktakes. It is delivered to all Arcadia brands in the UK, including Burton, Miss Selfridge, Top Shop and British Home Stores, and Orridge has also provided support in the United States and Europe.



“We controlled an average of 140 stocktakes every working day of the year, a four percent improvement on our 2011 performance in a tough year for retailers.”

Paul Harding Managing Director, Orridge and a Christie Group Director

Venners With almost 120 years of history in the hospitality industry, we have a powerful brand and are seen by our clients, not as an external supplier, but as an integral partner. We aim to develop the business as a one-stop shop for improving hospitality businesses' profits and controls.

Divisional review

Stock & Inventory Systems & Services

Venners is the UK's largest and longest established stock audit company in the hospitality sector, and our brand has gained widespread recognition in the industry. We are frequently recommended by leading industry figures and widely appreciated for the excellence of our service.

This level of brand acceptance confers significant advantages. A new Venners product or service can quickly gain industry acceptance. We saw this in 2012, when we successfully trialled a health and safety alert service.

Venners is seen not just as a supplier, but as integral to our sector. We reinforce this perception by sponsoring and attending industry and trade body events.

We had another strong year in 2012, and we achieved an 18 percent increase in annual turnover. Also, stock audit numbers rose by 25 percent.

We planned over 29,000 man-day assignments and controlled almost £1 billion in food and liquor-related sales at events attended by over five million people. For the first time in 2012, food overtook alcohol as the biggest product category by sales.

Highlights included assignments to provide stocktaking and stock control support at the main Olympic Park for the duration of the Olympics and Paralympics, as well as at other venues including Eton Dorney and Greenwich Park.

We listen closely to customer feedback and are evolving our service in line with their changing priorities. We recognise that many of our clients are time-poor. They want cogent reporting that highlights key issues and concerns.

Our Next Generation IT project is developing advanced reporting to give clients much greater control over critical information. In 2014, we will be replacing our existing systems with a highly intuitive and innovative new platform. We made

significant development progress on this during the year, and core reporting modules are scheduled for introduction in 2013.

Our clients want more than just stock checks. We have broadened our offer to encompass multiple services. Once on site, our specialist staff can check quality, safety and compliance issues as well as count stock, thereby providing a cost-effective option for some clients.

We are progressively extending our list of clients subscribing to multiple services. During 2012, for the first time, we had clients requesting all three of our major audit products: stock, compliance and health and safety reports.

Our clients also want consistency. Many return to Venners because they know they will get the same high-quality service wherever they are in the UK and Ireland, no matter how large the assignment and even where the request is made at very short notice.

An important factor in that consistency is our policy of only using qualified auditors. We never outsource our services. All our auditors are Venners employees. We only allow fully qualified auditors to conduct assignments without direct supervision.

We are the only UK stocktaking organisation with BII-accredited internal training. Each of our 151 auditors has sat exacting examinations. In 2012, we introduced an online training service in conjunction with CPL Training (see case study right). We now offer a wide array of additional training courses for our staff, complete with tracking tools to monitor progress and certify passes.

In 2013 and beyond, we will continue to support our brand and grow our market organically. We will target live events with the aim of growing our list of clients who take multiple services from us.



Anytime, anywhere stock management training

Venners has always supported its clients' training needs and introduced an affordable, flexible 24/7 option that is interactive, instructive and engaging, while also saving its clients money. In conjunction with CPL e-learning, Venners developed an online training course aimed at improving the stock control, margins and profits of all hospitality retail outlets.

It covers the key aspects of liquor and food stock management and is suitable for anyone involved in managing a hospitality retail outlet or those looking for a position in this area.

www.elearning.venners.co.uk



Left to right: Malcolm Muir, Director of Consultancy; David Fitzgerald, Business Development Director; Kevin Green, Regional Manager: London and the South East; Scott Hulme, Operations Director: North; Chris Gibson, Finance Director.



“We planned over 29,000 man-day assignments and controlled almost £1 billion in food and liquor-related sales at events attended by over five million people.”

Trevor Heyburn Managing Director, Venners

Vennersys In the UK, we are developing new business opportunities and defending our strong positioning in the visitor attractions sector. We are strengthening our online offering and extending out-of-hours support. In Canada, we supply the market-leading cinema ticketing system. We support existing sites and continue to install the product at new cinema complexes.

Divisional review

Stock & Inventory Systems & Services

Vennersys has been supplying purpose-built EPoS ticketing and admissions systems for more than two decades. We supply visitor attractions with specialist transaction, online ticketing and e-commerce systems. Our support services generate stable repeat revenue from our substantial user base.

In the UK, we are seen as a leading competitor in the attractions sector. Many of our clients are household names; they include historic houses, museums and heritage sites, theme parks, family entertainment centres, farm attractions, zoos and aquariums. We maintain a high profile at leisure industry and trade events.

Vennersys services are increasingly important revenue generation mechanisms for visitor attractions. Many attractions geared up their software operations during the year to capitalise on the projected secondary tourist spend during the Olympics and Paralympics.

We have recently introduced software to manage online sales, membership sales and annual pass accreditation. Our tracked ticket functionality is enhancing flexibility, allowing visitors to buy tickets at any PoS (fixed or mobile) and enter the site from any entry point.

VENPoS Online continued its strong performance. An already extensive feature set was strengthened further. Enhancements included a new GiftAid facility, more advance pricing options and better support for group booking and membership sales. We also launched a demonstration site so that potential customers can find out for themselves about this intuitive and powerful product.

The VENPoS Online demonstration site is just one of many innovations we are publicising through social media. We have built an active presence and are growing our professional networks by hosting and generating discussions in visitor

attraction groups. We use targeted e-shots, our own company page and individual LinkedIn profiles to keep others in touch with the latest developments.

We continually develop VENPoS to meet the changing requirements in our markets. Recent customer-side innovations include kiosk systems and an improved online booking experience. We are also delivering increased functionality for attraction managers with more powerful CRM features and additional layers of reporting.

During the year, we completed the roll-outs at additional UK sites for Aspro Group, one of Europe's largest water theme park operators. VENPoS went live at Blue Reef aquariums in Portsmouth, Hastings, Tynemouth and Newquay and its Smugglers Adventure site in Hastings.

In Canada, we are the market leader for cinema admission systems. Vista's ticketing and reporting system supports management information at leading chain, Landmark Theatres, which installed Vista at an additional 11 sites during 2012. We also installed Vista at a number of Empire cinemas during the year.

In May 2012, we launched Veezi in Canada. This cloud-based cinema ticketing system is aimed at independent cinemas. It provides much of the functionality available in Vista, is hosted online and is available through subscription.

We continue to grow our online capability and are extending mobile functionality. In 2013, we will build on our strong user base and sector experience to strengthen our market position.



Burghley House goes remote

Burghley, one of the grandest houses of the first Elizabethan Age, attracts over 100,000 visitors a year.

The London Olympics impacted on visitor numbers so Burghley ran special events, including film nights. For the first time, VENPoS Bookings and Online was used to manage them.

Vennersys also created a 'disconnected redeemer' facility, which meant staff could validate tickets in areas that didn't have a Wi-Fi connection, thereby improving the management of outdoor events in isolated areas.



Left to right: Andrew Mellor, Operations and Development Manager; Phil Kendall, Finance Director; Simon Kniverton, Director of Development Strategy.



“During the year, we completed the roll-outs at additional UK sites for Aspro Group, one of Europe’s largest water theme park operators.”

Paul Harding Managing Director, Vennersys and a Christie Group Director

Christie + Co Christie + Co is a leading specialist property adviser with offices across Europe and the UK. We are market leaders in the leisure (hotels, pubs and restaurants), convenience retail, medical, care and education sectors, and offer a full range of agency and advisory services to our clients. Market intelligence is integrated with our unique technology platform to enable us to maximise cross selling.

Divisional review

Professional Business Services

Christie + Co performed well in 2012, closing 9.3 percent more sales than in the previous year. Distressed sales fell markedly. There were more consensual sales and potential new owners made a tentative return to the market.

In these tough conditions, high-quality advice is at a premium. The demand for specialist market advice grew significantly in 2012 – with our advisory team enjoying significant profit growth.

In the leisure sector, we impressed with our ability to complete transactions in challenging circumstances. We won the Leisure and Hotels category in the EGi Deals Awards for the third successive year and were named top agency in ten of the 12 UK regions. We sold various major hotels including most of the remaining 26 properties and an island fort on behalf of the Von Essen Hotels administrator.

In the pub sector, we sold over 80 premises from the former Robert Tchenguiz estate for the administrators and undertook major instructions for Punch, Spirit, Young's and JD Wetherspoon. In restaurants we managed the disposal of a series of Little Chef sites, and negotiated the sale of six of these to a well-known, international high street coffee chain.

In childcare, we were involved in most of the major deals in this sector with market leader, Busy Bees, acquiring multiple day nurseries.

Our healthcare team closed 20 percent more sales despite a distinct lack of corporate transactions, and advised Terra Firma on debt refinancing for Four Seasons Health Care.

The acquisition of Orridge Business Sales has extended our specialist pharmacy coverage. We combined the new business with our existing pharmacy interests to create a new Medical division. As a result, Christie + Co is now the market leader in the 'white coat' sector.

Our international business was profitable and continued to grow. We opened two new overseas offices; Dublin and Warsaw (serving both Poland and the Ukraine). Demand for hotel valuations and specialist market advice grew, mirroring that in the UK.

In France, we valued the portfolio of 19 Timhotel assets and acted for the Alliance Group in the sale of five major city hotels. A number of important trophy assets changed hands – including the Lancaster and Burgundy hotels in Paris.

In Germany, Christie + Co had a dominant share of the transactional market – including the sale of the Holiday Inn and Hotel Indigo at Alexanderplatz, Berlin – despite a sluggish market. In contrast, the Austrian hotel investment market was strong. Our sales included that of the 3-Star Hotel Berger.

Christie + Co continued to act as a primary gateway for Christie Insurance's business. Following the sale of De Vere Group's famed University Arms Hotel in Cambridge, Christie Insurance was introduced to the buyers and was appointed ahead of the new owners' established broker.

There is cause for optimism – recent indicators suggest that stability is returning to commercial property markets. Christie + Co has proven its worth as a trusted partner for owners, operators, investors and financiers wanting to bring businesses to the market, whether in a consensual or distressed state. As transaction volumes increase, our higher market share will convert into increased activity and, in turn, investors and financiers alike will be seeking the expertise that only a specialist adviser can provide.



Marston's revaluation

Christie + Co carried out the five-yearly valuation of the whole of the Marston's portfolio of 2,139 public houses and clubs together with 223 unlicensed properties owned by Marston's PLC as at 1st July 2012.

The valuation was required for financial accounting purposes. In the case of the public houses, they are operated by Marston's either directly as managed houses, or as tenanted or franchised properties. The overall valuation was around £1.9 billion.



Left to right: Jeremy Hill, Director and Head of Hotels; Simon Hawkins, Finance Director; Darren Bond, Director and Head of Valuation Services; Andreas Scriven, Director and Head of Consultancy; Richard Lunn, Director and Head of Care (below right).



“The demand for specialist market advice grew significantly in 2012 – with our advisory team enjoying significant profit growth.”

Chris Day Managing Director, Christie + Co and a Christie Group Director



“We won the Leisure and Hotels category in the EGi Deals Awards for the third successive year and were named top agency in ten of the 12 UK regions.”

Simon Hughes Managing Director, Christie + Co UK

Christie Finance Using its detailed understanding of its specialist sectors, Christie Finance achieves market-leading finance deals which are tailor-made to clients' specific requirements. We work closely with other Christie Group companies to identify finance opportunities, assess clients' needs and, where we can, add value. We charge client fees for a premium service and minimise our reliance on bank commissions.

Christie Insurance Christie Insurance is the Group's in-house, sector-specific insurance broking and advisory service, focusing on the care, hospitality, leisure and retail sectors. Working closely with Christie + Co and Christie Finance provides us with unrivalled lead sources and a close connection to our clients' insurance needs. We add value through our specialist industry knowledge, strong relationships with underwriters and a dedicated, problem-solving approach.

Divisional review

Professional Business Services

Christie Finance: There were indications in 2012 that the funding environment was beginning to normalise. At least 90 percent of commercial mortgage offers were completed during the year, compared with less than 70 percent the previous year. This provided a clear sign that the facilities being offered by our lending sources were pitched much more pragmatically. Borrower and lender business valuations have also become more closely aligned, which has helped considerably in driving deals to a successful completion.

Funding restrictions have blighted the commercial property sector for several years whilst banks have focused on de-leveraging their asset portfolios. During this period, offers of finance have often been on low loan-to-value ratios and have compelled borrowers to accept fixed interest rate deals. Whilst there are now signs that banks are becoming more pragmatic in their approach, downward pressure on broker commissions continues.

Consequently, many brokers have found it hard to trade profitably in this environment. It has certainly made the Christie Finance role as an intermediary more complex but, fortunately, bank commissions are not our only source of revenue. Client fees now account for the majority of our earnings. We continue to earn fees directly from clients by virtue of our market-leading sector knowledge and expertise in arranging intelligent financial solutions.

The market has contracted, but we have grown market share as banks reined in approved broker panels and our competitors withdrew in the face of eroding bank commissions.

Positively, in 2012, we acted for an increasing number of quasi-corporate clients and also placed loan applications with a broader range of funding sources.

We continue to work in step with other companies in Christie Group. With technology integrated into our operations, we are

getting earlier sight of Christie + Co instructions and are able to support both our own clients and our Group colleagues more effectively.

Tight control over costs has allowed the business to operate profitably in challenging market conditions. However, a significant improvement in our performance will depend on the continued improvement in the availability of funding in the market and, of course, a consequent recovery in transaction volumes.

Christie Insurance: Against the background of insurers coping with claims inflation, which is running at up to eight percent for third-party motor injury claims, and the ongoing problems with both claims farming and weather-related losses, we managed to renew most of our clients' insurances at similar terms to the previous year. Market dynamics changed as the year wore on. We found that some of our clients, particularly in the care sector, were incurring higher renewal terms as a number of insurers had chosen to walk away from business they deemed unprofitable.

