

Annual Report
and Financial
Statements 04

Christie Group

Focus

01 Delivering Results

02 Group Companies

03 Sectors and Geography

04 Chairman's Statement

06 Review of Operations

18 Financial Review

20 Board of Directors and Advisers

22 Directors' Report

23 Corporate Governance

26 Remuneration Report

30 Directors' Responsibilities Statement

31 Independent Auditors' Report

32 Consolidated Profit and Loss Account

Statement of Total Recognised Gains and Losses

33 Consolidated Balance Sheet

34 Company Balance Sheet

35 Consolidated Cash Flow Statement

36 Accounting Policies

38 Notes to the Financial Statements

50 Five-year Record

51 Financial Calendar

52 Christie Group Directory

Cover photo
Pinder House in Milton Keynes reflects the modern and dynamic environment in which our Group works.

focus

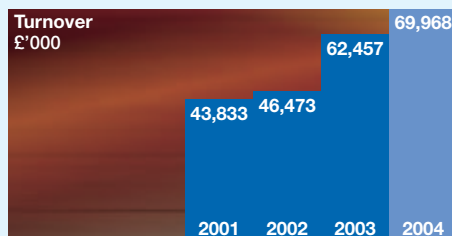
Christie Group provides professional services covering surveying, valuation, agency, consultancy, finance, insurance, stock control and software solutions.

The common denominator of each of our established, yet dynamic companies is our focus on our clients' operations, offering a range of business services designed to add value.

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 people's 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.

delivering results



- Operating profit up 9%
- Turnover up 12%
- Gearing eliminated
- 17p increase in net assets per share
- Three additional Christie offices opened
- Orridge records first profit as turnover increases by 44%
- VcsTimeless reports its highest number of contract wins

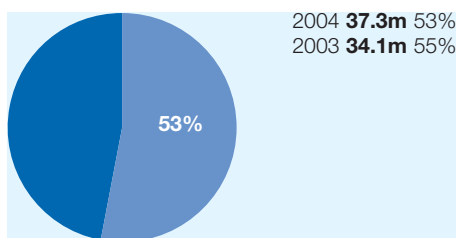
Christie Group www.christiegroup.com
Christie Group plc, the holding company for the Group's trading businesses, is listed on the London Stock Exchange.

- Leisure Sector
- Retail Sector
- Care Sector

Group turnover by division

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, Berlin, Frankfurt, London and Paris. Offices throughout the UK with valuation, agency, development, leisure consultancy and investment teams focused on its key sectors.

Christie First www.christiefirst.com ●●●

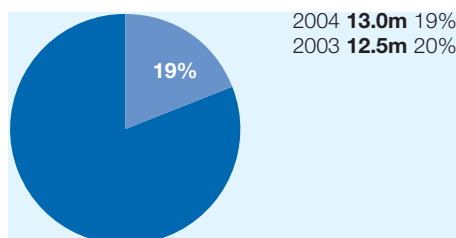
The market leader in finance and insurance for the leisure, retail and care sectors. Services include finance for business purchase or re-financing arranged in conjunction with major financial institutions, and the provision of tailored insurance schemes.

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. The recent acquisition of West London Estates extends the range of building consultancy services Pinders provides to a cross-section of corporate, private and public sector clients.

Software Solutions

EPoS and Head Office Systems



VcsTimeless specialises 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 www.vcstimeless.com ●●

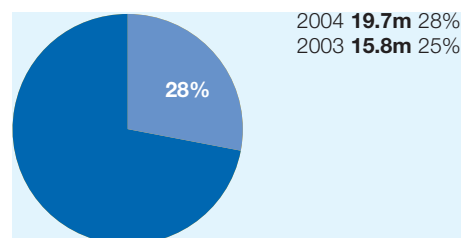
Retail
The VcsTimeless retail applications address such sectors as fashion, accessories, luggage, leather goods, sport, footwear, home furnishings, DIY, perfumery and toys. Solutions include head office, back office, EPoS, CRM, Merchandise Planning and Business Intelligence applications. The Columbus Enterprise Suite is a comprehensive retail management software suite, proven to meet the specific needs of single and multi-channel retailers.

Leisure and cinemas

VcsTimeless' VENPoS and Vista-branded leisure, hospitality and cinema management software comprise admissions, head office, back office, and online ticketing modules.

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.

Our Specialist Sectors

Leisure

Hotels
Pubs & Bars
Restaurants
Takeaways
Sports & Fitness Clubs
Cinemas & Entertainment Venues
Visitor Attractions
Destination Resorts
Caravan & Holiday Parks
Guesthouses
Casinos & Bingo Halls
Railways
Nightclubs

Retail

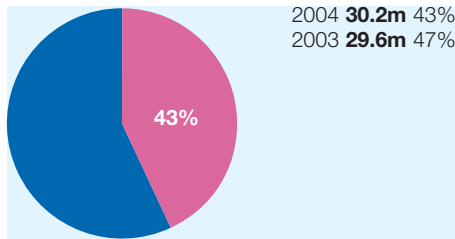
Supermarkets & Convenience Stores
Fashion & Footwear Outlets
Jewellery & Accessories Shops
Lifestyle & Home Furnishings Stores
Newsagents & Booksellers
DIY & Garden Centres
Off-licences
Sports & Leisure Stores
Post Offices
Perfumery & Beauty Care Outlets
Warehouses & Supply Chain Premises
Professional Practices
Forecourt Businesses
Luggage & Leather Goods Shops
Department Stores

Care

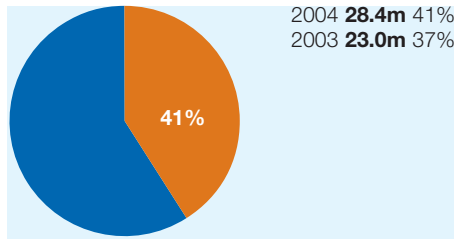
Residential Care Homes
Nursing Homes
Hospitals
Surgeries
Daycare & Childcare Centres
Schools & Colleges
Close Care/Assisted Living Centres
Pharmacies
Homecare
Dental Practices

Group turnover by sector

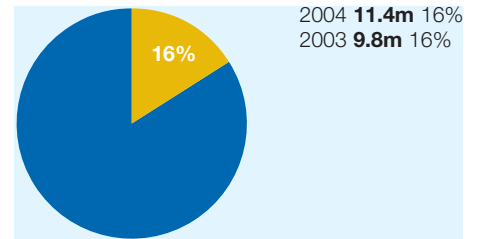
Leisure



Retail



Care



Serving clients internationally

Countries with Christie Group offices

Belgium
Canada
France
Germany
Italy
Spain
United Kingdom

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



Philip Gwyn Chairman

2004 was a year of continuing development for Christie Group. By investing further in our operations, systems and people, we sustained the progress of recent years and consolidated our position in our various markets. We ended 2004 with a much-strengthened balance sheet and with the prospect of good growth opportunities in all divisions in the UK and internationally. We intend to continue our strategy of growing our top line whilst re-investing for the long-term development of the Group including, most recently, the January 2005 acquisition of West London Estates.

I am pleased to be able to report that the Group continued to make progress during the year under review. Turnover increased to £70.0 million (2003: £62.5 million) and operating profit to £2.9 million (2003: £2.7 million).

The board proposes a final dividend of 2p per share, bringing the dividend for the year to 3p per share, the same as in the previous year.

The Chief Executive's Review of Operations gives fuller detail in relation to each operating entity, but I should like to point to some of the highlights.

The UK Professional Services businesses (Christie + Co, Christie First and Pinders) each enjoyed a solid year which has allowed us to open two further Christie + Co offices in the UK. These are located to the north and south of London and, when taken together with our central London office, will give us much stronger representation in the Greater London and suburban areas generally.

The Christie + Co international business, with offices in France, Germany and Spain, has continued to grow and we have opened a second office in Germany (adding Berlin to Frankfurt) which gives some measure of our confidence in these markets.

The two software solutions businesses, based in France and the UK, have been successfully merged. This allows for more coherent management and we have been able to attract more new customers to these businesses while

the planned product development continues through 2005.

In our Stock and Inventory Division, Orridge increased sales by 44% and traded profitably. This was our second full year of ownership. Venners, which has formed part of the Group for many years, continued to trade successfully.

Two features have acted to improve our balance sheet. During the year, we renegotiated loans made to one of our subsidiaries and, in addition, the tax authorities accepted dual residence status for our European agency offices with the result that those losses can be set against UK profits. The net effect of these moves was to strengthen our balance sheet by £3.8 million.

At the profit level, agency expansion and the development of the software business continues to depress results but we remain confident that they will contribute to the results in years ahead.

I thank all our colleagues throughout our businesses who contributed to these results.

A handwritten signature in dark ink, appearing to read 'Philip Gwyn'.

Philip Gwyn
Chairman

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 that will ensure we maintain our position as leading-edge suppliers in our chosen fields.

strategy in action



Technology on the move

VcsTimeless technologies make every customer a winner in the race for sales and stock information.

Page 07



Moving into new markets

Where there's a warehouse there will be wastage. But this is minimised when Orridge conducts the stocktake.

Page 11



Building on tradition

Christie Group's European expansion is based on traditional principles underpinned by forward-looking business systems.

Page 15



David Rugg Chief Executive

Christie Group's strategy has been to develop its three autonomously managed divisions in ways which both encourage cross-referral between them and bring benefits to them all.

The past year has seen us continue this approach.

A year of development

Operating profit before goodwill amortisation £'000

Group	2004	2003
Established operations	5,249	5,716
Developing operations (including Orridge)	(1,766)	(2,471)
	3,483	3,245

Christie Group's strategy has been to develop its three autonomously managed divisions in ways which both encourage cross-referral between them and bring benefits to them all.

The past year has seen us continue this approach.

We have made substantial investments in new locations and recruited additional staff for Christie + Co and Christie First which will enhance our position in the UK's property and financial services sectors. Similarly, we have sustained our development of leading-edge software in VcsTimeless and also of applications which will maintain our position as the leaders in stock and inventory services. We have continued our programme of strategic acquisitions designed to enhance our Group. At the beginning of 2005 we acquired West London Estates, to both strengthen our Professional Business Services Division and add weight to the Pinders offer.

This Reading-based firm of chartered building surveyors provides a range of services to a

cross-section of corporate, private and public sector clients. The addition of its capabilities and contacts will help accelerate Pinders' growth by broadening its national client base and increasing its opportunities for targeting larger and more varied work.

Because of its timing, this acquisition made no impact on this trading year. The introduction of this new business will, however, bring additional building services skills to our Group.

Professional Business Services

Operating profit before goodwill amortisation £'000

	2004	2003
Established operations	4,817	5,566
Developing operations	(1,016)	(971)
	3,801	4,595

The three established companies in our Professional Business Services Division – Christie + Co, Christie First and Pinders – all continued to grow during 2004.

