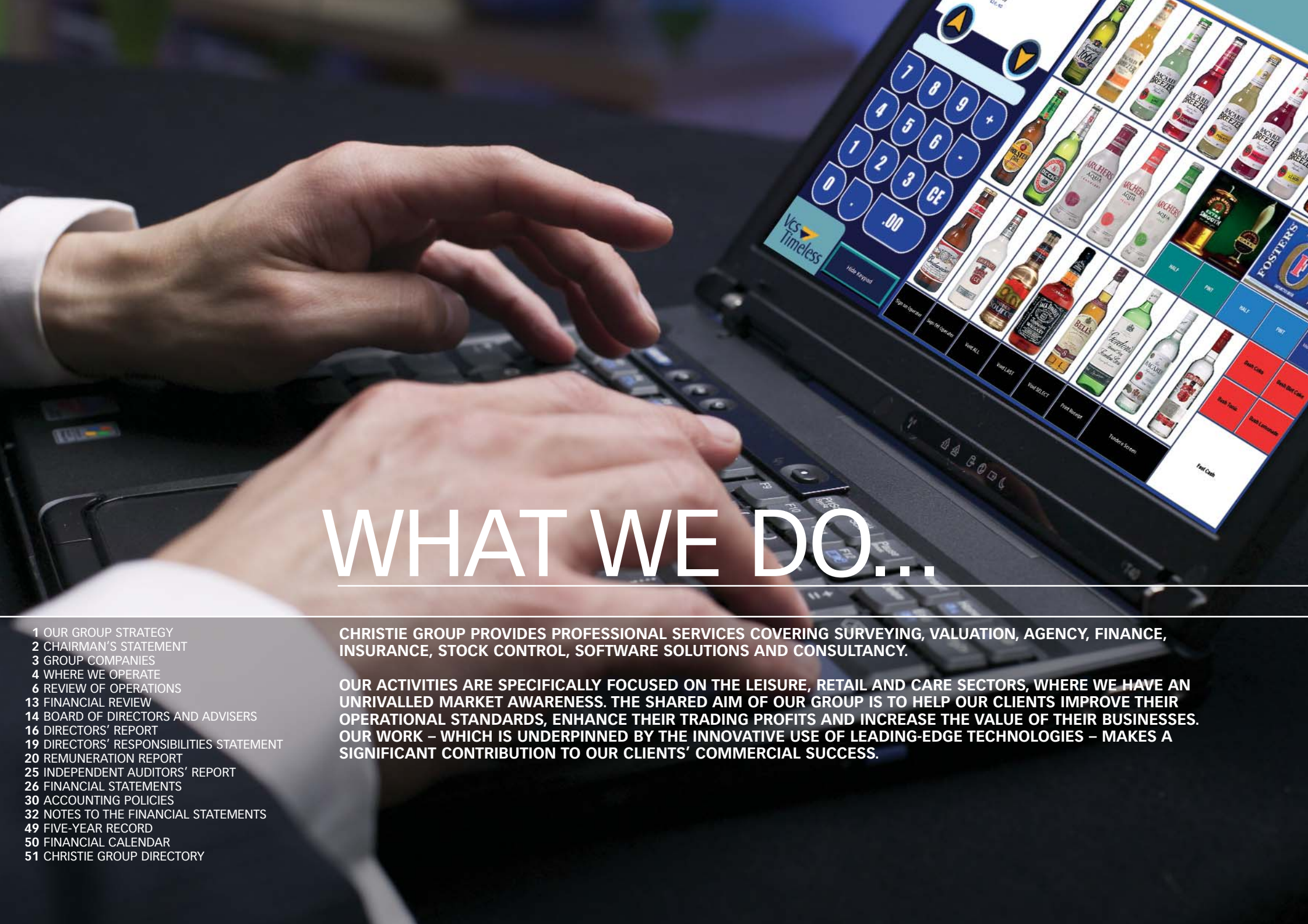


A close-up photograph of a person's hands. The person is wearing a dark suit jacket and a white shirt. Their right hand is open and held palm-up, while their left hand holds a black pen. In the background, a glass of water is visible on a surface. The overall lighting is soft and blue-toned.

CHRISTIE GROUP

ANNUAL REPORT AND FINANCIAL STATEMENTS 2003



WHAT WE DO...

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CHRISTIE GROUP PROVIDES PROFESSIONAL SERVICES COVERING SURVEYING, VALUATION, AGENCY, FINANCE, INSURANCE, STOCK CONTROL, SOFTWARE SOLUTIONS AND CONSULTANCY.

OUR ACTIVITIES ARE SPECIFICALLY FOCUSED ON THE LEISURE, RETAIL AND CARE SECTORS, WHERE WE HAVE AN UNRIVALLED MARKET AWARENESS. THE SHARED AIM OF OUR GROUP IS TO HELP OUR CLIENTS IMPROVE THEIR OPERATIONAL STANDARDS, ENHANCE THEIR TRADING PROFITS AND INCREASE THE VALUE OF THEIR BUSINESSES. OUR WORK – WHICH IS UNDERPINNED BY THE INNOVATIVE USE OF LEADING-EDGE TECHNOLOGIES – MAKES A SIGNIFICANT CONTRIBUTION TO OUR CLIENTS' COMMERCIAL SUCCESS.

OUR VISION IS A FLOURISHING BUSINESS SERVICES AND SOFTWARE GROUP SERVING THE NEEDS OF PREDOMINANTLY EUROPEAN AND NORTH AMERICAN CLIENTS. OUR AIM IS TO BUILD ON OUR SUBSTANTIAL STRENGTHS IN OUR CHOSEN SECTORS AND GROW OUR BUSINESS THROUGH BOTH NEW PRODUCT DEVELOPMENT AND, WHERE APPROPRIATE, NEW ACQUISITIONS, SO THAT WE CAN BEST SERVE THE NEEDS OF ALL OUR CUSTOMERS. IN THIS WAY WE SHALL FULFIL OUR STRATEGY.

OUR GROUP STRATEGY

OUR CLIENT FOCUS

EACH OF OUR ESTABLISHED, YET DYNAMIC, COMPANIES OFFERS A RANGE OF BUSINESS SERVICES DESIGNED TO ADD VALUE TO OUR CLIENTS' OPERATIONS.

IN RECENT YEARS OUR DEVELOPMENT STRATEGY HAS BEEN FOCUSED ON A PORTFOLIO OF PAN-EUROPEAN SERVICES, ALL OF WHICH ARE LOGICALLY RELATED BY THE COMMON DENOMINATORS OF OUR CLIENTS' BUSINESS ACTIVITIES AND OUR NECESSARY UNDERSTANDING OF THE DYNAMICS OF THEIR OPERATIONAL SECTORS.

OUR AIM IS TO CONTINUE STRENGTHENING OUR PAN-EUROPEAN PLATFORM FOLLOWING THE ENLARGEMENT OF THE EUROPEAN UNION.

OUR ESTABLISHED BUSINESSES

THESE ARE FOCUSED ON THE LEISURE, RETAIL AND CARE SECTORS WHERE WE HAVE AN UNRIVALLED COMBINATION OF PROFESSIONAL EXPERTISE AND MARKET AWARENESS.

OUR INVESTMENT POLICY

WHILE OUR ESTABLISHED BUSINESSES CONTINUE TO GROW THROUGH OUR CONSISTENT INVESTMENT IN TIME, ENERGY, EXPERTISE AND PEOPLE, OUR NEWER SOFTWARE SOLUTIONS OPERATIONS INVEST IN NEW PRODUCTS AND STRATEGIC ALLIANCES WHERE ADVANTAGEOUS.

OUR CURRENT INVESTMENT POLICY IS DESIGNED TO ENSURE THAT OUR RESEARCH AND DEVELOPMENT PROGRAMMES PRODUCE NEW PRODUCTS AND SERVICES WHICH WILL ENSURE WE MAINTAIN OUR POSITION AS LEADING-EDGE SUPPLIERS IN OUR CHOSEN FIELDS.



PHILIP GWYN CHAIRMAN

"2003 WAS A GOOD YEAR FOR CHRISTIE GROUP. OUR COMMITMENT TO THE DIVISIONAL STRUCTURE IS VALIDATED BY THE RESULTS WE HAVE ANNOUNCED. OUR ESTABLISHED BUSINESSES PERFORMED VERY WELL GIVING US THE OPPORTUNITY TO INVEST SIGNIFICANTLY IN THE FUTURE GROWTH OF THE GROUP.

"WE HAVE EXPERIENCED GROWTH ACROSS ALL THREE BUSINESS DIVISIONS OVER THE LAST YEAR AND LOOK FORWARD TO ENCOURAGING RESULTS IN THE YEAR TO COME."

Christie Group has continued to make good progress in the year under review and achieved an increase in sales of 34% to a total of £62.5 million.

While we have continued to develop our core UK business agency and valuation activity, much of our future now lies with new businesses we are developing, or platforms we are establishing. These include:

- The European expansion of the Christie & Co agency, consulting and advisory activity
- The establishment of a major stocktaking division with the addition of Orridge to our existing Venners business
- The development of software businesses which extend the nature of services we can provide in the licensed, leisure and retail sectors

Fuller details of these different activities are given in the Chief Executive's Review of Operations but, in summary, these new areas offer growth, pricing power, provide identifiable synergies and reduce the Group's reliance on any one activity.

Of the £62.5 million of turnover, £53.3 million was derived from our established businesses, which produced aggregate net trading profits (operating profit before goodwill amortisation) of £5.7 million. Our investment for growth in new activities and locations was £2.5 million, leaving a trading profit after these expansion costs of £3.2 million.

Our operating profit for the year before goodwill amortisation at £3.2 million is 24% ahead of that for 2002 (£2.6 million). As is outlined above, this figure is struck after the substantial costs attributable to business development and integration, such as the establishment of sales and support organisations in each of the principal European territories for the French retail software business, and the integration of the Orridge acquisition. Reorganisation costs following the acquisition of Orridge and the establishment of VcsTimeless offices in Spain, the UK and Italy, account for £1.5 million of losses. We also had continuing losses in the hospitality software business and Christie & Co European operations.

We are confident the businesses in which we are currently investing will lead to future growth and, as they develop, attract good margins. Despite the cash requirement needed both to support the expansion of the Group and new business areas, cash balances moved from £3.1 million to £4.3 million between the two year ends.

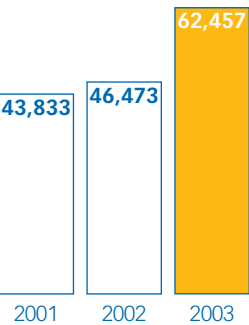
The Board is recommending an increase in the final dividend of 0.5p per share, taking the final dividend to 2p per share and the dividend for the whole year to 3p per share.

The Group now employs over 1,000 full-time equivalents, up 30% on 2002. I would like to thank all Group staff for their contribution to our continued success

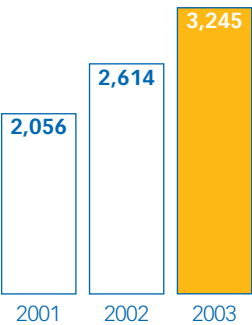
PHILIP GWYN
CHAIRMAN

CHRISTIE GROUP PROGRESS

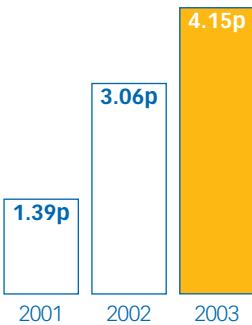
TURNOVER £'000



OPERATING PROFIT BEFORE
GOODWILL AMORTISATION £'000



EARNINGS PER SHARE PENCE



GROUP COMPANIES

CHRISTIE GROUP www.christiegroup.com

CHRISTIE GROUP PLC, THE HOLDING COMPANY FOR THE GROUP'S TRADING BUSINESSES, IS LISTED ON THE LONDON STOCK EXCHANGE.

PROFESSIONAL BUSINESS SERVICES

BUSINESS SALES AND VALUATIONS, CONSULTANCY, FINANCIAL SERVICES

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

CHRISTIE & CO www.christie.com ●●●

The leading firm of surveyors, valuers and agents specialising in the leisure, retail and care sectors. International operations based in Barcelona, Frankfurt, London and Paris. Offices throughout the UK with valuation, agency, development and investment teams focused on its key sectors.

CHRISTIE FIRST www.christiefirst.com ●●●

The market leader in finance and insurance for the leisure, retail and care sectors. Services include finance for business purchase or re-financing arranged in conjunction with major financial institutions, and the provision of tailored insurance schemes.

PINDERS www.pinders.co.uk and www.pinderpack.com ●●●

The UK's leading independent specialist business appraisal company, undertaking valuations, consultancy, building surveying, project management and professional services for a broad range of clients in the leisure, retail and care sectors.