Christie Insurance has a strong position in care. The sector is currently going through a period of rapid structural change, with new players emerging and some high-profile casualties. We remain confident that we can both retain existing clients and attract new ones with the right price and insurance coverage. During the year we retained the vast majority of our clients continuing in business. We also gained others, including Adiemus Care Ltd – a group with 44 care homes across Essex, Hampshire and Cambridgeshire.

Our continued high client retention rate reflects the quality of our service but, in a very price-competitive environment, it is also vital to keep costs low. In 2013, we will relocate our support services to a new base in South Wales, taking advantage of the lower costs and skilled workforce available there.



Barrington Lodge Care Home

Christie Finance arranged funding for the purchase of Barrington Lodge Care Home. The purchaser initially required a loan of £600,000 but, after analysing the client's overall position, Christie Finance recommended a complete financial restructuring of his business. A new facility of £2.65m was arranged via Barclays Bank, supported by The Government's Funding for Lending Scheme.

This transaction included various Group companies with Christie + Co selling the home, Christie Finance arranging the finance, Pinders providing valuation expertise and Christie Insurance arranging life and general insurance cover.



Left to right: Simon Hawkins, Finance Director; Walter Murray, Managing Director, Christie Insurance; David Grant, Director and Head of Business Mortgages, Christie Finance.



“In 2012, we acted for an increasing number of quasi-corporate clients and also placed loan applications with a broader range of funding sources.”

David Grant Director and Head of Business Mortgages, Christie Finance



“We can both retain existing clients and attract new ones with the right price and insurance coverage.”

Walter Murray Managing Director, Christie Insurance

Pinders Pinders' RICS-qualified valuers provide reporting for businesses in five broad sectors – healthcare and education; licensed trade; retail and catering; leisure and hospitality; services and manufacturing. Our reporting services fall into six main categories – appraisal and valuation, consultancy, dispute resolution, building surveying, project management and business recovery.

Divisional review

Professional Business Services

In a relatively quiet year, we made solid progress on a number of fronts. There was a 6 percent increase in the volume of appraisal and valuation reports, and income increased by 7 percent versus 2011.

Both the leisure and hospitality and the retail and catering divisions grew revenue by over 15 percent. Income from consultancy services alone passed the £1 million mark while the value of assets valued exceeded £1 billion for the first time. In a generally good year for the education sector, valuation work for Gordonstoun School, which counts several members of the royal family as alumni, stood out.

Pinders maintains a high profile and has strong links in the healthcare sector. Once again, we hosted the Healthcare Design Awards. Backed by leading industry sponsors, the awards have become a calendar highlight. Over 500 people gathered at Lord's Cricket Ground in March for the 2012 event.

Although the broking community remains an important source of business, the number of referrals from brokers continues to decline. Christie Finance bucked the trend, but overall there were far fewer referrals from the broking community. This is not unexpected, given the difficult market conditions brokers face.

Bank lenders, by contrast, increasingly favour national networks and we have benefited from their preference for consistent, reliable service. We earned 20 percent more fee income from lenders in 2012. Some banks, like Santander, were less active, but others increased their involvement. For example, fee income from Lloyds TSB was up 35 percent on 2011.

We are well represented on banking panels. We gained a new appointment to the panel of Cambridge & Counties Bank in 2012. Also during the year, HSBC extended our existing panel agreement to include pharmacies.

We always work closely with other members of the Group. Christie Finance is our biggest single broker client. During 2012, a Christie + Co referral led to the biggest single instruction for our Building Services division, which involved supporting the disposal by the De Vere Group of non-core hotel assets.

With an increasing proportion of referrals coming from lenders, there is limited scope for premium pricing. Instead, we are focusing on volumes and operational efficiency to strengthen our profitability.

We have introduced additional automation to speed up the turnaround of report production, and we are refining our valuation model to reduce costs while maintaining quality. In addition, a new, integrated, fixed and mobile telephone system will further reduce ongoing costs and improve responsiveness.

During the summer we identified productivity improvements that would allow the business to operate as effectively with fewer personnel. This difficult decision was taken to protect the long-term health of the company. Although one-off redundancy costs reduced profitability in 2012, we will benefit from the resulting cost savings in future years.



De Vere hotels

In late 2012, Pinders undertook building surveys on the instructions of De Vere in respect of 23 properties in its portfolio. The hotels were located throughout England, including central London.

Many of the properties were period or listed and included multiple buildings on the same site, providing conference and leisure facilities, including golf courses, alongside the substantial bedroom accommodation. The building surveys, together with mechanical and electrical surveys, were required within a very tight timescale.



Left to right: Chris Gibson, Finance Director; Simon Coats, Director of Building Services.



“Income from consultancy services alone passed the £1 million mark while the value of assets valued exceeded £1 billion for the first time.”

Justin Cain Managing Director, Pinders

Financial review

“Cash generated from operations of £1.4m was offset by capital expenditure of £1.2m.”

Profitable growth by our continuing operations

We achieved a significant increase in revenue in 2012 as total revenue before exceptional items increased from £53.2 in 2011 to £56.1m in 2012. Operating profit before exceptional items increased to £1.4m (2011: £0.7m), in effect translating to £0.6m of operating profit generated from £2.9m of incremental revenues.

Exceptional items

We have classified revenue and operating costs incurred by our now-closed Dubai operation as exceptional. Total losses for the year of £0.8m (2011: £0.4m) will not be repeated in 2013 after the business ceased trading on 31 January 2013. By virtue of this non-recurrence, the Board felt it appropriate to separately classify Dubai as exceptional in accordance with IAS 1.

Cash management

Finance costs of £0.1m (2011: £0.1m) reflect the manageable cost of financing our working capital requirements.

Net debt increased by £0.1m during the year to £2.1m (2011: £2.0m). A full analysis is set out in note 29. Cash generated from operations of £1.4m was offset by capital expenditure of £1.2m (2011: £0.4m). Much of this capital expenditure was non-recurring, having been incurred in the move to a new head office.

Trade receivables

Within the Consolidated Statement of Comprehensive Income we have, as we did for the first time last year, reported as a separate item the effect on operating profit of the provision for the impairment of trade receivables. As a result of successfully collecting many of those items which had been considered a credit risk at 31 December 2011 and had been impaired accordingly, we are able to report a credit to the income statement of £19,000 (2011: £92,000).

The Board views credit risk extremely seriously and where objective evidence exists which might reasonably be considered to indicate that a receivable may not be realised in full, a provision for impairment may be recognised. The evidence that the Board considers relevant in making such assessments includes the non-payment by customers within a period significantly greater than their contractual payment terms, the financial distress of customers and unresolved disputes relating to amounts owed by customers. Notwithstanding this approach, all of our businesses adopt a robust stance to debt collection where they believe they are owed money for services provided and their success in pursuing such amounts is demonstrated by the credits to the income statement reported in 2012 and 2011.



**The tax charge shown is
entirely a non-cash item.**



“Pensions in payment will continue to be funded from contributions rather than the scheme’s assets until 2027.”

Full details of the provision for impairment of trade receivables are set out in note 21 of the accounts.

Taxation

The tax charge for the year of £0.4m (2011: £0.4) appears significantly higher than the standard rate of 24.5% would otherwise give rise to. The continuing effect of the reduction in the UK corporation tax rate requires us to revalue opening deferred tax assets at 23% rather than 25% and this in itself accounts for £0.2m (2011: £0.2m) of the charge. A further £0.1m (2011: £0.2m) arises from the effects of disallowable expenditure.

Retirement benefit obligations

Impending changes to the accounting standards governing defined benefit pension arrangements will impact the Consolidated Statement of Financial Position from next year onwards. The valuation of liabilities of the Group’s two final salary pension schemes have, like the majority of UK defined benefit pension schemes, been significantly and adversely impacted by macro economic conditions, notably the extremely low interest rates and corporate bond rates and more specifically the effect that low rates have had on the discount rates used in the actuarial calculation of scheme liabilities. The table below highlights how this deficit position has deteriorated in 2012 due primarily to a 1.05% reduction in the discount rate assumption which themselves are set by reference to gilt yields:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Deficit	10,000	4,292	2,464	4,277
Discount rate	4.75%	5.80%	5.80%	5.80%

As shown above, the total deficit on the two defined benefit pension schemes at 31 December 2012 had increased by £5.7m to £10m (2011: £4.3m). Of this total, the Group is currently required to recognise only £1.6m (2011: £2.4m) in the Consolidated Statement of Financial Position.

IAS 19, ‘Employee Benefits’ currently permits the amortisation of unrecognised losses of £8.4m (2011: £1.9m) over a longer period to reflect the long-term nature of the pension scheme liability and the susceptibility of pension scheme valuations to short-term variations in macro-economic conditions. However, the use of the corridor method of accounting which facilitates this is no longer permitted from 1 January 2013. Were these changes to have been effective in 2012, an additional £8.4m of liabilities would have been recognised at 31 December 2012.

While this change of methodology is unwelcome, the Board recognises that this is a long-term liability that can be funded accordingly. Our estimations – based on current actuarial projections of scheme cash flows – indicate that pensions in payment will continue to be funded from contributions rather than from the schemes’ assets until 2027. The Board also recognises that the current deficit position of the schemes would be significantly improved or even eliminated by an improvement in discount rates.

These additional liabilities are expected to primarily impact the equity of subsidiary entities, and are not anticipated to negate the ability of Christie Group plc to return dividends to shareholders where the Board considers that it is appropriate to do so based upon underlying trading performance.

Key performance indicators

In accordance with the enhanced Directors’ report we have included our main KPIs for the Group and the individual operating divisions in the table below. As a group, we have a number of key areas that these indicators measure:

- Revenue growth – an important part of our strategy is growing our businesses and this is best measured by revenue growth
- Productivity – being in the service sector, employee costs are our largest single cost. It is important to remain competitive and continue to improve our productivity . This KPI looks at the total cost of employees (including



KPIs			
	Group	Professional Business Services	Stock & Inventory Systems & Services
Revenue growth			
2012 on 2011	5.4%	11.2%	(0.8%)
2011 on 2010	9.0%	3.3%	15.7%
2010 on 2009	3.9%	13.9%	(5.9%)
Productivity – staff costs (before exceptionals) per £1,000 of revenue			
2012	687	618	701
2011	704	644	701
2010	695	615	712
Operating profit/(loss) before exceptional items as % of revenue			
2012	2.4%	1.9%	3.0%
2011	1.4%	(0.2%)	2.5%
2010	2.1%	5.7%	1.3%

All figures apply to continuing operations only

benefits, the cost of company cars, company pension contributions and local employer taxes) required to produce £1,000 of revenue. For this KPI a reducing figure reflects an improvement.

- Operating profit % - this is measured as operating profit (before exceptional items) as a percentage of revenue

Improved productivity, represented by a fall in staff costs per £1,000 of revenue to £687 (2011: £704) highlight the driver behind the improvement in operating profit before exceptional items.

Our Professional Business Services division delivered an operating profit before exceptional items, which represents significant progress from the small loss recorded a year earlier. This return to profit was driven by an 11% growth in revenues.

Cost control and resilience of profit margins enabled our Stock & Inventory Systems & Services division to generate improved profitability despite a very small contraction in revenue attributable to the difficulties experienced on the high street within the retail sector.

Dan Prickett
Chief Financial Officer
5 April 2013

Board of directors



Philip Gwyn
Chairman

Philip is a barrister and merchant banker by training. He is responsible for Group strategy and planning. Philip is a Non-executive Director of Alumasc plc and a Director of a number of private companies, including Chairman of Hybrid Air Vehicles.



David Rugg
Chief Executive

David is responsible for the day-to-day operation and development of the Group, in which capacity he has been responsible for the identification and integration of its principal subsidiary business acquisitions. David either chairs or sits on the boards of Christie Group trading companies.



Dan Prickett
Chief Financial Officer

Dan joined Christie Group in December 2007, prior to becoming Chief Financial Officer in 2010. He has responsibility for all financial and company accounting matters, as well as financial public relations. Dan, a Chartered Accountant, has previously worked for Grant Thornton, MacIntyre Hudson and Inchcape Retail.



Chris Day
Executive Director

Chris joined Christie + Co in 1985 and, having worked in the Manchester, Birmingham and London offices, was appointed Managing Director in 1993. He has overall responsibility for all Christie + Co's specialist transactional and advisory activities. Chris has overseen the successful expansion of Christie + Co into an international firm, which currently has offices throughout Europe.



Paul Harding
Executive Director

Paul has worked for Orridge for over 25 years. When Christie Group acquired Orridge in December 2002 Paul was Sales Director. He was appointed as Managing Director in 2004 and, since then, has been responsible for developing the company into a profitable pan-European retail stocktaking business. Paul has also been Managing Director of Vennersys since 2008.



Tony Chambers
Senior Non-executive Director

Tony was previously Head of Banking and Director of Robert Fleming, a Director of Save and Prosper Group and Chairman of Gartmore High Income. Tony chairs the Remuneration Committee and is also a member of both the Audit and Nomination Committees.



Pommy Sarwal
Non-executive Director

Pommy, a former corporate finance partner at Deloitte, is currently Deputy Chairman of Hybrid Air Vehicles and Chairman of Master Ropemakers. He is also a Non-executive Director of Chatham Historic Dockyard and Hyde Housing Association, and, until recently, was a member of the board of both the Port of London Authority and British Waterways. Pommy chairs the Audit Committee and is a member of the Nomination and Remuneration Committees. He is also Chairman of Venners

Company information

Secretary

Dan Prickett ACA

Registered office

65 Carter Lane
London EC4V 5HF

Registered number

1471939

VAT number

358 526526

Nominated adviser and broker

Charles Stanley Securities

Principal solicitors

Royds
SNR Denton

Auditors

Nexia Smith & Williamson
Audit

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

Principal activities and business review

Christie Group plc is the parent undertaking of a group of companies covering a range of related activities. These fall into two divisions – Professional Business Services and Stock & Inventory Systems & Services. Professional Business Services principally covers business valuation, consultancy and agency, mortgage and insurance services, and business appraisal. Stock & Inventory Systems & Services covers stock audit and counting, compliance and food safety audits, inventory preparation and valuation, hospitality and cinema software. A description of the Group's activities and a detailed business review of the year and future developments are given in the Chairman's Statement and the Review of Operations. In addition the Group's main Key Performance Indicators are explained in the Financial Review on page 29 and the risks and uncertainties in the Corporate Governance report on page 35.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 40. The Directors recommend the payment of a final dividend of 0.5p (2011: 0.5p) per share which together with the interim dividend of 0.5p (2011: nil) per share, makes a total of 1.0p (2011: 0.5p) per share totalling £251,000 (2011: £124,000) for the year. The profit for the year before tax and before other comprehensive income was £460,000 (2011: £237,000) and the profit attributable to equity holders of the Company for the financial year, after taxation and including other comprehensive income, was £110,000 (2011: £114,000 loss).