Their UK operations generated £36.0 million of turnover – up 8% on the previous year – from which we derived a satisfactory £4.8 million of trading profit. The cost of maintaining and expanding our overseas operations amounted to £1.0 million.

We also incurred disruption as a result of the move of our London Head Office and the opening of three further offices, two of which are in Greater London. These expenses, coupled with a drop in corporate M&A transactions in 2004, which has since been reversed in the first quarter of 2005, primarily caused our divisional trading profit to fall by 17%.

Christie + Co

Christie + Co aims to be the pre-eminent intermediary providing transactional and advisory support to individuals and small, medium and large businesses in the hospitality, leisure, care and retail sectors. Led by Managing Director Chris Day, the company operates in the UK and continental Europe.

Christie + Co's turnover for 2004 was up on the previous year, generating healthy profit levels in the UK where we sold 6% more businesses with an average commission up 9%. Valuation income rose by 14% with an increase in the proportion of work attributable to banks and private clients.

The company opened in Epsom and Enfield during the latter part of the year. The creation of these additional business units has already done much to enhance Christie + Co's service to clients in the Greater London area.

A new office was also opened in Berlin at the year-end, to meet the needs of a fast-expanding German client base. The new Berlin-based team is working closely with the company's established office in Frankfurt.

Technology on the move

Amaury Sport Organisation runs some of the world's top sporting events, including the Tour de France.

Every year the demand for souvenirs is massive. With numerous merchandise lines, ASO used to need hours to set up mobile

stores at every stage. Now, with Columbus Ret@il Mobile from VcsTimeless, the job takes minutes. Mobile phone and touchscreen technologies give ASO real-time data and increased revenues from a business turning over more than €1.7 million in a matter of days.



technology on the move

The addition of the Berlin office brings the total of Christie + Co's European locations to 20, with over 300 members of staff serving clients internationally.

In response to the changing demands of continental Europe's markets, Christie + Co has also established a multi-lingual consultancy division specialising in the hospitality sector.

This development is expected to provide a sound income stream independent of transaction-based activities. Working under the experienced leadership of Simon Hudspeth, this new division is primarily focused on hotels and tourism.

Development work has also started on a new £1 million plus software-based system designed to serve all Christie + Co's business needs. The installation of this system – known as Sigma – will be rolled out across all the company's offices. Conceived with the best attributes of both the existing computer system and the company's interactive website, Sigma is expected to increase Christie + Co's own efficiency and add value to its existing client services.

Hospitality

The UK hospitality sector in 2004 was largely defined by the demand for hotels and pubs exceeding supply. As a result, pub values rose by just over 8% overall, despite several interest rate rises and a slowdown in the housing market. Values were partly driven in many cases by alternate use as instanced by the sale for residential development of the Seagull, an Enterprise Inns pub in Boscombe, Dorset.

The property was eventually sold for five times its value as a pub.

Elsewhere, a valuation was carried out on a portfolio of 1,230 pubs for Wolverhampton & Dudley Breweries and another on some 4,000 pubs for the Unique Pub Company.

In a year in which many of the larger hotel chains began to divest themselves of physical assets and concentrate on management contracts, Christie + Co handled several significant transactions. These included the sale by Grand Leisure Hotels of four coastal hotels purchased by Britannia Hotels for £30 million, and of three large London hotels to Travelodge. Other notable transactions included the sale by Queens Moat Houses of the Sloane Square Moat House hotel for £12.35 million, the Drury Lane Moat House for £11.0 million and Edinburgh's Capital Moat House for £5.25 million.

One of Christie + Co's major restaurant commissions of the year was the offer for sale by private treaty of 38 Little Chefs. The portfolio comprised 24 freehold and 14 leasehold properties scattered across the United Kingdom. At the year's end, approximately half the portfolio had been sold as part of an ongoing programme.

Care

The care sector has experienced significant investment by private equity capital and has seen substantial growth in values during the past year or so. Government support for residents' fees has been historically underfunded, but the recovery – which had

begun in 2003 – was sustained during 2004 and fuelled considerable sales activity as the profitability of care businesses improved. All 14 established offices exceeded their sector targets year-on-year as demand for care businesses of all types outstripped supply.

Of the many transactions handled by Christie + Co, one of the most significant was the sale of Carrick Care, Scotland's largest independent operator, to BUPA in September for a market-setting price.

The activity in the care sector was mirrored by an increasing demand for children's day nurseries. Propelled by the needs of working mothers, this sector looks set for continuing growth in the years ahead.

Notable transactions for 2004 included the leasehold sale by The Birrell Collection – a major player in the Scottish nursery market – of six nurseries in the Edinburgh area to Bright Horizons Family Solutions, which increased Bright Horizons' total market share. At the end of December, Christie + Co also acquired Dolphin Children's Nurseries, a group with seven units within the Greater London area, on behalf of an undisclosed buyer.

Retail

2004 was a year of consolidation for many of the UK's major retailers as the various groups continued their fight for market share by either acquiring rivals or buying out smaller competitors.

Best advice resorted to

Christie + Co was appointed as adviser to the new owner of the former residence of the Margrave of Baden-Baden in Germany, who intended to convert the property into a de luxe spa resort with a variety of facilities. Christie + Co's work included market research, best-use concepts, an estimation of investment costs, cash flow projections and IRR-calculations. Three different best-use scenarios were analysed, each taking into consideration the historic nature of the building which dates from the 13th and 14th centuries.



best advice



Valuation brewing for five years

Christie + Co was instructed by the Wolverhampton & Dudley Breweries to undertake the five-yearly revaluation of its estate. Christie + Co inspected and valued over 1,250 managed and tenanted public houses and 350 unlicensed properties throughout England. The W&D licensed estate comprises a huge variety of pubs, ranging from small village locals to highly regarded Pitcher & Piano bars. The project involved over 30 valuers from across Christie + Co's network of UK offices, and was completed and delivered to the client on schedule.

First for gourmet finance

Gourmet Holdings (formerly Madisons Coffee) purchased Bel and The Dragon, a chain of gastropubs with a good reputation for style and food, with finance for the loan proportion of the £6.3m deal negotiated by Christie First. The deal committed Gourmet Holdings to the acquisition of the three existing sites in the group, located in Cookham, Godalming and Windsor. Christie First secured the funding with HBOS, matching the customer's requirements both in terms of time and structure.



Co-operative convenience

Christie + Co was instructed in the sale of a group of convenience stores on behalf of Metro Discount Stores Ltd of Burton upon Trent. With eight stores in and around the town, interest was expressed by a number of corporate and multiple operators keen to extend their portfolios in the area. This resulted in competitive bidding with a sale being agreed within 12 weeks of instruction. The sale was successfully concluded to Midland Co-operative Society.



Carrick taken care of

Christie + Co was instructed to sell the entire share capital of Carrick Care Homes, Scotland's largest independent care home provider with 12 high quality purpose-built homes in the greater Glasgow area providing over 750 nursing beds in predominantly single en suite facilities. The group was "auctioned" off market to trade and financial buyers by the corporate healthcare team with the eventual purchaser, BUPA Care Homes, substantially outbidding all other parties. This purchase doubled BUPA's presence in Scotland with the deal timed to conclude with the opening of Carrick's largest home, Elderslie in Paisley.

Christie + Co's contribution to this consolidation included the disposal on behalf of Metro Stores of eight convenience stores in the Burton upon Trent area, sold to the Midlands Co-operative Society in a £7.75 million deal completed in 12 weeks. In Scotland, the company acted in the sale by RR Greig (Holdings) to J Lang & Son of six convenience stores trading under the Agrees brand.

Leisure

2004 was a comparatively quiet year in the leisure sector. The final quarter was dominated by the debate generated by the UK Government's proposals for an overhaul of the gaming laws, which could eventually result in the development of large casinos located in several towns and cities across the country.

Christie + Co's consultancy division was involved in a number of development projects, including proposals for the future use of the former Vaux Brewery in Sunderland – a massive regeneration programme being led by Sunderland Area Regeneration Company.

A second study, of the former brewery site at Chiswell Street in London, was undertaken for Whitbread. Christie + Co's advice included the valuation of the site and an analysis of the development opportunities offered.

Christie First

Christie First continues to position itself as a leading provider of commercial mortgage and insurance products. It achieves this through the maximisation of its distribution network, its

excellent collaboration with banks and insurance companies, and by retaining first class staff members.

2004 was a good year for Christie First under its Managing Director, Patrick Ryan. Overall company profit rose in line with an increase in like-for-like sales.

The company performed exceptionally well over the year, arranging a satisfyingly high number of business mortgages at an average loan size double that of the preceding year.

A new telemarketing team has also been established which will help drive business levels in the months ahead.

Much of 2004's success can be attributed to the completion of the company's Business Mortgages' regionalisation plan, and to the opening of the new Christie + Co offices in Epsom and Enfield, with Christie First consultants always on hand to provide finance facilities to Christie + Co customers. With a total of 16 offices strategically located around the UK, the business is well placed to take advantage of the possibility that interest rates will peak during 2005, resulting in an increased appetite for borrowing and a related increase in Christie First's income.

One cause for concern during the year was the softening of the insurance market. Although Christie First sold more policies than in previous years, lower premiums across the board resulted in reduced levels of commission, and that trend continues.

Pinders

Pinders is a multi-disciplinary practice providing high-quality valuation, appraisal and consultancy services to a broad cross-section of clients in specialist business and property sectors. Under the leadership of Managing Director Mark Ellis, the company seeks every opportunity to widen the range of its services and maximise the impact of its brand.

Pinders made a good start to 2004. The first half progressed well in terms of overall performance, with the business appraisal division performing in line with expectations, partly as a result of an increase in average fees, and the professional services division continuing to deal with a broad caseload. The latter's increase by the end of the year was helped by the commencement of a number of project management and building services cases.

Although the company experienced a downturn in the third quarter, it was followed by a recovery in the final quarter. As a result, the number of appraisal reports completed in 2004 was similar to that of 2003.

During the year, a number of specialist instructions were received for several high profile "off market" transactions which reflect well on Pinders' expertise in specific business sectors. One good example can be found in our Waitrose case study (see p12).

This enhanced specialism has been the driver behind the growing number of instructions being received for petrol stations, dental practices and

Moving into new markets

Orridge is constantly seeking new and innovative ways of improving its stocktaking services. This is especially true in warehousing and supply chain management, where access to highly detailed, totally accurate stock information can limit losses, improve efficiency and cut costs.

Orridge's Perpetual Inventory programmes were among the first to provide continuous tracking of every item in every warehouse – a service leading to quantifiable improvements in accuracy, operational efficiency and profitability in a sector which allows no room for error.

moving into new markets

leisure businesses such as visitor attractions and caravan parks. Pinders' income will also benefit from the additional revenues to be derived from the work undertaken by West London Estates. Its connections in the public sector will not only produce income but also generate leads for new business.

