

A man and a woman in professional business attire are walking towards the camera, smiling. The woman is on the left, wearing a dark blue blazer over a white shirt and a dark skirt. The man is on the right, wearing a dark blue suit with a patterned tie. They are standing in front of the Louvre Pyramid in Paris, which is visible in the background. The scene is set during the day with soft lighting.

Annual Report
and Financial
Statements 05

Christie Group

Christie Group offers a portfolio of professional business services covering surveying, valuation, agency, consultancy, finance, insurance, stock control and business software solutions.

Our activities are specifically focused on the leisure, retail and care sectors, where we have unrivalled market awareness throughout the United Kingdom and elsewhere in Europe. The common denominator governing all that we do is our unceasing concentration on our clients' operations.

Our constant aim is to help our clients improve their operational efficiency, enhance their trading profits and increase the value of their businesses.

We know that our work – which is underpinned by the innovative use of leading-edge technologies – makes a significant contribution to our clients' commercial success.

Le Groupe Christie fournit un éventail de services aux professionnels, regroupant l'expertise, le consulting, les transactions, le financement, l'assurance, la gestion des stocks ainsi que des logiciels professionnels.

Nos activités se concentrent essentiellement sur les domaines des loisirs, des points de vente, et de la santé, dans lesquels nous avons une compétence inégalée à travers le Royaume Uni et l'Europe. Notre préoccupation incessante de répondre aux problématiques opérationnelles de nos clients est notre dénominateur commun régissant l'ensemble de nos activités.

Notre objectif est d'aider nos clients afin d'améliorer leurs performances opérationnelles, accroître leurs profits, et ainsi augmenter la valeur de leur établissement.

Nous sommes convaincus que notre travail, appuyé par l'utilisation des technologies de pointe, contribue de façon significative au succès commercial de nos clients.

Our vision encompasses a flourishing business services and software group serving the needs of predominantly European and North American clients.

Our objective is to build on our substantial strengths in our chosen sectors.

We also aim to grow our business through new product development, new services and – where appropriate – further acquisitions and strategic alliances, so that we can best serve the needs of all our customers.

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- Operating profit up 15% to £4.4 million (2004: £3.8 million)
- Turnover up 11% to £77.5 million (2004: £70.0 million)
- Proposed final dividend up 25% to 2.5p per share, totalling 3.5p (2004: 3.0p)
- Strategic partnership with Wincor Nixdorf
- Largest year-end order book for Software Solutions Division
- Christie + Co opens Munich Office
- Successful AIM listing
- International Financial Reporting Standards adopted

Christie Group deckt eine breite Palette an professionellen Serviceleistungen für Unternehmen ab. Unter anderem bieten wir Gutachten, Bewertungen, Agenturdienste, Consultancy, Finanzierungen, Versicherungen, Bestandskontrolle sowie betriebliche Software-Lösungen an.

Unsere Aktivitäten konzentrieren sich insbesondere auf Kunden aus den Bereichen Freizeit, Einzelhandel und Pflegeeinrichtungen. In diesen Sektoren besitzen wir in Großbritannien und im weiteren Europa beispiellose Marktkenntnisse. Der gemeinsame Nenner unserer Aktivitäten ist die unaufhörliche Konzentration auf betrieblichen Aspekte unserer Kunden.

Wir streben ständig danach, unsere Kunden bei der Verbesserung ihrer Wirtschaftlichkeit zu unterstützen und ihre Handelsgewinne und ihren Unternehmenswert zu erhöhen.

Wir sind uns bewusst, dass unsere Arbeit – der die innovative Nutzung hochmoderner Technologien zu Grunde liegt – einen nicht unbedeutenden Beitrag zum wirtschaftlichen Erfolg unserer Kunden leistet.

Christie Group ofrece una gran variedad de servicios para empresas: tasaciones, valoraciones, intermediación, consultoría, financiación, seguros, control de stocks y soluciones software para negocios.

Somos especialistas en los sectores del ocio, del retail y de los servicios de cuidados y asistencia, en los que nuestro conocimiento del mercado es inigualable en toda Europa. El denominador común que dirige todas nuestras actividades es el incesante interés que ponemos en las operaciones de nuestros clientes.

Nuestro objetivo es ayudar siempre a mejorar la eficiencia operativa de nuestros clientes, mejorar sus resultados e incrementar el valor de su negocio.

Sabemos que nuestro trabajo – respaldado por el uso innovador que nos proporcionan las últimas tecnologías – contribuye de forma significativa al éxito comercial de nuestros clientes.

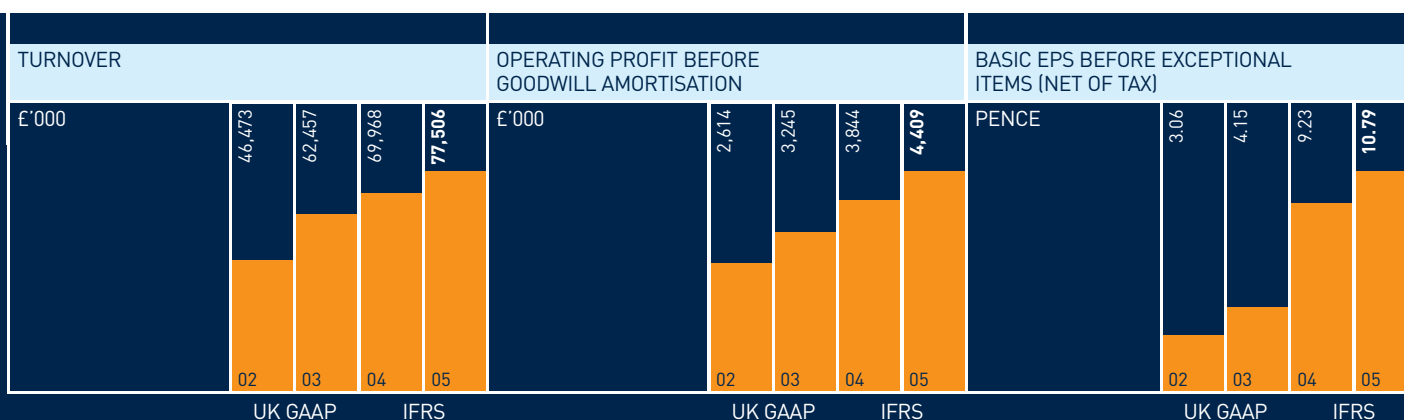
Christie Group offre un ampio portafoglio di servizi commerciali altamente professionali che comprende valutazioni, perizie, servizi di agenzia e consulenza, finanziamenti, assicurazioni, gestioni magazzino e soluzioni software.

Il nostro lavoro è soprattutto concentrato sui settori dell'ospitalità ricreativa e di assistenza, e sui punti vendita, dove, grazie alla nostra incessante raccolta di attività con i nostri clienti, siamo riconosciuti senza pari nel Regno Unito ed in tutta Europa.

Il nostro scopo è di aiutare i nostri clienti a migliorare la loro efficienza operativa, esaltando i loro utili ed aumentando il valore dei loro affari.

Sappiamo che il nostro lavoro, rafforzato dall'uso innovativo di tecnologie avanzate, contribuisce notevolmente al successo commerciale dei nostri clienti.

CHRISTIE GROUP www.christiegroup.com
Christie Group plc, the holding company for the Group's trading businesses, is quoted on AIM.



SERVING CLIENTS INTERNATIONALLY

COUNTRIES WITH CHRISTIE GROUP OFFICES

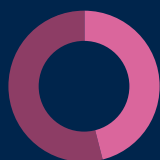
Belgium
Canada
France
Germany
Italy
Spain
United Kingdom

COUNTRIES WHERE WE DO BUSINESS

Algeria
Andorra
Angola
Austria
Bahamas
Bahrain
Barbados
Belgium
Brazil
Cameroon
Canada
Channel Islands
China
Costa Rica
Cyprus
Czech Republic
Denmark
Egypt
France
Gabon
Germany
Greece
Guadeloupe
Hong Kong
Hungary
Ireland
Isle of Man
Israel
Italy
Japan
Kenya
Kuwait
Lebanon
Luxembourg
Mali
Malta
Martinique
Mauritius
Mexico
Monaco
Morocco
Netherlands
Norway
Panama
Poland
Portugal
Qatar
Reunion
Romania
Russia

Saudi Arabia
Senegal
Singapore
Spain
Sweden
Switzerland
Taiwan
Tanzania
Trinidad and Tobago
Tunisia
Turkey
United Arab Emirates
United Kingdom
United States of America

GROUP TURNOVER BY SECTOR



LEISURE

2005 **£35.3m** 46%
2004 **£30.2m** 43%

Hotels
Pubs & Bars
Restaurants
Takeaways
Sports & Fitness Clubs
Cinemas & Entertainment Venues
Visitor Attractions
Destination Resorts

Caravan & Holiday Parks
Guesthouses
Casinos & Bingo Halls
Railways
Nightclubs
Currency Exchange Bureaux



RETAIL

2005 **£28.9m** 37%
2004 **£28.4m** 41%

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

2005 **£13.3m** 17%
2004 **£11.4m** 16%

Residential Care Homes
Nursing Homes
Domiciliary Care Business
Hospitals
Close Care/Assisted Living Centres
Surgeries
Daycare & Childcare Centres

Schools & Colleges
Pharmacies
Dental Practices

GROUP TURNOVER BY DIVISION

PROFESSIONAL BUSINESS SERVICES

2005 **£43.3m** 56%
2004 **£37.3m** 53%

Business Sales and Valuations, Consultancy, Financial Services

CHRISTIE + CO www.christie.com
and www.christiecorporate.com ●●●

The leading specialist firm providing business intelligence in the hospitality, leisure, retail and care sectors. International operations are based in Barcelona, Berlin, Frankfurt, London, Madrid, Munich and Paris. Its 16 offices across the UK are focused on agency, valuation services, investment and consultancy activity in its key sectors – hotels, public houses, restaurants, leisure, care and retail.

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 specialist business appraisal, valuation and consultancy company, principally providing professional services to the licensed leisure, retail and care sectors, and increasingly within the commercial and corporate business sectors, especially in relation to professional practices and service businesses.

Pinders also has an expanding Building Consultancy Division that offers a full range of project management, building monitoring and building surveying services. Instructions are undertaken for a broad cross-section of corporate, charity, private and public sector clients.

SOFTWARE SOLUTIONS

2005 **£13.7m** 18%
2004 **£13.0m** 19%

EPoS and Head Office Systems

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, supply chain optimisation 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 comprises admissions, head office, back office and online ticketing modules.

STOCK AND INVENTORY SERVICES

2005 **£20.5m** 26%
2004 **£19.7m** 28%

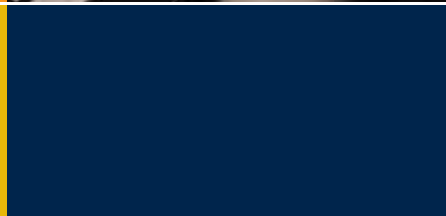
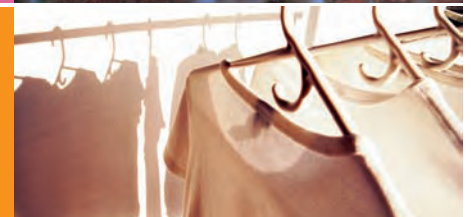
Stock and Inventory Control

ORRIDGE www.orrige.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 sector. Bespoke software and systems enable real time management reporting to its customer base using the most up-to-date technology.