Directors

The Directors of the Company in office at the date of this report, together with their biographical details, are shown on page 30. All these Directors served throughout the year. Philip Gwyn and Chris Day retire in accordance with the Company's Articles of Association. Philip Gwyn and Chris Day being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Directors' interests are shown in the Remuneration Report. During the year under review and as at the date of the Directors' report, appropriate directors' and officers' insurance was in place.

Employees

The Directors recognise the benefits which accrue from keeping employees informed on the progress of the business and involving them in the Group's performance. Each individual operating company adopts employee consultation

as appropriate. The Company is committed to providing equality of opportunity to all employees regardless of nationality, ethnic origin, age, sex or sexual orientation and continues to be supportive of the employment and advancement of disabled persons.

Donations

The Group contributed £7,000 (2011: £9,000) to charities during the year. It made no political contributions. The Group also operates a Give As You Earn (GAYE) scheme for employees.

Policy on payments to suppliers

It is a policy of the Group in respect of all its suppliers, where reasonably practicable, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment, and to abide by the terms of payment. The Group's average trade payable days during the year was 31 (2011: 42).

Acquisition of own shares

During the year the Company funded the purchase of 131,000 (2011: 150,000) of its own ordinary shares, through an Employee Share Ownership Trust, for a consideration of £86,000 (2011: £82,000), to enable it to meet awards under its SAYE and other share schemes. During the year the Company also sold 461,000 (2011: 250,000) of its own ordinary shares, through an Employee Share Ownership Trust, for a consideration of £1,021,000 (2011: £120,000). The total holding of the Employee Share Ownership Trust as at 31 December 2012 was 153,000 shares (2011: 483,000 shares), which represents 0.60% (2011: 1.91%) of the current issued share capital.

Health, safety and the environment

The Directors consider the health, safety and environmental protection aspects of the business to be of great importance, as the prevention of personal injury, the avoidance of damage to health and the protection of the environment are important business and social responsibilities. Management practices within the Group are designed to ensure so far as is reasonably practicable, the health, safety and welfare at work of employees, contractors and visitors and the implementation of environmentally aware and friendly policies.

Going concern

After making enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements, which appear on pages 40 to 80.

Events after the reporting period

- On 31 January 2013, Christie + Co FZ LLC, a 95% owned subsidiary of Christie Group plc, ceased trading following the Board's decision to voluntarily liquidate the operation.
- On 1 February 2013, RCC Insurance Brokers plc, a wholly owned subsidiary of Christie Group plc, entered into a 5 year outsourcing agreement for the management and administration of its insurance intermediary services. RCC Insurance Brokers plc retains ownership of the Christie Insurance brand and under the agreement all customers shall remain customers of RCC Insurance Brokers plc acknowledging that regulatory requirements may require the name of the counterparty to the agreement to be disclosed as principal.

It is not possible at this time to quantify the precise financial effect of this agreement, as it dependent on the number of insurance policies retained or incepted during the life of the outsource agreement upon which commissions are payable to RCC Insurance Brokers plc. However, it is projected that the benefit of the royalty received will exceed the operating costs of RCC Insurance Brokers plc and thus improve its financial performance going forward.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Nexia Smith & Williamson be re-appointed as auditors of the Company will be put to the Annual General Meeting.

Disclosure of Information to Auditors

Directors of the Group have confirmed that in fulfilling their duties as a director:

- so far as they are each aware, there was no relevant audit information of which the auditors were unaware; and
- they have taken all reasonable steps that a director ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Group's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provision of s.418 of the Companies Act 2006.

This report was approved by the board on 5 April 2013.

D R Prickett

Company Secretary
65 Carter Lane
London EC4V 5HF

Registered No. 1471939

Corporate governance

The Directors are committed to delivering high standards of corporate governance to the Company's shareholders and other stakeholders including employees, suppliers and the wider community. The Board of Directors operates within the framework described below.

The Board

The Board sets the Company's strategic aims and ensures that necessary resources are in place in order for the Company to meet its objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company.

Whilst the Board has delegated the normal operational management of the Company to the Executive Directors and other senior management there are detailed specific matters subject to decision by the Board of Directors. These include acquisitions and disposals, joint ventures and investments and projects of a capital nature. The Non-executive Directors have a particular responsibility to challenge constructively the strategy proposed by the Chairman and Executive Directors; to scrutinise and challenge performance; to ensure appropriate remuneration and to ensure that succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team. The Chairman holds informal meetings with individual Non-executive Directors without the executives present. The senior Non-executive Director also discusses matters with other Non-executive Directors without the Chairman being present. The senior executives enjoy open access to the Non-executive Directors with or without the Chairman being present. In short the Directors talk to each other.

The Board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders' interests and the Group's assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage rather than eliminate risk and therefore even the most effective system cannot provide assurance that each and every risk, present and future, has been addressed. The key features of the system that operated during the year are described below.

Organisational structure and control environment

The Board of Directors meets at least five times a year to review the performance of the Group. It seeks to foster a strong ethical climate across the Group. There are clearly defined lines of responsibility and delegation of authority from the Board to the operating subsidiaries. The Directors of each trading subsidiary meet on a monthly basis with normally at least two members of the Group Board in attendance.

Internal control

The key procedures which the Directors have established with a view to providing effective internal control are as follows:

- Regular Board meetings to consider the schedule of matters reserved for Directors' consideration;

- A risk management process (see below);
- An established organisational structure with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- Comprehensive budgets, forecasts and business plans approved by the Board, reviewed on a regular basis, with performance monitored against them and explanations obtained for material variances (see page 34);
- An Audit Committee of the Board, comprising Non-executive Directors, which considers significant financial control matters as appropriate; and
- Documented whistle-blowing policies and procedures.

During the year the Board agreed to implement a formal Internal Audit function and in doing so appointed an Internal Auditor. The Internal Auditor is mandated to perform their duties under direct authority from the Group Chief Executive to examine all areas of compliance across the Group as may be considered appropriate or necessary including regulatory, financial and operational requirements. They are required to report to the Audit Committee at each meeting of the Committee, setting out the findings of any investigations undertaken and to agree their work programme for the subsequent period up to the next scheduled meeting of the Audit Committee.

Risk management

The Board has the primary responsibility for identifying the major risks facing the Group. The Board has adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. The Board has identified a number of key areas which are subject to regular reporting to the Board. The policies include defined procedures for seeking and obtaining approval for major transactions and organisational changes.

Risk reviews carried out by each subsidiary are updated annually as part of an ongoing risk assessment process. The focus of the reviews is to identify the circumstances, both internally and externally, where risks might affect the Group's ability to achieve its business objectives. An overall risk assessment for the Group is prepared. The management of each subsidiary periodically reports to the Board any new risks. In addition to risk assessment, the Board believes that the management structure within the Group facilitates free and rapid communication across the subsidiaries and between the Group Board and those subsidiaries and consequently allows a consistent approach to managing risks. Certain key functions are centralised, enabling the Group to address risks to the business present in those functions quickly and efficiently.

Financial planning, budgeting and monitoring

The Group operates a planning and budgeting system with an annual Budget approved by the Board. There is a financial reporting system which compares results with the budget and the previous year on a monthly basis to identify any variances from approved plans. Rolling cash flow forecasts form part of the reporting system. The Group remains alert to react to other business opportunities as they arise.

Non-executive Directors

The Non-executive Directors do not have service agreements and have no automatic right of re-appointment. They are regarded by the Board as bringing experience to the Board from their fields of business and finance, and ensure that all matters of strategy, performance, progress and standards are debated thoroughly. The senior Non-executive Director is Tony Chambers.

The table below shows the extent to which each of the Non-executive Directors complies with objective tests on independence:

Question	Tony Chambers	Pommy Sarwal
Has been an employee of the Company or Group within the last five years?	No	No
Has, or had within the last three years, a material business relationship with the Company either directly, or as a partner, shareholder, Director or senior employee of a body that has such a relationship with the Company?	No	No
Has received or receives additional remuneration from the Company apart from directors' fees, participates in the Company's share option or performance-related pay scheme, or is a member of the Company's pension scheme?	No	No
Has close family ties with any of the Company's Directors, senior employees or advisers?	No	No
Holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies?	No	Yes
Represents or is a significant shareholder?	No	No
Has served on the Board for more than nine years from the date of their first election?	Yes	No

The Non-executive Directors are considered by the Board to be independent in character and judgement and have no relationships or any circumstances that are likely to affect their judgement as Directors of the Company.

Tony Chambers was appointed to the Board on 24 February 2004 and, with effect from 24 February 2013 has therefore served for more than nine years from the date of his initial election. Taking into consideration all other tests of independence, the Board do not consider this to impair Mr Chamber's independence or his ability to fulfil his role with impartiality.

Pommy Sarwal sits on the board of Hybrid Air Vehicles Limited, a UK incorporated company, as Deputy Chairman with Philip Gwyn. Mr Sarwal also sits on the Board of Venners as non-executive Chairman, but the day-to-day management of that company is conducted by its executive directors. Neither of these roles are considered to impair his judgement or character in relation to his directorship of Christie Group plc.

Audit Committee

The Audit Committee meets no less than twice a year with the auditors in attendance. It also assists the Board in observing its responsibility for ensuring that the Group's accounting systems provide accurate and timely information and that the Group's published financial statements represent a true and fair reflection of the Group's financial position and its performance in the period under review. The committee also ensures that internal controls and appropriate accounting policies are in place, reviews the scope and results of the audits, the independence and objectivity of the auditors and establishes that an effective system of internal financial control is maintained.

The Committee has primary responsibility for making a recommendation on the appointment or re-appointment of the external auditors. In order to maintain the independence of the external auditors, the Board has determined guidelines as to what non-audit services can be provided by the Company's external auditors and the approval processes related to them. Under those policies work of a consultancy nature will not be offered to the external auditors unless there are clear efficiencies and value added benefits to the Company. Additionally the auditors confirm their independence in writing each year. The committee also monitors the level of non-audit fees paid to the external auditors. The Audit Committee consists of Tony Chambers and Pommy Sarwal as Chairman.

Remuneration Committee

The Remuneration Committee meets no less than twice a year and is responsible for determining main Board Directors and subsidiary company managing directors' remuneration together with the terms and conditions of their service contracts. It has access to relevant comparable information in respect of similar businesses. The committee is also responsible for the allocation of options under the Company's executive share option scheme. The committee also maintains a watching brief over the general employment terms and pay structures, existing or proposed, for the subsidiary trading companies. The Remuneration Committee consists of the Non-executive Directors with Tony Chambers as Chairman.

Nomination Committee

The Nomination Committee meets as required to select and propose suitable candidates for the approval of the Board to fill vacancies or new positions and to make recommendations to the Board on its composition. The Nomination Committee consists of the Non-executive Directors and Philip Gwyn as Chairman.

Risks and uncertainties

We operate in a world with a heightened awareness of risk. In growing and developing our businesses we have made a conscious decision to try and minimise unrewarded risk. We have done this in the following ways:

1. We are growing a European business in order that we are less dependent on the success or otherwise of one country's economy.
2. We service three sectors; leisure, care and retail, so that we are not dependent solely on the fortunes of one sector.
3. We offer a spread of services across our two divisions, for example, transactional, advisory and support.
4. We have a spread of work which deliberately covers both corporate and private clients.

That stated, whilst we have endeavoured to reduce risks, we are not immune to movements in the global economy or changes in the economic or legislative environments in the countries in which we do business. In addition, such things as the psychological effect of natural disasters, terrorist attacks, banking crises, currency crises and changes in behaviour pattern due to environmental based legislation can all impact our businesses in unexpected ways. All of our activities rely on the recruitment and retention of skilled individuals. Each of our divisions, though, face certain risks that are unique to the services they provide and they are categorised under the divisional headings below.

The following can adversely affect our markets and businesses:

Professional Business Services (PBS)

- changes in interest rates;
- lack of bank liquidity and more conservative lending criteria;
- a slow down in the residential housing market;
- collapse or fragmentation of the Euro Currency (also applicable to SISS); and
- dismemberment of the European Union (also applicable to SISS).

Stock & Inventory Systems & Services (SISS)

- changes in employee legislation, in particular the Working Time Directive;
- increase in transport costs;
- trends towards a cashless society; and
- economic slowdown and technology changes affecting the retail and hospitality sectors.

The above list of risks is meant to highlight, in addition to any noted elsewhere in this report, those we consider relevant today and is not intended to be an exhaustive list of risks facing the businesses.

Dialogue with institutional shareholders

The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders. This is done through meetings following the publication of the year-end and interim results.

Shares and shareholdings

The interests of Directors are set out on page 37.

Remuneration report

Part 1 of this report sets out the Company's remuneration policies for the Directors for the year ended 31 December 2012. These policies are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed in future reports. Part 2 sets out details of the remuneration received by Directors during the year ended 31 December 2012.

Part 1. Remuneration Committee (not subject to audit)

The Remuneration Committee, which consists solely of Non-executive Directors, makes recommendations to the Board on the framework of executive remuneration and determines specific remuneration packages on their behalf. The Chairman and Chief Executive attend the Remuneration Committee meetings. The Chairman and Chief Executive are not present when their own remuneration is being considered by the Committee.