While the majority of Pinders' clients remain active and continue their expansion plans, it is clear that close relationships with an increasingly wide client base, the retention of key staff and the recruitment of new personnel have helped preserve Pinders' share of a competitive market. I am sure that, under its newly appointed chairman, David Larkin, who was previously a partner of Jones Lang LaSalle for 29 years, the company will make further progress in the years ahead.

Software Solutions

Operating profit before goodwill amortisation £'000

	2004	2003
Established operations	(138)	(334)
Developing operations	(1,073)	(687)
	(1,211)	(1,021)

VcsTimeless Retail

2004 was a year of growth for VcsTimeless Retail, which has its headquarters in Paris. Revenues increased overall by 14%, and software revenue by 25%, despite tough economic conditions for fashion retailing in France.



Pinders' perfect prescription

Waitrose appointed Pinders to advise on the letting of pharmacies in the supermarkets being acquired from Safeway/Morrisons. Not only was advice given on premiums and rentals, but negotiations were conducted to cover lease terms, the re-positioning and re-fitting of individual units, restrictions on items to be sold, options to break and the maintenance of the dispensing contracts. Despite the complexities of the case and the location of individual units throughout England and Wales, terms and conditions were concluded to the client's satisfaction within difficult circumstances and timescales.



delivering value

High street stock redistributed

A large blue chip retailer required full audits of its entire estate comprising hundreds of high street stores. The schedule of works was completed within three months, starting four weeks after the order was confirmed. Not only did Orridge complete the counts in this period, but unwanted stock was also cleared from the stores' shop floors and stockrooms and sorted into one of four categories automatically. This enabled the client to redistribute the stock correctly and accurately throughout the business.

Orridge

In early 2004, a major pharmacy chain asked Orridge to complete 70 full store counts from its estate. This was the first time the organisation had outsourced its stocktaking requirements which necessitated an electronic file to be uploaded to its central systems. The dispensing and over-the-counter stock were presented in differing formats but allowed the data to be uploaded directly. Since this project, Orridge has been awarded additional work beyond the initial roll-out and supporting internal stocktaking teams.



Park life valued

Pinders' expertise in the specialist area of caravan parks and holiday villages was recognised when Barclays Bank issued instructions to undertake an appraisal and valuation of one of the UK's leading regional holiday villages. The business operated with over 500 pitches from a 50-plus acre site, and generated income from caravan sales, fleet hire, chalet letting, clubhouse sales and numerous other activities. A range of leisure facilities and development potential also featured in the mix. Pinders' understanding of such complex businesses proved invaluable in delivering a detailed report to meet the client's requirements.



Must stock, will stock

A senior manager of a large pub group using Venners as stocktakers asked his operations team if all the pubs were adhering to the group's purchasing policy, which had been specifically designed to promote products with the best profit margins. By utilising Vision 21, Venners' database management system, the Operational Manager quickly identified what each pub was stocking, and the most profitable products were introduced into those pubs not following the group's purchasing policy.

Asset strategy achieved

Prior to the takeover of QMH plc by Goldman Sachs' Whitehall fund, Christie + Co was instructed to sell QMH's three London Moat Houses – Drury Lane, Sloane Square and Kensington – and the Edinburgh Capital as a portfolio, comprising 488 bedrooms in total. Despite the complicated tenure structures on two of the hotels, the sales were completed in April 2004 resulting in total proceeds of £42.1million. Drury Lane was sold to Travelodge and Edinburgh Capital to Portland Hotels. This brought QMH's single asset disposal strategy to an end.



The internationalisation of the business has been consolidated, with more than 75% of its revenue derived from outside the UK. Thirteen new non-French customers have been won, among them Cardworld, Glasgow Rangers FC, Clive Mark Schoolwear and James Purdey & Sons in the UK, Euréka Kids and Oreallana Uno in Spain, and Sara Lee Benelux and Amtoys in Belgium. In Italy, VcsTimeless Retail's particular coup was the business won from Sara Lee's Loveable brand. This Italian lingerie retailer, with more than 100 franchised stores, has increased its efficiency and competitive advantage by deploying VcsTimeless Retail's Colombus Retail suite. Loveable was one of the first users of Colombus on the Oracle platform, and the first user of the suite's new dynamic replenishment module.

Overall, VcsTimeless Retail had a record year for new business gains. A total of 45 new clients were signed and 1,100 new Point of Sale installations completed – including that for Lancel, a tier two retailer and subsidiary of the Richemont Group, the world's second-largest luxury goods retailer.

In line with its accelerated internationalisation, the company also signed its first partnership in China with Bedford Technologies. This new venture allows VcsTimeless to sell its retail product line, rewritten in Chinese, into the Chinese market. The company's current strategy is to develop this market in the belief that, within five years, the European retail presence in China will be making a significant contribution to VcsTimeless' revenues.

Following further investment in Research & Development, the company successfully launched Colombus 6.5, the latest generation of its multi-disciplined retail management suite. With features such as Chip & PIN technology and multi-lingual and multi-currency facilities, merchandise planning and analytic modules, Colombus 6.5 can handle the needs of retailers, wholesalers and franchisees alike.

VcsTimeless Hospitality

2004 also saw the internal merger of VcsTimeless Retail with the company's UK operation, VcsTimeless Hospitality. The creation of this single UK operation – which trades as VcsTimeless Ltd – gives the group a business unit capable of targeting the hospitality and retail sectors under one brand name. We are already seeing the benefits of this integrated approach through increased hospitality signings in 2005. By the end of 2005, VcsTimeless Ltd is expected to be the fastest growing part of the VcsTimeless group.

Stock and Inventory services

Operating profit before goodwill amortisation £'000		
	2004	2003
Established operations	570	484
Developing operations (Orridge)	323	(813)
	893	(329)

The year has seen the consolidation of Orridge's position within the group, and its first posting of a profit since its acquisition. During the first half

of the year, the Venners' management team was able to withdraw from its development role within Orridge, leaving the reorganised and revitalised company in the capable hands of Paul Harding, who has been appointed Managing Director.

In the latter part of the year, Venners concentrated on the licensed trade sector, allowing Orridge to develop business in the retail, pharmacy and distribution sectors.

The slight shift of emphasis has been instrumental in helping both companies put in strong performances in the second half of the year.

Venners

Under its Managing Director, Trevor Heyburn, Venners is committed to providing the UK's licensed and retail trades with first-rate stock audit and stock management systems which deliver valuable, easy-to-access data relevant to present-day business practices.

Venners' year was marked by the retirement of Derek Fitch after 44 years with the company, six of them in the role of Managing Director. Derek had worked closely with Trevor Heyburn as his successor, to ensure a smooth transition from one generation to the next. I thank him and wish him well in his retirement with his wife, Pat.

During 2004, Venners worked in 13 European countries, carried out over 35,000 individual stocktakes, made almost 10,000 visits to individual retail units and completed some 250 asset inventories.

Building on tradition

Christie Group companies have been in the business of adding value for over 150 years. Today, its expansion into Europe is extending this tradition to new markets.

At the same time, Sigma – the company's new integrated data management system and website – is transforming Christie + Co's multiple databases into a single platform providing access to all its transactional and advisory services information. The new Berlin location joins a pan-European office network with total service connectivity.



building on tradition

In licensed stock audit alone, over 25,000 visits were made. New equipment was issued to 150 field-based staff, without any interruption to day-to-day business, and several new customers were won. These included Landmark Inns, London & Edinburgh Inns and Baa Bar. In addition, two former customers – Bourne Leisure and Luminar – returned to the fold.

Venners' retail division also won new business during the year and is now working for – among others – Retail Variations, Gieves & Hawkes and Penguin Books.

The inventory side of Venners also had a good year. Notable activities include the completion of inventories at all the hotels sold during the year by Queens Moat House and a reappraisal of the Ritz Hotel's asset register.

With refocused IT systems, the launch of Auditorium – a new customer newsletter – and a new website, Venners has consolidated its position and is well-placed to increase its share of all the markets in which it operates.

Orridge

Orridge's aim is to deliver high quality, customised, added-value stocktaking solutions to clients in the retail, pharmacy and supply chain sectors.

The company has recorded a year of sound progress towards this goal. Now firmly positioned within Christie Group, and led by Managing Director Paul Harding, Orridge has moved to a sound, profitable platform, ahead of its budgeted turnover with a profit turnaround of £1.1 million over 2003.

Orridge's operational and reporting structure has been organised to reflect its aims. For example, its retail operations now have a Regional Manager, a Service Manager and a Training and Recruitment Officer for each region. The company has also centralised its IT management. As a result, we have been able to introduce our own key performance indicators to gauge Orridge's progress in matters as detailed as the number of car occupants and the average miles travelled by each stocktaker. The objective is to raise the business's gross contribution. Part of this increase will be derived from higher fees.

Fees have also been increased in the pharmacy sector, where marketing activities have been stepped up and the company continues to grow.

In the distribution sector, Orridge has not only enhanced its existing relationship with, but also won new business from, B&Q and has continued to service two key distribution centres for Somerfield.

A sound year ahead

The year's overall results demonstrate the strength of our group structure. The acquisition of West London Estates will augment our ability to serve the markets in which we operate.

Whilst the losses recorded by Christie + Co's international operations are significant, turnover in this area increased by 35%. This is consistent with our strategy of continuous investment designed to bring each operation to critical mass as soon as we can. As a result, we expect to see further growth in our international revenues during 2005.

Against this background, I anticipate another sound year ahead, knowing that all those who work with us – and those we work for – will contribute to our continuing success as a leader in our chosen markets.

David Rugg
Chief Executive

Bonpoint's stock Enterprise

Bonpoint, a French children's wear retailer, has about 50 stores worldwide and uses suppliers from all over the globe. To help meet the challenges of operating a growing international business and managing stock throughout its supply chain, the company chose VcsTimeless' Colombus Enterprise suite. This state-of-the-art system allocates merchandise, based on sales performance, and enables staff to check stock anywhere to avoid lost sales. Stocktaking is now much simpler, resulting in only about 1% lost. Markdowns have been minimised and Bonpoint is no longer left with too much stock in one place and too little in another.



problems solved

Glasgow Rangers score with Colombus

Rangers' 15 stores contribute one-third of the club's turnover. It kicked off improving its supply chain and front-line operations by choosing VcsTimeless' Colombus Ret@il solution. The sheer volume of transactions during short periods, especially at home matches, made this a challenging project. New retail software and point of sale terminals were installed at the stadium superstore. This resulted in better stock management for the shops and the growing wholesale, mail order and Internet businesses mean more customer choice, quicker transactions and the ability to both plan ranges and keep shelves well-stocked.