PHILIP GWYN CHAIRMAN

I am pleased to report a further year of progress. Our operating profit has increased by 15% to £4.4 million (2004: £3.8 million) on turnover up 11% to £77.5 million (2004: £70.0 million). Our full year figures are reported for the first time under the International Financial Reporting Standards.

The Board proposes an increased final dividend of 2.5p per share (2004: 2.0p) bringing the dividend for the year to 3.5p per share (2004: 3.0p).

We continue our underlying strategy of the continental expansion of our existing activities and the development of a new generation of products for our software business. Both of these moves we strongly believe will benefit shareholders in the years ahead.

All of this is made possible through the continuing success of our established operations which generated some £7.9 million (2004: £6.6 million) of operating profit between them. I should like to thank all our staff who have contributed to these results.

I am pleased to say that 2006 has started well in our Professional Services and Stock and Inventory divisions and that the order book of our Software Solutions division is at the highest level we have experienced.

PHILIP GWYN
Chairman

Each of our companies offers a range of business services designed to add value to our clients' operations.

It is our belief that, by focusing on sectors where we know our skills and experience will benefit our clients, we will achieve the success we aim for.

By investing time, money and energy in the continuous development of our products and services, we will also maintain our position as leading suppliers in our chosen fields.



OUR STRATEGIC FOCUS

In recent years, our strategic focus has been on developing a portfolio of pan-European services, all of which are logically related by the common threads running through our clients' activities, and by our understanding of the operational dynamics which govern their sectors.

Our aim is to continue the development of this pan-European platform, and to strengthen our presence across the enlarged European Union.

OUR UNRIVALLED COMBINATION

Our established businesses focus on the leisure, retail and care sectors, where we have an unrivalled combination of professional expertise and market awareness.

Over the years, the knowledge gained in these sectors has proved invaluable as we have grown and developed the software solutions side of our business.

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 are investing in new products and strategic alliances, whenever they look to be advantageous.

Rather than engage in technological innovation for its own sake, our current investment policy is designed to ensure that all our research and development programmes produce new products and services which will benefit our customers and maintain our position as leading-edge suppliers in our chosen fields. Moreover, our preference is to fund such developments from our own cash flow.

Wherever practicable, new physical assets are procured outright, rather than through leasing agreements.

MILESTONES

2005 was an eventful year for Christie Group. It featured a number of firsts, as well as several notable milestones.



JANUARY

Christie + Co expands its operations in Germany with the opening of a new office in Berlin.

Pinders' business activities are broadened by the completion of the acquisition of chartered surveyors West London Estates.

APRIL

After more than 25 years with a virtually unchanged identity, Christie + Co launches its new look as a reflection of its sharpened focus on the provision of business intelligence.

MAY

Christie + Co establishes a second operational base in Spain with the opening of a new office in Madrid.

JUNE

Orridge makes further progress in one of its targeted sectors as it secures a new contract with Somerfield's distribution division.

In association with its customer, luxury goods retailer Lancel, VcsTimeless wins the coveted European Retail Solutions Award for Project Implementation Of The Year.



JULY

VcsTimeless signs a new accord with Wincor Nixdorf, thus creating a powerful alliance with European market potential.

SEPTEMBER

Venners introduces a new service designed to help landlords and other on-licence managers verify that what it says on the label is actually in the bottle.

Christie + Co opens a new office in Munich, giving the company easier access to clients in southern Germany, as well as Austria and Switzerland.

NOVEMBER

Christie Group moves to the Alternative Investment Market to gain the benefits of its simpler administrative requirements and more flexible regulatory regime.

DECEMBER

Venners' retail operation merges with that of Orridge to create a single brand serving the stocktaking needs of the retail sector.

Christie + Co wins two Estate Gazette Property Marketing Awards. The first for www.christiecorporate.com, which the judges described as 'a clear winner'. The second for a marketing brochure promoting Whitbread's brewery site in London, described as 'an elegant piece'.



DAVID RUGG CHIEF EXECUTIVE

BUILDING ON OUR SUCCESS

A year ago I was pleased to report that our end-of-year results for 2004 had demonstrated the inherent strength of our Group structure, and that we could anticipate another sound year ahead.

As the table of figures on page 9 shows, our total Group operating profit rose by 15% – from £3.8 million in 2004 to £4.4 million in 2005 – while turnover rose by 11%.

The turnover attributable to our established businesses grew by 8%, moving from £66.1 million to £71.2 million, while that of our developing operations grew by 60%, from £3.9 million to £6.3 million.

Profits from our established operations moved ahead strongly, from £6.6 million to £7.9 million – an increase of 19% – while the losses incurred by our developing operations increased from £2.8 million to £3.5 million. Bearing in mind the significant number of operations being developed during 2005, this last figure is a relatively small increase. Having reinvested 44% of our established businesses' profits in our developing businesses during 2005, our intention is that the number of operations will be broadly held at current levels during 2006.

I believe these figures reflect well on the progress we have made, and on the improved way in which we manage our margins.

In developing the operational plans which now guide our various activities, we made provision for both organic growth and growth by acquisition. Over the past year, we have continued our investment in products and people, and nurtured the integration and development of chartered surveyors West London Estates – now rebranded as Pinders Caversham – as a valuable new strand in the Pinders offer.

On another front, we have broadened the scope of our software operations by entering into an alliance with Wincor Nixdorf, one of the world's leading providers of IT solutions to the retail sector. This new arrangement sees Wincor Nixdorf acting as official reseller to VcsTimeless – our software solutions company – in Spain, with VcsTimeless acting as Wincor Nixdorf's presales and support partner elsewhere in Europe.

The benefits of this new alliance parallel those already established between VcsTimeless and Microsoft, which help to keep our business at the forefront of its sector.

In recent times, as our own activities have developed and expanded, we have been targeting and winning new business with much larger, higher-profile clients across all the sectors in which we operate. Many of these current and potential clients are leaders in their own fields.

Again, across each of our divisions, we have seen a significant growth in the consultancy and advisory element of our business. This now accounts for an important part of our offer, and goes well beyond the provision of products and services. Our success in this area is perhaps best demonstrated by the way Christie + Co has – in the space of little more than two years – established a pan-European hospitality consultancy which markets its expertise in the hotel and leisure property sector.

Our objective is to sustain this pattern of growth and development over the years ahead, with all three of our divisions having good growth prospects.

DIVISIONAL REVIEW

PROFESSIONAL BUSINESS SERVICES

The division comprises Christie + Co, Christie First and Pinders. It has shown further strong growth in both revenues and profitability.

The increase in the Division's development costs principally reflects the first year's operational costs associated with our new offices in Enfield and Epsom. We fully expect these losses to recede as 2006 progresses.

At £41 million, turnover for the Division's UK operations was up by 14% year-on-year, while our non-UK operations continued their progression of the recent past. Turnover on the Continent has increased by £1 million and losses have been pegged, despite the cost of opening new bases in Berlin, Munich and Madrid. With a total of six operational centres on the Continent, we expect 2006 to produce another year of revenue growth.

GROUP

Operating profit £'000

Group	2005	2004
Established operations	7,902	6,635
Developing operations	(3,493)	(2,791)
	4,409	3,844

PROFESSIONAL BUSINESS SERVICES

Operating profit £'000

	2005	2004
Established operations	6,116	5,128
Developing operations	(1,597)	(1,073)
	4,519	4,055



CHRIS DAY MD CHRISTIE + CO
AND A CHRISTIE GROUP DIRECTOR

Christie + Co celebrated its 70th anniversary in 2005 with the launch of a new image which reflects a sharpened focus on its core activity: the provision of business intelligence for all its clients.

The company consistently aims to be the pre-eminent intermediary providing transactional and advisory support to small, medium and large businesses in the hospitality, leisure, care and retail sectors. It also works with private individuals with interests in these areas. The company's new image, which has been well received by clients and business associates, reinforces Christie + Co's European ambitions as a leading provider of specialised business intelligence.

Underpinning the company's re-launch is our belief in the importance of clear communications. The totally fresh presentation of our business activities and customer opportunities on our revitalised web site is testament to this.

In line with our over-arching desire to win more business from corporate clients and repeat business, we have also added a new web site – www.christiecorporate.com – which is specifically designed to give corporate clients access to our enhanced range of business intelligence services.

The complete redesign and expansion of "Business Outlook", which has been in continuous publication for over 30 years, is another demonstration of the intelligent clarity inherent in our new image. Now, as well as providing a record of the company's business activities, "Business Outlook" offers a valuable overview of trends in Christie + Co's chosen business sectors, together with informed forecasts for the year ahead.

HOSPITALITY

As mentioned earlier, we have seen a significant increase in the number of high-profile clients we work for, and in the number of transactions completed during the past year. Indeed, in this respect alone, Christie + Co's activities in the hospitality sector have been little short of spectacular.

HOTELS

Heading our list of hotel deals was the £100 million sale of nine Queens Moat House hotels to Jefferson Hotels, which granted a long lease to Rezidor SAS. This was one of the largest portfolio deals of the year. The hotels are now operating under Rezidor's Park Inns brand.

Other notable transactions included the £72 million-plus sale of seven Hilton Hotels to Stardon UK, the £48 million sale of London's Harrington Hall hotel, and the sale of the Birmingham City Crowne Plaza for £24.4 million.

In Scotland, we handled the £75 million disposal of 20 North British Trust hotels to Swallow Hotels, and the £14 million Best Western Glasgow Milton deal.

PUBS

While the hotel side of our business was dominated by high-value corporate transactions, the public house sector experienced a year of contrasts. On the one hand, the pace of acquisition activity was sustained. On the other, the industry faced the challenging introduction of the new

licensing laws, proposals for bans on smoking and issues such as alcohol-fuelled violence and binge drinking.

Against this background, Christie + Co was busy. We valued well over 7,000 public houses – many more than in the previous year – totalling more than £4 billion worth of property.

The most notable off-market agency deals included sales on behalf of Enterprise Inns and Greene King of packages of pubs to Admiral Taverns, and the sale of individual pubs on behalf of Admiral Taverns to Scottish & Newcastle Pub Enterprises and Barracuda.

Other instructions included the sale to private individuals – on behalf of the receiver, Baker Tilly – of a group of 15 leasehold pubs in the south of England, and individual disposals on behalf of Spirit, Whitbread, Wolverhampton & Dudley Breweries – which was seen by the industry as one of the major deals of the year – Charles Wells, Herald Inns and the Laurel Pub Company.

Christie + Co was also involved in the acquisition of 18 Scottish pubs on behalf of Globe Pub Company and Scottish & Newcastle Pub Enterprises, as well as the sale of more than 50 individual pubs for alternative uses. These included The Sun, near Southampton, which was sold on behalf of Enterprise Inns for over £700,000 for redevelopment as an NHS medical centre.