The Committee's policy is to provide a remuneration package which will attract and retain Directors with the ability and experience required to manage the Company and to provide superior long term performance. It is the aim of the Committee to reward Directors competitively and on the broad principle that their remuneration should be in line with the remuneration paid to senior management of comparable companies. There are four main elements of the remuneration package for Executive Directors: base salary, annual bonus, benefits and share options.

- Base salary is reviewed annually and in setting salary levels the Remuneration Committee considers the experience and responsibilities of the Executive Directors and their personal performance during the previous year. The committee also takes account of external market data, as well as the rates of increases for other employees within the Company. Base salary going forward is the only element of the package to determine future pensionable earnings.
- Annual bonuses are calculated as a percentage of pre-tax profits in excess of a threshold. Bonuses are designed to contribute approximately 25% of total earnings, but they are normally uncapped.
- Benefits are primarily the provision of cars and health insurance.
- Share options are granted having regard to an individual's seniority within the business and, together with the Group's Save As You Earn scheme (SAYE), are designed to give Executive Directors an interest in the increase in the value of the Group.

Service contracts and/or letters of appointment

Executive Directors

It is the Group's policy to appoint Executive Directors under service agreements terminable by either party giving a minimum of 6 months' notice. David Rugg has a two year notice period that was agreed on flotation of the Company and this is still considered appropriate.

There are no predetermined provisions for compensation on termination within Executive Directors' service agreements. However the Group believes that severance arrangements should be restricted to base pay and consequential payments such as bonus and pension accrual. Nevertheless, the circumstances of the termination and the individual's duty and opportunity to mitigate loss would be taken into account.

Non-executive Directors

The Non-executive Directors have a letter of appointment, which specifies an initial appointment of three years. Their appointment is subject to Board approval and election by shareholders at the annual general meeting following appointment and, thereafter, re-election by rotation. There are no provisions for compensation payments on early termination in the Non-executives' letters of appointment.

The fees of the Non-executive Directors are determined by the Chairman and the Chief Executive and are designed to reflect the time and experience which these Directors bring to the Company.

Outside directorships

Other than the Chairman, none of the Executive Directors hold external Non-executive directorship positions. The Chairman has no commitments that impact adversely on his role as Chairman.

PART 2. Directors' Emoluments

	Salary, Commissions & Fees £'000	Long Term Share Schemes £'000	Bonus £'000	Benefits £'000	Pensions £'000	2012 £'000	2011 £'000
Philip Gwyn	150	–	–	21	21	192	191
David Rugg*	350	–	6	41	–	397	376
Chris Day**	300	–	5	19	29	353	330
Dan Prickett	130	–	1	10	4	145	134
Paul Harding***	177	73	5	15	17	287	106
Tony Chambers	25	–	–	–	–	25	25
Pommy Sarwal	50	–	–	–	–	50	50
Michael Likierman****	–	–	–	–	–	–	11
	1,182	73	17	106	71	1,449	1,223

* David Rugg voluntarily reduced his annual salary by 10% with effect from 1 June 2009 which was restored with effect from 1 July 2011

** Chris Day accepted a 10% reduction in basic salary with effect from 1 June 2009 which was restored with effect from 1 July 2011

*** Paul Harding was appointed to the Board on 1 July 2011

**** Michael Likierman retired from the Board on 15 June 2011

At the year end the highest paid Director had accrued benefits under company pension schemes as set out below:

	2012 £'000	2011 £'000
Defined benefit scheme:		
Accrued pension at end of year	209	196

The highest paid director did not exercise any share options during the year.

Directors' pension entitlements

The Company contributed £21,000 (2011: £21,000) for Philip Gwyn to a self-administered pension fund. David Rugg and Chris Day are members of the Christie Group Pension & Assurance Scheme managed by Hanover Pensions Limited. Paul Harding and Dan Prickett both receive employer contributions as members of the Company defined contribution scheme.

Directors' interests

Details of the Directors' interests in the ordinary shares of the Company are set out below:

	31 Mar 2013	31 Dec 2012	31 Dec 2011
Philip Gwyn	10,967,582	10,967,582	10,967,582
David Rugg	2,596,860	2,596,860	2,596,860
Chris Day	606,068	606,068	606,068
Paul Harding	202,733	202,733	202,733
Tony Chambers	125,690	125,690	125,690
Pommy Sarwal	–	–	–
Dan Prickett	–	–	–

In addition to interests shown above the following directors hold share options under company share option schemes:

Dan Prickett holds 50,000 share options, granted in May 2009 and September 2009 exercisable between May 2012 and September 2019

Paul Harding holds 25,000 share options, granted in May 2009 exercisable between May 2012 and May 2019

Chris Day holds 50,000 share options, granted in May 2009 exercisable between May 2012 and May 2019

Share options

During the year none of the Executive Directors were awarded share options under long term incentive schemes (2011: nil).

The market price of the shares at 31 December 2012 was 60.0p (31 December 2011: 62.5p) and the range during the year was 45.5p to 77.5p (year to 31 December 2011: 41.5p to 72.5p).

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the members of Christie Group plc

We have audited the financial statements of Christie Group PLC for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Shareholders' Equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sancho Simmonds

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

5 April 2013

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Note	2012			2011		
		Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Revenue	6	56,087	57	56,144	53,230	60	53,290
Employee benefit expenses	7	(38,511)	(584)	(39,095)	(37,466)	(310)	(37,776)
		17,576	(527)	17,049	15,764	(250)	15,514
Depreciation and amortisation	6	(548)	–	(548)	(434)	(3)	(437)
Impairment credit	21	14	5	19	92	–	92
Other operating expenses		(15,678)	(267)	(15,945)	(14,677)	(152)	(14,829)
Operating profit/(loss)		1,364	(789)	575	745	(405)	340
Finance costs	8	(97)	(19)	(116)	(104)	–	(104)
Finance income	8	1	–	1	1	–	1
Total finance costs	8	(96)	(19)	(115)	(103)	–	(103)
Profit/(loss) before tax	9	1,268	(808)	460	642	(405)	237
Taxation	10	(390)	–	(390)	(386)	–	(386)
Profit/(loss) for the year after tax		878	(808)	70	256	(405)	(149)
Other comprehensive income/(losses):							
Exchange differences on translating foreign operations				3			(57)
Other comprehensive income/(losses) for the period, net of tax				3			(57)
Total comprehensive income/(losses) for the year				73			(206)
Profit/(loss) for the period after tax attributable to:							
Equity shareholders of the parent				110			(114)
Non-Controlling interest				(40)			(35)
				70			(149)
Earnings per share attributable to equity holders – pence							
– Basic	12			0.44			(0.46)
– Fully diluted	12			0.43			(0.46)

All the amounts derive from continuing activities, with the exception of those amounts disclosed as exceptional items.

Exceptional items in both periods relate to Christie + Co FZ LLC, which commenced operations in 2011 and ceased trading on 31 January 2013. (See notes 2.5, 33 and 35). All revenue and costs relating to Christie + Co FZ LLC are reported as exceptional by virtue of their nature, relating to an operation where the decision was taken to liquidate Christie + Co FZ LLC in December 2012.

Consolidated statement of changes in shareholders' equity

As at 31 December 2012

	Attributable to the Equity Holders of the Company					Total equity £'000
	Share capital £'000	Fair value and other reserves (Note 23) £'000	Cumulative translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	
For the year ended 31 December 2011						
Balance at 1 January 2011	505	3,575	511	(2,135)	–	2,456
Loss for the year after tax	–	–	–	(114)	(35)	(149)
Exchange differences on translating foreign operations	–	–	(57)	–	–	(57)
Total comprehensive losses for the period	–	–	(57)	(114)	(35)	(206)
Movement in respect of employee share scheme	–	38	–	–	38	
Employee share option scheme:						
– value of services provided	–	72	–	–	–	72
Dividends paid	–	–	(244)	–	(244)	
Balance at 31 December 2011	505	3,685	454	(2,493)	(35)	2,116

	Attributable to the Equity Holders of the Company					Total equity £'000
	Share capital £'000	Fair value and other reserves (Note 23) £'000	Cumulative translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	
For the year ended 31 December 2012						
Balance at 1 January 2012	505	3,685	454	(2,493)	(35)	2,116
Profit/(loss) for the year after tax	–	–	110	(40)	70	
Exchange differences on translating foreign operations	–	–	3	–	–	3
Total comprehensive income/(losses) for the period	–	–	3	110	(40)	73
Movement in respect of employee share scheme	–	935	–	(1,021)	–	(86)
Employee share option scheme:						
– value of services provided	–	68	–	–	–	68
Dividends paid	–	–	–	(251)	–	(251)
Balance at 31 December 2012	505	4,688	457	(3,655)	(75)	1,920

Consolidated statement of financial position

At 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets – Goodwill	13	1,011	1,011
Intangible assets – Other	14	403	145
Property, plant and equipment	15	1,232	606
Deferred tax assets	16	2,472	3,039
Available-for-sale financial assets	17a	300	300
Other receivables	18	316	904
		5,734	6,005
Current assets			
Inventories	19	1	1
Trade and other receivables	21	10,670	11,225
Current tax assets		177	72
Cash and cash equivalents	20	1,314	1,059
		12,162	12,357
Total assets		17,896	18,362
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	505	505
Fair value and other reserves	23	4,688	3,685
Cumulative translation reserve		457	454
Retained earnings	23	(3,655)	(2,493)
		1,995	2,151
Non-controlling interest	33	(75)	(35)
Total equity		1,920	2,116
Liabilities			
Non-current liabilities			
Retirement benefit obligations	24	1,613	2,376
Provisions	27	734	554
		2,347	2,930
Current liabilities			
Trade and other payables	25	8,047	8,265
Borrowings	26	3,440	3,091
Provisions	27	2,142	1,960
		13,629	13,316
Total liabilities		15,976	16,246
Total equity and liabilities		17,896	18,362

These consolidated financial statements have been approved for issue by the Board of Directors on 5 April 2013.

D B Rugg
Chief Executive

D R Prickett
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash flow from operating activities			
Cash generated from/(used in) operations	28	1,422	(1,907)
Interest paid		(116)	(104)
Tax received		72	–
Net cash generated from/(used in) operating activities		1,378	(2,011)
Cash flow from investing activities			
Acquisition of subsidiary		(4)	–
Purchase of property, plant and equipment (PPE)		(1,072)	(420)
Proceeds from sale of PPE		13	–
Intangible asset expenditure – software		(146)	(7)
Interest received		1	1
Net cash used in investing activities		(1,208)	(426)
Cash flow from financing activities			
Net proceeds from the purchase & sale of shares held by ESOP		–	38
(Repayments of)/proceeds from invoice finance		(435)	397
Dividends paid		(251)	(244)
Net cash (used in)/generated from financing activities		(686)	191
Net decrease in cash		(516)	(2,246)
Cash and cash equivalents at beginning of year		(1,009)	1,232
Exchange (losses)/gains on euro bank accounts		(13)	5
Cash and cash equivalents at end of year	20	(1,538)	(1,009)

Company statement of changes in shareholders' equity

As at 31 December 2012

	Attributable to the Equity Holders of the Company			Total equity £'000
	Share capital £'000	Fair value and other reserves (Note 23) £'000	Retained earnings £'000	
For the year ended 31 December 2011				
Balance at 1 January 2011	505	3,061	3,950	7,516
Total comprehensive losses for the period	–	–	(270)	(270)
Movement in respect of employee share scheme	–	39	–	39
Dividends paid	–	–	(244)	(244)
Balance at 31 December 2011	505	3,100	3,436	7,041

	Attributable to the Equity Holders of the Company			Total equity £'000
	Share capital £'000	Fair value and other reserves (Note 23) £'000	Retained earnings £'000	
For the year ended 31 December 2012				
Balance at 1 January 2012	505	3,100	3,436	7,041
Total comprehensive losses for the period	–	–	(313)	(313)
Movement in respect of employee share scheme	–	935	(1,021)	(86)
Dividends paid	–	–	(251)	(251)
Balance at 31 December 2012	505	4,035	1,851	6,391

Company statement of financial position

As at 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Investments in subsidiaries	17	2,563	2,563
Deferred tax assets	16	277	626
Available-for-sale financial assets	17a	300	300
Other receivables	18	7,960	7,175
		11,100	10,664
Current assets			
Trade and other receivables	21	2,699	2,958
Current tax assets		177	72
Cash and cash equivalents	20	2	1
		2,878	3,031
Total assets		13,978	13,695
Equity			
Share capital	22	505	505
Fair value and other reserves	23	4,035	3,100
Retained earnings	23	1,851	3,436
Total equity		6,391	7,041
Liabilities			
Non-current liabilities			
Retirement benefit obligations	24	57	286
		57	286
Current liabilities			
Trade and other payables	25	4,715	4,451
Borrowings	26	2,815	1,917
		7,530	6,368
Total liabilities		7,587	6,654
Total equity and liabilities		13,978	13,695

These Company financial statements have been approved for issue by the Board of Directors on 5 April 2012.

D B Rugg
Chief Executive

D R Prickett
Chief Financial Officer

Company statement of cash flows

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash flow from operating activities			
Cash used in operations	28	(782)	(834)
Interest paid		(162)	(122)
Tax received		72	–
Net cash used in operating activities		(872)	(956)
Cash flow from investing activities			
Interest received		226	192
Net cash generated from investing activities		226	192
Cash flow from financing activities			
Dividends paid		(251)	(244)
Net proceeds from the purchase & sale of shares held by ESOP		–	39
Net cash used in financing activities		(251)	(205)
Net decrease in cash		(897)	(969)
Cash and cash equivalents at beginning of year		(1,916)	(942)
Exchange loss on euro bank account		–	(5)
Cash and cash equivalents at end of year		(2,813)	(1,916)

Notes to the consolidated financial statements

1. General information

Christie Group plc is the parent undertaking of a group of companies covering a range of related activities. These fall into two divisions – Professional Business Services and Stock & Inventory Systems & Services. Professional Business Services principally covers business valuation, consultancy

and agency, mortgage and insurance services, and business appraisal. Stock & Inventory Systems & Services covers stock audit and counting, compliance and food safety audits and inventory preparation and valuation, hospitality and cinema software.