SOFTWARE SOLUTIONS

EPOS AND HEAD OFFICE SYSTEMS

The two arms of VcsTimeless specialise in sophisticated IT systems and solutions designed to capture and control the complex sales and other data connected with the management of cinemas, hotels, restaurants, leisure complexes, warehouses and retail outlets internationally.

VCSTIMELESS (HOSPITALITY) www.vcstimeless.com ●

Specialists in software for leisure and hospitality businesses internationally, including cinemas, visitor attractions, pubs, hotels and restaurants. Solutions include EPoS, chip and pin, stock control, back office, head office and ticketing software.

VCSTIMELESS (RETAIL) www.vcstimeless.com ●

Leading specialist in integrated software solutions and related services for the non-food retail industry - including fashion, sports and home improvements - dedicated to single and multi-channel retailers. Solutions include head office, in-store, chip and pin, manufacturing and retail business intelligence software.

● Leisure Sector

● Retail Sector

● Care Sector

STOCK AND INVENTORY SERVICES

STOCK AND INVENTORY CONTROL

Orridge and Venners are the leading specialists in stock control and inventory management services. Employing state-of-the-art technologies and bespoke software, the division is focused on Europe, where both companies have a major share of the retail and leisure sectors.

ORRIDGE www.orridge.co.uk ●●

Europe's longest established stocktaking business specialising in all fields of retail stocktaking including high street, warehousing and factory. In addition, it has a specialised pharmacy division providing valuation and stocktaking services. A full range of stocktaking and inventory management solutions is provided for a wide range of clients in the UK and Europe.

VENNERS www.venners.com ●●

Leading supplier of stocktaking, inventory, control audit and related stock management services to the hospitality and retail sectors. Bespoke software and systems enable real time management reporting to its customer base using the most up-to-date technology.

GROUP TURNOVER CONTRIBUTION

PROFESSIONAL BUSINESS SERVICES

£34.1m

55%

61% 2002

SOFTWARE SOLUTIONS

£12.6m

20%

22% 2002

STOCK AND INVENTORY SERVICES

£15.8m

25%

17% 2002



WHERE WE OPERATE...

CHRISTIE GROUP'S OPERATIONS ARE ESSENTIALLY EUROPEAN IN SCOPE, WITH SOME PARALLEL ACTIVITIES IN NORTH AMERICA. THIS FOCUS IS DELIBERATE. THE BUSINESSES WE SERVE OPERATE IN THE FREE MARKET ECONOMIES OF THESE REGIONS, WHICH IS WHERE OUR EXPERTISE IS MOST IN DEMAND. WE SEE EUROPE AS OUR MAIN THEATRE OF OPERATION, BELIEVING THIS IS WHERE WE WILL FIND THE MOST PROMISING OPPORTUNITIES FOR BUSINESS EXPANSION. WE LOOK FORWARD TO THE ENLARGEMENT OF THE EUROPEAN UNION, AND TO THE GROWTH OF OUR BUSINESS THROUGH THE DEVELOPMENT OF OUR CLIENTS' ACTIVITIES IN EUROPE'S NEW TERRITORIES.

THE SECTORS WE SPECIALISE IN

LEISURE

HOTELS
PUBS & BARS
RESTAURANTS
SPORTS & FITNESS CENTRES
CINEMAS
ENTERTAINMENT VENUES
VISITOR ATTRACTIONS
DESTINATION RESORTS
HOLIDAY PARKS
CASINOS

RETAIL

SUPERMARKETS
DEPARTMENT STORES
FASHION OUTLETS
CONVENIENCE STORES
NEWSAGENTS
DIY STORES
OFF-LICENCES
SPORTS STORES
POST OFFICES
SPECIALITY STORES

CARE

RESIDENTIAL CARE HOMES
NURSING HOMES
HOSPITALS
SURGERIES
DAYCARE & CHILDCARE CENTRES
SCHOOLS & COLLEGES
CLOSE CARE/ASSISTED LIVING CENTRES
PHARMACIES

PERCENTAGE TURNOVER BY SECTOR

47.4%

58.9% 2002

36.8%

28.7% 2002

15.8%

12.4% 2002

SERVING CLIENTS INTERNATIONALLY

COUNTRIES WITH CHRISTIE GROUP OFFICES

BELGIUM
CANADA
FRANCE
GERMANY
ITALY
SPAIN
UNITED KINGDOM

OTHER COUNTRIES WHERE WE DO BUSINESS

ANGOLA
AUSTRIA
BAHRAIN
BARBADOS
BELGIUM
BRAZIL
CAMEROON
CANADA
CHANNEL ISLANDS
CHINA
COSTA RICA
CYPRUS
CZECH REPUBLIC
DENMARK

EGYPT
FINLAND
FRANCE
GABON
GERMANY
GREECE
GUADELOUPE
HUNGARY
IRELAND
ISLE OF MAN
ISRAEL
ITALY
JAPAN
KENYA

KUWAIT
LUXEMBOURG
MALI
MALTA
MARTINIQUE
MONACO
MOROCCO
NETHERLANDS
NORWAY
PANAMA
POLAND
PORTUGAL
QATAR
REUNION

ROMANIA
RUSSIA
SAUDI ARABIA
SPAIN
SWEDEN
SWITZERLAND
TAIWAN
TANZANIA
TRINIDAD AND TOBAGO
TUNISIA
TURKEY
UNITED KINGDOM
UNITED STATES OF AMERICA



DAVID RUGG CHIEF EXECUTIVE

HIGHLIGHTS

- PRE-TAX PROFITS UP 27% TO £2.49 MILLION (2002: £1.95 MILLION)
- TURNOVER INCREASED BY 34% TO £62.5 MILLION (2002: £46.5 MILLION)
- EPS UP 36% TO 4.15P (2002: 3.06P)
- DIVIDEND FOR THE YEAR UP BY 20% TO 3.0P
- ORRIDGE ACQUISITION SUCCESSFULLY INTEGRATED

OPERATING PROFIT BEFORE GOODWILL AMORTISATION £'000

Group	2003	2002
Established businesses	5,716	4,076
Orridge	(813)	(108)
European offices	(1,658)	(1,354)
	3,245	2,614

2003 was a very good year for Christie Group plc. Our established businesses produced exceptional results, and their collective performance gave us the freedom to invest in our newer, more capital-intensive operations and strengthen our businesses in continental Europe.

The successful integration of Orridge into our Group has doubled the size of our stocktaking business, and we now have a considerably larger share of this particular market.

Christie Group's results in 2003 validate our continuing commitment to a group structure which reflects the synergies found in our principal areas of activity. In writing this review I have chosen to reflect this, rather than – as in past years – report on our work on a sector-by-sector basis.

2003 began, of course, with the uncertainties surrounding events in Iraq, the outbreak of SARS in the Asia Pacific region and the impact they both had on tourism and general business confidence worldwide.

The second half of the year saw a gradual return of confidence – even a degree of cautious optimism in the business community outside London, which augurs well for the year ahead. The underlying stability of the UK economy suggests that, even if domestic interest rates do creep up in the months ahead, we can expect to see steady, sustained growth in all our areas of operation.

PROFESSIONAL BUSINESS SERVICES
OPERATING PROFIT BEFORE GOODWILL AMORTISATION £'000

Group	2003	2002
Established businesses	5,566	3,938
European offices	(971)	(1,285)
	4,595	2,653

The three companies that make up our Professional Business Services division, Christie & Co, Christie First and Pinders, all made very good progress during 2003.

Our UK operations generated £33.1 million of turnover and contributed a record £5.6 million of trading profit. The cost of overseas expansion was £1.0 million, leaving a net contribution of £4.6 million.

CHRISTIE & CO

Christie & Co achieved a 16% increase in the number of inspections in a highly competitive market, leading to an increase in sales agency instructions of 14% overall. Simultaneously, the company has improved the quality of its agency work through a greater penetration of the market for high-grade single asset sales, particularly in the care sector. We have also seen an increase in Christie & Co's average fee. This is due, in part, to changes in both market values and trading conditions, although the company's investment in both new and existing staff must also be given considerable credit for the increase.

The company's income from valuations was up some 29% on 2002. This, too, is the result of good recruitment, staff training and Christie & Co's ability to offer high quality services.

HOSPITALITY

In the public house sector, the year was characterised by rising values amidst a shortage of properties for sale. The exceptionally hot summer gave most

CASE STUDIES

Deal for Crewe cut quickly



MARSTON HOTELS ACQUIRED THE 65-BEDROOM CREWE HALL HOTEL, CHESHIRE, THROUGH CHRISTIE & CO IN A CONFIDENTIAL, OFF-MARKET DEAL. THE HOTEL IS A FORMER STATELY HOME DATING BACK TO 1615 AND ATTRACTED A NUMBER OF SUBSTANTIAL OFFERS FROM SOME OF THE UK'S LEADING HOTEL OPERATORS, DRAWN BY THE HOTEL'S MIX OF ESTABLISHED PROFIT LEVELS, EXTENSIVE

PLANNING CONSENTS AND ITS STRATEGIC LOCATION. THE SALE WAS AGREED AND COMPLETED WITHIN A MATTER OF WEEKS.



Box office hit

THE OZONE CINEMA IS PART OF THE KASSAM STADIUM ENTERTAINMENT COMPLEX IN OXFORD. AT VERY SHORT NOTICE THE SITE DEVELOPERS WERE LEFT TO OPEN AND MANAGE THE CINEMA. THEY REQUIRED AN AFFORDABLE, ROBUST, EASY-TO-USE TICKETING SYSTEM THAT WAS DELIVERABLE WITHIN THE SHORT TIMESCALE. THE VISTA SYSTEM WAS CHOSEN OVER OTHER SOLUTIONS AS

VCSTIMELESS UNDERSTOOD THE DEVELOPERS' NEEDS AND WAS ABLE TO DELIVER A COMPLETE SOLUTION, INCLUDING TELE-BOOKING AND CUSTOMER-OPERATED TERMINALS, IN TIME AND ON BUDGET.

independent publicans a good year's trading, which meant they were under no pressure to sell. At the same time, many pub companies continued to seek new premises to fulfil their expansion plans. Among the most notable of Christie & Co's transactions were the sale of 22 Wishing Well Tavern leaseholds to The Bar Group for around £5 million and the piecemeal disposal of 164 pubs for Enterprise Inns. The company also advised Punch Taverns on the £1.19 billion acquisition of 3,127 pubs from Pubmaster Limited, which subsequently saw 252 of the properties being sold on for £57 million.

Christie & Co carried out valuations on 4,055 pubs worth £2.3 billion for the Unique Pub Company, and advised SFI (formerly Surrey Free Inns) on the value of its licensed premises portfolio prior to its management restructure.

CARE

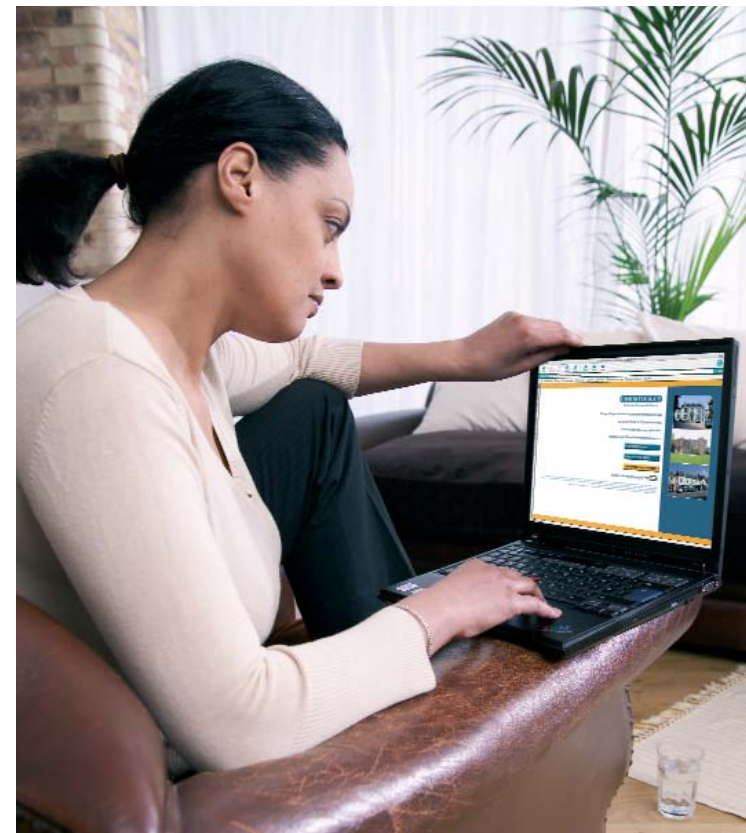
In the care sector, Christie & Co is credited with handling between 53% and 59% of all property transactions during 2003. (Source: *This Caring Business* and *Caring Times* respectively.) The company's fee income rose by 59% and valuation revenue nearly doubled. The scope of the company's work is indicated by two examples of sales: a freehold building offering specialist medical consulting

OUR ON-LINE PRESENCE

THE ENTREPRENEURIAL MIND NEVER SLEEPS. WE KNOW THAT OUR CUSTOMERS, LIKE US, ARE ALWAYS ALIVE TO NEW DEVELOPMENTS; ALWAYS AWARE OF POSSIBLE TRENDS IN THEIR OWN INDIVIDUAL MARKET SECTORS.