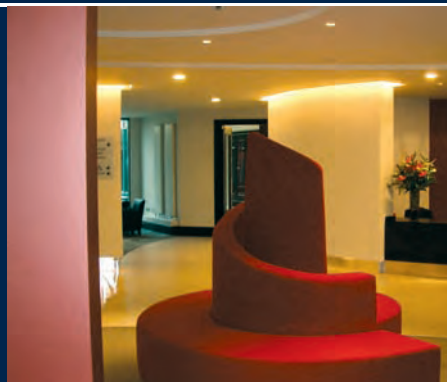


£150M REFINANCING IS CHRISTIE FIRST'S BIGGEST EVER DEAL

Christie First completed its biggest-ever funding deal when it arranged the refinancing of Marston Hotels, valued at more than £150m, thereby enabling the hotel group to remain independent. Also as a result, the 11-strong hotel group had about £17m extra funding to fulfil expansion plans at three of its hotels.



The Managing Director of Marston Hotels contacted Christie First to ask for assistance in efforts to buy out the shareholders. Following initial discussions, it transpired that John Marston and his immediate family would also retain their shares, which would allow management to keep control of the business.



Through Christie First's extensive banking contacts, Allied Irish Bank (GB) and Barclays' hotels team were brought together and both were keen to support the management team. AIB and Barclays therefore worked closely together as Joint Mandated Lead Arrangers in order to successfully deliver the refinancing package within a tight timescale.



A deal of this scale emphasises the success of Christie First's two separate, but related, Agency and Corporate Mortgage Broking Teams. Agency provides UK-wide coverage for all SME deals while Corporate, operating from our London Victoria Street premises, delivers a bespoke service for larger corporate clients.



LEISURE



CHRISTIE + CO IN BED WITH THE BIGGEST

In one of the biggest portfolio transactions of 2005, Christie + Co handled the sale of nine UK hotels on behalf of Queens Moat Houses. Located in Bedford, Cardiff, Harlow, Northampton, Nottingham, Telford, Thurrock, Watford and West Bromwich, the hotels were openly marketed and sold to Jefferson Hotels, a vehicle of the Landesberg and Rosenberg families in partnership with the owners of Galliard Homes. The purchaser secured a lease agreement with Rezidor SAS, who will operate the hotels under their Park Inn brand.

REPORT ENHANCES ATTRACTION'S BORROWING

Pinders' ability to monitor a business's performance over a number of years is exceptional. In the case of a large visitor attraction, Pinders assessed factors such as seasonality, the impact of a short term localised disaster, and the potential for expansion. The effects of new rides and attractions on the business's trading and value were analysed, and complex planning, legal and infrastructure issues were also dealt with. The resulting report gave a comprehensive yet clear view of the business, both currently and going forward, and was a key factor in re-financing the customer's existing borrowings.

VENNERS ON THE RIGHT TRACK

In what was a first for both Venners and the railway industry, one of the UK's premier public transport providers asked Venners to conduct spot audits on its catering operations. This not only involved counting the stock but also checking operational activity and compliance against certain on-board procedures. Within two weeks of the first audit, the operator reported more efficient use of stock and better returns. Revenues increased by between £3,000 and £5,000 per day, and the cost of stock was reduced. The operator continues to reap the benefits of Venners' services.



RESTAURANTS

In a year which included the successful flotation of Gondola Holdings, owner of the Pizza Express, ASK and Zizzi restaurant brands, we were involved in the due diligence processes connected with the £92 million secondary buyout of Tragus Holdings, operator of the Café Rouge and Bella Italia chains.

In the spring, we undertook the valuation of 19 Est Est Est outlets sold by The Restaurant Group (TRG) to Living Ventures, and of parts of the Blubeckers Restaurant group, which TRG purchased for a reported £27 million. Valuations and strategic advice were also provided to both Paramount and HSBC during Craftbuton's £33 million acquisition of 53 of TRG's Caffé Uno sites.

LEISURE

Christie + Co's most notable leisure sector transaction of 2005 was the £55 million sale of Whitbread's brewery site in London's Chiswell Street. The success of this project is a perfect example of our ability to harness the skills of a multi-discipline team in the service of a single client. It also says much for the strength of the relationship between Christie + Co and Whitbread, which stretches back over many years.

Our consultancy division was involved in a number of high-profile projects, including advice on behalf of Sellar Property Group to Shangri-La Hotels and Resorts on its first European hotel. This is destined to occupy 18 floors of the new London Bridge Tower, the capital's first new-build, 5-Star hotel for over a decade.

Other consultancy activities included advice to the Berkeley Group on the redevelopment of the Royal Worcester Porcelain site, where plans include a hotel, leisure and retail amenities and residential and office space. Our consultants also advised on a mixed-use regeneration site proposed for Gillingham's waterfront in Kent.

We were also retained by developer McAleer and Rushe to find a complementary operator for a second hospitality operation next to the proposed 280-bedroom Jurys Inn hotel on Kings Waterfront in Liverpool.

CARE

2004's high levels of business activity in the care sector were outstripped during 2005, with Christie + Co completing the largest-ever deal handled by an agent in this sector: The deal – the £365.5 million investment sale of Cannon Capital Group Holding's entire share capital in 91 care homes – gave buyers London & Regional the freehold interest in a portfolio of valuable assets.

By any standards, this was a major transaction for Christie + Co. Others included the sale of the Cambridge Private Hospital, a purpose-built unit specialising in plastic, cosmetic and reconstructive surgery, to the Ireland-based Clane Hospital Group, for an undisclosed sum.

We were also retained for a wide variety of valuation projects, including one for Ashbourne Homes. All 15 regional offices were involved in the valuation of 74 freehold assets, plus five investments, over a three-week period. Ashbourne Homes was subsequently sold by its private equity investor, Electra Partners, for some £280 million.

Looking ahead, demand for places in care homes is expected to increase as we experience society's much-discussed demographic changes. We can thus anticipate a continuing rise in care home values, though probably not at the pace experienced in recent times.

RETAIL

Business in the retail sector was dominated throughout 2005 by two factors: the rise and rise of Tesco's market share, and continuing competition in the convenience store and forecourt sectors.

We recorded a 25% increase in the number of retail units sold over the year. There was a particular hike – close to 60% – in the number of post offices sold.

During the year, Christie + Co handled more corporate disposals than ever before, including the sale of 11 former Mace stores being disposed of on behalf of Somerfield.

The increased activity in the forecourt sector began in earnest at the start of 2005. One of the year's major transactions was the sale, for an undisclosed figure, of Manchester's thriving Texaco Central Service Station and its adjacent Spar convenience store.

Our expansion into new markets – fish and chip shops, delicatessens, gift and card shops – continued throughout the year. The off-licence sector also generated several disposal instructions, including the marketing of 40 off-licences on behalf of Unwins, the two-phase marketing of 35 outlets on behalf of Threshers, and instructions from Wine Cellar to market nine individual sites.

More information on all aspects of Christie + Co's year can be found in "Business Outlook 2006", copies of which are available to shareholders from my office.



VCSTIMELESS DEVELOPMENTS AND RELEASES

"NEW LOOK" FOR COLOMBUS RETAIL

After 8 years of success, Columbus Retail, VcsTimeless' flagship EPoS solution for speciality retailers, sheds its skin and boasts a contemporary new look. It incorporates new colours, icons and screen layouts as well as an array of best in class software features. Retailers can also personalise their applications according to their own corporate identity and user requirements.



COLOMBUS BUSINESS INTELLIGENCE

Colombus BI is a new enterprise-wide retail intelligence and decision support solution featuring dashboards, score cards, performance analysis across channels, stores and SKUs, customer profiling and advanced reporting tools. Offering real time smart information, Colombus BI is designed to increase retailers' revenues and profits, reduce out of stocks and improve customer satisfaction.



THE LATEST IN MOBILE STORE TECHNOLOGIES

Retail Pocket is set to dramatically increase staff efficiency, improve customer services and enhance the shopping experience. Staff with PDAs running Retail Pocket have added in-store mobility and are able to carry out key tasks remotely - without leaving the shop floor. Features include label re-editing for on-the-spot markdowns, queue busting facilities, instant stock searches, CRM and access to client information and purchasing histories.



BESTORE - THE NEXT GENERATION EPOS

Following a world-wide technology agreement with Wincor Nixdorf in July 2005, VcsTimeless announces a new generation EPoS solution. BeStore is dedicated to large retail chains, including superstores and department stores. Featuring extensive front office functionality, the solution also boasts sophisticated customer services at point of sale, innovative technology and an open architecture.



PATRICK RYAN MD CHRISTIE FIRST

As a leading provider of commercial mortgage and insurance products, Christie First aims to maintain its market position by maximising its distribution network, by capitalising on its excellent collaboration with banks and insurance companies, and by retaining a team of first class professionals.

Much of our progress during 2005 was made in spite of market conditions, not because of them. For the past year or so, the insurance market has been soft, with business often being retained at lower premium rates. This inevitably has an impact on overall profitability. Nevertheless insurance income has grown year-on-year by 6%.

Christie First has not only recorded its biggest transaction to date – the refinancing of the Marston Hotel group, featured on pages 10 and 11 – but also won two important new agency contracts. One of these, with Ecclesiastical Insurance, now sees Christie First providing more choice of insurance services to the care sector. The other, with financiers Commercial First, gives us access to the important sub-prime loan arena, which serves the needs of clients with problematic credit records.

Our success is due, in part, to the creation of a new corporate mortgage department. Located in

our head office in Victoria Street, Westminster, this team of five professionals has gained enormously from its close proximity to the professionals working in Christie + Co. Their involvement in day-to-day business meetings has created financing opportunities which might otherwise have been overlooked.

With the considerable funds reckoned to be still available for commercial loans, and with enthusiasm for our enterprise culture continuing undiminished, we are confident Christie First will maintain its market position over the coming year.



MARK ELLIS MD PINDERS

Pinders is a multi-disciplinary practice providing high-quality valuation, appraisal and consultancy services to a broad cross-section of clients in the business and property sectors. We seek every opportunity to widen the range of our services and maximise the impact of our brand.

This was emphasised at the beginning of the year with the acquisition of West London Estates – now trading as Pinders Caversham – which has added the skills of chartered building surveying to our offer in the Thames Valley. Our strategy now is to purchase similar companies covering other regions, should suitable candidates become available.

Our Project Management and Building Consultancy Division had a good year. Its most notable project – the completion of Phase 1 of a new care complex in the West Country – is featured on page 20.

The consultancy side of the business also achieved good growth, with the size and quality of its clients reflecting the expertise and added value Pinders brings to each project. This has resulted in higher fees from this division.

Pinders' expertise now extends well beyond its traditional boundaries. It is developing a growing reputation as business valuers in the widest sense. Today, the range of businesses covered includes professional practices, service businesses, piers, pet crematoria and many others.

Looking ahead, many of the patterns which emerged in 2005 will continue into 2006. Our focus will be on the continuing evolution and diversification of our skills, with an emphasis on service and quality. Plans are in hand for a restructuring of the company, with particular attention being paid to the development of our regional network of valuers and consultants. Growth is expected in both the Consultancy and Project Management and Building Consultancy divisions. In addition, we anticipate an increase in the number of PinderPack instructions as a new entrant to the market seeks to use this service and the Government moves towards the introduction of Home Information Packs.

RETAIL



COSTS DOWN, CUSTOMER SERVICE UP

CardWorld operates 19 stores and two wholesale warehouses in the Southwest. With over 85,000 product lines and a £15 million turnover, it sells greeting cards, toys and household products. CardWorld installed VcsTimeless' Colombus Retail software at its head office and 55 new points-of-sale, adding a wholesale module and a PS financials accounting system later. As a result, CardWorld drastically cut costs and improved customer service. Instant access to information on sales helps make sure shelves aren't empty, or left with too much unsold stock. The new system also helps expose fraud or internal staff theft, via reports showing discrepancies in either takings or stock levels.