Prickly problem solved

Following the takeover of Thistle Hotels plc by its largest shareholder BIL International Ltd in July 2003, the company decided to rationalise its London estate. Two freehold assets were deemed to be non-core and Christie + Co was instructed to sell the Thistle Islington and London Ryan hotels in Kings Cross. These hotels were located within 200 yards of each other and were simultaneously sold in April 2004 to an investor who immediately leased the hotels to Travelodge. The hotels comprised 586 bedrooms and the sales proceeds were £55m.



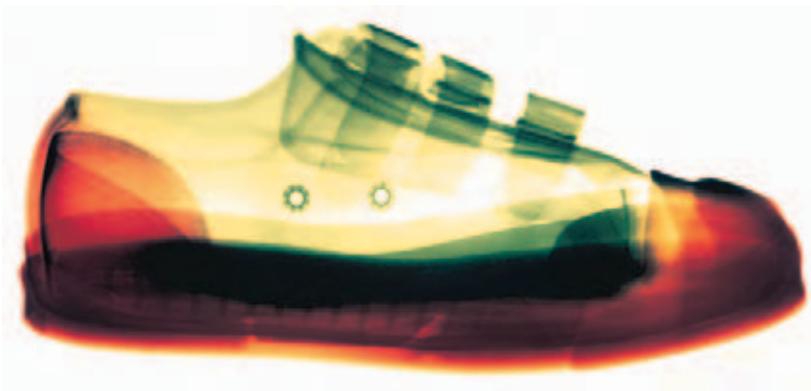
Purdey sitting pretty

Gun and rifle makers James Purdey & Sons operates a thriving business based in London's Mayfair. The company chose VcsTimeless' Colombus head office, point of sale, wholesale and manufacturing solutions to optimise the supply of its classic clothing and accessories ranges. Colombus Enterprise now provides Purdey with an efficient stock management system for its seasonal business, a comprehensive wholesale solution covering relationships with European and American retailers, and the ability to process special orders. Thanks to Colombus Mobile, the company is also able to process transactions and track sales at field sports and equestrian events.



Lancel in the lap of luxury

Lancel, one of the world's leading luxury goods companies, chose VcsTimeless' Colombus Enterprise to replace its merchandising and store management systems. The objective: to improve value and efficiency across the entire supply chain. The challenge: to complete the changeover within 9 months. The commitment of Lancel's most senior management and the rigorous "design by time" implementation programme were key to success. Moreover, 300 employees were trained on Colombus over three months. Since implementation, Lancel has increased efficiencies, reduced out of stocks, achieved greater inventory control, enabled faster, more accurate stock replenishment, and raised staff productivity.



Aerosoles steps up sales

Leading American footwear manufacturer and retailer, Aerosoles, operates in a fastmoving marketplace. In order to grow, the company needed a robust and reliable solution to manage its network of 75 stores, franchises and European head office in Portugal. A VcsTimeless customer since 1998, Aerosoles purchased the Colombus Regional module, which is now critical to controlling purchasing and optimising stock. The VcsTimeless solution has helped Aerosoles improve its processes and operations, and increase its sales by 23%. It will also facilitate Aerosoles' objective of expanding to 120 stores in the next 4 years.





Robert Zenker Finance Director

The amount of losses attributable to developing activities, principally expansion in Europe by both Christie + Co and our software business VcsTimeless, has absorbed a significant part (34%) of the established businesses operating profits before goodwill amortisation, but down from 43% in 2003.

As mentioned in the Operations Review, we are still investing substantial amounts in growing the Group. The amount of losses attributable to developing activities, principally expansion in Europe by both Christie + Co and our software business VcsTimeless, has absorbed a significant part (34%) of the established businesses operating profits before goodwill amortisation, but down from 43% in 2003.

International Financial Reporting Standards

The Group will be adopting IFRS with effect from 1 January 2005 and we are currently working on restating our 2004 results on an IFRS basis. This will form the 2004 comparative results which we will disclose in the 2005 interim and annual results. They will also include the restated opening reserves position at 1 January 2004 and 1 January 2005. The detailed programme to effect a smooth transition to IFRS is well advanced.

Based on the work completed to date the following areas have been identified as those that are likely to have a significant impact on the Group's financial statements. This summary is not intended to be an exhaustive list and further differences may arise as a result of the Group's ongoing detailed assessment and interpretations of IFRS:

- Goodwill amortisation
- Pensions and employee benefits (also see below)
- Share-based payments
- Presentation and disclosure

There is also likely to be some impact from the standards on financial instruments and deferred tax but this is not expected to be significant.

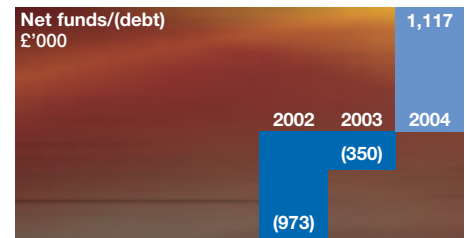
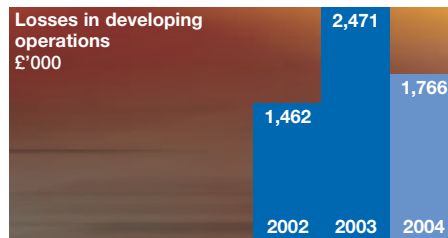
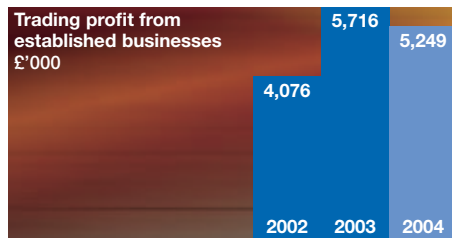
We are planning to provide the IFRS information in an announcement to be issued with our interim results, giving an explanation of the changes from UK GAAP to IFRS.

Tax Charge

This year's tax charge on ordinary activities before goodwill and amortisation and exceptional items is 38%, down from 48% in 2003. This reduction is principally due to the Inland Revenue having accepted that the European Christie + Co companies are resident in the UK for tax purposes. This has allowed us to offset the losses of these businesses from 2000 onwards against our UK taxable profits. The value of these losses totalled £1.0m for the years up to and including 2003, and £0.4m for 2004.

Pension Schemes

Under FRS 17 the pension scheme deficit in respect of the final salary scheme's increased by £2.8 million over 2003 before accounting for deferred tax at 30%. This increase is principally due to a strengthening of the financial assumptions including lower bond rates and higher levels of remuneration than those anticipated for individuals within the schemes. As mentioned in last year's accounts, the company is actively looking at ways of mitigating the cost of the pension schemes and as of 6 April 2005 bonuses and commissions will no longer be included in pensionable salary in the Christie Group scheme. This will bring it into line with the Venners scheme. It should be borne in mind that the pension scheme deficits under FRS 17 and IAS 19 are substantially worse than those disclosed in the funding valuations as at 6 April 2004. The gross deficit under FRS 17 is £10.1 million (2003: £7.3 million), whilst the triennial valuations in April 2004 showed a deficit of £3.5 million. This highlights the assumption required under the current accounting standards that the liabilities are matched entirely by investment in AA-rated corporate bonds rather than with any allowance for equity investment (as for the funding valuation). This results in liabilities being discounted at a lower rate and



therefore having a higher present value than in the triennial valuations. The pension schemes' liabilities broadly crystallise evenly over the next 30 years.

Gearing

The balance sheet has benefited from both the renegotiation of funding for the loan used to acquire Timeless SA in March 2000 and from the confirmation that the losses of the European Christie + Co companies are available for offset against UK taxable profits. In total, including the effect in 2004, they increased total net assets by £3.8 million, which at 31 December 2004 stood at £11.6 million (2003: £7.3 million) with no net debt (2003: £0.4 million).

Robert Zenker
Finance Director



Advisers

Secretary

Robert Zenker FCA CTA FBHA

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2 Crane Court
Fleet Street
London EC4A 2BL

Stockbrokers

JPMorgan Cazenove

Principal solicitors

Royds

Auditors

Nexia Audit Ltd

Principal bankers

Barclays
NatWest/RBS
HSBC

Registrars

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The Registry
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Kent BR3 4TU
Tel: +44 (0) 20 8639 2000

Philip Gwyn Chairman

Philip (60) is a barrister and merchant banker by training. He is responsible for Group strategy and planning. Philip is a non-executive director of Alumasc plc and a director of a number of private companies.

David Rugg Chief Executive

David (51) 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 (51) 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.

Chris Day Executive Director

Chris (47) 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, and the trading relationship between Christie + Co and Christie First.

Peter Lane (Lord Lane of Horsell)

Senior Non-executive Director
Peter (79) is chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He was senior partner of Binder Hamlyn accountants and has been chairman of a number of listed companies.

Andrew Muir Non-executive Director

Andrew (61) 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.

Michael Likierman Non-executive Director

Michael (64) was the 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.

Tony Chambers Non-executive Director

Tony (61) 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.

The directors present their report and the audited financial statements for the year ended 31 December 2004.

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, Software Solutions and Stock and Inventory Services. Professional Business Services principally covers business valuation and agency, mortgage and insurance services, and business appraisal. Software Solutions covers EPoS, head office systems and supply chain management. Stock and Inventory Services covers stock and audit inventory preparation and valuation. 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 32. The directors recommend the payment of a final dividend of 2p (2003: 2p) per share which, together with the interim dividend of 1p (2003: 1p) per share, makes a total of 3p (2003: 3p) per share totalling £710,000 (2003: £722,000) for the year. The profit for the year before taxation was £5,214,000 (2003: £2,488,000) and the profit for the financial year was £4,964,000 (2003: £1,019,000) 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 20 and 21. All these directors, with the exception of Tony Chambers, served throughout the year. Robert Zenker, Peter Lane, and Andrew Muir retire in accordance with the company's Articles of Association. Robert Zenker and Peter Lane, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Andrew Muir retires on 9 June 2005. Yves Doukhan resigned on 24 February 2004 and Tony Chambers was appointed as a non-executive director on 24 February 2004. Derek Fitch retired on 14 December 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 £10,278 (2003: £11,073) to charities during the year. It made no political contributions.

Research and Development

As explained on page 36, the Group has changed its accounting policy and now capitalises expenditure on software development which will provide long term commercial benefits. In total £2,100,000 (2003: £2,045,000) of costs have been incurred on research and development of which £581,000 (2003: nil) has been capitalised as software development costs.

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.

Health, Safety and the Environment

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

Going Concern

After making enquiries, the directors 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 32 to 49.

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.

This report was approved by the board on 7 April 2005.

R M Zenker

Company Secretary
2 Crane Court,
Fleet Street, London EC4A 2BL

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 except where explained below and in the remuneration report in relation to provisions A.1.3, A.6.1 and B.1.6.