OUR ON-LINE PRESENCE REFLECTS THIS. WE MAINTAIN A HIGH LEVEL OF VISIBILITY FOR ALL OUR PRODUCTS AND SERVICES, BELIEVING THAT – THROUGH OUR PLANNED INVESTMENT IN THE WORLD WIDE WEB – WE CAN BEST HELP OUR CUSTOMERS BY MAKING ACCURATE INFORMATION ACCESSIBLE AT ALL TIMES.

THIS KNOWLEDGE GIVES OUR CUSTOMERS THE POWER TO ACT DECISIVELY, NO MATTER WHERE THEY ARE WHEN THEY WANT OUR INFORMATION.



ON-LINE CHRISTIE & CO WEB SITE



Christie & Co adds Punch

CHRISTIE & CO ADVISED PUNCH TAVERNS IN THE ACQUISITION OF 3,127 PUBS FROM PUBMASTER FOR £1.19BN AND THE SUBSEQUENT SALE OF 252 PUBS TO LONDON & EDINBURGH INNS FOR £57M. CHRISTIE & CO INSPECTED 632 PUBS AND REPORTED TO THE CLIENT IN THREE WEEKS. THE ENLARGED COMPANY THEN SOLD 252 HOUSES, TO COMPLY WITH THE UK MONOPOLY REGULATIONS. CHRISTIE & CO VALUED THE PUBS

SOLD TO LONDON & EDINBURGH INNS, AGAIN WITHIN A VERY TIGHT TIMESCALE.



Bowled over

RECENTLY COMMISSIONED TO CONDUCT SOME EXTERNAL CHECKS ON A BOWLING SITE'S LIQUOR STOCKS, A VENNERS' STOCKTAKE PRODUCED AN ALARMING STOCK SHORTAGE. OF COURSE, THE USUAL INTERNAL STOCKTAKES NEVER PRODUCED SUCH POOR RESULTS SO VENNERS ATTENDED THE SITE FOR WEEKLY CHECKS. OVER A SEVEN-WEEK PERIOD, THE SHORTAGES HAD BEEN

ELIMINATED AND OVER 5% WAS ADDED TO THE GROSS PROFIT PERCENTAGE. ANOTHER SUCCESSFUL "STRIKE" BY THE VENNERS' TEAM!

REVIEW OF OPERATIONS

facilities in Harley Street off an asking price of £7 million, and a residential care home in St Peter Port, Guernsey, with an asking price of £2.5 million. Other projects included the revaluation of the Bettercare portfolio (a total of 28 care facilities providing over 2,000 beds) and the valuation of Careshare – Scotland’s largest children’s day nursery operator – acquired by Alchemy/Just Learning in a £17.25 million deal.

RETAIL

Christie & Co’s work in the retail sector was buoyed by a remarkable year in the high street. With the takeover of Safeway still unresolved at the end of 2003, and several retail chains reporting indifferent trading figures for the last quarter, Christie & Co was heavily involved in a number of disposal programmes. Most significant were those on behalf of Unwins (which disposed of 40 off-licences during the year) and WH Smith (for which Christie & Co sold seven stores across the country out of the 10 instructed).

LEISURE

Two of the company’s major projects in the leisure and development sector were for Scarborough Borough Council and Royal Quays in North Shields. The former saw Christie & Co providing advice on the redevelopment of the Futurist Theatre and the

surrounding buildings, including the selection of a preferred developer. The latter included advice to AWG Developments on the marketing of a 10-acre site adjacent to an existing factory outlet shopping centre. This resulted in Christie & Co negotiating a sale for the development of a 100,000 sq ft JJB soccer dome. In Gloucester, the company advised a private vendor on the sale to the South West Development Agency of The Fleece Hotel as part of a proposed city centre redevelopment programme. Elsewhere, with Hunters Leisure in administration, Christie & Co managed the disposal of the company’s health and fitness portfolio.

HOTELS

Christie & Co’s major sales of the year in the hotel sector were: 13 Swallow Hotels to Reit Asset Management for £57 million on behalf of Whitbread; the 128-bedroom Holiday Inn, Castle Marina in Nottingham to the Quinn Group; the transfer of the Grade I Listed Crewe Hall to Marston Hotels off an asking price of £16 million; and in Europe the sale of a listed building in Barcelona’s Paseo de Gracia to Prestige Hotels.

Christie & Co also acted on behalf of Queens Moat Houses in the acquisition and leaseback of three 4-Star hotels valued at around £40 million, and

advised a joint venture partnership between Sir Rocco Forte’s RF Hotels and the Bank of Scotland on a £51.5 million acquisition of Brown’s hotel in London. In addition, portfolio valuation work was carried out for Macdonald Hotels prior to its conversion from a publicly quoted company to a private concern.

CHRISTIE FIRST

The growth of Christie & Co’s sister company, Christie First, was exceptional, with a year-on-year increase in turnover of 59%. At close to £300 million, Christie First’s debt funding applications supported by formal valuations were up by almost 30%. Much of this success stemmed from the regionalisation plan implemented during the year. In addition to its headquarters in London’s York Street, Christie First now has offices in Exeter, London’s Victoria Street, Maidstone, Edinburgh, Newcastle and Winchester to add to those in Birmingham, Bristol, Glasgow, Ipswich, Leeds, Manchester, Milton Keynes and Nottingham. With Christie First sharing premises with Christie & Co, both businesses now have numerous opportunities for cross-selling their respective services. This has helped Christie First achieve a much greater market penetration. The expansion of the team and improved productivity, has led to an increase in average income per employee. This rose from £81,000 in 2002 to £106,000 in 2003.

Christie First Insurance Brokers’ gross written premium achieved a new record when it broke through the £7.5 million, barrier at the end of 2003. The company launched its own bespoke insurance system in December 2003 and it is expected to improve both the quality of management information and sales volumes during the coming year.

PINDERS

Pinders, our specialist business appraisal, valuation and consultancy company, also continued to grow, with instructions for business appraisal and valuation reports up by more than 20% on 2002. Whilst the licensed leisure division continued to attract the highest volume of instructions, the healthcare sector showed the biggest increase, up 37% on the previous year.

Pinders now receives an average fee of over £1,000 per report, which reflects well on the quality of its appraisals.

One of Pinders’ biggest successes in 2003 was the retention, recruitment and training of additional members of staff, particularly fee-earners. This had a positive impact on service times, which were reduced by over 11% during the year.

CASE STUDIES

Cumbria accounted for



CAPITA/CUMBRIA COUNTY COUNCIL INSTRUCTED PINDERS TO VALUE A NUMBER OF PROPERTIES NO LONGER REQUIRED FOR CORE ACTIVITIES. THESE INCLUDED BIRDOSWOLD VISITOR CENTRE, WHICH TAKES IN PART OF HADRIAN’S WALL, A COUNTRY PARK AND OUTWARD BOUND CENTRES. DESPITE THE SENSITIVE NATURE OF THE PROPERTIES AND THE TIGHT TIMESCALES, THE REPORTS WERE

ISSUED ON TIME AND PINDERS HAS SINCE BEEN RETAINED FOR FURTHER WORK INCLUDING RENT REVIEWS, SCHEDULES OF DILAPIDATIONS AND STRATEGIC PROPERTY ADVICE.



Walking away with the solution

COURTESY SHOES WERE IN NEED OF A NEW EPOS SYSTEM FOR THEIR WYNSORS WORLD OF SHOES AND MEDINA RETAIL OUTLETS. THEY CHOSE VCSTIMELESS’ VENPOS SOFTWARE SUITE FOR ITS FLEXIBILITY AND SCALABILITY. WITH NO BACK OFFICE FACILITY AT STORE LEVEL, IT WAS IMPERATIVE FOR THE FRONT-OF-HOUSE MODULE TO PROVIDE FULL EPOS CAPABILITIES AND COMPLETE

MANAGEMENT FUNCTIONS. VENPOS MET ALL COURTESY’S REQUIREMENTS. EASE OF ROLLOUT ENABLED THE CLIENT’S STAFF TO INSTALL IT THEMSELVES - IN ALL 43 STORES - WITH MINIMUM DISRUPTION.

Pinders' professional services divisions (consultancy, dispute resolution, building services and project management) had an equally successful year, with turnover up 50% on 2002. Much of this growth came from the increasingly varied and complex instructions undertaken by the consultancy division. Both the dispute resolution and building services divisions also performed well. However, delays in acquiring sites and obtaining planning permission frustrated the work of the project management division. Nevertheless, Pinders expects to achieve continued growth in this area in 2004.

Throughout 2003, Pinders continued to improve its brand awareness, sponsoring the Healthcare Design Awards, one of the leading events in the healthcare sector, and the inaugural Nursery Management Awards.

The company was also actively involved in consultations with a number of financial institutions and the Department of Health in relation to the trading, operation and valuation of nursing and residential care homes following the relaxation of spatial standard requirements for existing homes.

INVESTING IN GROWTH

THE TECHNOLOGICAL WORLD NEVER STANDS STILL. THIS IS NOWHERE MORE TRUE THAN IN THE WORLD OF INFORMATION TECHNOLOGY, WHERE FASTER, CHEAPER, MORE IMAGINATIVE WAYS OF HANDLING DATA ARE ALWAYS IN DEMAND.

AS AN AMBITIOUS GROUP, WE AIM TO MORE THAN KEEP PACE WITH THE COMPETITION. WE AIM TO STAY AHEAD OF IT. WE HAVE A ROLLING COMMITMENT TO A WIDE VARIETY OF RESEARCH AND DEVELOPMENT PROGRAMMES DESIGNED TO ENSURE OUR PRODUCTS AND SERVICES REMAIN OUTSTANDING IN THEIR FIELDS.

THIS PHILOSOPHY APPLIES EQUALLY ACROSS ALL OUR BUSINESS ACTIVITIES AND OUR SPECIALIST SECTORS.



R&D TEAM VCSTIMELESS RETAIL



Orridge moves fast to complete counts

ORRIDGE WAS COMMISSIONED BY A FAST-MOVING FASHION CHAIN TO COMPLETE 180 FULL STORE COUNTS. EACH ONE REQUIRED UP TO 65 COUNTERS AND ACCURATE STOCK DATA WAS VITAL TO GUARANTEE INCREASED SALES AND ENSURE THAT BUYERS HAD THE CORRECT INFORMATION. DATA WAS SUPPLIED THE MORNING AFTER THE COUNT AND WAS ACCURATE TO MORE THAN 99%. ORRIDGE

CONTINUES TO WORK WITH THIS RETAILER AS PART OF ITS ONGOING REPLENISHMENT STRATEGY, HELPING ACHIEVE THE CLIENT'S GOALS OF LOWER STOCKHOLDINGS AND INCREASED SALES.



Club Med streamlines merchandising

CLUB MED, THE BRAND NAME OF THE ALL-INCLUSIVE HOLIDAY OPERATOR, CLUB MÉDITERRANÉE, SELECTED VCSTIMELESS' COLOMBUS SUITE TO RUN ITS 90-STORE WORLDWIDE RETAIL OPERATION AND STREAMLINE ITS MERCHANDISING, FROM DEMAND THROUGH TO SUPPLY. IN-STORE STAFF NOW BENEFIT FROM ENHANCED FUNCTIONALITY AND EASE-OF-USE. COLOMBUS PROVIDES THIS INTERNATIONAL

OPERATOR WITH INCREASED PERFORMANCE AND GREATER EFFICIENCY THROUGH AN ADVANCED SUITE OF "BEST IN CLASS" BUSINESS APPLICATIONS, SERVICES AND SUPPORT FACILITIES.

REVIEW OF OPERATIONS

SOFTWARE SOLUTIONS
OPERATING (LOSS) BEFORE GOODWILL
AMORTISATION £'000

Group	2003	2002
Established businesses	(334)	(572)
European offices	(687)	(69)
	(1,021)	(641)

Our retail software business in France moved from a loss in 2002 to a profit in 2003. The establishment of the business on a truly pan-European basis incurred an investment of £0.7 million. Each of our operations in Italy, Spain and the UK secured a strong flow of business by the end of the year with, in each case, a pipeline of further qualified prospects for 2004.

Our hospitality business maintained turnover of £2.8 million (£2.7 million in 2002) whilst continuing to develop its VENPoS product, which is now well suited to the public house market. After development costs of £0.5 million (£0.2 million in 2002), early sales achieved for 2004 are higher than the prior year. The cinema market is showing signs of relaxing its budgetary constraints of the past two years improving our own sales prospects.

Our two software solutions companies both had years of progress. VcsTimeless Hospitality's main achievements during 2003 centred on the provision of ticketing and admission systems for visitor attractions and the development of VENPoS.