ORRIDGE IS A SHINING EXAMPLE

Orridge helped a large well-known accessory retailer implement new data management systems designed to help it identify all "out of season" stock and highlight those products that are in stock but not on the shop floor. The resulting pinpoint accuracy produced considerable cost savings. The use of Radio Frequency Technology, and the on-going development of new software, enable Orridge to provide clients with an array of reports, many of which can be customised to their individual needs.

VCSTIMELESS TOP OF THE CLASS

Leading schoolwear wholesaler and retailer, Clive Mark, selected VcsTimeless's retail management system to run its group activities. An independent, family-run company established over 40 years ago, Clive Mark has eight stores and a wholesale business serving over 1,000 British schools and a growing number across the Channel. It needed a robust IT infrastructure to streamline its operations and VcsTimeless was chosen for its ability to handle large amounts of information and produce reports providing clear visibility on stock, warehouse picking and merchandise movement.



THE PRIORY

Christie + Co's specialist healthcare valuation team was asked to value The Priory Group's extensive portfolio after its acquisition by ABN AMRO. The valuation provided was for use in both the syndication of debt facilities and as part of a securitisation process.

Going forward, Christie + Co will monitor the ongoing performance of the business on behalf of ABN AMRO and its service facility provider, Hatfield Philips.



The valuation comprised around 45 specialist care facilities with more than 1,700 beds, from Glasgow in the North to western Devon and the London suburbs in the South. The facilities included independent hospitals, specialist care facilities and specialist educational facilities, the majority operating as mature businesses but some in the course of development.



The Priory Group's best-known facility is London's oldest private psychiatric hospital — the internationally renowned Priory Hospital in Roehampton, which was launched in 1872. It specialises in the treatment and management of mental health conditions and has specialist centres for the treatment of eating disorders and addictions.



Eleven of Christie + Co's 16 UK offices were involved in the valuation process, which was one of the largest ever undertaken by the company in this sector. Due to the structure adopted by the new owners, the valuations required that a going concern, alternative use and also a "Property Company" basis of valuation be reported.

CARE



CARE COMPLEX CONCLUDED

Pinders' ability to provide full project management services for corporate clients has been key to the company's ongoing expansion and growth. A three-year project completed during 2005 included identifying and acquiring a site, securing planning permission, and managing the development phase – including the eventual registration of the completed care home – before handing over the keys and organising the opening party! In delivering the project on time and within budget, Pinders' staff were able to call on a number of specialists within their team, and capitalise on previous experience gained from other similar projects.

CHRISTIE + CO'S QUALITY HALLMARK

Christie + Co's specialist team valued Hallmark's high-quality portfolio of 19 care homes and four development sites, which provide more than 1,000 beds. Hallmark Healthcare has grown steadily to become one of the leading providers of long-term care across England and Wales, and it aims to expand through both new-build development and acquisition. Christie + Co worked with Hallmark to facilitate a rapid expansion programme by assisting with the acquisition of a number of purpose-built homes and providing valuation advice. These services were part of a successful refinancing exercise, which will fund Hallmark's future expansion.

CANNON CAPITAL SELLS ITS CAPITAL

In what was both the second largest healthcare sale of 2005 and the largest care sector deal ever transacted by an agent, Christie + Co sold the entire share capital of Cannon Capital Group Holdings, a company which holds the freehold interest in 91 care homes across the UK. The homes, which are currently let to Ashbourne Healthcare and offer accommodation for approximately 4,500 elderly people, were acquired by London & Regional Properties for £365.5 million.



MICHEL RAMIS CEO VCSTIMELESS
AND DIRECTOR OF THE DIVISION

SOFTWARE SOLUTIONS

Our Software Solutions Division trades as VcsTimeless Group, a pan-European company involved in leading-edge systems and technologies in the retail and hospitality sectors. The combination of its software portfolio, commercial infrastructure and extensive market reach, makes VcsTimeless a valuable partner to many of Europe's medium and large size companies.

VCSTIMELESS

Despite the generally poor trading conditions for retailers across much of continental Europe, 2005 was a good year for VcsTimeless. Turnover increased by 6% to £13.7 million. Software revenues were up by 11%. A number of new software products developed during 2005 will be launched into the market during 2006.

The internationalisation of VcsTimeless' business has continued apace, with more than 70% of our revenue now derived from countries outside the UK. This has been achieved by winning new customers such as the Italian Yamamay underwear franchise chain, and Trussardi, one of Italy's major retailers of luxury goods with a worldwide reputation for quality. New customers won in the UK include Watt Brothers, Leisure Parcs, Village Cinemas, and Storm Cinemas.

Following two years of poor performance, business in Spain picked up with the acquisition of several new customers, including Sara Lee, Encuentro Moda, Karlettin and Eureka Kids.

We achieved our 2005 revenue targets in France, despite low product competitiveness and the fact that only 21% of the revenue was won from new customers compared to 54% in 2004. Nevertheless, we gained ten new customers, among them San Marina, a multiple retailer with 175 stores.

Our international success has been made possible by the complete internationalisation of our customer services, which now offer a multi-lingual help desk 24-hours-a-day, seven-days-a-week. This key differentiator in a marketplace peopled by players with domestic operations gives us a considerable advantage which will help us grow over the next few years. As part of our international activities, one of our customers, Orchestra, opened our first store in Hong Kong, using a Mandarin version of our software.

The year has also seen VcsTimeless improve our position as a strong brand in Europe's market for speciality retail software solutions. Thanks to extensive press coverage, numerous promotional events, a European Roadshow for over 300 retailers conducted in six countries, and further recognition in the form of an award for the Best Project Implementation Of The Year for the Lancel project, VcsTimeless now has a high profile across Europe.

We have also cemented our position as an innovative player with the launch of its own FutureStore concept, a superstore which features the latest integrated retail technologies. VcsTimeless is also one of the first European retail software suppliers to introduce the use of RFID (Radio Frequency Identification) in-store

SOFTWARE SOLUTIONS

Operating profit £'000

	2005	2004
Established operations	628	573
Developing operations	(1,896)	(1,718)
	(1,268)	(1,145)

technologies, which include tailored pricing and promotions, queue-busting systems and receipts printed from wifi hand-held equipment.

We also upgraded our existing Columbus Retail EPOS software during the year, and launched its first Business Intelligent Retail solution based on its SQL-server 2005 database and .net technology. We continued the development of our Magellan head office management system.

However, the major achievement of the year has been the finalisation of the strategic partnership with Wincor Nixdorf. With this in place, we are developing BeStore, a new EPOS solution based on Wincor Nixdorf's flagship solution, TP.net, dedicated to tier one and tier two retailers in the Magellan target market. This new product is totally focused on VcsTimeless' tier one and tier two market strategy. By bringing together the expertise of three of the sector's leading innovators – Wincor Nixdorf, VcsTimeless and Microsoft – it will add a new strand to what is already one of the best portfolios in the market.

We are now well-placed for what should be a decisive year in our development. The launch of Columbus.next and BeStore should give us the product advantages needed for a new era of growth and prosperity in Europe.

STOCK AND INVENTORY SERVICES

Operating profit £'000

	2005	2004
Established operations	1,356	996
	1,356	996



TREVOR HEYBURN MD VENNERS
AND DIRECTOR OF THE DIVISION

STOCK AND INVENTORY SERVICES

Our Stock and Inventory Services Division spent much of the early part of 2005 planning and implementing the transfer of Venner's retail business to Orridge. This move, which is now complete, will do much to strengthen the two brands by allowing Venner's to concentrate on developing its already substantial share of the hospitality market while Orridge builds its business on an enlarged retail base.

The value of this organisational change can be seen in the strong performances put in by both companies during the latter part of the year. The greater efficiencies across the Division produced improved gross margins on a sustained turnover of £20.5 million.

VENNERS

Venner's is now totally committed to providing the UK's licensed trade with first-rate stock audit and stock management systems designed to deliver valuable, easy-to-access data relevant to present-day business practices.

Prior to the transfer of its retail activities to Orridge, we had won a number of new customers – including Halfords' delivery audits, Argos, the Scottish discount retailer Quiz, and shirt makers

Hawes & Curtis – and completed over 9,000 individual site visits. Significantly, we had secured the renewal of our contracts with Arcadia, owners of high street brands such as Top Shop and Top Man.

The entire process of transferring this and our existing retail business to Orridge was completed at a time when Orridge was working in a total of 12 European territories for several high profile customers, including Reebok, with operations in a number of the countries in question.

As a related part of this transfer, we also brought to an end 30 years of straightforward data processing services which we had been supplying to other stocktaking companies, as this business was no longer making a useful contribution to our profitability.

With our operations now totally focused on stock audits in the hospitality sector, we can look back on a successful year. Like-for-like profitability in this sector was up by 25% on 2004 and several new customers were won. These included the Arizona pub company, nightclub operators Candu Entertainment, the Eldridge Pope pub company, the Four Pillars hotel group, First Great Western, and a tenancy stocktaking contract with Greene King, won in association with the Milestone accountancy practice. We also achieved a significant increase in the turnover we derive from our contract with London & Edinburgh Inns.

All in all, Venner's completed over 26,000 individual hospitality stocktakes in 2005, counting well over 4 million stock lines in the process, and starts 2006 with another new contract, with Thistle Hotels.

On the marketing front, we have introduced a brand authenticity testing service and – via our updated web site – an online menu costing and barrelage calculating service.

In line with the transfer of our retail business to Orridge, we have taken the opportunity to focus on improving our own management and systems. Our Work Planning Department has been restructured and customer satisfaction surveys have been introduced, to ensure each audit is carried out efficiently. This is also the first year in which our own staff audits have achieved 100% coverage. These audits monitor the accuracy of our work on a day-to-day basis. In addition, an Excellence First staff incentive scheme has been introduced, with the full support of the entire team.

The early part of 2006 has seen the retirement of Venner's Chairman, Keith Hudson. A well-known figure in the industry, Keith had previously been the Director of the British Institute of Innkeeping, which works to promote the highest standards of professionalism throughout the licensed retail sector. His contribution to Venner's success has been tremendous over the years. We wish him well for the years ahead.



Wilkinson



PAUL HARDING MD ORRIDGE

Orridge's aim is to deliver high quality, customised, added-value stocktaking solutions to clients in the retail, pharmacy and supply chain sectors. Operating from offices in both the UK and continental Europe, its reputation for technological innovation was enhanced last year by the introduction on the Continent of its Piccolink system.

With the successful integration of Venners' retail business, which saw the almost seamless transfer of several valuable contracts and 14 permanent and 158 casual staff, Orridge has continued the pattern of growth achieved in 2004. The average fee per person has increased by over 4%, and profits and turnover are both up.

Our board has been restructured, with the introduction of an IT director at board level, and our operations have been set up to serve four newly established regions. Our key performance indicators have been expanded so that they now cover every principal aspect of the business's efficiency.

New long-term contracts have been signed with – among others – Wilkinson, WH Smith and New Look.

In Europe, Orridge SA completed stocktakes across 12 Continental countries, and won a number of new customers in the second half of the year. These included the lingerie division of

Sara Lee, Paris-based watch retailer Royal Quartz, clothing retailers WE and Esprit, and the Belgian discount retailer, Trafic.