2. Summary of significant accounting policies

Accounting policies for the year ended 31 December 2012

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 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), IFRS Interpretations Committee 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 the defined benefit pension scheme, and on a going concern basis.

The financial statements have been prepared in accordance with IFRS and IFRS Interpretations Committee interpretations issued and effective or issued and early adopted as at the time of preparing these statements (April 2013).

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 Company financial statements are disclosed in Note 4.

New and amended standards adopted by the group

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2012, have had a material effect on the financial statements of the Group or the Company.

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 after 1 January 2013 or later periods and have not been early adopted. It is anticipated that none of these new standards, interpretations and amendments currently in issue at the time of preparing the financial statements (April 2013) will

have a material effect on the consolidated financial statements of the Group, except the following set out below:

IAS 19, 'Employee benefits' was amended in June 2011 and becomes mandatory for the Group's 2013 consolidated financial statements. The impact on the group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Within the Consolidated Statement of Financial Position, the unrecognised actuarial losses which will be recognised on the removal of the corridor amount to £8,387,000 at 31 December 2012. In future periods, actuarial gains and losses will be recognised immediately in other comprehensive income or losses. The total impact on the consolidated statement of financial position as at 31 December 2012 is to reduce total equity to total negative equity of £6,467,000

Within the Company Statement of Financial Position, the unrecognised actuarial losses which will be recognised on the removal of the corridor amount to £722,000 at 31 December 2012. The total impact on the Company's results for the year ended 31 December 2012 is that the total equity would be £5,669,000.

IFRS 12, 'Disclosures of interests in other entities', becomes mandatory for the Group's 2014 consolidated financial statements. The impact on the group includes additional disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess the full impact of the amendments.

2.2 Consolidation

The Consolidated financial statements include the results of Christie Group plc and all its subsidiary undertakings on the basis of their financial statements to 31 December 2012. The results of businesses acquired or disposed of are included from or to the date of acquisition or disposal.

A subsidiary is an entity controlled, directly or indirectly, by Christie Group plc. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain the benefits from its activities.

2. Summary of significant accounting policies continued

Non controlling interests

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Group's and Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- b) income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- c) all resulting exchange differences are recognised as a separate component of equity, the cumulative translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the ordinary course of the Group's activities.

Revenue derived from the Group's principal activities (which is shown exclusive of applicable sales taxes or equivalents) is recognised as follows:

Agency, consultancy and valuations

Net agency fees are recognised as income on exchange of contracts at which point the Group becomes contractually entitled to its agency fee. Consultancy income is recognised in the accounting period in which the service is rendered, assessed on the basis of actual service provided as a proportion of the total services provided. In respect of valuations, turnover is recognised once the property or business has been inspected. Appraisal income is recognised in the accounting period in which the service is rendered, assessed on the basis of actual service provided as a proportion of the total services to be provided.

Business mortgage broking

Fee income is taken either when a loan offer is secured or when the loan is drawn down.

Insurance broking

Insurance brokerage is accounted for when the insurance policy commences.

Software

Hardware revenues are recognised on installation or as otherwise specified in the terms of the contract. Software revenues are recognised on delivery or as otherwise specified in the terms of the contract. Revenues on maintenance contracts are recognised over the period of the contracts. Revenue in respect of services, such as implementation, training and consultancy, are recognised when the services are performed.

Stock & inventory services

Fees are recognised on completion of the visit to client's premises.

Other income is recognised as follows:

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

2.5 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2. Summary of significant accounting policies continued

2.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Group operating segments are defined as Professional Business Services, Stock & Inventory Systems & Services, and Other. Within these segments, the Board of Directors distinguish between European-based operations and those operations based overseas on the basis that the risks and returns may vary depending on the economic environment.

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items. Any current and deferred tax assets and liabilities are not included in business segments and are thus unallocated.

All transactions between reportable segments are at arm's length.

2.7 Intangible assets

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill arising on acquisitions prior to the date of transition to IFRS has been retained at previous UK GAAP amounts as permitted by IFRS 1 'First time adoption of International Accounting Standards'.

Client instructions

Client instructions (instructions to act as agents for clients wishing to purchase or dispose of business assets), recognised on the acquisition of a subsidiary, are stated at fair value as at the date of acquisition, net of amortisation and any provision for impairment. Amortisation is calculated to write down the costs of instructions on a consistent basis to the recognition of the associated revenues, up to a maximum expected life of two years.

Other

Intangible fixed assets such as software are stated at cost, net of amortisation and any provision for impairment. Amortisation is calculated to write down the cost of all intangible fixed assets to their estimated residual value by equal annual instalments over their expected useful economic lives. The expected useful lives are between one and five years.

2.8 Property, plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write down the cost of all tangible fixed assets to estimated residual value by equal annual instalments over their expected useful lives as follows:

Leasehold property	Lease term
Fixtures, fittings and equipment	5 – 10 years
Computer equipment	2 – 3 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the statement of comprehensive income.

2.9 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Rentals under operating leases (net of any incentives received) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Assets, held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, whilst the interest elements are charged to the statement of comprehensive income over the period of the leases at a constant rate.

2.10 Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the present value of the future cash flows relating to the asset, and is determined over periods which are deemed to appropriately reflect the minimum expected period that the cash generating unit will operate for. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units), and their carrying value assessed against management's projection of the present value of cashflows arising over a projected period of 5 years from the Statement of Financial Position date, using growth rates determined by management.

2. Summary of significant accounting policies continued

Any assessment of impairment based on value in use takes account of the time value of money and the uncertainty or risk inherent in the future cash flows. The discount rates applied reflect current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

2.11 Investments

The Group classifies its investments depending on the purpose for which the investments were acquired. Management determines the classification of its investments on purchase and re-evaluates this designation at every reporting date. Fixed asset investments in subsidiaries are shown at cost less any provision for impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

Purchases and sales of investments held as available for sale financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. For investments in equity instruments and unlisted securities that do not have a quoted market price in an active market and whose fair value can not be reliably measured these are valued at cost.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

2.12 Inventories

Inventories held for resale are valued at the lower of cost and net realisable value.

2.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is

objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the statement of comprehensive income.

2.14 Cash and cash equivalents

Cash and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost. Cash and cash equivalents comprise cash in hand, deposits held on call with banks, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

2.15 Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost; any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2.16 Taxation including deferred tax

Tax on company profits is provided for at the current rate applicable in each of the relevant territories.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. 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 or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This is reviewed annually.

2.17 Share capital and share premium

Ordinary shares are classified as equity.

Where any Group company or the Employee Share Ownership Plan (ESOP) trust purchases the Company's equity share capital (own shares), the consideration paid, including any

2. Summary of significant accounting policies continued

directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends, which are paid prior to approval by the Company's shareholders they are recognised on payment.

2.19 Invoice finance

Trade receivables are subject to an invoice finance facility whereby an advance is received based upon and secured upon trade receivables. The carrying value is stated at the fair value of the amount repayable at the date of the statement of financial position.

2.20 Employee benefits

Pension obligations

The Group has both defined benefit and defined contribution schemes. A defined benefit scheme is a pension scheme that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration. A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

Pension obligations – Defined benefit schemes

The liability recognised in the statement of financial position in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the statement of financial position date less the fair value of scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of scheme assets or 10% of the defined benefit obligation are

charged or credited to the statement of comprehensive income over the employees' expected average remaining period till the scheme retirement date. This method of accounting will no longer be permitted with effect from 1 January 2013 due to an amendment to IAS 19, 'Employee Benefits'. Details of how this will impact the Group's 2013 consolidated financial statements are set out in note 2.1.

Past-service costs are recognised immediately in the statement of comprehensive income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Pension obligations – Defined contribution scheme

Group companies contribute towards a personal pension scheme for their participating employees. These employees are currently entitled to such contributions after a qualifying period has elapsed. Payments to the scheme are charged as an employee benefit expense as they fall due. The Group has no further payment obligations once the contributions have been paid.

Share based compensation

The fair value of employee share option schemes, including Save As You Earn (SAYE) schemes, is measured by a Black-Scholes pricing model. Further details are set out in Note 22a. In accordance with IFRS 2 'Share-based Payments' the resulting cost is charged to the statement of comprehensive income over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

No expense was recognised in respect of share options granted before 7 November 2002 and those which had vested before 1 January 2005.

For share options granted after 7 November 2002 and vested after 1 January 2005 the Group operates an equity-settled, long term incentive plan designed to align management interests with those of shareholders. The fair value of the employee's services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity.

2. Summary of significant accounting policies continued

Commissions and bonus plans

The Group recognises a liability and an expense for commissions and bonuses, based on formula driven calculations. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation

and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. Financial risk management

The Group uses a limited number of financial instruments, comprising cash, short-term deposits, bank loans and overdrafts and various items such as trade receivables and payables, which arise directly from operations. The Group does not trade in financial instruments.

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

At 31 December 2012, if sterling had strengthened by 10% against the Euro, with all other variables held constant, the post tax profit for the year would have been £42,000 higher (2011: £20,000 higher) mainly as a result of foreign exchange gains/losses on translation of Euro denominated trade receivables, cash and cash equivalents, and trade payables. Applying the same variables to foreign exchange differences recognised directly in equity the effect would be a reduction in equity of £42,000 (2011: £20,000).

b) Credit risk

The Group has no significant concentrations of credit risk and has policies in place to ensure that sales are made to customers with an appropriate credit history.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The Group uses an invoice financing arrangement in a group undertaking to mitigate liquidity risk. The Group ensures it has adequate cover through the availability of bank overdraft and loan facilities.

At 31 December 2012 total borrowings by the Group amounted to £3,440,000 (2011: £3,091,000), with additional available unutilised credit facilities at 31 December 2012 of £1,150,000 (2011: £2,078,000).

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Total cash and cash equivalents held by the group at 31 December 2012 were £1,314,000 (2011: £1,059,000).

d) Cash flow and interest rate risk

The Group finances its operations through a mix of cash flow from current operations together with cash on deposit and bank and other borrowings. Borrowings are generally at floating rates of interest and no use of interest rate swaps has been made.

The Group's interest rate risk arises from cash balances and borrowings subject to variable interest rates. For the year ended 31 December 2012, assuming all other variables remained equal but interest rates were 1% higher or lower throughout the year, the impact on post tax losses would be a maximum increase or decrease of £4,000 (2011: £1,000).

3. Financial risk management continued

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure appropriate for its growth plans.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or alter debt levels.

4. 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.

4.1 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, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as set out in Note 13.

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. Management base their assumptions on their understanding and interpretation of applicable scheme rules which prevail at the statement of financial position date. 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, as stated in Note 24, 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. Following revisions to IAS 19, which are effective from 1 January 2013, the corridor method will be eliminated and all actuarial gains or losses will be recognised immediately.

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. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5. Loss of the parent company

As permitted by section 408 of the Companies Act 2006 the Income Statement of the Parent Company is not presented as part of these financial statements. The Parent Company

made a loss after tax of £313,000 (2011: £270,000). It had dividends paid of £251,000 making total comprehensive losses for the year of £564,000.

Notes to the consolidated financial statements continued

6. Segment information

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

The segment results for the year ended 31 December 2012 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
Total gross segment sales	30,547	25,701	2,340	58,588
Inter-segment sales	(104)	–	(2,340)	(2,444)
Revenue	30,443	25,701	–	56,144
Operating profit/(loss) before exceptional items	564	763	37	1,364
Exceptional items	(789)	–	–	(789)
Operating (loss)/profit after exceptional items	(225)	763	37	575
Net finance (costs)/credit	(143)	(15)	43	(115)
Profit before tax	(368)			460
Taxation				(390)
Profit for the year after tax				70

The segment results for the year ended 31 December 2011 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
Total gross segment sales	27,474	25,920	2,338	55,732
Inter-segment sales	(104)	–	(2,338)	(2,442)
Revenue	27,370	25,920	–	53,290
Operating (loss)/profit before exceptional items	(57)	647	155	745
Exceptional items	(405)	–	–	(405)
Operating (loss)/profit after exceptional items	(462)	647	155	340
Net finance (costs)/credit	(121)	(34)	52	(103)
Profit before tax				237
Taxation				(386)
Loss for the year after tax				(149)

6. Segment information continued

Other segment items included in the statements of comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
31 December 2012				
Depreciation and amortisation	265	280	3	548
Impairment of trade receivables	(3)	(16)	–	(19)
31 December 2011				
Depreciation and amortisation	190	242	5	437
Impairment of trade receivables	(143)	51	–	(92)

The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
Assets	7,970	4,851	2,426	15,247
Deferred tax assets				2,472
Current tax assets				177
				17,896
Liabilities	7,480	4,013	1,043	12,536
Borrowings				3,440
				15,976
Capital expenditure	1,060	413	1	1,474

The segment assets and liabilities at 31 December 2011 and capital expenditure for the year are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
Assets	6,832	5,519	2,900	15,251
Deferred tax assets				3,039
Current tax assets				72
				18,362
Liabilities	7,070	4,688	1,397	13,155
Borrowings				3,091
				16,246
Capital expenditure	147	277	3	427

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.

Notes to the consolidated financial statements continued

6. Segment information continued

The Group manages its operating segments on a global basis. The UK is the home country of the parent. The Group's revenue is mainly generated in Europe.

Revenue is allocated below based on the entity's country of domicile.