VCSTIMELESS HOSPITALITY

The business had significant success with visitor attractions such as Longleat, Dudley Zoo & Castle and Howletts & Port Lympne Wildlife Parks which was largely due to a co-ordinated marketing effort, proving that the sector welcomed an additional quality service provider.

During the second half of the year, the company focused on the further development of VENPoS, its head and back office management system, which offers simple yet effective controls for administration and profit reporting. The new generation of VENPoS has features which will enable VcsTimeless to sell it to pub operators and hotel chains.

Looking further ahead, VcsTimeless Hospitality's strategy is to capitalise on its Christie Group connections in the pub and hotel sectors, with VENPoS being sold alongside other property management systems.

VCSTIMELESS RETAIL

2003 was an exceptional year for VcsTimeless Retail. The company increased its overall revenue by 15%, returned to profit in France and embarked on an internationalisation programme. It also launched an ambitious new product development programme code-named Magellan. Believed to be one of the most ambitious IT retail projects in Europe, Magellan's objective is to develop a new generation of retail software applications using the very latest technologies (including Microsoft's .NET platform) and web services applications. This new product will be key to securing VcsTimeless Retail's leadership in Europe's non-food and speciality retail sectors. VcsTimeless Retail increased its software revenue by 36% and won over 25 new customers during the year. These included Club Méditerranée, which has selected the company's merchandising management system for all the retail outlets in its 90 holiday villages.

Tout Compte Fait, a leading French children's clothing retailer, also chose VcsTimeless Retail's Colombus Ret@il management suite to streamline its entire merchandising management operations. The programme was rolled out across the company's head office and 140 point-of-sale outlets in record time.

Other key wins of 2003 included French retailers Balmain, B&M, Azzedine Allaïa, K2eau, Le Cèdre Rouge, Sogar, Courrèges, Axara and Baobab (a Vêtimarché franchise). New VcsTimeless Retail operations have been launched in Spain, Italy and the UK, which led to the winning of new business: in Spain from Star Textil and Induyco (the latter being a subsidiary of El Corte Ingles with 380 stores), in the UK from Flittermans and in Italy from Sicem.

VcsTimeless Retail also developed an international communications network. This includes local web sites, a technical translation department and an international help desk, which supports retailers seven days a week, 24-hours a day. One of the significant factors underpinning VcsTimeless Retail's high market confidence during 2003 was the signing of a strategic partnership with Microsoft. As a result, the two software vendors will combine sales and marketing resources and technical know-how to deliver a new generation of retail software, offering unprecedented business value to European customers.

2004 will see us making a significant research and development investment in VcsTimeless Retail, which will include the release of version 6.5 of its Colombus Ret@il management suite. We will also give tier two

CASE STUDIES



Ticket to success

DUDLEY ZOO & CASTLE, A REGISTERED CHARITY, SELECTED VCSTIMELESS' VENPOS ADMISSIONS FOR ITS EASE OF USE, SCALABLE PRICING AND, MOST IMPORTANTLY, THE SYSTEM'S ABILITY TO COLLECT ELECTRONIC GIFT AID. THE SYSTEM PRODUCED SUFFICIENT ADDITIONAL REVENUE TO PROVIDE A RETURN ON INVESTMENT IN JUST SIX WEEKS. OTHER ATTRACTIONS USING VENPOS INCLUDE HOWLETTS & PORT LYMPNE WILDLIFE PARKS,

NEWQUAY ZOO AND LONGLEAT SAFARI PARK.



Harley Street consultation

CHRISTIE & CO WAS INSTRUCTED TO SELL THE ENTIRE ISSUED SHARE CAPITAL OF TEN HARLEY STREET LIMITED, LONDON, WHICH OPERATES A UNIQUE BUSINESS FROM A FREEHOLD, GRADE II LISTED GEORGIAN BUILDING IN HARLEY STREET. THE COMPANY PROVIDES 24 STYLISH CONSULTING ROOMS ON FLEXIBLE TERMS FOR PRACTITIONERS FROM A WIDE SPECTRUM OF HEALTHCARE SERVICES. IN APRIL 2003, THE

ENTIRE ISSUED SHARE CAPITAL WAS SOLD TO MESSRS KAY FOR AN UNDISCLOSED SUM OFF AN ASKING PRICE OF £7 MILLION.

and tier three retailers a preview of project Magellan in June this year.

Looking ahead, we anticipate that VcsTimeless Retail's developing international operations will make it less dependent on the domestic French market and less sensitive to the fluctuations of the French economy. European business prospects appear strong across Europe and the UK is forecast to become the company's second largest market after France.

STOCK AND INVENTORY SERVICES
 OPERATING PROFIT/(LOSS) BEFORE GOODWILL
 AMORTISATION £'000

Group	2003	2002
Established businesses	484	710
Orridge	(813)	(108)
	(329)	602

At the end of 2002 we almost doubled the size of our stocktaking business when we acquired Orridge.

Turnover in this division increased to £15.8 million, 103% up on 2002. As reported in the Chairman's interim statement, considerable costs were incurred in reshaping the Orridge business, resulting in a trading loss of £0.8 million. I am pleased to report that, as projected, the business has moved into profit in the first quarter of 2004.

EXPANSION THROUGH ACQUISITION

THE BUSINESS OF GROWTH CALLS FOR DECISIVE ACTION. OUR ACQUISITION OF ORRIDGE IS A CASE IN POINT. HAVING TRACKED THE COMPANY FOR FOUR YEARS, WE KNEW EXACTLY WHEN TO MAKE AN OFFER AND HOW TO FRAME IT.

THE RESULT HAS BEEN A SUCCESSFUL ADDITION TO OUR GROUP, AS SHOWN BY OUR RECENT PERFORMANCE IN THE STOCKTAKING SECTOR.

OUR INTENTION IS TO MAINTAIN OUR DEVELOPMENT THROUGH SIMILARLY JUDICIOUS ACQUISITIONS, BROADENING THE SCOPE OF OUR BUSINESS OR INCREASING ITS PRESENT VOLUMES BY ADDING TO OUR PORTFOLIO OF BRANDS.

WE ARE ALERT TO EVERY POSSIBILITY, MINDFUL OF EVERY PITFALL AND DETERMINED TO SUCCEED.



STOCK AND INVENTORY SERVICES ORRIDGE



Uniqua's unique facility

FOLLOWING A REFERRAL FROM CHRISTIE & CO'S EDINBURGH OFFICE, CHRISTIE FIRST INSURANCE DIVISION WAS GIVEN THE TASK OF PLACING THE RISKS OF STOBO CASTLE HEALTH SPA. FOLLOWING SIX MONTHS OF PLANNING, CHRISTIE FIRST ACHIEVED A FACILITY WITH UNIQA OF AUSTRIA. THE PROFILE OF STOBO CASTLE MATCHED PERFECTLY UNIQA'S RISK STRATEGY AND COMPETITIVE

TERMS WERE ACHIEVED. THE CLIENT WAS PLEASED WITH THE RESULT, ESPECIALLY AS SIGNIFICANT SAVINGS WERE MADE.



The "Company that Counts"

ORRIDGE HAS KEPT PACE WITH ONE OF ITS HIGH STREET FASHION RETAIL CLIENTS AS IT GREW FROM 150 OUTLETS TO 550. STORES ARE COUNTED TWICE DURING EACH 12-MONTH PERIOD, SPECIAL ATTENTION IS PAID TO THE TOP 50 AND ALL THE STORES' STOCK POSITION FILES ARE KEPT TO THE HIGHEST LEVEL. COUNT ACCURACY EXCEEDS 99%, CROSS-OVER LINES ARE ELIMINATED AND

ACCURATE REPLENISHMENT IS GUARANTEED. ORRIDGE CONTINUES TO BE THE "COMPANY THAT COUNTS" FOR THIS CHAIN OF STORES.

REVIEW OF OPERATIONS

Orridge's intergration has progressed well. We have invested heavily in new stocktaking scanning equipment and new computer and telecommunications systems, as well as introducing a number of cost-saving initiatives. As a result, we have boosted both efficiency and productivity and saved over £1 million per annum against 2002.

We have also divided Orridge's business into two principal sectors, retail and pharmaceutical, and also identified a new market in distribution centres, which sits well in the retail sector. Overall, Orridge worked in 13 countries across Europe during 2003.

Highlights of the Orridge year included the completion of more than 7,400 stocktakes in the UK, one of which involved a Per Una warehouse count of over 600,000 units for Marks & Spencer, completed in one eight-hour shift. The company also won new UK business from Superdrug, Matalan, Somerfield Distribution, Signet and Blackwell's. Orridge's successes in continental Europe included a new contract with Manfield, which was secured through cross-marketing with VcsTimeless Retail, and others with Tommy Hilfiger in Germany and Mer Du Nord in Belgium.

The pharmacy sector completed over 2,400 stocktakes in chemists by the year's end, a year-on-year increase of 23% and has regained the confidence of several customers who were dissatisfied with Orridge's performance prior to its acquisition by us, thereby supporting our decision to invest in this new group company.

Venners' management was heavily involved in the integration of Orridge during the year and now shares the same head office. A number of new senior appointments were made and, in line with the investment at Orridge, a new IT structure was introduced. Working in nine countries overall, Venners' stock audit, retail and inventory divisions all performed well during 2003. The stock audit division completed over 26,500 individual visits and won new licensed trade business from Yates, Thwaites, Po Na Na and Eldridge Pope.

The retail division increased the number of customer visits by 16% to over 10,000 in the year, and won new business from LK Bennett, Reebok, Unwins and Whistle Stop. The inventory division was similarly successful, completing a new project at Westminster Central Hall and preparing over 50 inventories for TM Retail as part of that company's estate disposal.

Looking ahead, Venners has embarked on an aggressive marketing campaign which, with the benefits inherent in Orridge's integration, suggests our stocktaking activities will continue to flourish during 2004.

CONCLUSION

I said at the beginning of this Review of Operations that we are committed to our Group's newly established divisional structure, and our spread of trading activities is validated by the results we have announced. Our aim is to continue the steady expansion of our activities across all three of our chosen sectors, either organically or, where appropriate, through judicious acquisitions.

We work in a demand-led sector, supplying services we know our customers require. Whilst we continue to supply services of the highest quality, and maintain our own rigorous standards of performance, we can realistically expect to see encouraging results in the years ahead.



DAVID RUGG
CHIEF EXECUTIVE

CASE STUDIES

Wookey's worth assessed

IN CONNECTION WITH THE FUNDING OF A PROSPECTIVE PURCHASER, BARCLAYS BANK ASKED PINDERS TO PREPARE A VALUATION OF WOOCKEY HOLE, ONE OF ENGLAND'S BEST-KNOWN VISITOR ATTRACTIONS. THE PROPERTY COMPRISES SEVERAL BUILDINGS, INCLUDING A PAPER MILL, LARGE AREAS OF LAND AND A CAVE OR TWO WHICH, TAKEN TOGETHER, GENERATE INCOME FROM A

VARIETY OF SOURCES. DESPITE THE INHERENT COMPLEXITIES, PINDERS' REPORT ON THIS UNUSUAL BUSINESS WAS DELIVERED ON TIME.



Colombus empowers Induyco stores

SPANISH MANUFACTURER AND RETAILER, INDUYCO, CHOSE THE VCSTIMELESS COLOMBUS SUITE TO MANAGE ITS 250 STORES ACROSS EUROPE. COLOMBUS REPLACED AN AGEING POINT OF SALE SYSTEM. AS A RESULT, THE AVAILABILITY AND ACCURACY OF DATA HAS LED TO FASTER AND MORE EFFECTIVE DECISION MAKING. THE NEW SYSTEM PROVIDES OPERATIONAL EFFICIENCIES AND GIVES THE

RETAILER GREATER CONTROL AND IMPROVED VISIBILITY ACROSS THE ENTIRE CHAIN, FROM PLANNING THROUGH TO SALES AND IN-STORE CUSTOMER SERVICE.





ROBERT ZENKER FINANCE DIRECTOR

THIS YEAR, WE SPLIT THE BUSINESS INTO THREE DIVISIONS FOLLOWING THE ACQUISITION OF ORRIDGE IN DECEMBER 2002. IN THE REVIEW OF OPERATIONS WE HAVE ALSO, FOR THE FIRST TIME, SEPARATED THE PERFORMANCE OF THE ESTABLISHED BUSINESSES IN EACH DIVISION FROM THE NEW AREAS.

This year, we split the business into three divisions following the acquisition of Orridge in December 2002. In the Review of Operations we have also, for the first time, separated the performance of the established businesses in each division from the new areas where we have lost money. At a trading level, these established businesses overall produce a trading profit (operating profit before goodwill amortisation) of slightly more than 10% of turnover. The first objective is for these new businesses to stop losing money and for them subsequently to produce an earnings stream. The timescales will vary between individual territories and the different businesses they are in. Presenting the figures this way is transparent and will allow progress to be more readily apparent to users of the accounts.