Orridge is now well-placed to develop its business in all three of its chosen sectors – retail, pharmaceutical and distribution – with the expectation of further long-term contracts being signed in the UK with a number of blue chip retailers. Plans are also in hand for an expansion into the supermarket sector at store level.

As a company operating at the leading-edge of our sector, we aim to continue development of new technologies with the introduction of Wireless Lan scanners and peripheral equipment, and the further development of RFID-based systems.

CONCLUSION

Overall, our results for 2005 demonstrate not only the strength of our Group structure, but also the commercial value of our immense knowledge base, and the gains to be made by targeting bigger businesses and thus winning more valuable clients.

Our aim is to continue to take advantage of suitable opportunities for progress and growth. Each of our three divisions has identified areas of activity where the prospects are good, and we have the resources needed for them to achieve their ambitions.

We have a dynamic, motivated and successful team who are committed to our continuing development. I am particularly pleased for those who, having taken up our Save As You Earn share option scheme in 2002, have seen the value of their holding increase threefold over the past three years. It is a fitting reward for all their hard work.

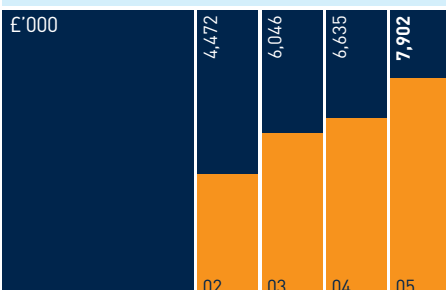
We trade across three major sectors, and operate on a wide yet focused geographical scale, enjoying the custom of corporate and private operators. Our sources of income are diverse but complementary and capable of providing further sound progress in 2006 and beyond.

A handwritten signature in dark ink, reading 'David Rugg'.

DAVID RUGG
Chief Executive



ROBERT ZENKER FINANCE DIRECTOR

OPERATING PROFIT FROM
ESTABLISHED BUSINESSES

The dynamics of the business have not changed significantly from when I wrote this report last year. We have continued to invest substantial amounts in the development of the Christie + Co European network and in the Software Solutions business. You will see from the graphs on the left that the profits of the established businesses have continued to move forward and that the developing businesses have absorbed 44% (42% - 2004) of the profit generated by the established operations.

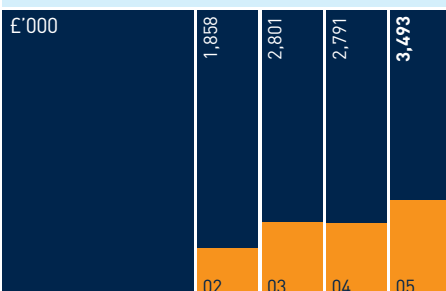
Our developing operations in Professional Business Services comprise the Christie + Co European offices together with the new London offices in Epsom and Enfield opened at the end of 2004. In Software Solutions developing operations comprise the businesses in Italy, Spain and the UK. All other businesses are categorised as "Established".

(excluding the exceptional finance credit and tax relief on losses in the overseas businesses relating to prior years). The main reason for this increase is the higher level of disallowable expenditure for tax purposes in 2005. The basic tax rate in the UK is 30% and in the European countries in which we operate it is around 35%. This can be increased by a couple of percentage points in each territory for disallowable items for tax purposes. In addition, we have a number of territories in which we have tax losses not capable of relief until those businesses move into profit. No deferred tax asset has been recognised in respect of these losses.

IFRS

A very substantial amount of work has been put into adopting IFRS both at a Group and subsidiary company level. The noticeable differences under IFRS for us are principally:

- Accounting for defined benefit pension schemes
- The inclusion of a charge to reflect the cost of share options
- Goodwill is no longer amortised in the accounts, but tested for impairment each year

OPERATING LOSSES IN
DEVELOPING OPERATIONS

The key areas I would like to focus on are:

- Cash Generation
- Tax Charge
- IFRS (International Financial Reporting Standards)

CASH GENERATION

The net cash position at the year-end of £6.8 million compared with £3.4 million in 2004. The substantial improvement was due to a number of factors. These included the improvement in working capital - both better collection of debtors and a higher level of payments in advance from clients, together with reduced net tax payments in the year, having received credit for previous years' overseas tax losses that were agreed with HMRC. In addition, Capital Expenditure on tangible fixed assets ran at approximately £0.5 million less than in 2004.

TAX CHARGE

The Tax Charge for the year is 38.7% which compares with an underlying rate of 37.5% in 2004

IAS 19 details how defined benefit pension schemes are accounted for. It allows two principal methods of accounting, one of which is known as the corridor approach, which we have adopted. This method in essence means that accrued gains and losses outside of the corridor (essentially 10% of the higher of total scheme liabilities or total scheme assets) are amortised over the working life of the current members. This has the effect of smoothing the impact of movements in the fund and brings the income statement charge closer to the actual cash funding requirements.

It is worth flagging that IAS 19 adds an element of unpredictability to the accounts. This is principally because even though some of the key variables are within the control of the Company, some,

The net cash position at the year-end of £6.8 million compared with £3.4 million in 2004.

IAS 19 details how defined benefit pension schemes are accounted for. It allows two principal methods of accounting, one of which is known as the corridor approach, which we have adopted.

principally the bond rate used to discount future pension liabilities, are not. This means that the final charge to the profit and loss account cannot be accurately ascertained until after the year end. Small changes in these variables can have a significant impact on liability values.

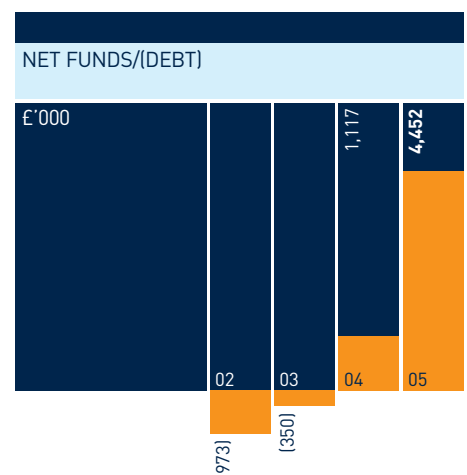
An important assumption is the discount rate, which is based on high quality corporate bond yields. However, it is the relative difference between this variable and the salary and pension increase assumptions that is crucial in determining liability values. If these differences reduce then pension liabilities increase and if they increase, the pension liabilities will reduce.

The scheme liabilities at the beginning of the accounting year will naturally increase by the end of the year because benefits are a year closer to settlement. Thus there will be an expected liability increase which will be based on the discount rate and present value of the scheme liabilities at the beginning of the period, allowing for changes in the scheme liabilities during the year due to member movements. In addition, there will then be further changes to the liabilities due to changes in the relative differences between the financial assumptions described above. Liability values are also sensitive to the mortality assumption.

In the current year Group pension contributions for all schemes (Defined Benefit and Defined Contribution) amounted to 3.61% of payroll costs.



ROBERT ZENKER
Finance Director





SECRETARY
Robert Zenker FCA CTA FBHA

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STOCKBROKERS
Charles Stanley

PRINCIPAL SOLICITORS
Royds

AUDITORS
Nexia Smith & Williamson Audit

PRINCIPAL BANKERS
Barclays
NatWest/RBS
HSBC

REGISTRARS
Capita Registrars
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1	2	3
4	5	6
		7

1. PHILIP GWYN

CHAIRMAN

Philip (61) 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 director of a number of private companies.

2. DAVID RUGG

CHIEF EXECUTIVE

David (53) 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.

3. ROBERT ZENKER

FINANCE DIRECTOR

Robert (53) 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 (now part of PricewaterhouseCoopers) before moving on to Sainsbury's and then Virgin Group.

4. CHRIS DAY

EXECUTIVE DIRECTOR

Chris (48) 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.

5. MICHAEL LIKIERMAN

NON-EXECUTIVE DIRECTOR

Michael (65) was the founding chief executive of Habitat France. He later co-founded GrandVision SA, the French-based owner of Vision Express. He is chairman 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.

6. PETER LANE (LORD LANE OF HORSELL)

SENIOR NON-EXECUTIVE DIRECTOR

Peter (81) is chairman of the Audit Committee and is also a member of both the Remuneration and Nomination Committees. He was senior partner of Binder Hamlyn accountants and has been chairman of a number of listed companies.

7. TONY CHAMBERS

NON-EXECUTIVE DIRECTOR

Tony (62) 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 chairs the Remuneration Committee and is also a member of both the Audit and Nomination Committees.

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The Directors present their report and the audited financial statements for the year ended 31 December 2005.

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 income statement on page 37. The Directors recommend the payment of a final dividend of 2.5p (2004: 2.0p) per share which, together with the interim dividend of 1.0p (2004: 1.0p) per share, makes a total of 3.5p (2004: 3.0p) per share totalling £853,000 (2004: £723,000) for the year. The profit for the year before tax was £4,381,000 (2004: £3,668,000 before the exceptional finance credit of £2,455,000) and the profit for the financial year was £2,684,000 (2004: £3,298,000 before the exceptional finance credit of £2,455,000) and this amount, less dividends paid, 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 26 and 27. All these Directors served throughout the year. David Rugg, Peter Lane and Michael Likierman retire in accordance with the Company's Articles of Association. David Rugg, Peter Lane and Michael Likierman being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Andrew Muir retired on 27 June 2005. Directors' interests are shown in the Remuneration Report. 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 £13,505 (2004: £10,278) to charities during the year. It made no political contributions. The Group also operates a Give As You Earn (GAYE) scheme for employees.

RESEARCH AND DEVELOPMENT

The Group continues to invest in software development, which will provide long term commercial benefits. In total £2,919,000 (2004: £2,535,000) of costs have been incurred on research and development of which £1,611,000 (2004: £1,016,000) 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 payables at the year end, or the previous year end.

ACQUISITION OF OWN SHARES

During the year the Company funded the purchase of 100,000 (2004: 13,333) of its own ordinary shares, through an Employee Share Ownership Trust, for a consideration of £112,000 (2004: £13,000), to enable it to meet awards under its SAYE and other share schemes. This brought the total holding of the Employee Share Ownership Trust to 665,000 shares (2004: 700,000 shares), which represents 2.66% (2004: 2.83%) of the current issued share capital.

HEALTH, SAFETY AND THE ENVIRONMENT

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

GOING CONCERN

After making enquiries, the directors 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 37 to 76.

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 3 April 2006.

R M ZENKER

Company Secretary
2 Crane Court
Fleet Street
London EC4A 2BL

CORPORATE GOVERNANCE

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

THE BOARD

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

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

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

Organisational structure and control environment.

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

Internal control

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

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

There is currently no internal audit function, although this is kept under annual review.

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 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. The Group remains alert to react to other business opportunities as they arise.

NON-EXECUTIVE DIRECTORS

The Non-executive Directors do not have service agreements and have no automatic right of re-appointment. They are regarded by the Board as bringing experience to the Board from their fields of business, 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 Company.