	2012 £'000	2011 £'000
Revenue		
Europe	55,393	52,400
Rest of the World	751	890
	56,144	53,290

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

	2012 £'000	2011 £'000
Total segment assets		
Europe	15,115	14,998
Rest of the World	132	253
	15,247	15,251

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

	2012 £'000	2011 £'000
Capital expenditure		
Europe	1,469	392
Rest of World	5	35
	1,474	427

	2012 £'000	2011 £'000
Analysis of revenue by category		
Sale of goods	278	405
Revenue from services	55,866	52,885
	56,144	53,290

7. Employee benefit expenses

Staff costs for the Group during the year	2012 £'000	2011 £'000
Salaries and short term employee benefits*	36,413	35,101
Other benefits	1,260	1,198
Post employment benefits	985	986
Other long-term benefits	369	419
Cost of employee share scheme	68	72
	39,095	37,776

*Includes exceptional items of £584,000 (2011: £310,000)

Average number of people (including executive directors) employed by the Group during the year was

	2012 number	2011 number
Operational	876	840
Administration and support staff	250	240
	1,126	1,080

8. Finance costs

	2012 £'000	2011 £'000
Interest payable on bank loans and overdrafts	99	75
Other interest payable	17	29
Total finance costs	116	104
Bank interest receivable	(1)	(1)
Total finance credit	(1)	(1)
Net finance costs	115	103

9. Profit/(loss) before tax

	Group	
	2012 £'000	2011 £'000
Profit/(loss) before tax is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
– owned assets	432	398
Amortisation of intangible fixed assets	116	39
Profit on sale of property, plant and equipment	(11)	–
Operating lease charges		
– buildings	1,436	1,448
– other	704	675
Impairment of trade receivables (see note 21)	(19)	(92)
Vacant leasehold provisions	36	52
Repairs and maintenance expenditure on property, plant and equipment	314	291
Loss/(gain) on foreign exchange (including Company gain £nil (2011: gain £5,000))	8	(16)

Notes to the consolidated financial statements continued

9. Profit/(loss) before tax continued

Services provided by the Group's auditor

During the year the Group obtained the following services from the Group's auditor as detailed below:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Audit services				
– audit of the parent company and consolidated financial statements	17	14	17	14
– audit of the subsidiary company financial statements	93	88	–	–
Total audit fees	110	102	17	14
Pension scheme fees	11	11	–	–
Other services pursuant to legislation	4	4	–	–
Tax services	–	1	–	1
Other services				
– other services	8	7	8	7

10. Taxation

	2012 £'000	2011 £'000
Current tax		
UK Corporation tax at 24.5% (2011: 26.5%)	177	–
Total current tax credit	177	–
Deferred tax		
Origination and reversal of timing differences	(356)	(146)
Impact of change in the UK corporation tax rate	(211)	(240)
Total deferred tax charge	(567)	(386)
Tax charge on profit/(loss) on ordinary activities	(390)	(386)

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 24.5% as follows:

Tax on profit/(loss) on ordinary activities

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	460	237
Profit on ordinary activities at standard rate of UK corporation tax of 24.5% (2011: 26.5%)	(113)	(63)
Effects of:		
– income not subject to tax	42	5
– expenses not deductible for tax purposes	(108)	(205)
– tax losses for which no deferred tax asset has previously been recognised	–	117
Re-measurement of deferred tax asset due to changes in the UK corporation tax rate	(211)	(240)
Total tax charge	(390)	(386)

During the year, as a result of the change in the UK corporation tax rate, the opening deferred tax balances have been re-measured. Deferred tax assets recognised at 1 January 2012 which had been measured at 25% at 31 December 2011 have been re-measured using the enacted rate that will apply at 31 December 2012 (23%).

11. Dividends

A dividend in respect of the year ended 31 December 2012 of 0.5p per share, amounting to a total dividend of £125,000, is to be proposed at the Annual General Meeting on 21 June 2013. These financial statements do not reflect this proposed dividend.

12. 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 2012 £'000	31 December 2011 £'000
Profit/(loss) from continuing operations attributable to equity holders of the Company	110	(114)
	31 December 2012 Thousands	31 December 2011 Thousands
Weighted average number of ordinary shares in issue	25,091	24,677
Adjustment for share options	245	189
Weighted average number of ordinary shares for diluted earnings per share	25,336	24,866
	31 December 2012 Pence	31 December 2011 Pence
Basic earnings per share		
Continuing operations	0.44	(0.46)
Fully diluted earnings per share		
Continuing operations	0.43	(0.46)

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 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.

13. Intangible assets – goodwill

Group	Total £'000
Cost	
At 1 January 2012 and 31 December 2012	1,011
Group	Total £'000
Cost	
At 1 January 2011 and 31 December 2011	1,011

13. Intangible assets – goodwill continued

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. The carrying amounts of goodwill by segment as at 31 December 2012 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000
Goodwill	178	833

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36 on the basis of the relevant CGUs. Following the impairment tests there has been no change to the carrying values. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on current business plans. The key assumptions for the value-in-use calculations are those regarding revenue growth rates, discount rates and long-term growth rates over a period of 10 years from the statement of financial position date. Management determined budgeted revenue growth based on past performance and its expectations for the market development. Discount rates were determined using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Cash flows beyond the five-year period are extrapolated using estimated long term growth rates obtained from HM Treasury for both the UK and Continental Europe.

The revenue growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

	Professional Business Services %	Stock & Inventory Systems & Services %
Discount rates	5.0	5.0
Long-term growth rates	2.5	2.5

14. Intangible assets – other

Group	Client instructions £'000	Software £'000	Total £'000
Cost			
At 1 January 2012	–	338	338
On acquisition (note 33)	256	–	256
Additions	–	146	146
Disposals	–	(10)	(10)
At 31 December 2012	256	474	730
Accumulated amortisation and impairment			
At 1 January 2012	–	193	193
Charge for the year	86	30	116
Revaluation	29	–	29
Disposals	–	(10)	(10)
Foreign currency translation effects	–	(1)	(1)
At 31 December 2012	115	212	327
Net book amount at 31 December 2012	141	262	403

14. Intangible assets – other continued

Group	Software €'000
Cost	
At 1 January 2011	360
Additions	7
Disposals	(30)
Foreign currency translation effects	1
At 31 December 2011	338
Accumulated amortisation and impairment	
At 1 January 2011	176
Charge for the year	39
Disposals	(30)
Foreign currency translation effects	8
At 31 December 2011	193
Net book amount at 31 December 2011	145

15. Property, plant and equipment

Group	Short leasehold property €'000	Fixtures, fittings, computer equipment and motor vehicles €'000	Total €'000
Cost			
At 1 January 2012	303	2,798	3,101
Additions	–	1,072	1,072
Disposals	–	(146)	(146)
Foreign currency translation effects	–	(14)	(14)
At 31 December 2012	303	3,710	4,013
Accumulated depreciation			
At 1 January 2012	303	2,192	2,495
Charge for the year	–	432	432
Disposals	–	(135)	(135)
Foreign currency translation effects	–	(11)	(11)
At 31 December 2012	303	2,478	2,781
Net book amount at 31 December 2012	–	1,232	1,232

Notes to the consolidated financial statements continued

15. Property, plant and equipment continued

Group	Short leasehold property £'000	Fixtures, fittings, computer equipment and motor vehicles £'000	Total £'000
At 1 January 2011	303	2,918	3,221
Additions	–	420	420
Disposals	–	(522)	(522)
Foreign currency translation effects	–	(18)	(18)
At 31 December 2011	303	2,798	3,101
Accumulated depreciation			
At 1 January 2011	303	2,327	2,630
Charge for the year	–	398	398
Disposals	–	(522)	(522)
Foreign currency translation effects	–	(11)	(11)
At 31 December 2011	303	2,192	2,495
Net book amount at 31 December 2011	–	606	606

16. Deferred tax

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

The movements in deferred tax assets (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Deferred tax assets comprises:				
Decelerated capital allowances	744	802	–	1
Losses not yet utilised	726	822	251	363
Short-term timing differences	631	821	13	191
Deferred tax asset	2,101	2,445	264	555
Deferred tax asset on pension	371	594	13	71
At 31 December	2,472	3,039	277	626

Movements in the deferred tax asset:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 January	3,039	3,425	626	569
(Charged)/ credited to statement of comprehensive income	(567)	(386)	(349)	57
At 31 December	2,472	3,039	277	626

16. Deferred tax continued

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered probable. The deferred tax asset of £726,000 (2011: £822,000) relating to losses not yet utilised is derived from unutilised tax losses of £3,156,000 (2011: £3,288,000). In considering the future probability that these losses will be fully utilised, the directors make reference to i) the past performance of individual subsidiary entities and the sectors and markets within which they operate as an indicator of future trading potential, particularly for those entities which are more subject to cyclical economic factors, ii) the budgeted performance of each entity and its ability to trade profitably and so utilise losses, iii) the medium and long term strategy for profit generation applicable to each entity and iv) the circumstances which have given rise to the losses in the first instance. Where the directors are satisfied that these loss-making circumstances no longer prevail and, having considered both previous actual and future anticipated performance, that the future profitability of the operations from which the losses are derived will be sufficient to allow for the full utilisation of these losses, the directors are satisfied that a deferred tax asset should be recognised accordingly.

The Group did not recognise deferred tax assets of £117,000 (2011: £131,000) in respect of losses amounting to £489,000 (2011: £524,000) that can be carried forward against future taxable income as the realisation of the benefit cannot be assessed as probable as at 31 December 2012.

UK deferred tax assets have been recognised at the UK corporation tax rate of 23% effective from 1 April 2012.

The UK government has announced future changes to the Corporation tax rate. These changes will result in a decrease in the standard rate of corporation tax to 23% in April 2013. If enacted, these changes will result in a further 2% reduction in April 2014 and a further 1% to a standard rate of 20% in April 2015. As at 31 December 2012 the substantively enacted rate remains at 23% and in accordance with applicable accounting standards the deferred tax asset has been calculated using this rate. In the event that the proposed rate change is substantively enacted the effect on the deferred tax asset of the Group would be a reduction of up to £214,000 (Company: £23,000).

17. Investments in subsidiaries

Company	Total £'000
Cost	
At 1 January 2012 and 31 December 2012	6,149
Provision for impairment	
At 1 January 2012 and 31 December 2012	3,586
Net book amount at 31 December 2012	2,563
Company	Total £'000
Cost	
At 1 January 2011 and 31 December 2011	6,149
Provision for impairment	
At 1 January 2011 and 31 December 2011	3,586
Net book amount at 31 December 2011	2,563

17. Investments in subsidiaries continued

Subsidiary undertakings

At 31 December 2012 the principal subsidiaries were as follows:

Company	Country of incorporation	Ownership	Nature of business
Christie, Owen & Davies Ltd (trading as Christie + Co)*	UK	100%	Business valuers, surveyors and agents
Orridge Business Sales Ltd	UK	100%	Business valuers and agents
Christie + Co SARL*	France	100%	Business valuers, surveyors and agents
Christie + Co GmbH*	Germany	100%	Business valuers, surveyors and agents
Christie, Owen & Davies SL*	Spain	100%	Business valuers, surveyors and agents
Christie + Co Oy*	Finland	100%	Business valuers, surveyors and agents
Christie + Co FZ LLC*	Dubai	95%	Business valuers, surveyors and agents
Christie + Co Austria*	Austria	100%	Business valuers, surveyors and agents
Pinders Professional & Consultancy Services Ltd	UK	100%	Business appraisers
RCC Business Mortgage Brokers Ltd (trading as Christie Finance)	UK	100%	Business mortgage brokers
RCC Insurance Brokers Ltd* (trading as Christie Insurance)	UK	100%	Insurance brokers
Orridge & Co Ltd	UK	100%	Stocktaking and inventory management services
Ridgecop Limited*	UK	100%	Stocktaking and inventory management services
Venners Ltd	UK	100%	Licensed stock and inventory auditors and valuers
Venners Systems & Services Ltd (trading as Vennersys)	UK	100%	EPoS, head office systems and merchandise control
Venners Systems & Services Corporation* (trading as Vennersys)	Canada	100%	EPoS, head office systems and merchandise control

*The Company directly or indirectly owns ordinary share capital of each of the above companies. Those designated with an asterisk represent indirect ownership.

17a. Available-for-sale financial assets

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Non-current assets				
Cost				
At 1 January 2012 and 31 December 2012	300	300	300	300

The available-for-sale financial assets are all denominated in sterling.

The available-for-sale financial asset represents an unquoted investment held at cost. The fair value of the asset cannot be measured reliably as it is an unquoted equity investment. The asset is classified as a non-current available-for-sale asset by virtue of its non-classification in any other asset category. There are no current plans to dispose of the asset and as such the directors believe it appropriate to carry the asset at the lower of cost and fair value.

18. Other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Non-current assets				
Amounts due from group undertakings	–	–	8,199	6,842
Less: Provision for impairment of amounts due from group undertakings	–	–	(555)	(571)
Other debtors	316	904	316	904
Other receivables	316	904	7,960	7,175

The Company's non-current other receivables are denominated in sterling.

Amounts due from group undertakings represent loans due from subsidiaries which are repayable after more than one year.

Other debtors represent loans in respect of the Group's share schemes repayable after more than one year, none of which are impaired.

19. Inventories

	Group	
	2012 £'000	2011 £'000
Finished goods and goods for resale	1	1

20. Cash and cash equivalents

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash at bank and in hand	1,314	1,059	2	1

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cashflow statement:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash and cash equivalents	1,314	1,059	2	1
Bank overdrafts (note 26)	(2,852)	(2,068)	(2,815)	(1,917)
	(1,538)	(1,009)	(2,813)	(1,916)

The Group operates a centrally-controlled treasury function where the use of overdraft facilities is concentrated with the ultimate parent company. As a result at 31 December 2012 the ultimate parent undertaking had utilised bank overdrafts to the value of £2,815,000 (2011: £1,917,000).

21. Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade receivables	7,168	7,559	2	–
Less: provision for impairment of receivables	(788)	(929)	–	–
Amounts owed by group undertakings	–	–	2,207	1,979
Other debtors	1,385	1,754	261	869
Prepayments and accrued income	2,905	2,841	229	110
	10,670	11,225	2,699	2,958

The fair values of trade and other receivables approximates to the carrying value as detailed above.

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group	
	2012 £'000	2011 £'000
Provision at 1 January	929	1,101
Amounts provided in previous period not utilised	(535)	(793)
Provided in the period	516	701
Impairment of receivables recognised in the consolidated statement of comprehensive income	(19)	(92)
Amounts written off in the year	(122)	(75)
Foreign currency translation effects	–	(5)
Provision at 31 December	788	929

Amounts are written off when there is no expectation of recovering additional cash.