EBITDA (EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION) £'000

	2003	2002
Professional Business Services	5,258	3,180
Software Solutions	(789)	(386)
Stock and Inventory Services	(131)	710
	4,338	3,504

TAX CHARGE

The tax charge, on profits excluding goodwill amortisation, remained at 48% this year. As the losses in the European offices reduce and the Group expands, the tax charge will also move down. The length of time the losses are available carry forward in each territory is dependent on the territory in which they arise.

BANK LOANS

The loan for the acquisition of Timeless SA in 2000 is currently being re-negotiated with the bank. Under these circumstances, the directors have felt it appropriate to re-classify the loan as short term. The amount of the loan is £3.9 million.

PENSION FUNDING

Pension funding continues to be an important topic. This year the mortality tables used were revised to reflect increased longevity which in turn increased the liability of both pension schemes, thereby contributing to the increased deficits. Full triennial reviews are due this year (2004). In order to reduce the pension schemes' liabilities and funding costs (see Note 19 of the Accounts) the basis of calculating pensionable salary in the Christie Group plc Pension & Assurance Scheme has been changed. Consequently, with effect from 6 April 2004, bonuses

and commissions will no longer be treated as pensionable salary. This brings it into line with the basis for pensionable salary in the Venners' scheme. This change will reduce the increase in pension scheme liabilities over the next few years.

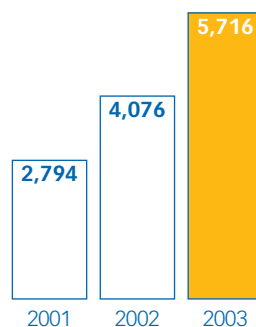
INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards come into force on 1 January 2005. These, in most cases, will require changes in key accounting policies together with a new format for presenting the Accounts. We are currently in the process of identifying the changes needed to our accounting policies and quantifying the effects. This is a major exercise and will continue for most of 2004. This is in addition to the other changes as a result of the new Corporate Governance regime, the EU Transparency Directive, revision to the Listing Rules and the new requirements on transfer pricing in the UK.

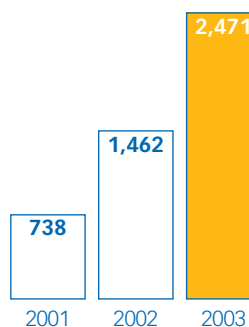
ROBERT ZENKER
FINANCE DIRECTOR

FINANCIALS

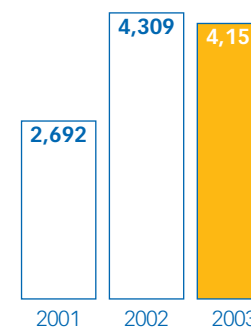
TRADING PROFIT FROM ESTABLISHED BUSINESSES £'000



LOSSES IN NEW ACTIVITIES £'000



CASH GENERATION £'000





PHILIP GWYN
Chairman
Philip (59) is a barrister and merchant banker by training. He is responsible for Group strategy and planning. Philip is a director of Alumasc plc, GrandVision SA and a number of private companies.



DAVID RUGG
Chief Executive
David (50) is responsible for the day-to-day operation and development of the Group. David either chairs or sits on the boards of Christie Group companies and has been with the Group since 1972, having been managing director since 1985 and chief executive since 2000.



ROBERT ZENKER
Finance Director
Robert (50) is a chartered accountant and a member of the Chartered Institute of Taxation. He has responsibility for all financial and company accounting matters together with corporate finance matters and financial public relations. After qualifying, he joined Deloitte before moving on to Sainsbury's and then Virgin Group.

ADVISERS

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DEREK FITCH

Executive Director

Derek (59) is managing director of VcsTimeless Hospitality having been previously technical director and then managing director of Venners. He has developed and operated information technology solutions for over 40 years and is an expert in stock and inventory control.



MICHAEL LIKIERMAN

Non-Executive Director

Michael (63) was founding chief executive of Habitat France. He later co-founded GrandVision SA, the French-based owner of Vision Express, of which he is non-executive chairman. He is a director of Photo Europe and other private companies. In 2002 Michael was made a Chevalier de la Légion d'Honneur. He chairs the Nomination Committee and is a member of both the Audit and Remuneration Committees.



CHRIS DAY

Executive Director

Chris (46) is a chartered surveyor and managing director of Christie & Co, encompassing both agency and professional services. He is responsible for the company's UK and international operations. Chris is also chairman of Christie First Business Mortgages.



ANDREW MUIR

Non-Executive Director

Andrew (60) is a chartered accountant. He joined Cazenove & Co in 1972 and was a partner from 1978 to 1998. Andrew is chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.



PETER LANE (LORD LANE OF HORSELL)

Senior Non-Executive Director

Peter (78) is chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He was senior partner of Binder Hamlyn and has been chairman of a number of listed companies.



TONY CHAMBERS

Non-Executive Director

Tony (60) was previously head of banking and director of Robert Fleming and a director of Save and Prosper Group. He is currently chairman of Gartmore High Income and a director of AFG, Isis UK Select Trust and PipeHawk. Tony is a member of the Audit, Nomination and Remuneration Committees.

DIRECTORS' REPORT

For the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

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 three divisions - Professional Business Services, Stock and Inventory Services and Software Solutions. Professional Business Services principally covers business valuation and agency, mortgage and insurance services, and business appraisal. Stock and Inventory Services covers stock and audit inventory preparation and valuation. Software solutions covers EPoS, head office systems and supply chain management. A description of the Group's activities and a more detailed review of the year and future developments are given in the Chairman's Statement, the Review of Operations and the Financial Review.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated profit and loss account on page 26.

The directors recommend the payment of a final dividend of 2p (2002: 1.5p) per share which, together with the interim dividend of 1p (2002: 1p) per ordinary share, makes a total of 3p (2002: 2.5p) per ordinary share totalling £722,000 (2002: £625,000) for the year. The profit for the year before taxation was £2,488,000 (2002: £1,953,000) and after taxation £1,019,000 (2002: £771,000) and this amount, less dividends, has been transferred to reserves.

DIRECTORS

The directors of the company in office at the date of this report, together with their biographical details, are shown on pages 14 and 15. All these directors, with the exception of Tony Chambers, served throughout the year.

David Rugg, Chris Day, Michael Likierman and Tony Chambers retire in accordance with the company's Articles of Association and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Amanda Street resigned on 27 March 2003 following completion of her three year term as a non-executive director. Yves Doukhan resigned on 24 February 2004 and Tony Chambers was appointed as a non-executive director on 24 February 2004.

Directors' interests are shown in the Remuneration Report together with directors' emoluments.

During the year under review 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 £11,073 (2002: £8,559) to charities during the year. It made no political contributions.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed through the profit and loss account in the period in which they occur. The total costs expensed in the year were £2,045,000 (2002: £1,748,000).

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 company (Christie Group plc) had no trade creditors at year end, or the previous year end.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Nexia Audit Limited be re-appointed as auditors of the company will be put to the Annual General Meeting.

CORPORATE GOVERNANCE

The board recognises its responsibilities in complying with the principles of corporate governance as set out in the Combined Code in the Listing Rules of the Financial Services Authority. The board is committed to high standards of corporate governance and is of the opinion that it has complied with the provisions of the Combined Code.

The board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders' investments and the Group's assets. It is also responsible for the regular review of the effectiveness of the system of internal controls. 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.

Risk management and internal control. 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 controls and policies include defined procedures for seeking and obtaining approval for major transactions and organisational changes.

The risk reviews carried out by each subsidiary were updated during the year as part of the ongoing risk assessment process. The focus of the reviews was 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 has been prepared. The management of each subsidiary will report periodically to the board any new risks facing each subsidiary.

In addition to the risk assessment exercise, 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 maintains as a minimum a rolling three-year plan for each subsidiary.

The board has delegated to executive management implementation of the system of internal financial control procedures. The operation of the system is monitored by the finance director, who reports to the Audit Committee.

There is currently no internal audit function. This position is kept under review.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation 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 26 to 48.

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, finance and politics, and ensure that all matters of strategy, performance, progress and standards are debated thoroughly. The senior non-executive director is Peter Lane (Lord Lane of Horsell).

AUDIT COMMITTEE

The 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 accounts represent a true and fair reflection of the Group's financial position and its performance in the period under review. The Audit Committee also ensures that internal controls and appropriate accounting policies are in place.

The Audit Committee consists of Peter Lane (chairman), Michael Likierman, Andrew Muir and Tony Chambers.

REMUNERATION COMMITTEE

The committee meets no less than twice a year and is responsible for determining remuneration for main board directors and subsidiary company managing directors 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 options schemes.

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 Andrew Muir (chairman), Peter Lane, Michael Likierman and Tony Chambers.

NOMINATION COMMITTEE

The committee consists of four non-executive directors. The committee's chairman is Michael Likierman and it meets as required to select and propose suitable candidates for the approval of the board to fill vacancies of new positions and to make recommendations to the board on its composition.

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

Other than the interests of certain directors set out on page 23, the directors are not aware of any interests of 3% or more in the share capital of the company.

Purchase of own shares by the company. At the previous Annual General Meeting, a special resolution was passed to authorise the directors to purchase, in the market, the company's own shares, as permitted under Regulation 46 of the company's Articles of Association. This authority is expressed to run for the period until the company's next Annual General Meeting and limits total purchases to 10% of the company's issued share capital. In accordance with Stock Exchange guidelines, the price paid for any share must not exceed 105% of the average of the middle market price as obtained from the quotations for the ordinary shares of the company in the Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the ordinary shares are purchased. The directors do not propose to exercise the authority unless satisfied that a purchase could be expected to result in an increase in earnings per share. Renewal of this authority will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on 31 March 2004.

R M ZENKER

COMPANY SECRETARY

2 Crane Court, Fleet Street, London EC4A 2BL

DIRECTORS' RESPONSIBILITIES STATEMENT

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

REMUNERATION COMMITTEE

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 chief executive is not present when his own remuneration is being considered.

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: basic salary, annual bonus, benefits, and share options.

Annual bonuses are calculated as a percentage of pre-tax profits in excess of a threshold. In relation to Derek Fitch, the bonus relates to the performance of the Group's hospitality software and stocktaking businesses and the Group. In relation to Chris Day, the bonus relates to the performance of the Group's agency operation, financial services businesses and the Group. The Group chief executive and the Group finance director are paid a bonus relating to the total profits of the business after interest charges. Bonuses are designed to contribute approximately 25% of total earnings and whilst they are uncapped, they have not to date exceeded 50% of an individual's salary.

Share options are granted having regard to an individual's seniority within the business and, together with the Group's Employee Share Ownership Plan, 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	Date of service contract	Date of appointment	Maximum notice period
Philip Gwyn	6 July 1988	1 May 1982	12 months
David Rugg	6 July 1988	1 October 1972	24 months
Chris Day	31 December 2001	29 April 1985	12 months
Derek Fitch	22 November 1984	1 April 1960	24 months
Robert Zenker	13 January 1995	3 October 1994	12 months

Non-executive directors	Date of letter of appointment	Date of appointment	Expiry of current term of office
Peter Lane	22 July 1994	1 July 1994	30 June 2005
Andrew Muir	7 July 1999	9 June 1999	8 June 2005
Michael Likierman	20 December 2001	20 December 2001	19 December 2007
Tony Chambers	24 February 2004	24 February 2004	23 February 2007

Outside directorships

Other than the chairman, none of the executive directors holds external non-executive directorship positions.

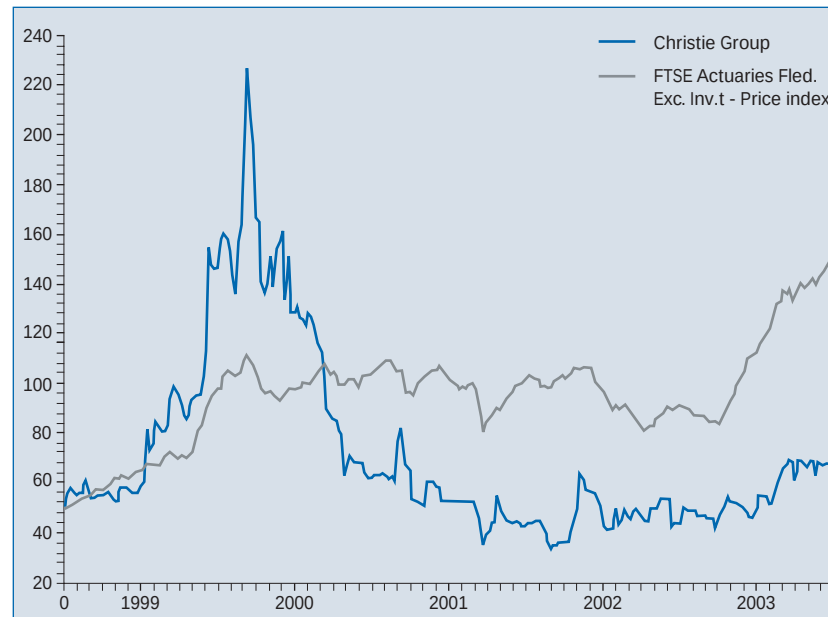
Non-executive directors

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.