Question	Tony Chambers	Peter Lane	Michael Likierman
has been an employee of the Company or Group within the last five years?	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
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
has close family ties with any of the Company's Directors, senior employees or advisers?	No	No	No
holds cross-directorships or has significant links with other directors through involvement in other companies or bodies?	No	No	Yes
represents or is a significant shareholder?	No	No	No
has served on the Board for more than nine years from the date of their first election?	No	Yes	No

The Non-executive Directors are nevertheless considered by the Board to be independent in character and judgement and have no relationships or any circumstances that are likely to affect their judgement as directors of the Company. 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 financial statements represent a true and fair reflection of the Group's financial position and its performance in the period under review. The committee also ensures that internal controls and appropriate accounting policies are in place, reviews the scope and results of the audits, the independence and objectivity of the auditors and establishes that an effective system of internal financial control is maintained.

The committee has primary responsibility for making a recommendation on the appointment or re-appointment of the external auditors. In order to maintain the independence of the external auditors, the Board has determined guidelines as to what non-audit services can be provided by the Company's external auditors and the approval processes related to them. Under those policies work of a consultancy nature will not be offered to the external auditors unless there are clear efficiencies and value added benefits to the Company. Additionally the auditors 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 and Tony Chambers.

REMUNERATION COMMITTEE

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

The interests of Directors are set out on page 34. All major shareholders (those with more than 3% of the issued share capital) that are not currently Directors of the company are listed below.

Andrew Muir 3.9%

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 2005. 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 2005.

PART 1. REMUNERATION COMMITTEE (NOT SUBJECT TO AUDIT)

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

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

- Base salary is reviewed annually and in setting salary levels the Remuneration Committee considers the experience and responsibilities of the Executive Directors and their personal performance during the previous year. The Committee also takes account of external market data, as well as the rates of increases for other employees within the Company. Base salary going forward is the only element of the package to determine future pensionable earnings.
- Share options are granted having regard to an individual's seniority within the business and, together with the Group's Save As You Earn scheme (SAYE), are designed to give executive directors an interest in the increase in the value of the Group.
- 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. 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.

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 this is still considered appropriate.

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

Non-executive Directors

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

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

Outside directorships

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

PART 2. DIRECTORS' EMOLUMENTS (AUDITED INFORMATION)

	2005 £'000	2004 £'000
Fees	54	71
Salaries and benefits	746	838
Performance-related bonuses	145	140
Contributions to self-administered pension fund	21	71
	966	1,120

Highest paid Director, amounts included above:

	2005 £'000	2004 £'000
Salaries and benefits	265	241
Performance-related bonuses	45	34
Contributions to self-administered pension fund	—	50
	310	325
Defined benefit scheme:		
Accrued pension at the end of the year	111	103

Directors' pension entitlements

The Company contributed £21,000 (2004: £21,000) for Philip Gwyn and £nil (2004: £50,000) for David Rugg to a self-administered pension fund. David Rugg, Robert Zenker and Chris Day are members of the Christie Group plc Pension & Assurance Scheme managed by Legal & General.

Directors' interests

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

	2005		2004	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Philip Gwyn	6,861,439	4,106,143	6,861,439	4,106,143
David Rugg	1,217,409	1,291,368	1,200,794	1,261,368
Chris Day	451,669	—	451,669	—
Robert Zenker	188,615	—	122,000	—
Peter Lane	40,000	—	40,000	—
Michael Likierman	41,500	300,000	41,500	300,000
Tony Chambers	43,190	—	12,500	—

Share options

Two of the Executive Directors exercised options granted under the SAYE scheme, retaining the shares. In the previous year no options were exercised by the Directors. The aggregate of these gains made on these exercises, calculated on the difference between the option and mid-market price on the date of option maturity, was £22,000 (2004: £nil), of which £11,000 (2004: £nil) related to the gain attributable to the highest paid Director.

During the year none of the Executive Directors received share options under long term incentive schemes.

The market price of the shares at 31 December 2005 was 115.5p (31 December 2004: 98.5p) and the range during the year was 88.0p to 121.0p (year to 31 December 2004: 69.0p to 129.5p).

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. The Directors have elected to prepare financial statements for the Group and the Company in accordance with IFRS.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHRISTIE GROUP PLC

We have audited the Group and Company financial statements (the 'financial statements') of Christie Group plc for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated and Company Balance sheets, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 29. We have also audited the information in the Remuneration report that is described as being audited. These financial statements have been prepared under the accounting policies set out therein.

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 and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985 are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 International Standards on Auditing (UK and Ireland) 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. 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 company'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 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.

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with those IFRSs as adopted for use in the European Union, of the state of the Group's and Company's affairs as at 31 December 2005 and of the profit of the Group for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985.

NEXIA AUDIT LIMITED

Chartered Accountants and Registered Auditors
25 Moorgate, London EC2R 6AY
3 April 2006

The maintenance and integrity of the Christie Group plc web site 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 financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Revenue	5	77,506	69,968
Employee benefit expenses	6	(43,497)	(40,029)
		34,009	29,939
Depreciation and amortisation		(1,292)	(1,203)
Other operating expenses		(28,308)	(24,892)
Operating profit	5	4,409	3,844
Interest payable	7	(249)	(268)
Interest receivable	7	221	92
Exceptional finance credit (net)	7	—	2,455
Total finance (costs)/credit	7	(28)	2,279
<i>Profit before tax and exceptional finance credit</i>		4,381	3,668
<i>Exceptional finance credit (net)</i>		—	2,455
Profit before tax	8	4,381	6,123
Taxation	9	(1,694)	(360)
Profit for the year after tax		2,687	5,763
Attributable to:			
Minority interest		3	10
Equity Shareholders of the parent		2,684	5,753
		2,687	5,763
Earnings per share – basic	11	10.79p	23.28p*
– fully diluted	11	10.69p	22.94p*

*Includes exceptional finance credit.

All the amounts derive from continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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as at 31 December 2005

	Attributable to the Equity Holders of the Company					Total equity £'000
	Share capital £'000	Fair value and other reserves (Note 20) £'000	Cumulative translation reserve £'000	Retained earnings £'000	Minority Interest £'000	
Balance at 1 January 2004	493	4,411	(359)	(2,029)	6	2,522
Issue of share capital	2	46	—	—	—	48
Currency translation adjustments	—	—	12	—	—	12
Net income recognised directly in equity	2	46	12	—	—	60
Profit for the year	—	—	—	5,753	10	5,763
Total recognised income for the year	2	46	12	5,753	10	5,823
Movement in respect of employee share scheme	—	(11)	—	—	—	(11)
Employee share option scheme: - value of services provided	—	38	—	—	—	38
Dividends	—	—	—	(722)	—	(722)
Balance at 1 January 2005	495	4,484	(347)	3,002	16	7,650
Issue of share capital	5	109	—	—	—	114
Currency translation adjustments	—	—	(40)	—	—	(40)
Net income/(expenses) recognised directly in equity	5	109	(40)	—	—	74
Profit for the year	—	—	—	2,684	3	2,687
Total recognised income/(expenses) for the year	5	109	(40)	2,684	3	2,761
Movement in respect of employee share scheme	—	64	—	—	—	64
Employee share option scheme: - value of services provided	—	65	—	—	—	65
Exchange difference on repayment of foreign exchange loan	—	—	158	(158)	—	—
Dividends	—	—	—	(726)	—	(726)
Balance at 31 December 2005	500	4,722	(229)	4,802	19	9,814

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

as at 31 December 2005

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	Attributable to the Equity Holders of the Company			
	Share capital £'000	Fair value and other reserves (Note 20) £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2004	493	4,499	6,068	11,060
Issue of share capital	2	46	—	48
Net income recognised directly in equity	2	46	—	48
Profit for the year	—	—	2,471	2,471
Total recognised income for the year	2	46	2,471	2,519
Movement in respect of employee share scheme	—	(11)	—	(11)
Employee share option scheme:				
- value of services provided	—	1	—	1
Dividends	—	—	(722)	(722)
Balance at 1 January 2005	495	4,535	7,817	12,847
Issue of share capital	5	109	—	114
Net income recognised directly in equity	5	109	—	114
Profit for the year	—	—	2,417	2,417
Total recognised income for the year	5	109	2,417	2,531
Movement in respect of employee share scheme	—	64	—	64
Dividends	—	—	(726)	(726)
Balance at 31 December 2005	500	4,708	9,508	14,716

CONSOLIDATED BALANCE SHEET

as at 31 December 2005

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	Note	2005 £'000	2004 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	2,179	2,659
Intangible assets – Goodwill	13	3,939	3,918
Intangible assets – Other	14	2,810	1,153
Deferred tax assets	15	1,977	2,327
Available-for-sale financial assets	16a	300	100
		11,205	10,157
Current assets			
Inventories	17	310	355
Trade and other receivables	18	14,117	13,371
Available-for-sale financial assets	16a	—	504
Current tax assets		—	413
Cash and cash equivalents		6,811	3,499
		21,238	18,142
Total assets		32,443	28,299
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	500	495
Fair value and other reserves	20	4,722	4,484
Cumulative translation reserves		(229)	(347)
Retained earnings	20	4,802	3,002
		9,795	7,634
Minority interest		19	16
Total equity		9,814	7,650
Liabilities			
Non-current liabilities			
Borrowings	23	2,221	2,108
Retirement benefit obligations	21	6,790	7,117
		9,011	9,225
Current liabilities			
Trade and other payables	22	12,748	11,150
Current tax liabilities		732	—
Borrowings	23	138	274
		13,618	11,424
Total liabilities		22,629	20,649
Total equity and liabilities		32,443	28,299

These consolidated financial statements have been approved for issue by the Board of Directors on 3 April 2006.

COMPANY BALANCE SHEET

as at 31 December 2005

	Note	2005 £'000	2004 £'000
Assets			
Non-current assets			
Deferred tax assets	15	172	203
Fixed asset investments	16	11,250	11,250
Available-for-sale financial assets	16a	300	100
		11,722	11,553
Current assets			
Trade and other receivables	18	7,932	5,131
Available-for-sale financial assets	16a	—	504
Current tax assets		—	364
Cash and cash equivalents		1,445	648
		9,377	6,647
Total assets		21,099	18,200
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	500	495
Fair value and other reserves	20	4,708	4,535
Retained earnings	20	9,508	7,817
Total equity		14,716	12,847
Liabilities			
Non-current liabilities			
Borrowings	23	2,000	2,000
Retirement benefit obligations	21	613	660
		2,613	2,660
Current liabilities			
Trade and other payables	22	3,004	2,693
Current tax liabilities		766	—
		3,770	2,693
Total liabilities		6,383	5,353
Total equity and liabilities		21,099	18,200

These Company financial statements have been approved for issue by the Board of Directors on 3 April 2006.