The following summary details trade receivables that are not overdue (where payment terms have not been exceeded) as well as an analysis of overdue amounts and related provisions.

	Group	
	2012 £'000	2011 £'000
Not overdue	3,428	3,127
Amounts past due:		
← 1 month	1,838	2,004
1 – 3 months	861	914
3 – 6 months	482	621
6 – 12 months	177	455
→ 1 year	382	438
Provision for impairment of trade receivables	(788)	(929)
Amounts past due but not impaired	2,952	3,503

21. Trade and other receivables continued

The carrying value of trade receivables is reviewed and amounts not provided for are considered recoverable. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diverse. Due to this, management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables. The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Sterling	9,528	9,902	2,699	2,958
Euros	1,066	1,182	–	–
Canadian Dollars	49	112	–	–
United Arab Emirates Dirhams	27	29	–	–
	10,670	11,225	2,699	2,958

22. Share capital

	2012		2011	
	Number	£'000	Number	£'000
Ordinary shares of 2p each				
Allotted and fully paid:				
At 1 January and 31 December	25,263,551	505	25,263,551	505

The Company has one class of ordinary shares which carry no right to fixed income.

Investment in own shares

The Group has established an Employee Share Ownership Plan (ESOP) trust in order to meet its future contingent obligations under the Group's share option schemes. The ESOP purchases shares in the market for distribution at a later date in accordance with the terms of the Group's share option schemes. The rights to dividends on the shares held have been waived.

At 31 December 2012 the total payments by the Company to the ESOP to finance the purchase of ordinary shares was £2,421,000 (2011: £1,868,000). This figure is inclusive of shares purchased and subsequently issued to satisfy employee share awards. The market value at 31 December 2012 of the ordinary shares held in the ESOP was £92,000 (2011: £302,000). The investment in own shares represents 153,000 shares (2011: 483,000) with a nominal value of 2p each.

22. Share capital continued

22a. Share based payments

Certain employees hold options to subscribe for shares in the Company at prices ranging from 39.5p to 251.5p under share option schemes for the period from April 2003 – September 2012.

The remaining options outstanding under approved schemes (unapproved options marked *) at 31 December are shown below:

Number of shares		Option exercise price	Date granted	Option exercise period
2012	2011			
35,000	35,000	47.5p	Apr 2003	Apr 2006 – Apr 2013
12,000	12,000	46.5p	Jun 2003	Jun 2006 – Jun 2013
3,000	3,000	100.0p	Apr 2005	Apr 2008 – Apr 2015
6,000	9,000	130.5p	Apr 2006	Apr 2009 – Apr 2016
3,000	3,000	251.5p	Mar 2007	Mar 2010 – Mar 2017
20,000	20,000	39.5p	May 2009	May 2012 – May 2019
685,634	715,634	45.0p	May 2009	May 2012 – May 2019
16,000	16,000	45.0p	Jun 2009	Jun 2012 – Jun 2019
140,000	140,000	57.5p	Sep 2009	Sep 2012 – Sep 2019
85,000	94,000	46.5p	May 2010	May 2013 – May 2020
81,000	84,000	58.5p	Sep 2011	Sep 2014 – Sep 2021
61,000	–	67.0p	May 2012	May 2015 – May 2022
162,000	–	67.5p	Sep 2012	Sep 2015 – Sep 2022
1,309,634	1,131,634			

Under the Share Option Scheme the Remuneration Committee can grant options over shares to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the Share Option Scheme are generally reserved for employees at senior management level and 143 employees are currently participating. The Company has made grants at least annually. Options granted under the Share Option Scheme will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment and achievement of a performance target, linked directly to Christie Group plc earnings per share (eps).

The Group also operates a Save As You Earn (SAYE) scheme which was introduced in 2002. Under the SAYE scheme eligible employees can save up to £250 per month over a three or five year period and use the savings to exercise options granted between 59.5p to 202.0p. There were 561,000 (2011: 834,000) remaining options outstanding under the SAYE scheme at 31 December 2012.

Share options (including SAYE schemes) were valued using the Quoted Companies Alliance (QCA) share option valuer, which is based on Black-Scholes. No performance conditions were included in the fair value calculations. The key assumptions used in the calculations are as follows:

	2012	2011
Share price at grant date	39.5p – 251.5p	39.5p – 251.5p
Exercise price	39.5p – 251.5p	39.5p – 251.5p
Expected volatility	33.7% – 78.3%	28.5% – 78.3%
Expected life (years)	3 – 5 years	3 – 5 years
Risk free rate	0.8% – 5.1%	1.4% – 5.1%
Dividend yield	0.0% – 3.7%	0.0% – 3.7%
Fair value per option	14.77p – 84.80p	10.35p – 84.80p

The expected volatility is based on historical volatility over the last 5 years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

22. Share capital continued

A reconciliation of share option movements (excluding SAYE schemes) over the year to 31 December is shown below:

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	1,131,634	49.04p	1,122,967	49.83p
Granted	223,000	67.36p	84,000	58.50p
Forfeited or lapsed	(45,000)	51.90p	(59,000)	76.90p
Exercised	–	–	–	–
Surrendered	–	–	–	–
Expired	–	–	(16,333)	51.02p
Outstanding at 31 December	1,309,634	52.06p	1,131,634	49.04p
Exercisable at 31 December	920,634	48.21p	62,000	71.77p

No share options were exercised during the year or prior year. The total charge for the year relating to employee share based payment plans was £68,000 (2011: £72,000), all of which related to equity-settled share based payment transactions. The weighted average remaining contractual life of share options outstanding at 31 December 2012 was 6.9 years (2011: 7.4 years).

23. Reserves

Group	Share premium £'000	Share based payments £'000	Own shares £'000	Capital redemption reserve £'000	Fair value and other reserves £'000	Retained earnings £'000
At 1 January 2012	4,073	679	(1,077)	10	3,685	(2,493)
Movement in respect of employee share scheme	–	68	935	–	1,003	(1,021)
Comprehensive income for the period	–	–	–	–	–	110
Dividends paid	–	–	–	–	–	(251)
At 31 December 2012	4,073	747	(142)	10	4,688	(3,655)

Group	Share premium £'000	Share based payments £'000	Own shares £'000	Capital redemption reserve £'000	Fair value and other reserves £'000	Retained earnings £'000
At 1 January 2011	4,073	607	(1,115)	10	3,575	(2,135)
Movement in respect of employee share scheme	–	72	38	–	110	–
Comprehensive loss for the period	–	–	–	–	–	(114)
Dividends paid	–	–	–	–	–	(244)
At 31 December 2011	4,073	679	(1,077)	10	3,685	(2,493)

Notes to the consolidated financial statements continued

23. Reserves continued

Company	Share premium £'000	Share based payments £'000	Own shares £'000	Capital redemption reserve £'000	Other reserves £'000	Fair value and other reserves £'000	Retained earnings £'000
At 1 January 2012	4,073	5	(1,077)	10	89	3,100	3,436
Movement in respect of employee share scheme	–	–	935	–	–	935	(1,021)
Comprehensive losses for the period	–	–	–	–	–	–	(313)
Dividends paid	–	–	–	–	–	–	(251)
At 31 December 2012	4,073	5	(142)	10	89	4,035	1,851

Company	Share premium £'000	Share based payments £'000	Own shares £'000	Capital redemption reserve £'000	Other reserves £'000	Fair value and other reserves £'000	Retained earnings £'000
At 1 January 2011	4,073	4	(1,115)	10	89	3,061	3,950
Movement in respect of employee share scheme	–	1	38	–	–	39	–
Comprehensive losses for the period	–	–	–	–	–	–	(270)
Dividends paid	–	–	–	–	–	–	(244)
At 31 December 2011	4,073	5	(1,077)	10	89	3,100	3,436

Share premium – The balance on the share premium reserve represents the amounts received in excess of the nominal value of the ordinary shares.

Share based payments – The balance on the share based payments reserve represents the value of services provided in relation to employee share ownership schemes.

Own shares – Own shares represents Company shares held in the Employee Share Ownership Plan (ESOP) to meet the future requirements of employee share-based payment arrangements.

Capital redemption reserve – The balance on the capital redemption reserve represents the aggregate nominal value of all the ordinary shares repurchased and cancelled.

24. Group retirement benefit obligations

The amounts recognised in the statement of financial position are determined as follows:

	2012 £'000	2011 £'000
United Kingdom	1,613	2,376

United Kingdom

The Group operates two defined benefit schemes (closed to new members) providing pensions based on final pensionable pay. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method.

When a member retires, the pension and any spouse's pension is either secured by an annuity contract or paid from the managed fund. Assets of the schemes are reduced by the purchase price of any annuity purchase and the benefits no longer regarded as liabilities of the scheme.

24. Group retirement benefit obligations continued

The amounts recognised in the statement of financial position are determined as follows:

	2012 €'000	2011 €'000
Present value of funded obligations	37,797	33,612
Fair value of plan assets	(37,797)	(33,277)
	–	335
Present value of unfunded obligations	10,000	3,957
Unrecognised actuarial losses	(8,387)	(1,916)
Liability in the statement of financial position	1,613	2,376

The principal actuarial assumptions used were as follows:

	2012 %	2011 %
Discount rate	4.75	5.80
Inflation rate	2.80	3.50
Expected return on plan assets	6.20 – 6.50	6.20 – 7.60
Future salary increases	2.80	3.50
Future pension increases	2.50 – 3.50	2.50 – 3.50

Assumptions regarding future mortality experience are set based on advice from published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 is as follows:

	2012 Years	2011 Years
Male	21.1 – 22.5	19.8 – 22.1
Female	22.6 – 24.8	22.7 – 23.9

The movement in the defined benefit obligation is as follows:

	2012 €'000	2011 €'000
At 1 January	37,569	35,788
Interest cost	2,188	2,078
Current service cost	528	599
Benefits paid	(605)	(657)
Actuarial losses/(gains) on experience	750	(239)
Actuarial losses on assumption changes	7,367	–
At 31 December	47,797	37,569
Attributable to:		
Present value of funded obligations	37,797	33,612
Present value of unfunded obligations	10,000	3,957
	47,797	37,569

24. Group retirement benefit obligations continued

The movement in the fair value of plan assets is as follows:

	2012 £'000	2011 £'000
At 1 January	33,277	33,324
Expected return on plan assets	2,152	2,153
Employee Contributions	182	174
Employer Contributions	1,149	1,150
Benefits paid	(605)	(657)
Actuarial gains/(losses)	1,642	(2,867)
At 31 December	37,797	33,277

The amounts recognised in the statement of comprehensive income are as follows:

	2012 £'000	2011 £'000
Current service cost	528	599
Interest cost	2,188	2,078
Expected return on plan assets	(2,152)	(2,153)
Net actuarial losses/(gains) recognised in the year	4	(46)
Total included in employee benefit expenses	568	478

The actual return on plan assets was a gain of £3,794,000 (2011: £714,000 loss).

Plan assets are comprised as follows:

	2012		2011	
	£'000	Expected return %	£'000	Expected return %
Equity	26,490	6.50 – 7.00	22,500	6.90 – 7.60
Debt	4,837	6.50 – 7.00	5,412	7.50 – 7.60
Property	1,743	6.50 – 7.00	1,410	6.90 – 7.60
Other	4,727	2.50 – 6.50	3,955	4.40 – 7.60
	37,797	6.50	33,277	6.20 – 7.60

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to UK post retirement benefit schemes for the year ending 31 December 2013 are £1,355,000.

24. Group retirement benefit obligations continued

History of experience adjustments:

As at 31 December	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined obligations	47,797	37,569	35,788	33,625	33,547
Fair value of plan assets	(37,797)	(33,277)	(33,324)	(29,348)	(25,463)
Deficit	10,000	4,292	2,464	4,277	8,084
Experience adjustments on plan liabilities	(750)	239	(202)	2,021	(1,182)
Experience adjustments on plan assets	1,642	(2,867)	1,643	2,009	(6,508)

Company

The statement of comprehensive income credit of £146,000 (2011: £33,000 charge) and statement of financial position liability of £57,000 (2011: £286,000) recognised by the Company in relation to the Christie Group defined benefit scheme has been allocated on the basis of actuary data. For the year ended 31 December 2012 contributions paid by the Company amounted to £80,000 (2011: £79,000).

25. Trade and other payables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade payables	1,271	1,442	161	137
Amounts owed to group undertakings	–	–	3,787	3,514
Other taxes and social security	1,830	2,103	241	333
Other creditors	935	859	297	319
Accruals	3,407	2,534	229	148
Deferred income	604	1,327	–	–
	8,047	8,265	4,715	4,451

The carrying value of all amounts shown above corresponds to their fair value.

The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Sterling	6,721	8,001	4,715	4,451
Euros	846	212	–	–
Canadian Dollars	102	51	–	–
United Arab Emirates Dirhams	378	1	–	–
	8,047	8,265	4,715	4,451

26. Borrowings

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current				
Bank overdrafts	2,852	2,068	2,815	1,917
Invoice finance (secured against debtors)	588	1,023	–	–
	3,440	3,091	2,815	1,917

The Group is not subject to any contractual repricing.

The carrying amounts of current borrowings approximate to their fair value.

27. Provisions

	Vacant leasehold provisions £'000	Long-term benefits due to employees £'000	Dilapidations £'000	Total £'000
At 1 January 2012	138	1,952	424	2,514
Charged/(credited) to the statement of comprehensive income				
– Additional provision	36	361	77	474
Utilised during the year	(58)	–	(54)	(112)
At 31 December 2012	116	2,313	447	2,876

	Vacant leasehold provisions £'000	Long-term benefits due to employees £'000	Dilapidations £'000	Total £'000
At 1 January 2011	149	1,684	401	2,234
Charged/(credited) to the statement of comprehensive income				
– Additional provision	52	887	143	1,082
Utilised during the year	(63)	(619)	(120)	(802)
At 31 December 2011	138	1,952	424	2,514

Analysis of total provisions:	2012 £'000	2011 £'000
Non-current	734	554
Current	2,142	1,960
	2,876	2,514

a. Long-term benefits due to employees

Provisions for long-term benefits to employees comprise £258,000 for incentives in excess of one year's duration. These are determined in line with the projected unit credit method.

b. Dilapidations

Provision is held in respect of dilapidations arising on leasehold premises over the length of the lease in accordance with the lease terms.