PERFORMANCE GRAPHS

The Remuneration Report Regulations provide that the Company must provide a graph comparing the Total Shareholders Return performance of a hypothetical holding of shares in the Company with a broad equity market index over a five-year period - the 'Compliance Graph'. In this context, the directors have chosen to illustrate the performance of TSR against the FTSE Fledgling Index excluding investment trusts. In the opinion of the directors, the FTSE Fledgling Index excluding investment trusts is the most appropriate index against which TSR should be measured because it is a widely used and understood index of broadly similar sized UK companies to the Company. The Compliance Graph is shown below.

COMPLIANCE GRAPH - HISTORICAL TSR PERFORMANCE



Directors' emoluments

	2003 £'000	2002 £'000
Fees	55	77
Salaries and benefits	769	775
Performance-related bonuses	124	92
Gains on exercise of share options	7	1
Contributions to self-administered pension fund	21	21
	976	966

Directors' emoluments continued

	Salary £'000	Benefits £'000	Bonus £'000	Fees £'000	2003 Total £'000	2002 Total £'000
Philip Gwyn	120	25	—	—	145	142
David Rugg	185	39	41	—	265	222
Chris Day	155	16	55	—	226	202
Derek Fitch	104	15	18	—	137	126
Robert Zenker	103	7	10	—	120	109
Peter Lane	—	—	—	14	14	14
Andrew Muir	—	—	—	12	12	12
Amanda Street	—	—	—	—	—	12
Michael Likierman	—	—	—	12	12	12
Yves Doukhan	—	—	—	17	17	93
	667	102	124	55	948	944

All executive directors at 31 December 2003, excluding Philip Gwyn, are members of defined benefit schemes.

Directors' pension entitlements

The company contributed £21,000 to a self-administered pension fund of which the chairman, Philip Gwyn, is a member.

David Rugg, Robert Zenker and Chris Day are members of the Christie Group scheme managed by Legal & General.

Derek Fitch is a member of the Venners' pension scheme which is managed by GE Capital.

Directors' pension entitlements in respect of defined benefit schemes at 31 December 2003 are:

	Increase in accrued pension excluding inflation £'000	Accrued pension at 31 Dec 2003 £'000	Accrued pension at 31 Dec 2002 £'000	Increase in accrued pension including inflation £'000	Transfer value of accrued pension at 31 Dec 2003 £'000	Transfer value of accrued pension at 31 Dec 2002 £'000	Increase in transfer value over the year £'000
David Rugg	2	89	84	5	818	729	89
Chris Day	2	49	46	3	328	300	28
Derek Fitch	2	55	52	3	892	783	109
Robert Zenker	2	14	12	2	97	82	15

The following additional information is in respect of directors' pensions:

a) Normal retirement age: 65 in respect of all directors except David Rugg and Derek Fitch, whose retirement ages are 60.

b) Dependants' rights: 50% of member's pension.

c) Early retirement rights: there are no early retirement rights but, with the consent of the employer and trustees, directors can retire from 50 onwards.

d) Pension increases: pension accrued before 6 April 1997 is increased at the rate of 3% per annum compound. The pension accrued after that date is increased in line with the Retail Price Index but with a maximum of 5% per annum.

e) There are no other discretionary benefits.

Directors' emoluments continued

The loan to Chris Day is in respect of his annual rail season ticket:

	2003	2002	2003 Maximum
	£	£	£
Chris Day	861	121	1,354

No director has a material interest in a contract with any member of the Group.

Details of the directors' interests in the ordinary shares of the company are set out below:

	Beneficial	31 March 2004 Non-beneficial	Beneficial	31 Dec 2003 Non-beneficial	Beneficial	31 Dec 2002 Non-beneficial
Philip Gwyn	6,861,439	4,106,143	6,861,439	4,106,143	6,861,439	4,106,143
David Rugg	1,200,794	1,261,368	1,200,794	1,261,368	1,175,461	1,261,368
Chris Day	451,669	—	451,669	—	351,669	—
Derek Fitch	31,998	—	31,998	—	31,998	—
Robert Zenker	72,750	—	55,000	—	55,000	—
Peter Lane	40,000	—	40,000	—	40,000	—
Andrew Muir	1,058,280	—	1,058,280	—	1,058,280	—
Michael Likierman	41,500	300,000	41,500	300,000	41,500	100,000
Yves Doukhan	n/a	—	202,875	—	202,875	—
Tony Chambers	—	—	—	—	—	—

Number of options over ordinary shares of the company:

	1 Jan 03	Exercised	Lapsed	31 Dec 03	Exercise price Pence	31 Dec 03 Gain on exercise £'000	31 Dec 02 Gain on exercise £'000	Exercisable from	Expiry date
David Rugg	25,333	(25,333)	—	—	68.25	nil	—	Dec 96	Dec 03
Chris Day	16,666	—	(16,666)	—	68.25	—	—	Dec 96	Dec 03
	100,000	(100,000)	—	—	48.00	7	—	Dec 00	Dec 04
Derek Fitch	25,000	—	—	25,000	41.50	—	1	Dec 01	Dec 08
	19,000	—	—	19,000	81.00	—	—	Sept 02	Sept 09
	46,000	—	—	46,000	81.00	—	—	Sept 02	Sept 06
Robert Zenker	15,000	—	—	15,000	81.00	—	—	Sept 02	Sept 09
	25,000	—	—	25,000	45.50	—	—	Sept 05	Sept 12

There has been no change in the number of options since the year-end. The market price of the shares at 31 December 2003 was 69p (31 December 2002: 43.5p) and the range during the year was 41.5p to 71.5p (year to 31 December 2002: 31.5p to 67.5p).

By order of the board.

A H J MUIR
CHAIRMAN OF THE REMUNERATION COMMITTEE
31 March 2004

INDEPENDENT AUDITORS' REPORT

to the shareholders of Christie Group plc

We have audited the financial statements of Christie Group plc for the year ended 31 December 2003 on pages 26 to 48. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein. We have also audited the information in the Remuneration Report that is required to be audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Directors' Responsibilities Statement.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and the explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Remuneration Report, the Chairman's Statement, the Operating and Financial

Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report required to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report that is required to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

NEXIA AUDIT LIMITED

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

1 Riding House Street, London W1A 3AS

31 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Turnover	1	62,457	46,473
Staff costs	2	(34,933)	(23,865)
		27,524	22,608
Other operating charges before goodwill amortisation		(24,279)	(19,994)
Goodwill amortisation		(551)	(497)
Total other operating charges		(24,830)	(20,491)
Operating profit	1	2,694	2,117
Finance charges net	3	(206)	(164)
Profit on ordinary activities before taxation	3	2,488	1,953
Tax on profit on ordinary activities	4	(1,469)	(1,182)
Profit on ordinary activities after taxation		1,019	771
Dividends paid and proposed	5	(722)	(625)
Retained profit for the year	16	297	146
Earnings per share			
- basic	6	4.15p	3.06p
- basic before goodwill amortisation	6	6.39p	5.03p
- fully diluted	6	4.14p	3.08p

All amounts derive from continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	1,019	771
Loss on foreign currency translation	(240)	(146)
Total recognised gains and losses relating to the year	779	625

CONSOLIDATED BALANCE SHEET

as at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	2,631	2,749
Investments	8	424	278
Intangible assets	9	3,953	4,400
		7,008	7,427
Current assets			
Stocks	10	312	336
Debtors - due within one year	11	12,635	10,148
- due after one year	11	445	283
Investment	7	504	—
Cash at bank and in hand		4,346	3,051
		18,242	13,818
Creditors - amounts falling due within one year	12	(17,518)	(10,098)
Net current assets		724	3,720
Total assets less current liabilities		7,732	11,147
Creditors - amounts falling due after more than one year	13	(152)	(3,687)
Net assets		7,580	7,460
Capital and reserves			
Called up share capital	15	493	490
Share premium	16	3,780	3,718
Merger reserve	16	945	945
Capital redemption reserve	16	10	10
Profit and loss account	16	2,346	2,289
Shareholders' funds - equity interests	17	7,574	7,452
Minority interest		6	8
		7,580	7,460

COMPANY BALANCE SHEET

as at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	—	516
Investments	8	11,979	11,733
		11,979	12,249
Current assets			
Debtors	11	2,644	1,831
Investment	7	504	—
Cash at bank and in hand		765	321
		3,913	2,152
Creditors - amounts falling due within one year	12	(3,430)	(2,771)
Net current assets/(liabilities)		483	(619)
Total assets less current liabilities		12,462	11,630
Provisions for liabilities and charges	4	(6)	(21)
Net assets		12,456	11,609
Capital and reserves			
Called up share capital	15	493	490
Share premium	16	3,780	3,718
Merger reserve	16	945	945
Capital redemption reserve	16	10	10
Other reserves	16	88	88
Profit and loss account	16	7,140	6,358
Shareholders' funds - equity interests		12,456	11,609

The financial statements on pages 26 to 48 were approved by the board on 31 March 2004.

D B RUGG

Chief Executive

R M ZENKER

Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities			
Returns on investments and servicing of finance	21a	4,151	4,309
Taxation paid	21b	(206)	(216)
Capital expenditure and financial investment	21c	(1,067)	(686)
Acquisition	21d	(1,262)	(892)
Equity dividends paid		—	(569)
		(597)	(633)
Cash inflow before financing		1,019	1,313
Financing	21e	(170)	(521)
Increase in cash in the year		849	792
		2003 £'000	2002 £'000
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		849	792
Cash inflow from debt and lease financing		185	14
Change in net funds resulting from cash flows		1,034	806
Finance leases		(278)	—
Foreign currency translation		(133)	(114)
Movement of net funds in the year		623	692
Net debt at 1 January 2003		(973)	(1,665)
Net debt at 31 December 2003	21f	(350)	(973)

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

BASIS OF CONSOLIDATION

The Group financial statements include the results of Christie Group plc and all its subsidiary undertakings on the basis of their financial statements to 31 December 2003. The results of businesses acquired or disposed of are included from the date of acquisition or disposal.

No profit and loss account for Christie Group plc has been presented as permitted by Section 230 of the Companies Act 1985.

RECOGNITION OF INCOME

Income derived from the Group's principal activities (which is shown net of VAT) is recognised as follows:

Business agency. Net agency fees are recognised as income on exchange of contracts.

Appraisals and valuations. Appraisal income is recognised upon submission of the completed report to the client. In respect of valuations, turnover is recognised once the property or business has been inspected. This basis of recognising turnover and profit represents a change in accounting policy to comply with Financial Reporting Standard 5 (Application note G). Previously turnover was recognised at the date the valuation report and invoice were despatched. Prior year figures have not been restated as the adjustments are regarded as immaterial.

Finance broking. Fee income is taken either when a loan offer is secured or when it is drawn down.

Insurance broking. Insurance brokerage is accounted for on the accruals basis when insurance cover commences.

Stock auditing. Stock audit fees are recognised on completion of the visit to the client's premises.

Software and computer systems. Revenues are recognised on installation. Revenues on maintenance contracts are recognised over the period of the contracts.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed through the profit and loss account in the period in which they occur.

INTANGIBLE FIXED ASSETS

Intangible fixed assets such as software, trademarks and patent rights are stated at cost, net of amortisation and provision for any impairment.

Amortisation is calculated to write down the cost of all intangible fixed assets to their estimated residual value by equal annual installments over their expected useful lives. The expected useful lives are between three and ten years.

Goodwill arising 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, is capitalised and amortised on a straight line basis over its useful economic life, which is over a period up to a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the years up to 31 March 1998 was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

TANGIBLE FIXED ASSETS

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 installments over their expected useful lives. The periods generally applicable are:

	Years
Freehold buildings	50
Leasehold property	Lease term
Fixtures, fittings and equipment	5-10
Computer equipment	2-3
Motor vehicles	4

No depreciation is provided on freehold land.

INVESTMENTS

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

The directors consider that the company has control of the shares held by the employee share ownership trust and bears the risks and benefits associated. Shares held by the trust are shown as 'own shares' within fixed asset investments.

STOCKS

Stock held for re-sale is valued at the lower of cost and net realisable value.

TAXATION

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

DEFERRED TAX

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen, but not reversed, at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

LEASES

Rentals under operating leases are charged to the profit and loss account 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 profit and loss account over the period of the leases at a constant rate.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on the translation of the opening net assets and results of overseas operations for the period are dealt with through reserves. All other exchange differences are included in the profit and loss account.

PENSION COSTS

Defined benefit scheme. The amount charged to the profit and loss account in respect of defined benefit scheme pension costs and other post-retirement benefits is the estimated regular cost of providing benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining service lives of scheme members. These schemes are funded, with the assets of the scheme held separately from those of the Group in separate trustee-administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

Personal pension plan. Group companies contribute towards a personal pension plan for their employees. Employees are currently entitled to such contributions after a qualifying period has elapsed.