D B Rugg

Chief Executive

R M Zenker

Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

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	Note	2005 £'000	2004 £'000
Cash flow from operating activities			
Cash generated from operations	24a	6,772	3,689
Interest paid		(249)	(268)
Tax paid		(214)	(1,439)
Net cash generated from operating activities		6,309	1,982
Cash flow from investing activities			
Acquisition of subsidiary (net of cash acquired)	24b	(79)	—
Purchase of property, plant and equipment (PPE)		(858)	(1,317)
Proceeds from sale of PPE		132	29
Intangible assets expenditure		(1,712)	(1,020)
Proceeds from sale of available-for-sale assets		70	—
Increased investment in available-for-sale asset		(200)	—
Interest received		221	92
Net cash used in investing activities		(2,426)	(2,216)
Cash flow from financing activities			
Proceeds from issue of share capital		114	48
Proceeds from/(investment in) ESOP		64	(13)
Proceeds from borrowings		510	2,121
Repayment of borrowings		(277)	—
Renegotiation of loan		—	(1,730)
Payments of finance lease liabilities		(111)	(115)
Dividends paid		(726)	(722)
Exceptional gain		—	277
Net cash used in financing activities		(426)	(134)
Net increase/(decrease) in net cash (including bank overdrafts)		3,457	(368)
Cash and bank overdrafts at beginning of year		3,354	3,722
Cash and bank overdrafts at end of year		6,811	3,354

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Cash flow from operating activities			
Cash used in operations	24a	(2,633)	(5,015)
Interest paid		(264)	(107)
Tax received		1,155	368
Net cash used in operating activities		(1,742)	(4,754)
Cash flow from investing activities			
Proceeds from sale of available-for-sale financial asset		70	—
Investment in available-for-sale financial asset		(200)	—
Proceeds from sale of shares in fixed asset investment		—	305
Investment income from fixed asset investments		2,778	2,768
Interest recieved		439	249
Net cash generated from investing activities		3,087	3,322
Cash flow from financing activities			
Proceeds from issue of share capital		114	48
Proceeds from/(investment in) ESOP		64	(11)
Proceeds from borrowings		—	2,000
Dividends paid		(726)	(722)
Net cash (used in)/generated from financing activities		(548)	1,315
Net increase/(decrease) in net cash (including bank overdrafts)		797	(117)
Cash and bank overdrafts at beginning of year		648	765
Cash and bank overdrafts at end of year		1,445	648

1. GENERAL INFORMATION

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies for the year ended 31 December 2005

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

2.1 Basis of preparation

The consolidated and Company financial statements of Christie Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated and Company financial statements have been prepared under the historic cost convention.

These consolidated and Company financial statements of Christie Group plc are for the year ended 31 December 2005 and are covered by IFRS 1, 'First-time Adoption of International Accounting Standards'. The financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2006).

The policies set out below have been consistently applied to all the periods presented except for those relating to the classification and measurement of financial instruments. The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 January 2005, although no significant adjustments occurred. The policies applied to financial instruments for 2004 and 2005 are disclosed separately below.

Christie Group plc's consolidated and Company financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (GAAP) until 31 December 2004. GAAP differs in some areas from IFRS. In preparing Christie Group plc's 2005 consolidated and Company financial statements, management has amended certain accounting and valuation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Group's and Company's equity and their net income and cash flows are provided in note 29.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and parent company statements are disclosed in Note 4.

Interpretations and amendments to published standards effective in 2005

The following amendments and interpretations to standards are mandatory for the Group's Accounting years beginning on or after 1 January 2005.

- IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments;
- SIC 12 (Amendment), Consolidation – Special Purpose Entities; and
- IAS 39 (Amendment), Transition and Initial Recognition of Financial Assets and Financial Liabilities.

Management assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the group.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the group has not early adopted, as follows:

- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses the adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.
- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Group's operations.

It is anticipated that new standards or interpretations not covered specifically above will have no impact on the Group's financial statements.

2.2 Consolidation

The Group financial statements include the results of Christie Group plc and all its subsidiary undertakings on the basis of their financial statements to 31 December 2005. The results of businesses acquired or disposed of are included from the date of acquisition or disposal.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

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

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the ordinary course of the Group's activities. Revenue derived from the Group's principal activities (which is shown exclusive of applicable sales taxes or equivalents) is recognised as follows:

Agency and valuations

Net agency fees are recognised as income on exchange of contracts. In respect of valuations, turnover is recognised once the property or business has been inspected. Appraisal income is recognised in the accounting period in which the service is rendered, by reference to completion of the specific transaction, assessed on the basis of actual service provided as a proportion of the total services to be provided.

Business mortgage broking

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

Insurance broking

Insurance brokerage is accounted for on an accruals basis when insurance commences.

Software solutions

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

Stock and inventory services

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

Other income is recognised as follows:

Interest income

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

Dividend income

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

2.5 Segmental reporting

In accordance with the Group's risks and returns, the definition of segments for primary and secondary segment reporting reflects the internal management reporting structure. Segment expenses consist of directly attributable costs and other costs, which are allocated based on relevant criteria. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

2.6 Intangible assets**Goodwill**

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Goodwill arising on acquisitions prior to the date of transition to IFRS has been retained at previous UK GAAP amounts as permitted by IFRS 1 'First time adoption of International Accounting Standards'. Prior to 1 January 2004, goodwill was amortised over its estimated useful life, such amortisation ceased on 31 December 2003, subject to an impairment review at the date of transition, in which no impairment was recognised. The Group's policy for the years up to 31 March 1998 was to eliminate goodwill arising on acquisitions against reserves. Under IFRS 1 and IFRS 3, such goodwill will remain eliminated against reserves.

Research and Development

Development products are capitalised when the following criteria are demonstrated;

- The technical feasibility of completing the product so that it will be available for use or sale;
- The intention to complete the product and use or sell it;
- The ability to use the completed product or sell it;
- It is probable that the completed product will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the completed product; and
- The ability to reliably measure the expenditure on the intangible asset during its development.

Development costs are amortised in equal annual instalments over the expected product or system life, commencing in the year when the product is completed. 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.

Other

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

2.7 Property plant and equipment

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

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

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

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

2.8 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Rentals under operating leases (net of any incentives received) are charged to the income statement 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 income statement over the period of the leases at a constant rate.

2.9 Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the present value of the future cash flows relating to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.10 Investments

From 1 January 2004 to 31 December 2004

Financial fixed assets include investments in companies other than subsidiaries and associates, financial receivables held for investment purposes, treasury stock and other securities. Financial fixed assets are recorded at cost, including additional direct charges.

Current assets may also include investments and securities acquired as a temporary investment, which are valued at the lower of cost and market value, cost being determined on a last-in-first-out (LIFO) basis.

From 1 January 2005

The Group classifies its investments depending on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets

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

Purchases and sales of investments are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.11 Inventories

Inventory held for resale is valued at the lower of cost and net realisable value.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

2.14 Borrowings

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

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

2.15 Taxation including deferred tax

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

2.16 Share capital and share premium

Ordinary shares are classified as equity.

Where any Group company or the Employee Share Ownership Plan (ESOP) trust purchases the Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

2.17 Dividend distribution

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

2.18 Employee benefits**Pension obligations**

The Group has both defined benefit and defined contribution schemes. A defined benefit scheme is a pension scheme that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

Pension obligations – Defined benefit schemes

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

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of scheme assets or 10% of the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives.

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

Pension obligations – Personal pension scheme

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Share based compensation

The fair value of employee share option schemes, including Save As You Earn (SAYE) schemes, is measured by a Black-Scholes pricing model. Further details are set out in note 19a. In accordance with IFRS 2 'Share-based Payments' the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

No expense is recognised in respect of share options granted before 7 November 2002 and that vested before 1 January 2005. The expense is recognised when the options are exercised and proceeds received allocated between share capital and share premium.

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

Commissions and bonus plans

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

3. FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

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

a) Market risk

(i) Foreign exchange risk

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

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

b) Credit risk

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

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The Group ensures it has adequate cover through the availability of bank overdraft and loan facilities.

d) Cash flow and interest rate risk

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

3.2 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

Goodwill is subject to an impairment review both annually and when there are indications that the carrying value may not be recoverable, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

(b) Retirement benefit obligations

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

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

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

5. SEGMENT INFORMATION

a. Primary reporting format – business segments

The Group is organised into three main business segments: Professional Business Services, Software Solutions and Stock and Inventory Services.

The segment results for the year ended 31 December 2005 are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
Continuing Operations					
Total gross segment sales	43,289	13,714	20,536	2,554	80,093
Inter-segment sales	(33)	—	—	(2,554)	(2,587)
Revenue	43,256	13,714	20,536	—	77,506
Operating profit	4,519	(1,268)	1,356	(198)	4,409
Net finance costs					(28)
Profit before tax					4,381
Taxation					(1,694)
Profit for the year after tax					2,687

The segment results for the year ended 31 December 2004 are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
Continuing Operations					
Total gross segment sales	37,289	12,976	19,723	2,452	72,440
Inter-segment sales	(20)	—	—	(2,452)	(2,472)
Revenue	37,269	12,976	19,723	—	69,968
Operating profit	4,055	(1,145)	996	(62)	3,844
Net finance costs					(176)
Exceptional finance credit					2,455
Profit before tax					6,123
Taxation					(360)
Profit for the year after tax					5,763

Other segment items included in the income statements for the years ended 31 December 2005 and 2004 are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
31 December 2005					
Depreciation and amortisation	673	304	269	46	1,292
Impairment of trade receivables	644	166	2	—	812
31 December 2004					
Depreciation and amortisation	647	247	248	61	1,203
Impairment of trade receivables	430	115	21	—	566

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year ended are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
Assets					
Deferred tax assets	14,589	9,984	4,707	1,186	30,466
					1,977
					32,443
Liabilities					
Current tax liabilities	10,066	3,507	4,006	2,024	19,603
Borrowings (excluding finance leases)					732
					2,294
					22,629
Capital expenditure	1,130	1,224	187	29	2,570

5. SEGMENT INFORMATION continued

The segment assets and liabilities at 31 December 2004 and capital expenditure for the year are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
Assets	10,678	8,960	3,928	1,993	25,559
Deferred tax assets					2,327
Current tax					413
					28,299
Liabilities	9,001	3,968	3,366	2,108	18,443
Borrowings (excluding finance leases)					2,206
					20,649
Capital expenditure	1,283	826	306	10	2,425

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

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

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

b. Secondary format – geographical segments

The Group manages its business segments on a global basis. The UK is the home country of the parent. The operations are based in two main geographical areas. The main operations in the principal territories are as follows:

- Europe
- Rest of the World (primarily North America)

The Group's sales are mainly in Europe. Sales are allocated based on the country in which the customer is located.