The non-current liabilities are estimated to be payable over periods from one to seven years.

27. Provisions continued

c. Vacant leasehold provisions

Provisions are held for rental costs and related premises charges on leasehold commitments for excess or unutilised space, net of expected income from anticipated sub-lease arrangements. All provisions are carried at present value after applying an appropriate discount rate, and all non-current liabilities are estimated to be payable over periods from one to seven years.

28. Notes to the cash flow statement

Cash generated from/(used in) operations

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Profit/(loss) for the year after tax	70	(149)	(313)	(270)
Adjustments for:				
– Taxation	390	386	70	(57)
– Finance costs/(credit)	115	103	(64)	(70)
– Depreciation	432	398	–	–
– Amortisation of intangible assets	116	39	–	–
– Profit on sale of property, plant and equipment	(11)	–	–	–
– Foreign currency translation	(29)	(37)	–	5
– Increase in provisions	362	280	–	–
– Movement in share option charge	68	72	–	–
– Movement in retirement benefit obligation	(763)	(846)	(229)	(49)
– Decrease in non-current other receivables	588	–	–	–
Changes in working capital (excluding the effects of exchange differences on consolidation):				
– Decrease/(increase) in trade and other receivables	555	(1,691)	(611)	(1,585)
– (Decrease)/increase in trade and other payables	(471)	(462)	365	1,192
Cash generated from/(used in) operations	1,422	(1,907)	(782)	(834)

29. Reconciliation of movement in net debt

	As at 1 January 2012 £'000	Cash flow £'000	As at 31 December 2012 £'000
Cash and cash equivalents	1,059	255	1,314
Bank overdrafts	(2,068)	(784)	(2,852)
	(1,009)	(529)	(1,538)
Invoice finance	(1,023)	435	(588)
Net debt	(2,032)	(94)	(2,126)

Notes to the consolidated financial statements continued

30. Financial assets and liabilities

The carrying value of financial assets and liabilities, which are principally denominated in Sterling, Euros, Canadian dollars or United Arab Emirate dirhams, were as follows:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Assets				
Available-for-sale financial assets	300	300	300	300
Trade and other receivables	10,986	12,129	10,659	10,133
Cash and cash equivalents	1,314	1,059	2	1
	12,600	13,488	10,961	10,434
	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Liabilities				
Retirement benefit obligations	1,613	2,376	57	286
Provisions	2,876	2,514	–	–
Trade and other payables	8,047	8,265	4,715	4,451
Borrowings	3,440	3,091	2,815	1,917
	15,976	16,246	7,587	6,654

31. Commitments

Operating lease commitments

At 31 December 2012 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years.

	2012		2011	
	Property £'000	Vehicles and equipment £'000	Property £'000	Vehicles and equipment £'000
Commitments under non-cancellable operating leases due:				
Within one year	1,201	628	867	589
Within two to five years	3,363	977	2,008	1,047
After five years	6,301	–	127	–
	10,865	1,605	3,002	1,636

Operating lease payments represent:

- rentals payable by the Group for certain of its office properties. The leases have varying terms, break clauses and renewal rights.
- rentals for vehicles and equipment under non-cancellable operating lease agreements.

The Group also sub-lets an element of office space in respect of certain property lease agreements. The future minimum sublease payments expected to be received under non-cancellable subleases at the statement of financial position date was £40,000 (2011: £111,000).

32. Contingent liabilities

In the ordinary course of business, claims arise in Group companies. In the opinion of the Directors, appropriate amounts have been set aside in the individual companies within the Group in respect of liabilities which they may suffer as a result of the resolution of these claims. As at 31 December 2012 no material unprovided contingent liabilities existed (2011: £nil).

33. Business combinations

Acquisitions in 2012

On 3 July 2012, Christie & Co (Holdings) Limited, a wholly owned subsidiary of Christie Group plc, acquired a further 5% shareholding in the ordinary shares of Christie & Co FZ-LLC, taking the shareholding to 95%, for a consideration of 17,000 AED.

On 30 April 2012, Christie Owen and Davies Limited, a wholly owned subsidiary of Christie Group plc, completed the acquisition of the entire issued share capital of Orridge Business Sales Limited, a company incorporated in England and Wales and trading in the United Kingdom and whose principal activities are agents in the sale of pharmaceutical businesses. As at 31 December 2012 cash consideration had been paid for the net assets acquired following finalisation of the completion accounts. The following table sets out details of the consideration to be paid in accordance with the share purchase agreement and the fair value of the assets and liabilities acquired.

	£'000
Tangible fixed assets	20
Trade and other receivables	21
Cash and cash equivalents	53
Trade and other payables	(90)
Net assets	4
Intangible assets – client instructions	256
Goodwill	–
Total consideration	260
To be satisfied by:	
Cash consideration	4
Contingent consideration	256
	260

The contingent consideration represents consideration payable which is equivalent to fifty per cent of all commissions received from business sales and fifty per cent of all income received from valuations in relation to client instructions by Orridge Business Sales Limited on or before 30 April 2012. The contingent consideration is to be satisfied in ordinary 2p shares of Christie Group plc, to be purchased for this purpose at arms length terms from the available issued share capital of the company, on the basis of the mid-market share price at the date of exchange (3 April 2012).

Revenue of £178,000 and operating profit of £37,000 were generated in the period since acquisition.

On a pro-rata basis this would have equated to full annual revenue of £267,000 and operating profit of £55,000. Were the acquisition to have taken place on 1 January 2012 the consolidated revenue would have been £53,319,000 and operating profit before exceptional items would be £1,382,000.

On 24 January 2012, Christie & Co (Holdings) Limited, a wholly owned subsidiary of Christie Group plc, acquired a 100% shareholding in the ordinary shares of Christie & Co Austria GMBH, a newly incorporated company registered in Austria for a consideration of €35,000.

Acquisition in 2011

On 7 March 2011, Christie & Co (Holdings) Limited, a wholly owned subsidiary of Christie Group plc, acquired a 90% shareholding in the ordinary shares of Christie & Co FZ-LLC, a newly incorporated company registered with The Dubai Technology and Media Free Zone Authority, for a consideration of 54,000 AED.

34. Related-party transactions

Group

There is no controlling interest in the Group's shares.

The Group Executive Directors are considered to be the persons who have the authority and responsibility for planning, directing and controlling the Group. Details of the remuneration of the Group Executive Directors is included in the Directors' remuneration report on page 37, along with details on remuneration for Non-Executive directors.

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. In the opinion of the board, the company's key management comprises the directors and information regarding their emoluments stated in accordance with IFRS is set out below:

	2012 £'000	2011 £'000
Directors' remuneration per Directors' report	1,449	1,223
Employers' NI	183	155
Total Remuneration	1,632	1,378

	2012 £'000	2011 £'000
Dividends paid to Directors	144	145

The Income Statement charge in respect of share options held by directors is £6,000 (2011: £9,000).

Company

Transactions with Group undertakings:

	2012 £'000	2011 £'000
Provision of services	4,232	3,524
Purchase of services	761	878

Sales and purchases to group undertakings were carried out on commercial terms and conditions.

Year end balances arising from sales and provision of services to group undertakings are disclosed in Notes 18, 21 and 25.

See Note 18 for provisions against amounts due from group undertakings.

During the year the company was repaid a non-interest bearing short-term loan of £660,000 from Carmelite Property Limited, a company incorporated in England and Wales, and jointly owned by The Christie Group Pension and Assurance Scheme, The Venners Retirement Benefit Fund and The Fitzroy Square Pension Fund.

During the period rentals of £300,000 (2011:£nil) were paid to Carmelite Property Limited by Christie Group plc in accordance with the terms of a long-term lease agreement.

35. Events after the reporting period

On 31 January 2013, Christie + Co FZ LLC, a 95% owned subsidiary of Christie Group plc, ceased trading following the Board's decision to voluntarily liquidate the operation.

On 1 February 2013, RCC Insurance Brokers plc, a wholly owned subsidiary of Christie Group plc, entered into a 5 year outsourcing agreement for the management and administration of its insurance intermediary services. RCC Insurance Brokers plc retains ownership of the Christie Insurance brand and under the agreement all customers shall remain customers of RCC Insurance Brokers plc acknowledging that regulatory requirements may require the name of the counterparty to the agreement to be disclosed as principal.

It is not possible at this time to quantify the precise financial effect of this agreement, as it dependent on the number of insurance policies retained or incepted during the life of the outsource agreement upon which commissions are payable to RCC Insurance Brokers plc. However, it is projected that the benefit of the royalty received will exceed the operating costs of RCC Insurance Brokers plc and thus improve its financial performance going forward.

Five-year record

Consolidated statements of comprehensive income

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Revenue	56,144	53,290	48,905	47,067	63,422
Operating profit/(loss) before exceptional items	1,364	745	1,042	(3,654)	(2,674)
Exceptional items	(789)	(405)	–	–	(1,964)
Finance (costs)/ credit	(115)	(103)	(103)	(47)	65
Profit/(loss) on ordinary activities before tax	460	237	939	(3,701)	(4,573)
Taxation	(390)	(386)	455	1,752	1,173
Profit/(loss) on ordinary activities after tax	70	(149)	1,394	(1,949)	(3,400)
Non-Controlling interest	40	35	–	–	–
Profit/(loss) attributable to equity holders of the parent	110	(114)	1,394	(1,949)	(3,400)
Earnings per share					
– basic	0.44p	(0.46p)	5.64p	(8.30p)	(13.88p)
– basic before exceptional finance credit (net of tax)	0.43p	(0.46p)	5.62p	(8.30p)	(13.88p)
Dividends per ordinary share (payable in respect of the year)	1.00p	0.50p	1.00p	0.00p	0.50p

The 2009 and 2008 results shown above are for continuing operations only.

Consolidated statement of financial position

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Non-current assets	5,734	6,005	6,415	6,457	5,951
Current assets	12,162	12,357	11,794	12,061	12,430
Non-current liabilities	(734)	(554)	(2,093)	(1,720)	(1,751)
Current liabilities	(13,629)	(13,316)	(10,438)	(12,236)	(10,554)
	3,533	4,492	5,678	4,562	6,076
Retirement benefit obligations	(1,613)	(2,376)	(3,222)	(3,594)	(3,225)
Net assets	1,920	2,116	2,456	968	2,851

Shareholder information

Company information

Investor and shareholder-related information can be found on our website at: www.christiegroup.com

Online copy

An electronic version of this annual report is available on our website in the Investors/Reports section at: www.christiegroup.com/cgroup/en/investors/reports

Financial calendar

Annual General Meeting

Whitefriars House	Friday 21 June 2013
6 Carmelite Street	at 10.30am
London EC4Y 0BS	

Announcements

Half-year results for 2013	September 2013
Preliminary full-year results for 2013	April 2014

Final dividend 2012

Ex-dividend	5 June 2013
Record date	7 June 2013
Payment date	5 July 2013

Dates are correct at the time of printing, but are subject to change.

Registrars

All administrative enquiries relating to shareholdings and requests to receive corporate documents by e-mail should, in the first instance, be directed to:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

0871 664 0300 (calls cost 10 pence per minute plus network extras. Lines are open from 8:30am to 5:30pm Mon – Fri) from the UK and +44 (0) 20 8639 3399 from overseas.

shareholder.services@capitaregistrars.com

Shareholders who receive duplicate sets of company mailings because they have multiple accounts should write to Capita Registrars to have their accounts amalgamated.

Voting online and the shareholder portal – www.capitashareportal.com

You will need your investor code, which can be found on your share certificate(s) to register for the shareholder portal.

Once you have registered, you can immediately:

- Cast your proxy vote online.
- Elect to receive shareholder communications electronically.

And, after you have activated your account, you can benefit from a number of other online services:

- View your holding balance and indicative share price and valuation.
- View transactions on your holding and dividend payments you have received.
- Update your address or register a bank mandate instruction to have dividends paid directly to your bank account.
- Access a wide range of shareholder information including downloadable forms.

If you need any help with voting online, please contact the Capita Registrars Shareholders Helpline, either:

- by phone on 0871 664 0391 from the UK (calls cost 10p per minute plus network extras. Lines are open between 9am and 5:30pm, Monday – Friday) or from overseas on +44 (0) 20 8639 3367; or
- by e-mail at shareholder.services@capitaregistrars.com

ShareGift

ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small number of shares where the market value makes it uneconomic to sell them on a commission basis. The scheme is administered by the Orr Mackintosh Foundation. For further information, please contact the foundation: 020 7930 3737.

www.sharegift.org/donorinformation

Unauthorised brokers ('boiler room' scams)

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turns out to be worthless or high risk shares in US or UK investments. These are commonly known as 'boiler rooms'.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at: www.fsa.gov.uk/fsaregister
- Report the matter to the FSA by calling 0845 606 1234.
- If the calls persist, hang up.

Details of any share dealing facilities that Christie Group endorses will only be included in company mailings.

Identity theft

Tips for protecting your shares in the company:

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee.
- Keep correspondence from us and Capita in a safe place and destroy any unwanted correspondence by shredding.
- If you change address, inform Capita in writing or update your address online via the shareholder portal. If you receive a letter from Capita regarding a change of address but have not moved, please contact them immediately.
- Consider having your dividend paid directly into your bank. This will reduce the risk of the cheque being intercepted or lost in the post. If you change your bank account, inform Capita of the details of your new account. You can do this by post or online via the shareholder portal.
- If you are buying or selling shares, only deal with brokers registered and authorised to carry out that type of business.
- Be wary of phone calls or e-mails purporting to come from us or Capita asking you to confirm personal details or details of your investment in our shares. Neither we nor Capita will ever ask you to provide information in this way.

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Christie Finance

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The paper used in this document contains materials sourced from responsibly managed and sustainable commercial forests, certified in accordance with the FSC® (Forest Stewardship Council).

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