The Board

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

Whilst the Board has delegated the normal operational management of the Company to the Executive Directors and other senior management there are detailed specific matters subject to a decision by the Board of Directors. These include acquisitions and disposals, joint ventures and investments and projects of a capital nature. The Non-executive Directors have a particular responsibility to challenge constructively the strategy proposed by the Chairman and Executive Directors; to scrutinise and challenge performance; to ensure appropriate remuneration and that succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team. The Chairman holds informal meetings with individual non-executive directors without the executives present. The senior non-executive director also discusses matters with other non-executive directors without the chairman being present (Combined Code A.1.3).

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

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

Attendance at meetings.

The attendance by individual directors at meetings of the Board and its Committees during the past year was as follows:

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings	5	1¹	3	1
Executive directors				
Philip Gwyn	5	—	—	—
David Rugg	5	—	—	—
Robert Zenker	5	—	—	—
Chris Day	5	—	—	—
Derek Fitch (retired 14 December 2004)	3	—	—	—
Non-executive directors				
Peter Lane	5	1	3	1
Andrew Muir	4	1	3	0
Michael Likierman	4	1	3	1
Tony Chambers (appointed 24 February 2004)	3 ²	0	1	1
Yves Doukhan (resigned 24 February 2004)	0	—	—	—

¹The Audit Committee meeting scheduled for 19 November 2004 was postponed until 25 January 2005.

²Tony Chambers was appointed on 24 February 2004 and was unavailable for the first Board Meeting following his appointment.

Internal control

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

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

There is currently no internal audit function, although this is kept under annual review. A Group Financial Controller was appointed in December 2004 and together with the appointment of Divisional Finance Directors, also in 2004, there has been an increase in the segregation of duties and the capacity for independent internal checks.

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

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

Financial planning, budgeting and monitoring. The Group operates a planning and budgeting system with an annual budget approved by the board. There is a financial reporting system which compares results with the budget and the previous year on a monthly basis to identify any variances from approved plans. Rolling cash flow forecasts form part of the reporting system.

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).

The table below shows the extent to which each of the non-executive directors complies with the objective tests on independence set out in the Code.

Question	Response			
	Tony Chambers	Peter Lane	Michael Likierman	Andrew Muir
has been an employee of the company or group within the last five years	No	No	No	No
has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company	No	No	No	No
has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or performance-related pay scheme, or is a member of the company's pension scheme	No	No	No	No
has close family ties with any of the company's advisers, directors or senior employees	No	No	No	No
holds cross-directorships or has significant links with other directors through involvement in other companies or bodies	No	No	Yes	No
represents or is a significant shareholder	No	No	No	Yes
has served on the board for more than nine years from the date of their first election	No	Yes	No	No

The non-executive directors are nevertheless considered by the Board to be independent in character and judgement and have no relationships or circumstances that are likely to affect their judgement as directors of the Company. Peter Lane's appointment is subject to annual re-election.

Audit Committee

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

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

Remuneration Committee

The Remuneration 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 option 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), Michael Likierman, Tony Chambers and Peter Lane.

Nomination Committee

The Nomination Committee meets as required to select and propose suitable candidates for the approval of the board to fill vacancies or new positions, to make recommendations to the board on its composition and the re-election of directors who retire by rotation. The appointment of Tony Chambers was not carried out using an external search agency or open advertising, as following a period of searching, he was identified as satisfying the objective and subjective criteria for the position. This method of selection will, where appropriate, continue to be used. The Nomination Committee consists of four non-executive directors Michael Likierman (chairman), Peter Lane, Andrew Muir and Tony Chambers.

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 29, the directors are not aware of any interests of 3% or more in the share capital of the company. All major shareholders (those with more than 3% of the issued share capital) are currently directors 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.

Part 1 of this Report sets out the Company's remuneration policies for the directors for the year ended 31 December 2004. These policies are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed in future reports. Part 2 sets out audited details of the remuneration received by directors during the year ended 31 December 2004.

Part 1. Remuneration Committee (not subject to audit)

The Remuneration Committee, which consists solely of non-executive directors, makes recommendations to the board on the framework of executive remuneration and determines specific remuneration packages on their behalf. The chairman and chief executive attend the Remuneration Committee meetings. The chairman and chief executive are not present when their own remuneration is being considered.

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

Base salary is reviewed annually and in setting salary levels the Remuneration Committee considers the experience and responsibilities of the Executive Directors and their personal performance during the previous year. The Committee also takes account of external market data, as well as the rates of increases for other employees within the Company. Base salary going forward is the only element of the package to determine pensionable earnings.

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.

Benefits are primarily the provision of cars and health insurance.

Annual bonuses are calculated as a percentage of pre-tax profits in excess of a threshold. In relation to Derek Fitch, the bonus related 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 Group. 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.

The performance evaluation of the board, its committees and directors (Combined Code A.6.1) is currently carried out on an informal basis as this is considered the most suitable approach considering the size of company and composition of the board. Nevertheless this will be kept under review in light of developing practice.

Service contracts and/or letters of appointment

Executive directors

It is the Group's policy to appoint Executive directors under service agreements terminable by either party giving 12 months' notice, as shown below. David Rugg has a two year notice period that was agreed on flotation of the company and is still considered appropriate (Combined Code B.1.6).

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

Non-executive directors

The Non-executive directors each have a letter of appointment, which specifies an initial appointment of three years. Their appointment is subject to Board approval and election by shareholders at the annual general meeting following appointment and, thereafter, re-election by rotation every three years. There are no provisions for compensation payments on early termination in the Non-executives' letters of appointment. The date of each appointment is set out below, together with the date of the expiry of the current term of office.

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	Retired 14 Dec 2004
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	1 April 2005	1 July 1994	30 June 2006
Andrew Muir	7 July 1999	9 June 1999	8 June 2005
Michael Likiernan	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. The chairman has no commitments that impact adversely on his role as chairman.

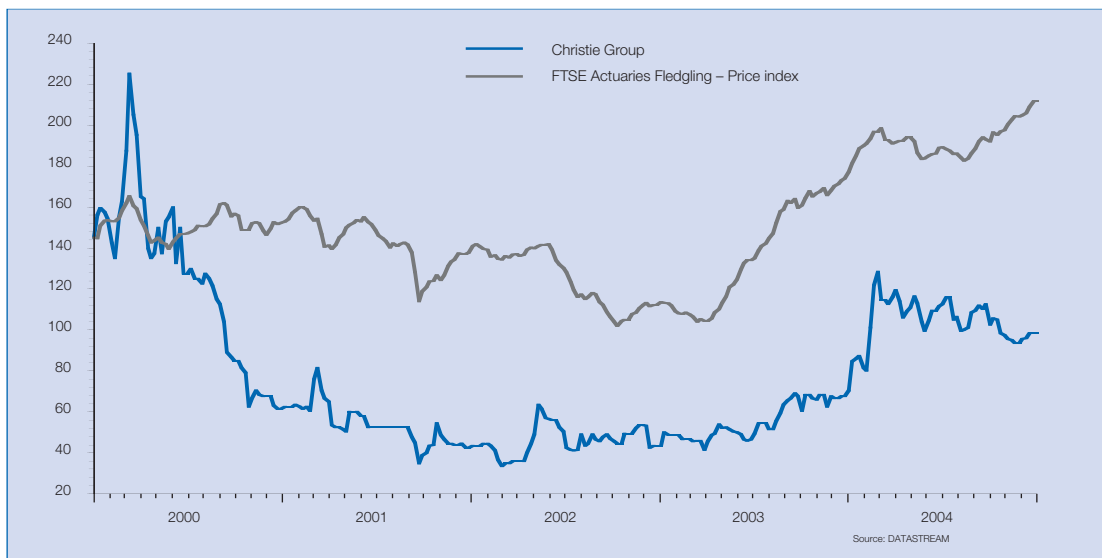
Non-executive directors

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 state that the Company must provide a graph comparing the Total Shareholders Return (TSR) 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



Part 2. Directors' Emoluments (audited information)

	2004 £'000	2003 £'000
Fees	71	55
Salaries and benefits	838	769
Performance-related bonuses	140	124
Gains on exercise of share options	—	7
Contributions to self-administered pension fund	71	21
	1,120	976

	Salary £'000	Benefits £'000	Bonus £'000	Fees £'000	2004 Total £'000	2003 Total £'000
Philip Gwyn	150	27	—	—	177	145
David Rugg	205	36	34	—	275	265
Chris Day	163	14	59	—	236	226
Derek Fitch	105	16	18	—	139	137
Robert Zenker	120	2	29	—	151	120
Peter Lane	—	—	—	15	15	14
Andrew Muir	—	—	—	15	15	12
Michael Likierman	—	—	—	28	28	12
Yves Doukhan	—	—	—	—	—	17
Tony Chambers	—	—	—	13	13	—
	743	95	140	71	1,049	948

Directors' pension entitlements

The company contributed £21,000 (2003: £21,000) for Philip Gwyn and £50,000 (2003: £nil) for David Rugg to a self-administered pension fund. David Rugg, Robert Zenker and Chris Day are members of the Christie Group scheme managed by Legal & General. Derek Fitch was 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 2004 are:

	Increase/(decrease) in accrued pension excluding inflation £'000	Accrued pension at 31 Dec 2004 £'000	Accrued pension at 31 Dec 2003 £'000	Increase in accrued pension including inflation £'000	Transfer value of accrued pension at 31 Dec 2004 £'000	*Restated transfer value of accrued pension at 31 Dec 2003 £'000	Transfer value of accrued pension at 31 Dec 2003 £'000	Increase in transfer value over the year £'000
David Rugg	11	103	89	14	1,686	1,311	818	868
Chris Day	2	53	49	4	595	500	328	267
Derek Fitch	(2)	55	55	—	1,223	1,000	892	331
Robert Zenker	3	17	14	3	191	143	97	94

* The 2004 transfer value was calculated on a revised basis to take account of changes in the financial outlook, including future mortality improvements. The Scheme's actuary also felt it was appropriate to take account of current expectations of lower investment returns and lower increases in the Retail Price Index in the future. Further, recent studies suggest that greater allowance needed to be made for future mortality improvements. The transfer value at 31 December 2003 has been recalculated on the same basis to allow for a proper comparison.

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

- a) Normal retirement age: 65 in respect of all directors except David Rugg, whose retirement age is 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.