FINANCE COSTS

Finance costs are recognised in the profit and loss account over the term of such investments at a constant rate on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental information

	Turnover	Operating profit/(loss)	2003 Net assets	Turnover	Operating profit/(loss)	2002 Net assets
	£'000	£'000	£'000	£'000	£'000	£'000
Professional Business Services	34,122	4,595	3,259	28,246	2,653	1,997
Software Solutions	12,523	(1,527)	(165)	10,437	(1,136)	840
Stock and Inventory Services	15,812	(374)	1,328	7,790	600	785
	62,457	2,694	4,422	46,473	2,117	3,622
Cash			4,346			3,051
Proposed dividend			(492)			(368)
Other			(696)			1,155
Net assets			7,580			7,460

Turnover by origin

	Total	Europe	2003 Rest of the World	Total	Europe	2002 Rest of the World
	£'000	£'000	£'000	£'000	£'000	£'000
Professional Business Services	34,122	34,122	—	28,246	28,246	—
Software Solutions	12,523	12,004	519	10,437	9,922	515
Stock and Inventory Services	15,812	15,812	—	7,790	7,790	—
	62,457	61,938	519	46,473	45,958	515

There is no material difference to the analysis if shown by destination.

2. Particulars of employees and staff costs

The average number of people employed by the Group (including directors) during the year was:

	2003 Number	2002 Number
Operational staff	791	599
Administrative and support staff	275	219
	1,066	818

Their aggregate remuneration was:

	2003 £'000	2002 £'000
Wages and salaries	29,588	20,060
Social security costs	3,745	2,835
Other pension costs	1,600	970
	34,933	23,865

Details of directors' emoluments are disclosed in the Remuneration Report on pages 20 to 24.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets:		
– owned assets	1,010	863
– leased assets	56	2
Amortisation:		
– software	27	25
– goodwill	551	497
Loss/(profit) on sale of tangible fixed assets	19	(70)
Operating lease charges:		
– buildings	1,271	1,276
– other	1,449	1,408
Auditors' remuneration:		
– audit services	85	76
– other services (paid to related companies to the auditors)	76	88
Gain on foreign exchange	(73)	(79)
Interest payable:		
– bank loans and overdrafts	256	240
– on finance leases	7	—
Interest receivable	(57)	(76)
Finance charges net	206	164

4. Tax on profit on ordinary activities

	2003 £'000	2002 £'000
Current tax		
UK corporation tax at 30% (2002: 30%)	1,490	1,150
Foreign tax	44	(27)
	1,534	1,123
Adjustments in respect of prior years	97	18
Total current tax	1,631	1,141
Deferred tax		
Origination and reversal of timing differences	(162)	41
Total deferred tax	(162)	41
Total tax on profit on ordinary activities	1,469	1,182

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	2,488	1,953
Tax on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	746	586
Effects of:		
– foreign tax losses not yet utilised	477	438
– expenses not deductible for tax purposes	20	70
– goodwill amortisation arising on consolidation	165	149
– losses carried forward	14	—
– adjustments to tax charge in respect of previous periods	97	18
– marginal relief	(12)	(15)
– depreciation in excess of capital allowances	24	(54)
– other timing differences	100	(51)
Total current tax charge for the year	1,631	1,141

Deferred tax asset is recognised as follows:

	2003 £'000	2002 £'000
Group		
Accelerated capital allowances	(280)	(283)
Other timing differences	(165)	—
Deferred tax asset	(445)	(283)

4. Tax on profit on ordinary activities continued

Movements in the deferred tax asset:

	2003 £'000	2002 £'000
At 1 January 2003	283	324
Transfer to profit and loss account	162	(41)
At 31 December 2003	445	283

Company	2003 £'000	2002 £'000
Accelerated capital allowances	22	(3)
Other timing differences	(16)	24
Provision for deferred tax	6	21

Movements in the provision for deferred tax:

	2003 £'000	2002 £'000
At 1 January 2003	(21)	(27)
Transfer to profit and loss account	15	6
At 31 December 2003	(6)	(21)

5. Dividends

	2003 £'000	2002 £'000
Interim dividend paid of 1p (2002: 1p) per ordinary share	230	257
Proposed final dividend of 2p (2002: 1.5p) per ordinary share	492	368
	722	625

6. Earnings per share

	2003	2002
Earnings per share – basic		
Profit attributable to shareholders (£'000)	1,019	771
Average number of ordinary shares of 2p each in issue during the year	24,559,471	25,222,173
Earnings per share – basic before goodwill amortisation		
Profit attributable to shareholders before goodwill amortisation (£'000)	1,570	1,268
Average number of ordinary shares of 2p each in issue during the year	24,559,471	25,222,173
Earnings per share – fully diluted		
Profit attributable to shareholders (£'000)	1,019	771
Average number of ordinary shares of 2p each in issue during the year after allowing for the exercise of outstanding share options	24,595,162	25,014,319

Earnings before goodwill amortisation are presented to show the underlying performance of the group.

7. Tangible fixed assets

Group	Freehold property £'000	Short leasehold property £'000	Fixtures, fittings, computer equipment and motor vehicles £'000	Total £'000
Cost				
At 1 January 2003	631	408	7,511	8,550
Additions	—	34	1,460	1,494
Disposals	—	(133)	(788)	(921)
Transfer to current assets	(631)	—	—	(631)
Exchange difference	—	—	109	109
At 31 December 2003	—	309	8,292	8,601
Depreciation				
At 1 January 2003	117	270	5,414	5,801
Charge for the year	10	43	1,013	1,066
Disposals	—	(133)	(695)	(828)
Transfer to current assets	(127)	—	—	(127)
Exchange difference	—	—	58	58
At 31 December 2003	—	180	5,790	5,970
Net book value				
At 31 December 2003	—	129	2,502	2,631
At 31 December 2002	514	138	2,097	2,749

Depreciation in the year on fixtures, fittings, computer equipment and motor vehicles includes £56,000 (2002: £2,000) on assets held under finance lease or hire purchase agreements which had a net book value at 31 December 2003 of £222,000 (2002: £nil).

The freehold property has been transferred to current assets as property held for re-sale.

7. Tangible fixed assets continued

Company	Freehold property £'000	Fixtures, fittings, computer equipment and motor vehicles £'000	Total £'000
Cost			
At 1 January 2003	631	9	640
Transfer to current assets	(631)	—	(631)
At 31 December 2003	—	9	9
Depreciation			
At 1 January 2003	117	7	124
Charge for the year	10	2	12
Transfer to current assets	(127)	—	(127)
At 31 December 2003	—	9	9
Net book value			
At 31 December 2003	—	—	—
At 31 December 2002	514	2	516

The freehold property has been transferred to current assets as a property held for re-sale.

8. Fixed asset investments

	Company and Group Other investment £'000	Company and Group Investment in own shares (ESOP) £'000	Company Shares in subsidiary undertakings £'000	Company Loans to subsidiary undertakings £'000	Group Total £'000	Company Total £'000
Cost						
At 1 January 2003	—	278	5,764	6,301	278	12,343
Additions	100	46	100	—	146	246
As 31 December 2003	100	324	5,864	6,301	424	12,589
Provisions						
At 1 January 2003 and at 31 December 2003	—	—	610	—	—	610
Net book value						
At 31 December 2003	100	324	5,254	6,301	424	11,979
At 31 December 2002	—	278	5,154	6,301	278	11,733

The Employee Share Option Plan (ESOP) was established to hedge the future obligations of the Group in respect of shares awarded under the Employee Share Save Scheme. The Trustee of the ESOP, Walbrook Trustees (Guernsey) Ltd, purchases the Company's ordinary shares in the open market with financing provided by the company, as required, on the basis of regular reviews of the anticipated share obligations of the Group. The ESOP has waived any entitlement to the receipt of dividends in respect of its entire holding of the company's ordinary shares.

At 31 December 2003 the outstanding loan by the company to the ESOP to finance the purchase of ordinary shares was £328,000 (2002: £278,000). The market value at 31 December 2003 of the ordinary shares held in the ESOP, which are listed in the UK, was £478,000 (2002: £269,000). The investment in own shares represents 692,212 shares (2002: 617,500) with a nominal value of 2p each.

8. Fixed asset investments continued

At 31 December 2003 the principal subsidiaries were as follows:

Company	Country of incorporation or operation	Nature of business
Christie, Owen & Davies plc (trading as Christie & Co)*	UK	Business valuers, surveyors and agents
Christie & Co SARL*	France	Business valuers, surveyors and agents
Christie & Co GmbH*	Germany	Business valuers, surveyors and agents
Christie, Owen & Davies SL*	Spain	Business valuers, surveyors and agents
Pinders Professional & Consultancy Services Ltd	UK	Business appraisers
RCC Business Mortgage Brokers plc (trading as Christie First)	UK	Business mortgages
RCC Insurance Brokers plc* (trading as Christie First)	UK	Insurance brokers
Orridge & Co Ltd	UK	Stock and inventory auditors and valuers
Orridge SA**	Belgium	Stock and inventory auditors and valuers
Venners plc	UK	Stock and inventory auditors and valuers
VCS Timeless Ltd*	UK	EPoS and stock control software
Venners Computer Systems (Research & Development) Ltd*	UK	Software development and maintenance
Venners Computer Systems Corporation*	Canada	EPoS and stock control software
Timeless SA*	France	EPoS, head office systems and merchandise control
Timeless Premier SL*	Spain	EPoS, head office systems and merchandise control

The company directly or indirectly* owns 100% of the ordinary share capital of each of the above companies.

The company indirectly** owns 90% of Orridge SA.

9. Intangible fixed assets

Group	Goodwill arising on acquisitions £'000	Software £'000	Total £'000
Cost			
At 1 January 2003	5,885	370	6,255
Additions	—	20	20
Disposals	—	(278)	(278)
Adjustments to provisional fair values and consideration in respect of acquisition of Orridge & Co Ltd	107	—	107
Exchange difference	—	8	8
At 31 December 2003	5,992	120	6,112
Amortisation			
At 1 January 2003	1,523	332	1,855
Charge for the year	551	27	578
Disposals	—	(278)	(278)
Exchange difference	—	4	4
At 31 December 2003	2,074	85	2,159
Net book value			
At 31 December 2003	3,918	35	3,953
At 31 December 2002	4,362	38	4,400

10. Stocks

	Group £'000	2003 Company £'000	Group £'000	2002 Company £'000
Finished goods and goods for resale	312	—	336	—

There were no material differences between the balance sheet value of stocks and their replacement cost.

11. Debtors

	Group £'000	2003 Company £'000	Group £'000	2002 Company £'000
Debtors due within one year				
Trade debtors	8,391	—	7,328	—
Amounts owed by subsidiary undertakings	—	1,270	—	980
Dividends receivable	—	1,071	—	576
Other debtors	1,797	281	993	236
Prepayments and accrued income	2,447	22	1,827	39
	12,635	2,644	10,148	1,831
Debtors due after one year				
Deferred tax	445	—	283	—

Of the total amounts owed by subsidiary undertakings £700,000 (2002: £700,000) is secured by fixed and floating charges over the assets of certain subsidiary undertakings.

12. Creditors - amounts falling due within one year

	Group £'000	2003 Company £'000	Group £'000	2002 Company £'000
Bank overdrafts and loans	4,493	—	366	—
Obligations under finance leases	82	—	—	—
Trade creditors	3,472	—	2,454	—
Amounts owed to subsidiary undertakings	—	1,299	—	2,043
Corporation tax	1,023	187	622	46
Other taxes and social security	3,037	855	2,276	24
Other creditors	1,436	441	352	136
Accruals and deferred income	3,483	156	3,660	154
Proposed dividend	492	492	368	368
	17,518	3,430	10,098	2,771

The bank loans and overdrafts totalling £4,172,000 at 31 December 2003 (2002: £4,024,000) are secured by fixed and floating charges over the assets of certain subsidiary undertakings.

13. Creditors - amounts falling due after more than one year

	Group £'000	2003 Company £'000	Group £'000	2002 Company £'000
Bank loans repayable between one and two years	—	—	1,125	—
Bank loans repayable between two and five years	—	—	2,533	—
Pension costs	31	—	29	—
Obligation under finance leases:				
- between one and two years	86	—	—	—
- between two and five years	35	—	—	—
	152	—	3,687	—

The bank loan shown as long-term in 2002 is currently being renegotiated and is therefore shown under current liabilities.

14. Financial Instruments disclosures under FRS 13

The Group uses a limited number of financial instruments, comprising cash, short-term deposits, bank loans and overdrafts and various items such as trade debtors and creditors, which arise directly from operations. The main financial risks faced by the Group are those of interest rate, foreign currency movements and cash liquidity. The board agrees policies for managing each of these risks as appropriate. The Group does not trade in financial instruments.