Other benefits

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

	Dec 2004 £	Dec 2003 £	Maximum 2004 £
Chris Day	—	861	861

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

Directors' interests

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

	Beneficial	31 Dec 2004 Non-beneficial	Beneficial	31 Dec 2003 Non-beneficial
Philip Gwyn	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
Chris Day	451,669	—	451,669	—
Robert Zenker	122,000	—	55,000	—
Peter Lane	40,000	—	40,000	—
Andrew Muir	1,058,280	—	1,058,280	—
Michael Likierman	41,500	300,000	41,500	300,000
Tony Chambers	12,500	—	—	—

Share options

Number of options over ordinary shares of the company:

	1 Jan 04	Exercised	Lapsed	31 Dec 04	Exercise price Pence	31 Dec 04 Gain on exercise £'000	31 Dec 03 Gain on exercise £'000	Exercisable from	Expiry date
David Rugg	16,615	—	—	16,615*	45.50	—	—	Nov 05	May 06
	2,733	—	—	2,733*	67.50	—	—	Oct 06	April 07
Chris Day	28,879	—	—	28,879*	45.50	—	7	Nov 07	May 08
	2,733	—	—	2,733*	67.50	—	—	Oct 06	April 07
Robert Zenker	15,000	—	—	15,000	81.00	—	—	Sept 02	Sept 09
	25,000	—	—	25,000	45.50	—	—	Sept 05	Sept 12
	16,615	—	—	16,615*	45.50	—	—	Nov 05	May 06
	2,733	—	—	2,733*	67.50	—	—	Oct 06	April 07

*SAYE share options

There has been no change in the number of options since the year-end. The market price of the shares at 31 December 2004 was 98.5p (31 December 2003: 69p) and the range during the year was 69p to 129.5p (year to 31 December 2003: 41.5p to 71.5p).

By order of the board.

A H J Muir

Chairman of the Remuneration Committee

7 April 2005

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of 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.

We have audited the financial statements of Christie Group plc for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Accounting Policies and related notes 1 to 22. 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 described as being 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 nine provisions of the 2003 FRC 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 Review of Operations, the 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 2004 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

7 April 2005

The maintenance and integrity of the Christie Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Consolidated Profit and Loss Account

for the year ended 31 December 2004

Christie Group plc
Annual Report 2004
32

	Notes	2004 £'000	2003 £'000
Turnover	1	69,968	62,457
Staff costs	2	(40,390)	(34,933)
		29,578	27,524
Other operating charges before goodwill amortisation		(26,095)	(24,279)
Goodwill amortisation		(548)	(551)
Total other operating charges		(26,643)	(24,830)
Operating profit	1	2,935	2,694
Finance costs net	3	(176)	(206)
Exceptional finance credit	3	2,455	—
Total finance credit/(costs)	3	2,279	(206)
Profit on ordinary activities before taxation	3	5,214	2,488
Tax on profit on ordinary activities	4	(240)	(1,469)
Profit on ordinary activities after taxation		4,974	1,019
Minority interest		(10)	—
Profit for the financial year		4,964	1,019
Dividends	5	(710)	(722)
Retained profit for the year		4,254	297
Earnings per share			
- basic	6	20.09p	4.15p
- fully diluted	6	19.79p	4.14p
- basic before exceptional finance credit and credit for prior year tax losses	6	6.04p	4.15p

All amounts derive from continuing activities.

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2004

	2004 £'000	2003 £'000
Profit for the financial year	4,964	1,019
Gain/(loss) on foreign currency translation	11	(240)
Total recognised gains and losses relating to the year	4,975	779

Consolidated Balance Sheet

as at 31 December 2004

		2004	2003
	Notes	£'000	Restated (note 16) £'000
Fixed assets			
Intangible assets	7	3,951	3,953
Tangible assets	8	3,231	2,631
Investment	9	100	100
		7,282	6,684
Current assets			
Stocks	10	355	312
Debtors	11	13,991	13,080
Property held for resale		504	504
Cash at bank and in hand		3,499	4,346
		18,349	18,242
Creditors - amounts falling due within one year	12	(11,955)	(17,518)
Net current assets		6,394	724
Total assets less current liabilities		13,676	7,408
Creditors - amounts falling due after more than one year	13	(2,108)	(152)
Net assets		11,568	7,256
Capital and reserves			
Called up share capital	15	495	493
Share premium	16	3,826	3,780
Merger reserve	16	945	945
Own shares (Employee Share Ownership Plan)	16	(335)	(324)
Capital redemption reserve	16	10	10
Profit and loss account	16	6,611	2,346
Shareholders' funds - equity interests	17	11,552	7,250
Minority interest		16	6
		11,568	7,256

Company Balance Sheet

as at 31 December 2004

Christie Group plc
Annual Report 2004
34

	Notes	2004 £'000	2003 Restated (note 16) £'000
Fixed assets			
Investments	9	11,350	11,655
		11,350	11,655
Current assets			
Debtors	11	5,778	2,644
Property held for resale		504	504
Cash at bank and in hand		648	765
		6,930	3,913
Creditors - amounts falling due within one year	12	(3,244)	(3,430)
Net current assets		3,686	483
Total assets less current liabilities		15,036	12,138
Creditors - amounts falling due after more than one year	13	(2,000)	—
Provisions for liabilities and charges	4	—	(6)
Net assets		13,036	12,132
Capital and reserves			
Called up share capital	15	495	493
Share premium	16	3,826	3,780
Merger reserve	16	945	945
Own shares (Employee Share Ownership Plan)	16	(335)	(324)
Capital redemption reserve	16	10	10
Other reserves	16	88	88
Profit and loss account	16	8,007	7,140
Shareholders' funds - equity interests		13,036	12,132

The financial statements on pages 32 to 49 were approved by the board on 7 April 2005.

D B Rugg

Chief Executive

R M Zenker

Finance Director

Consolidated Cash Flow Statement

for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities		3,688	4,151
Returns on investments and servicing of finance	21a	(176)	(206)
Taxation paid	21b	(1,439)	(1,067)
Capital expenditure and financial investment	21c	(2,308)	(1,262)
Equity dividends paid		(721)	(597)
Cash (outflow)/inflow before financing		(956)	1,019
Financing	21d	311	(170)
(Decrease)/increase in cash in the year		(645)	849
		2004 £'000	2003 £'000
Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash in the year		(645)	849
Cash (outflow)/inflow from debt and lease financing		(486)	185
Change in net funds/(debt) resulting from cash flows		(1,131)	1,034
Finance leases		(88)	(278)
Exceptional finance credit		2,665	—
Foreign currency translation		21	(133)
Movement of net funds/(debt) in the year		1,467	623
Net debt at 1 January 2004		(350)	(973)
Net funds/(debt) at 31 December 2004	21e	1,117	(350)

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, together with an explanation of where changes have been made to previous policies.

Changes in Accounting Policy and Presentation

Software Development Costs

Development costs were previously charged to the profit and loss account when incurred. Anticipating the adoption of International Financial Reporting Standards the group changed its policy and now capitalises (within intangible fixed assets) expenditure on software development which will provide long term commercial benefits. Software development costs capitalised in the period to 31 December 2004 amounted to £581,000. This change in accounting policy has had no effect on the results for the previous year.

UITF Abstracts Adoption

The balance sheet at 31 December 2003 has been restated following the adoption of UITF Abstract 17 (Revised 2003) "Employee Share Schemes" and UITF Abstract 38 "Accounting for ESOP Trusts" as issued by the Accounting Standards Board (ASB).

Shares held by the Employee Share Ownership Plan (ESOP), previously shown in the balance sheet as fixed asset investments, are now required to be shown as a deduction from shareholders' funds. The cost of employee share schemes is charged to the profit and loss account using the quoted market price of the shares at the date of grant less the exercise price of the share options granted. The charge is accrued over the vesting period of the shares.

The impact has been to reduce fixed assets investments and shareholders' funds by £324,000 at 31 December 2003. The consolidated profit and loss account for the year ended 31 December 2003 has not been restated as the effect was not material.

Basis of Consolidation

The Group financial statements include the results of Christie Group plc and all its subsidiary undertakings. 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.

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. Hardware revenues are recognised on installation. Software revenues are recognised on the signing of contracts. Revenues on maintenance contracts are recognised over the period of the contracts.

Research and Development

Development projects where reasonable certainty exists as regards technical and commercial viability are capitalised and amortised over the expected product life, commencing in the year when sales of the product are made for the first time. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. All other research and development costs are written off in the year in which they are incurred.

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 instalments 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 between ten and 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 instalments over their expected useful lives. The periods generally applicable are:

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

Investments

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

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 year 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 year 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. Costs are expensed as incurred.

1. Segmental information

	2004			2003		
	Turnover	Operating profit/(loss)	Net assets	Turnover	Operating profit/(loss)	Restated Net assets
	£'000	£'000	£'000	£'000	£'000	£'000
Professional Business Services	37,269	3,801	4,810	34,122	4,595	3,259
Software Solutions*	12,976	(1,717)	363	12,523	(1,527)	(165)
Stock and Inventory Services**	19,723	851	1,332	15,812	(374)	1,328
	69,968	2,935	6,505	62,457	2,694	4,422
Cash			3,499			4,346
Proposed dividend			(481)			(492)
Other			2,045			(1,020)
Net assets			11,568			7,256

*The operating loss for Software Solutions includes goodwill amortisation of £506,000 (2003: £506,000).

**The operating profit for Stock and Inventory Services includes goodwill amortisation of £42,000 (2003: £45,000).

Turnover by origin

	Total	Europe	2004 Rest of the World	Total	Europe	2003 Rest of the World
	£'000	£'000	£'000	£'000	£'000	£'000
Professional Business Services	37,269	37,269	—	34,122	34,122	—
Software Solutions	12,976	12,490	486	12,523	12,004	519
Stock and Inventory Services	19,723	19,723	—	15,812	15,812	—
	69,968	69,482	486	62,457	61,938	519

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:

	2004 Number	2003 Number
Operational staff	900	791
Administrative and support staff	322	275
	1,222	1,066

Their aggregate remuneration was:

	2004 £'000	2003 £'000
Wages and salaries	34,394	29,588
Social Security costs	5,094	3,745
Other pension costs	902	1,600
	40,390	34,933

3. Profit on ordinary activities before taxation

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

	2004 £'000	2003 £'000
Depreciation of tangible fixed assets:		
– owned assets	1,075	1,010
– leased assets	121	56
Amortisation:		
– software	7	27
– goodwill	548	551
Loss on sale of tangible fixed assets	16	19
Loss on sale of intangible fixed assets	31	—
Operating lease charges:		
– buildings	1,293	1,271
– other	1,581	1,449
Auditors' remuneration:		
– audit services (company £11,000 (2003: £10,000))	94	85
– other services (paid to the auditors and related companies)	106	76
Interest payable:		
– bank loans and overdrafts	259	256
– on finance leases	9	7
Interest receivable	(92)	(57)
Exceptional finance credit (net)	(2,455)	—
Total finance (credit)/cost	(2,279)	206

The finance credit of £2,455,000 (net of associated costs) has arisen on the early renegotiation of the Group's third party borrowings in relation to the acquisition of Timeless SA in 2000. The directors have no present intention of selling the subsidiary but if it were to be sold prior to 18 November 2007 then a payment of a share of the sale consideration to a maximum of €3,000,000 depending upon the sale proceeds, would arise.

4. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Current tax		
UK corporation tax at 30% (2003: 30%)	897	1,490
Foreign tax	75	44
	972	1,534
Adjustments in respect of prior years	(970)	97
Total current tax	2	1,631
Deferred tax		
Origination and reversal of timing differences	238	(162)
Total deferred tax	238	(162)
Total tax on profit on ordinary activities	240	1,469

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:

4. Tax on profit on ordinary activities continued

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	5,214	2,488
Tax on ordinary activities at standard UK corporation tax rate of 30% (2003: 30%)	1,564	746
Effects of:		
– benefit of prior year dual residence tax losses	(1,017)	—
– exceptional non-taxable finance credit	(800)	—
– losses not yet utilised	—	14
– goodwill amortisation	164	165
– rate differential on certain tax losses	(9)	(12)
– foreign tax losses not yet utilised	238	477
– expenses not deductible for tax purposes	28	20
– adjustments to tax charge in respect of previous periods	47	97
– depreciation in excess of capital allowances	(81)	24
– other timing differences	(132)	100
Total current tax charge for the year	2	1,631

Deferred tax asset is recognised as follows:

Group	2004 £'000	2003 £'000
Accelerated capital allowances	(209)	(280)
Other timing differences	2	(165)
Deferred tax asset	(207)	(445)

Movements in the deferred tax asset:

	2004 £'000	2003 £'000
At 1 January 2004	445	283
Transfer to profit and loss account	(238)	162
At 31 December 2004	207	445

Company

	2004 £'000	2003 £'000
Accelerated capital allowances	22	22
Other timing differences	(27)	(16)
Deferred tax (asset)/provision	(5)	6

Movements in the deferred tax (asset)/provision

	2004 £'000	2003 £'000
At 1 January 2004	(6)	(21)
Transfer to profit and loss account	11	15
At 31 December 2004	5	(6)

5. Dividends

	2004 £'000	2003 £'000
Interim dividend paid of 1p (2003: 1p) per ordinary share	229	230
Proposed final dividend of 2p (2003: 2p) per ordinary share	481	492
	710	722

The Employee Share Ownership Plan (ESOP) has waived any entitlement to the receipt of dividends in respect of its entire holding of the company's ordinary shares.

6. Earnings per share

	2004	2003
Earnings per share – basic		
Profit attributable to shareholders (£'000)	4,964	1,019
Average number of ordinary shares of 2p each in issue during the year	24,708,768	24,559,471
Earnings per share – fully diluted		
Profit attributable to shareholders (£'000)	4,964	1,019
Average number of ordinary shares of 2p each in issue during the year after allowing for the exercise of outstanding share options	25,077,304	24,595,162
Earnings per share – basic before exceptional finance credit and credit for prior year tax losses		
Profit attributable to shareholders (£'000)	1,492	1,019
Average number of ordinary shares of 2p each in issue during the year	24,708,768	24,559,471

7. Intangible fixed assets

Group	Goodwill arising on acquisitions £'000	Software £'000	Software development £'000	Total £'000
Cost				
At 1 January 2004	5,992	120	—	6,112
Additions	—	—	581	581
Disposals	—	(82)	—	(82)
At 31 December 2004	5,992	38	581	6,611
Amortisation				
At 1 January 2004	2,074	85	—	2,159
Charge for the year	548	7	—	555
Disposals	—	(54)	—	(54)
At 31 December 2004	2,622	38	—	2,660
Net book value				
At 31 December 2004	3,370	—	581	3,951
At 31 December 2003	3,918	35	—	3,953

8. Tangible fixed assets

Group	Short leasehold property £'000	Fixtures, fittings, computer equipment and motor vehicles £'000	Total £'000
Cost			
At 1 January 2004	309	8,292	8,601
Additions	208	1,636	1,844
Disposals	—	(2,496)	(2,496)
Exchange difference	—	1	1
At 31 December 2004	517	7,433	7,950
Depreciation			
At 1 January 2004	180	5,790	5,970
Charge for the year	65	1,131	1,196
Disposals	—	(2,447)	(2,447)
At 31 December 2004	245	4,474	4,719
Net book value			
At 31 December 2004	272	2,959	3,231
At 31 December 2003	129	2,502	2,631

Depreciation in the year on fixtures, fittings, computer equipment and motor vehicles includes £121,000 (2003: £56,000) on assets held under finance lease or hire purchase agreements which had a net book value at 31 December 2004 of £189,000 (2003: £222,000).

Within fixed assets is an amount of £541,000 relating to software (for use in the business) which is still in the course of development. This asset will be depreciated when brought into use.

Included in current assets is freehold property held for resale, which has not been depreciated in the year.

8. Tangible fixed assets continued

Company	Fixtures, fittings, computer equipment and motor vehicles £'000	Total £'000
Cost		
At 1 January 2004	9	9
At 31 December 2004	9	9
Depreciation		
At 1 January 2004	9	9
Charge for the year	—	—
At 31 December 2004	9	9
Net book value		
At 31 December 2004	—	—
At 31 December 2003	—	—

9. Fixed asset investments

	Company and Group Other investment £'000	Company Shares in subsidiary undertakings £'000	Company Loans to subsidiary undertakings £'000	Group Restated Total £'000	Company Restated Total £'000
Cost					
At 1 January 2004	100	5,864	6,301	100	12,265
Capital reduction	—	(305)	—	—	(305)
As 31 December 2004	100	5,559	6,301	100	11,960
Provisions					
At 1 January 2004 and at 31 December 2004	—	610	—	—	610
Net book value					
At 31 December 2004	100	4,949	6,301	100	11,350
At 31 December 2003	100	5,254	6,301	100	11,655

The restatements reflect the change in accounting policy for the Employee Share Ownership Plan (ESOP), which is now shown as a deduction to reserves.

At 31 December 2004 the principal subsidiaries were as follows:

Company	Country of incorporation	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
VcsTimeless Ltd*	UK	EPoS, head office systems and merchandise control
Venners Computer Systems Corporation*	Canada	EPoS, head office systems and merchandise control
Timeless SA*	France	EPoS, head office systems and merchandise control
Timeless Premier SL*	Spain	EPoS, head office systems and merchandise control
Timeless Italia Srl	Italy	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.

10. Stocks

	Group £'000	2004 Company £'000	Group £'000	2003 Company £'000
Finished goods and goods for resale	355	—	312	—

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

11. Debtors

	Notes	Group £'000	2004 Company £'000	Group £'000	2003 Company £'000
Debtors due within one year					
Trade debtors		9,342	—	8,391	—
Corporation tax		413	364	—	—
Amounts owed by subsidiary undertakings		—	1,541	—	1,270
Dividends receivable		—	278	—	1,071
Other debtors		1,385	273	1,797	281
Prepayments and accrued income		2,644	17	2,447	22
		13,784	2,473	12,635	2,644
Debtors due after one year					
Amounts owed by subsidiary undertakings		—	3,300	—	—
Deferred tax	4	207	5	445	—
		207	3,305	445	—
		13,991	5,778	13,080	2,644

Of the total amounts owed by subsidiary undertakings £700,000 (2003: £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	2004 Company £'000	Group £'000	2003 Company £'000
Bank overdrafts and loans	166	—	4,493	—
Obligations under finance leases	108	—	82	—
Trade creditors	3,566	—	3,472	—
Amounts owed to subsidiary undertakings	—	1,642	—	1,299
Corporation tax	—	—	1,023	187
Other taxes and social security	3,223	782	3,037	855
Other creditors	719	12	1,436	441
Accruals and deferred income	3,692	327	3,483	156
Proposed dividend	481	481	492	492
	11,955	3,244	17,518	3,430

Bank loans and overdrafts totalling £nil at 31 December 2004 (2003: £4,172,000) 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	2004 Company £'000	Group £'000	2003 Company £'000
Bank loans repayable between one and two years	22	—	—	—
Bank loans repayable between two and five years	2,018	2,000	—	—
Pension costs	—	—	31	—
Obligation under finance leases:				
- between one and two years	68	—	86	—
- between two and five years	—	—	35	—
	2,108	2,000	152	—

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. 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.

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:

	2004 £'000	2003 £'000
Sterling	3,120	3,601
Euros	269	672
Canadian dollars	110	73
Total cash deposits	3,499	4,346

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

Interest on the floating rate loans is linked to EURIBOR, generally at between 1% to 2% above this rate.

Financial liabilities

The Group's sterling financial liabilities comprise:

	2004 £'000	2003 £'000
Floating interest rate bank overdraft	—	303
Floating interest rate loans	2,061	1,905
Invoice discounting	145	321
Finance lease liabilities	176	203
	2,382	2,732

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:

	2004 €'000	2004 £'000	2003 €'000	2003 £'000
Floating interest rate bank loan	—	—	2,783	1,964

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

The carrying value of monetary assets and liabilities held by the Group and its subsidiaries in currencies other than their functional currency, which are not covered by forward exchange contracts is not significant.

Gains and losses on currency hedges

At the end of the year there were no foreign currency contracts outstanding (2003: nil).

15. Share capital

Ordinary shares of 2p each

	Number	2004 £'000	Number	2003 £'000
Authorised:				
At 1 January 2004 and 31 December 2004	30,000,000	600	30,000,000	600
Allotted and fully paid:				
At 1 January 2004	24,638,495	493	24,513,162	490
Issued during the year	109,001	2	125,333	3
At 31 December 2004	24,747,496	495	24,638,495	493

The consideration received for the shares issued in the year was £48,000 (2003: £65,000).

The remaining options outstanding under approved schemes (unapproved options marked *) at 31 December 2004 were:

Number of shares	Option exercise price	Date granted	Option exercise period
43,000	35.70p	Aug 1996	Aug 1999 - Aug 2006
133,333	48.00p	Dec 1997	Dec 2000 - Dec 2007
9,000	47.50p	Aug 1998	Aug 2001 - Aug 2008
73,001	41.50p	Dec 1998	Dec 2001 - Dec 2008
34,000	81.00p	Sept 1999	Sept 2002 - Sep 2009
46,000*	81.00p	Sept 1999	Sept 2002 - Sep 2006
37,333	145.00p	May 2000	May 2003 - May 2010
24,000	81.50p	Oct 2000	Oct 2003 - Oct 2010
58,333	53.50p	May 2001	May 2004 - May 2011
22,000	40.00p	Oct 2001	Oct 2004 - Oct 2011
113,555	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
87,000	47.50p	Apr 2003	Apr 2006 - Apr 2013
53,000	46.50p	Jun 2003	Jun 2006 - Jun 2013
113,000	94.00p	May 2004	May 2007 - May 2014
41,000	111.50p	Jun 2004	Jun 2007 - Jun 2014
52,000	98.50p	Oct 2004	Oct 2007 - Oct 2014

16. Reserves

Group	Share premium £'000	Merger reserve £'000	Own Shares £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2004	3,780	945	—	10	2,346
Prior year adjustment	—	—	(324)	—	—
As restated	3,780	945	(324)	10	2,346
Share issues	46	—	—	—	—
Movement in respect of employee share scheme	—	—	(11)	—	—
Gain on foreign currency translation	—	—	—	—	11
Retained profit for the year	—	—	—	—	4,254
At 31 December 2004	3,826	945	(335)	10	6,611

Company	Share premium £'000	Merger reserve £'000	Own Shares £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000
At 1 January 2004	3,780	945	—	10	88	7,140
Prior year adjustment	—	—	(324)	—	—	—
As restated	3,780	945	(324)	10	88	7,140
Share issues	46	—	—	—	—	—
Movement in respect of employee share scheme	—	—	(11)	—	—	—
Retained profit for the year	—	—	—	—	—	867
At 31 December 2004	3,826	945	(335)	10	88	8,007

The profit for the financial year before dividends paid and proposed dealt with in the financial statements of the company amounted to £1,577,000 (year to 31 December 2003: £1,504,000). Cumulative goodwill written off directly to Group profit and loss account in earlier years totals £2,335,000.

16. Reserves continued

Own shares

Prior year adjustments for UITF 17 and UITF 38

The balance sheet at 31 December 2003 has been restated following the adoption of UITF Abstract 17 (Revised 2003) "Employee Share Schemes" and UITF Abstract 38 "Accounting for ESOP Trusts" as issued by the Accounting Standards Board (ASB).

The Group policy for accounting and presentation of share schemes was changed during the year ended 31 December 2004 to comply with UITF Abstract 17 (Revised 2003) "Employee Share Schemes" and UITF Abstract 38 "Accounting for ESOP Trusts" (see accounting policies). The impact was to reduce fixed assets investments and shareholders' funds by £324,000 at 31 December 2003.

The consolidated profit and loss account for the year ended 31 December 2003 has not been restated as the effect is not material.

At 31 December 2004 the outstanding loan by the company to the ESOP to finance the purchase of ordinary shares was £341,000 (2003: £328,000).

The market value at 31 December 2004 of the ordinary shares held in the ESOP, which are listed in the UK, was £690,000 (2003: £478,000).

The investment in own shares represents 700,271 shares (2003: 692,212) with a nominal value of 2p each.

17. Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 Restated £'000
Profit for the financial year	4,964	1,019
Dividends paid and proposed	(710)	(722)
Gain/(loss) on foreign currency translation	11	(240)
New share capital	48	65
Own shares	(11)	(46)
Net additions to equity shareholders' funds	4,302	76
Opening equity shareholders' funds as previously stated	7,574	7,452
Prior year adjustment	(324)	(278)
Opening equity shareholders' funds as restated	7,250	7,174
Closing equity shareholders' funds	11,552	7,250

18. Financial commitments

Operating leases

At 31 December 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	Property £'000	2004 Other £'000	Property £'000	2003 Other £'000
Operating leases which expire:				
- within one year	12	237	—	136
- in the second to fifth years inclusive	388	798	549	894
- after five years	1,088	—	726	—
	1,488	1,035	1,275	1,030

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 2004 and 1 April 2004. The pension charge in respect of the schemes for the year to 31 December 2004 was £607,000 (2003: £1,023,000).

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 2004 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:

	2004 %	2003 %	2002 %
Rate of inflation	2.75-3.00	2.75-2.90	2.50
Rate of increase in salaries	3.00-4.50	4.00-4.15	3.75-4.00
Rate of increase for pensions in payment	3.00-3.25	2.90-3.25	2.50-3.50
Discount rate	5.20-5.25	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:

	31 December 2004		31 December 2003		31 December 2002	
	Expected return %		Expected return %	£'000	Expected return %	£'000
Deposit administration policy	6.5-9.2	12,240	6.5-10.4	10,226	6.5-10.8	9,677
Annuities	5.2	829	5.3	819	5.5	754
Equities	6.0	2,850	6.5	3,567	6.5	1,687
Insurance policies	5.5	1,854	5.5	1,863	5.5	1,749
Bonds and cash	5.75	673	4.0-5.5	689	5.5	462
Total fair value of scheme assets		18,446		17,164		14,329
Present value of scheme liabilities		(28,556)		(24,510)		(19,412)
Deficit in the schemes		(10,110)		(7,346)		(5,083)
Related deferred tax asset		3,033		2,204		1,525
Net pension liabilities that would be recorded in the balance sheet		(7,077)		(5,142)		(3,558)

Amounts which would be charged to operating profit:

	2004 £'000	2003 £'000
Current service costs	687	617
Past service costs	—	31
Gain on settlements and curtailments	—	(17)
Total operating charge	687	631

19. Pension obligations continued

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

	2004 £'000	2003 £'000
Expected return on pension schemes assets	1,117	926
Interest on pension schemes liabilities	(1,251)	(1,002)
Net return	(134)	(76)

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

	2004 % of schemes assets	2004 % of present value of schemes liabilities	2004 £'000	2003 % of schemes assets	2003 % of present value of schemes liabilities	2003 £'000
Actual return less expected return on pension schemes assets	(4.5)/4.0		(24)	4.0-8.0		1,018
Experience gains and losses arising on the pension schemes liabilities		(2.0)/(5.9)	(878)		(0.4)/(7.9)	(1,189)
Changes in assumptions underlying the present value of the schemes liabilities		(7.9)/(8.1)	(2,280)		(5.9)/(8.8)	(1,876)
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			(3,182)			(2,225)

Movements in the deficit during the year:

	2004 £'000	2003 £'000
Deficit in schemes at 1 January 2004	(7,346)	(5,083)
Current service costs	(687)	(617)
Past service costs	—	(31)
Gains on settlements and curtailments	—	17
Expected return on pension schemes assets	1,117	926
Interest on pension schemes liabilities	(1,251)	(1,002)
Actuarial deficits	(3,182)	(2,225)
Employer contributions (net of charges)	1,239	669
Deficit in schemes at 31 December 2004	(10,110)	(7,346)

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

	2004 £'000	2003 £'000				
a) Reconciliation of operating profit to net cash flow from operating activities						
Operating profit	2,935	2,694				
Depreciation	1,196	1,066				
Amortisation of intangible assets	555	578				
Loss on sale of tangible assets	16	19				
Loss on sale of intangible assets	31	—				
Foreign currency translation	(9)	(163)				
(Increase)/decrease in stocks	(43)	24				
Increase in debtors	(734)	(2,646)				
(Decrease)/increase in creditors	(259)	2,579				
Net cash inflow from operating activities	3,688	4,151				
b) Returns on investment and servicing of finance						
Interest received	92	57				
Interest paid	(259)	(256)				
Interest element of finance leases	(9)	(7)				
Net cash outflow	(176)	(206)				
c) Capital expenditure and financial investment						
Purchase of tangible fixed assets	(1,756)	(1,216)				
Purchase of intangible fixed assets	(581)	(20)				
Sale of tangible fixed assets	29	74				
Other investment	—	(100)				
Net cash outflow	(2,308)	(1,262)				
d) Financing						
Issue of share capital	48	65				
Investment in ESOP	(13)	(50)				
Renegotiation of loan	(1,730)	—				
Repayment of borrowing	—	(110)				
Increase in secured loans	2,121	—				
Repayment of capital element of finance leases	(115)	(75)				
Net cash inflow/(outflow)	311	(170)				
	At 31 Dec 2003 £'000	Cash flows £'000	Other changes £'000	Exceptional gain £'000	Foreign currency translation £'000	At 31 Dec 2004 £'000
e) Analysis of change in net debt						
Cash at bank and in hand	4,346	(847)	—	—	—	3,499
Overdrafts	(624)	202	—	277	—	(145)
Total	3,722	(645)	—	277	—	3,354
Debt due after one year	—	(2,040)	—	—	—	(2,040)
Debt due within one year	(3,869)	1,439	—	2,388	21	(21)
Finance leases	(203)	115	(88)	—	—	(176)
	(4,072)	(486)	(88)	2,388	21	(2,237)
Net funds/(debt)	(350)	(1,131)	(88)	2,665	21	1,117

22 Capital commitments

The Group has contracted but not provided for £554,000 of capital expenditure at the year end.

Consolidated Profit and Loss accounts	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Turnover	69,968	62,457	46,473	43,833	40,104
Operating profit before goodwill amortisation	3,483	3,245	2,614	2,318	1,802
Goodwill amortisation	(548)	(551)	(497)	(566)	(460)
Exceptional item	2,455	—	—	(262)	500
Finance charges net	(176)	(206)	(164)	(244)	(146)
Profit on ordinary activities before taxation	5,214	2,488	1,953	1,246	1,696
Taxation	(240)	(1,469)	(1,182)	(891)	(332)
Profit on ordinary activities after taxation	4,974	1,019	771	355	1,364
Minority interest	(10)	—	—	—	—
Dividends	(710)	(722)	(625)	(637)	(646)
Retained profit/(loss) for the year	4,254	297	146	(282)	718
Earnings per share					
- basic	20.09p	4.15p	3.06p	1.39p	5.41p
- basic before exceptional items (net of tax)*	6.04p	4.15p	3.06p	2.11p	4.02p
- basic before goodwill amortisation and exceptional items (net of tax)*	8.26p	6.39p	5.03p	4.34p	5.85p
Dividends per ordinary share	3.0p	3.0p	2.5p	2.5p	2.5p

* Exceptional items includes credit for prior year dual residence tax losses in 2004

Consolidated Balance Sheets	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Intangible fixed assets	3,951	3,953	4,400	4,954	5,553
Tangible fixed assets	3,231	2,631	2,749	2,568	2,992
Investment	100	100	—	—	—
	7,282	6,684	7,149	7,522	8,545
Net current assets	6,394	724	3,720	4,850	3,624
Creditors due after one year	(2,108)	(152)	(3,687)	(3,736)	(3,274)
Net assets	11,568	7,256	7,182	8,636	8,895
Shareholders' funds - equity interests	11,552	7,250	7,174	8,636	8,895
Minority interest	16	6	8	—	—
	11,568	7,256	7,182	8,636	8,895

Annual General Meeting

39 Victoria Street
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27 June 2005 at 10am

Announcements

Half-year results for 2005
Preliminary full-year results for 2005
Final dividend 2005

September 2005
April 2006
June 2006

Final dividend 2004

Ex-dividend
Record date
Paid

1 June 2005
3 June 2005
30 June 2005

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The manufacturing mill is producing Zanders Mega matt and gloss products with up to 50% recovered fibre from pre and post consumer waste and the remaining pulp source is totally chlorine free sourced from fully sustainable sources. The manufacturing mill has also been accredited with the internationally recognised standard ISO 14001.



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