In respect of the 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, even though interest rate caps are in place for the long-term loans. In respect of liquidity risk, the Group ensures it has adequate cover through the availability of bank overdraft and loan facilities. The Group's trading operations are normally cash generative.

Timeless SA, whose revenue, expenditures and cash flow are denominated exclusively in euros, provides a natural hedge against its foreign currency risk. Gains or losses arising from this foreign currency exposure are shown in the statements of total recognised gains and losses. The accounting systems of the UK businesses are all euro-compliant.

Financial assets and liabilities disclosed on the next page exclude short-term debtors and creditors:

14. Financial Instruments disclosures under FRS 13 continued

Financial assets

The Group's cash deposits comprise:

	2003 £'000	2002 £'000
Sterling	3,601	2,542
Euros	672	385
Canadian dollars	73	124
Total cash deposits	4,346	3,051

Interest on these financial assets is receivable at floating rates linked to bank base rates.

Interest on the floating rate loans is linked to either LIBOR or EURIBOR, generally at between 1% and 2% above these rates and a cap of 6%.

Financial liabilities

The Group's sterling financial liabilities comprise:

	2003 £'000	2002 £'000
Floating interest rate bank overdraft	303	178
Floating interest rate loans	1,905	1,929
Invoice discounting	321	—
Finance lease liabilities	203	—
	2,732	2,107

Interest on the floating rate loan is linked to LIBOR.

Interest on the invoice discounting is 1.75% above base rate.

Interest on the finance lease liabilities is variable.

The Group's foreign currency financial liabilities comprise:

	2003 €000	2003 £'000	2002 €000	2002 £'000
Floating interest rate bank loan	2,783	1,964	2,943	1,917

Interest on the floating rate loan is linked to EURIBOR.

The maturity profile of the Group's financial liabilities is set out in notes 12 and 13.

Fair values of financial assets and liabilities

The fair values of the Group's sterling, Canadian dollar and euro financial assets and liabilities are not materially different from their book values.

Currency exposures

At 31 December 2003 the Group's UK business had no trade debtors or creditors denominated in euros (2002: nil). No forward currency contracts were in place.

Gains and losses on currency hedges

At the end of the year there were no foreign currency contracts outstanding (2002: nil).

15. Share capital

Ordinary shares of 2p each	Number	2003 £'000	Number	2002 £'000
Authorised:				
At 1 January 2003 and 31 December 2003	30,000,000	600	30,000,000	600
Allotted and fully paid:				
At 1 January 2003	24,513,162	490	25,495,960	510
Issued during the year	125,333	3	28,732	—
Shares repurchased by company	—	—	(512,500)	(10)
Final adjustment to the consideration in respect of acquisition of Timeless SA	—	—	(499,030)	(10)
At 31 December 2003	24,638,495	493	24,513,162	490

The consideration received for the shares issued in the year was £65,000 (2002: £13,000).

The remaining options outstanding under approved schemes (unapproved options marked *) at 31 December 2003 were:

Number of shares	Option exercise price	Date granted	Option exercise period
10,000	34.50p	Dec 1994	Dec 1997 - Dec 2004
59,000	35.70p	Aug 1996	Aug 1999 - Aug 2006
160,000	48.00p	Dec 1997	Dec 2000 - Dec 2007
21,000	47.50p	Aug 1998	Aug 2001 - Aug 2008
95,002	41.50p	Dec 1998	Dec 2001 - Dec 2008
3,000	52.50p	May 1999	May 2002 - May 2009
34,000	81.00p	Sept 1999	Sept 2002 - Sep 2009
46,000*	81.00p	Sept 1999	Sept 2002 - Sep 2006
40,333	145.00p	May 2000	May 2003 - May 2010
30,000	81.50p	Oct 2000	Oct 2003 - Oct 2010
71,666	53.50p	May 2001	May 2004 - May 2011
31,000	40.00p	Oct 2001	Oct 2004 - Oct 2011
119,555	36.00p	May 2002	May 2005 - May 2012
25,000	45.50p	Sept 2002	Sept 2005 - Sept 2012
3,000	44.50p	Oct 2002	Oct 2005 - Oct 2012
40,000	47.50p	Apr 2003	Apr 2006 - Apr 2013
56,000	46.50p	Jun 2003	Jun 2003 - Jun 2013

16. Reserves

Group	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2003	3,718	945	10	2,289
Share issues	62	—	—	—
Loss on foreign currency translation	—	—	—	(240)
Retained profit for the year	—	—	—	297
At 31 December 2003	3,780	945	10	2,346

Company	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000
At 1 January 2003	3,718	945	10	88	6,358
Share issues	62	—	—	—	—
Retained profit for the year	—	—	—	—	782
At 31 December 2003	3,780	945	10	88	7,140

The profit for the financial year before dividends paid and proposed dealt with in the financial statements of the company amounted to £1,504,000 (year to 31 December 2002: £858,000). Cumulative goodwill written off directly to Group profit and loss account in earlier years totals £2,335,000.

The merger reserve arose in 2001 under Section 131 of the Companies Act 1985 and represents the excess of fair value over nominal value of shares issued as part consideration for the acquisition of Timeless SA.

17. Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit after taxation for the financial year	1,019	771
Dividends paid and proposed	(722)	(625)
Loss on foreign currency translation	(240)	(146)
Shares repurchased by company	—	(236)
New share capital	65	13
Final adjustment to the consideration in respect of acquisition of Timeless SA	—	(961)
Net additions/(reduction) to shareholders' funds	122	(1,184)
Opening shareholders' funds	7,452	8,636
Closing shareholders' funds	7,574	7,452

18. Financial commitments

Operating leases

At 31 December 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	Property £'000	2003 Other £'000	Property £'000	2002 Other £'000
Operating leases which expire:				
- within one year	—	136	316	93
- in the second to fifth years inclusive	549	894	164	784
- after five years	726	—	767	3
	1,275	1,030	1,247	880

19. Pension obligations

The Group operates two defined benefit pension schemes, providing benefits based on final pensionable pay. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method. The most recent actuarial valuations were at 6 April 2001 and 1 April 2001. The pension charge in respect of the schemes for the year to 31 December 2003 was £1,023,000 (2002: £550,000).

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

Actuarial valuation for the purpose of financial statement disclosures

The amounts disclosed in these financial statements are based on actuarial valuations as at 31 December 2003 prepared by independent actuaries in accordance with the requirement of Financial Reporting Standard No.17 (FRS 17).

The main assumptions underlying the actuarial valuations are as follows:

	2003 %	2002 %
Rate of inflation	2.75-2.90	2.50
Rate of increase in salaries	4.00-4.15	3.75-4.00
Rate of increase for pensions in payment	2.90-3.25	2.50-3.50
Discount rate	5.30-5.50	5.50

The fair values of the assets held by the pension schemes at 31 December as reported by the actuaries can be analysed as follows:

	Expected return %	31 December 2003	Expected return %	31 December 2002 £'000
Deposit administration policy	6.5-10.4	10,226	6.5-10.8	9,677
Annuities	5.3	819	5.5	754
Equities	6.5	3,567	6.5	1,687
Insurance policies	5.5	1,863	5.5	1,749
Bonds and cash	4.0-5.5	689	5.5	462
Total fair value of scheme assets		17,164		14,329
Present value of scheme liabilities		(24,510)		(19,412)
Deficit in the schemes		(7,346)		(5,083)
Related deferred tax asset		2,204		1,525
Net pension liabilities that would be recorded in the balance sheet		(5,142)		(3,558)

Amounts which would be charged to operating profit:

	2003 £'000	2002 £'000
Current service costs	617	604
Past service costs	31	—
Gain on settlements and curtailments	(17)	(2)
Total operating charge	631	602

19. Pension obligations continued

Amounts which would be credited/(charged) to other finance income:

	2003 £'000	2002 £'000
Expected return on pension schemes assets	926	968
Interest on pension schemes liabilities	(1,002)	(915)
Net return	(76)	53

Amounts which would be recognised in the statement of total recognised gains and losses:

	2003 % of schemes assets	2003 % of present value of schemes liabilities	2003 £'000	2002 % of schemes assets	2002 % of present value of schemes liabilities	2002 £'000
Actual return less expected return on pension schemes assets	4.0-8.0		1,018	(9.2)		(1,320)
Experience gains and losses arising on the pension schemes assets		(0.4)/(7.9)	(1,189)		(0.5)/(0.6)	(57)
Changes in assumptions underlying the present value of the schemes liabilities		(5.9)/(8.8)	(1,876)		(3.2)/(8.1)	(1,041)
Changes in mortality assumptions underlying the present value of the schemes liabilities		(1.2)	(178)			—
Actuarial deficits recognised in the statement of total recognised gains and losses			(2,225)			(2,418)

Movements in the deficit during the year:

	2003 £'000	2002 £'000
Deficit in schemes at 1 January 2003	(5,083)	(2,566)
Current service costs	(617)	(604)
Past service costs	(31)	—
Gains on settlements and curtailments	17	2
Expected return on pension schemes assets	926	968
Interest on pension schemes liabilities	(1,002)	(915)
Actuarial deficits	(2,225)	(2,418)
Employer contributions (net of charges)	669	450
Deficit in schemes at 31 December 2003	(7,346)	(5,083)

In order to reduce the deficit the basis of establishing 'pensionable pay' will be changed in the Christie Group plc Pension and Assurance Scheme to exclude bonuses and commissions with effect from 6th April 2004. This will bring it in line with the Venners plc Retirement Benefit Scheme.

20. 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 respect of liabilities which individual companies within the Group may suffer as a result of the resolution of these claims.

21. Notes to the cash flow statement

	2003 £'000	2002 £'000
a) Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	2,694	2,117
Depreciation	1,066	865
Amortisation of intangible assets	578	522
Loss/(profit) on sale of tangible assets	19	(70)
Foreign currency translation	(163)	(78)
Decrease in stocks	24	10
(Increase)/decrease in debtors	(2,646)	1,108
Increase/(decrease) in creditors	2,579	(165)
Net cash inflow from operating activities	4,151	4,309
b) Returns on investment and servicing of finance		
Interest received	57	76
Interest paid	(256)	(292)
Interest element of finance leases	(7)	—
Net cash outflow	(206)	(216)
c) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,216)	(1,091)
Purchase of intangible fixed assets	(20)	(18)
Sale of tangible fixed assets	74	217
Other investment	(100)	—
Net cash outflow	(1,262)	(892)
d) Acquisition		
Purchase of subsidiary undertaking	—	(600)
Cash acquired with subsidiary	—	31
Net cash outflow	—	(569)

21. Notes to the cash flow statements continued

	2003 £'000	2002 £'000
e) Financing		
Issue of share capital	65	7
Investment in ESOP	(50)	(278)
Shares repurchased by company	—	(236)
Repayment of borrowing	(110)	—
Repayment of capital element of finance leases	(75)	(14)
Net cash outflow	(170)	(521)

	At 31 Dec 2002 £'000	Cash flows £'000	Other Changes £'000	Foreign currency translation £'000	At 31 Dec 2003 £'000
f) Analysis of change in net debt					
Cash at bank and in hand	3,051	1,295	—	—	4,346
Overdrafts	(178)	(446)	—	—	(624)
Total	2,873	849	—	—	3,722
Debt due after one year	(3,658)	3,791	—	(133)	—
Debt due within one year	(188)	(3,681)	—	—	(3,869)
Finance leases	—	75	(278)	—	(203)
	(3,846)	185	(278)	(133)	(4,072)
Net debt	(973)	1,034	(278)	(133)	(350)

FIVE-YEAR RECORD

	31 Dec 1999 £'000	31 Dec 2000 £'000	31 Dec 2001 £'000	31 Dec 2002 £'000	31 Dec 2003 £'000
Turnover	35,161	40,104	43,833	46,473	62,457
Operating profit before goodwill amortisation	3,444	2,302	2,056	2,614	3,245
Goodwill amortisation	—	(460)	(566)	(497)	(551)
Interest	53	(146)	(244)	(164)	(206)
Profit on ordinary activities before taxation	3,497	1,696	1,246	1,953	2,488
Taxation	1,218	332	891	1,182	1,469
Profit after tax	2,279	1,364	355	771	1,019
Earnings per share - basic	9.42p	5.41p	1.39p	3.06p	4.15p
Earnings per share - basic before goodwill amortisation	9.42p	7.24p	3.62p	5.03p	6.39p
Assets employed					
Fixed assets	3,025	8,545	7,522	7,427	7,008
Net current assets	3,341	3,624	4,850	3,720	724
Creditors - amounts due after one year	(150)	(3,274)	(3,736)	(3,687)	(152)
Net assets	6,216	8,895	8,636	7,460	7,580

Annual general meeting

22 June 2004 at 10am
50 Victoria Street
London SW1H 0NW

Announcements

Half-year results for 2004	September 2004
Preliminary full-year results for 2004	April 2005
Final dividend 2004	June 2005

Final dividend 2003

Ex-dividend	2 June 2004
Record date	4 June 2004
Paid	28 June 2004

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