	2005 £'000	2004 £'000
Sales		
Europe	77,080	69,428
Rest of the World	426	540
	77,506	69,968
Total segment assets		
Europe	30,169	25,431
Rest of the World	297	128
	30,466	25,559

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

	2005 £'000	2004 £'000
Capital expenditure		
Europe	2,570	2,400
Rest of the World	—	25
	2,570	2,425

5. SEGMENT INFORMATION continued

	2005 £'000	2004 £'000
Analysis of sales by category		
Sales of goods	2,568	2,681
Revenue from services	74,938	67,287
	77,506	69,968

6. EMPLOYEE BENEFIT EXPENSES

Staff costs for the Group during the year	2005 £'000	2004 £'000
Wages and salaries	36,588	33,633
Social security costs	5,387	5,094
Pension costs – defined benefit schemes (note 21)	1,169	1,038
Pension costs – defined contribution scheme	288	226
Cost of employee share schemes	65	38
	43,497	40,029

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

	2005	2004
Operational	1,025	900
Administration and support staff	305	322
	1,330	1,222

7. FINANCE COSTS/(CREDITS)

	2005 £'000	2004 £'000
Interest payable on bank loans and overdrafts	242	259
Interest payable on finance leases	7	9
Total interest and similar charges payable	249	268
Bank interest receivable	(126)	(92)
Other interest receivable	(95)	—
Exceptional finance credit (net)	—	(2,455)
Total interest receivable	(221)	(2,547)
Net finance costs/(credits)	28	(2,279)

8. PROFIT BEFORE TAX

	2005 £'000	Group 2004 £'000
Profit before tax is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
– owned assets	1,125	1,054
– under finance leases	126	121
Amortisation of intangible fixed assets	41	28
(Profit)/loss on sale of property, plant and equipment	(20)	16
Loss on sale of intangible fixed asset	—	31
Profit on sale of current available-for-sale financial assets (including Company £176,000 (2004: £nil))	(176)	—
Operating lease charges		
– buildings	1,412	1,293
– other	752	1,492
Repairs and maintenance expenditure on property, plant and equipment	397	265
Research and development	1,308	1,519
Loss on foreign exchange (including Company £31,000 (2004: £nil))	28	40
Inventories		
– cost of inventories recognised as an expense (included in other operating expenses)	41	(34)
– write down of inventories	1	—

Services provided by the group's auditor and network firms

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor or a related company of the Group's auditor as detailed below:

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Audit services:				
– statutory audit	113	88	5	11
Tax services	130	129	23	10
Other services not covered above	45	6	—	—

In addition to the above services, the Group's auditor acted as auditor to the Christie Group plc Pension & Assurance Scheme and the Venners Retirement Benefits Scheme. The appointment of auditors to the group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently from the management of the Group. The aggregate fees paid to the Group's auditor for audit services to the pension schemes during the year were £9,000 (2004: £9,000).

9. TAXATION

	2005 £'000	2004 £'000
Current tax		
UK corporation tax at 30% (2004: 30%)	1,324	897
Foreign tax	57	75
Adjustments in respect of prior period	(37)	(970)
Total current tax	1,344	2
Deferred tax		
Origination and reversal of timing differences	350	358
Total deferred tax	350	358
Tax on profit on ordinary activities	1,694	360

The tax for the year is higher (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Tax on profit on ordinary activities		
Profit before tax and exceptional finance credit	4,381	3,668
Exceptional finance credit (net)	—	2,455
Profit on ordinary activities before taxation	4,381	6,123
Tax on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	1,314	1,837
Effects of:		
– foreign tax losses not yet utilised	236	238
– expenses not deductible for tax purposes	105	28
– adjustment to tax charge in respect of previous periods	(37)	47
– depreciation in excess of capital allowances	(15)	(81)
– other timing differences	(259)	(241)
– benefit of prior year dual residence tax losses	—	(1,017)
– exceptional non-taxable finance credit	—	(800)
– rate differential on certain tax losses	—	(9)
Total current tax	1,344	2

10. DIVIDENDS

	2005 £'000	2004 £'000
Group and Company		
Final dividend paid, relating to the years ending 31 December 2004 and 2003: 2.0p (2004: 2.0p) per 2p share	481	480
Interim dividend paid, relating to the years ending 31 December 2005 and 2004: 1.0p (2004: 1.0p) per 2p share	245	242
	726	722

A dividend in respect of the year ended 31 December 2005 of 2.5p per share, amounting to a total dividend of £608,000, is to be proposed at the Annual General Meeting on 28 June 2006. These financial statements do not reflect this proposed dividend.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
Profit attributable to equity holders of the Company (£'000)	2,684	5,753
Weighted average number of ordinary shares in issue (thousands)	24,866	24,709
Basic earnings per share (pence)	10.79	23.28

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options.

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

	2005	2004
Profit attributable to equity holders of the Company (£'000)	2,684	5,753
Weighted average number of ordinary shares in issue (thousands)	24,866	24,709
Adjustment for share options (thousands)	249	368
Weighted average number of ordinary shares for diluted earnings per share (thousands)	25,115	25,077
Diluted earnings per share (pence)	10.69	22.94

12. PROPERTY, PLANT AND EQUIPMENT

Group	Short leasehold property £'000	Fixtures, fittings, computer equipment and motor vehicles £'000	Total £'000
Cost			
At 1 January 2005	517	6,827	7,344
Exchange adjustments	—	(22)	(22)
Additions at cost	14	844	858
Acquisitions	—	32	32
Disposals	—	(502)	(502)
At 31 December 2005	531	7,179	7,710
Accumulated depreciation			
At 1 January 2005	245	4,440	4,685
Exchange adjustments	—	(15)	(15)
Charge for the year	96	1,155	1,251
Reclassification	7	(7)	—
Disposals	—	(390)	(390)
At 31 December 2005	348	5,183	5,531
Net book amount at 31 December 2005	183	1,996	2,179

Group	Short leasehold property £'000	Fixtures, fittings, computer equipment and motor vehicles £'000	Total £'000
Cost			
At 1 January 2004	309	8,135	8,444
Exchange adjustments	—	1	1
Additions at cost	208	1,187	1,395
Disposals	—	(2,496)	(2,496)
At 31 December 2004	517	6,827	7,344
Accumulated depreciation			
At 1 January 2004	180	5,777	5,957
Charge for the year	65	1,110	1,175
Disposals	—	(2,447)	(2,447)
At 31 December 2004	245	4,440	4,685
Net book amount at 31 December 2004	272	2,387	2,659

Depreciation in the year on fixtures, fittings, computer equipment and motor vehicles includes £126,000 (2004: £121,000) on assets held under finance lease or hire purchase agreements which have a net book value at 31 December 2005 of £62,000 (2004: £189,000).

At 31 December 2005 and 2004 the Company held fixtures, fittings, computer equipment and motor vehicles with a cost of £9,000 and accumulated depreciation of £9,000.

13. INTANGIBLE ASSETS – GOODWILL

Group	Total £'000
Cost	
At 1 January 2005	3,918
Acquisitions	21
At 31 December 2005	3,939

Group	Total £'000
Cost	
At 1 January 2004 and 31 December 2004	3,918

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment. The carrying amounts of goodwill by segment as at 31 December 2005 are as follows:

Goodwill	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000
UK	21	—	833
Continental Europe	—	3,085	—

During the year, the acquired goodwill in respect of Timeless Groupe SA, Orridge & Co Ltd and West London Estates was tested for impairment in accordance with IAS 36 on the basis of the relevant CGUs. Following the impairment tests there has been no change to the carrying values.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on current business plans. The key assumptions for the value-in-use calculations are those regarding revenue growth rates, discount rates and long-term growth rates. Management determined budgeted revenue growth based on past performance and its expectations for the market development. Discount rates were determined using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Cash flows beyond the five-year period are extrapolated using estimated long term growth rates. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

14. INTANGIBLE ASSETS – OTHER

Group	Software €'000	Software Development €'000	Total €'000
Cost			
At 1 January 2005	103	1,122	1,225
Exchange adjustments	(2)	(14)	(16)
Additions	101	1,611	1,712
At 31 December 2005	202	2,719	2,921
Accumulated amortisation			
At 1 January 2005	72	—	72
Exchange adjustments	(2)	—	(2)
Charge for the year	41	—	41
At 31 December 2005	111	—	111
Net book amount at 31 December 2005	91	2,719	2,810

The expected useful lives are as follows:

Software	3 – 10 years
Software development	5 – 10 years

The investment in software development relates to the following:

- Development of products for resale in the Software Solutions division; and
- An operational support system in the Professional Business Services division.

Costs relating to the Christie + Co operational support system at 31 December 2005 totalled £1,193,000. The subsidiary is in dispute with a substantial third party software house which is contracted to provide the system. Resulting from the software house's admitted failure regarding aspects of the system, Christie + Co has commenced legal proceedings against it.

Group	Software €'000	Software Development €'000	Total €'000
Cost			
At 1 January 2004	171	106	277
Additions	14	1,016	1,030
Disposals	(82)	—	(82)
At 31 December 2004	103	1,122	1,225
Accumulated amortisation			
At 1 January 2004	98	—	98
Charge for the year	28	—	28
Disposals	(54)	—	(54)
At 31 December 2004	72	—	72
Net book amount at 31 December 2004	31	1,122	1,153

15. DEFERRED TAX

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

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

	2005 €'000	Group 2004 €'000	2005 €'000	Company 2004 €'000
Deferred income tax assets/(liabilities) comprises:				
Accelerated capital allowances	109	209	2	(22)
Short-term timing differences	(152)	(2)	(13)	27
Deferred tax (liability)/asset	(43)	207	(11)	5
Deferred tax asset on pension	2,020	2,120	183	198
At 31 December 2005	1,977	2,327	172	23

15. DEFERRED TAX continued

Movements in the deferred tax asset:

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
At 1 January	2,327	2,685	203	211
Transfer to the income statement	(350)	(358)	(31)	(8)
At 31 December	1,977	2,327	172	203

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £307,000 (2004: £78,000) in respect of losses that can be carried forward against future taxable income.

16. FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2005 and at 31 December 2005	5,559	6,301	11,860
Provisions			
At 1 January 2005 and at 31 December 2005	610	—	610
Net book amount at 31 December 2005	4,949	6,301	11,250
Net book amount at 31 December 2004	4,949	6,301	11,250

Subsidiary undertakings

At 31 December 2005 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
West London Estates Ltd* (trading as Pinders Caversham)	UK	Building surveyors
RCC Business Mortgage Brokers plc (trading as Christie First)	UK	Business mortgage brokers
RCC Insurance Brokers plc* (trading as Christie First)	UK	Insurance brokers
Orridge & Co Ltd	UK	Stocktaking and inventory management services
Orridge SA**	Belgium	Stocktaking and inventory management services
Venners plc	UK	Licensed 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.

16A. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
At 1 January 2005	604	604	604	604
Additions	200	—	200	—
Disposals	(504)	—	(504)	—
At 31 December 2005	300	604	300	604
Current assets	—	504	—	504
Non-current assets	300	100	300	100
At 31 December 2005	300	604	300	604

The available-for-sale financial assets represent an unquoted investment held at cost. The fair value of the unquoted investment at 31 December 2005 approximates to cost.

17. INVENTORIES

	2005 £'000	Group 2004 £'000
Finished goods and goods for resale	310	355

A provision of £21,000 (2004: £nil) is held against goods for resale to reflect the net realisable value of the inventory.

18. TRADE AND OTHER RECEIVABLES

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Amounts falling due within one year:				
Trade receivables	10,621	10,648	—	—
Less: Provision for impairment of receivables	(1,778)	(1,090)	—	—
Amounts owed by group undertakings	—	—	6,761	4,841
Other debtors	2,273	1,169	1,151	273
Prepayments and accrued income	3,001	2,644	20	17
	14,117	13,371	7,932	5,131

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

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diverse. Due to this, management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

19. SHARE CAPITAL

Ordinary shares of 2p each	Number	2005 £'000	Number	2004 £'000
Authorised:				
At 1 January 2005 and 31 December 2005	30,000,000	600	30,000,000	600
Allotted and fully paid:				
At 1 January 2005	24,747,496	495	24,638,495	493
Issued during the year	256,056	5	109,001	2
At 31 December 2005	25,003,552	500	24,747,496	495

The consideration received for the shares issued in the year was £114,000 (2004: £48,000).

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

At 31 December 2005 the outstanding loan by the company to the ESOP to finance the purchase of ordinary shares was £641,000 (2004: £341,000). The market value at 31 December 2005 of the ordinary shares held in the ESOP was £768,000 (2004: £690,000). The investment in own shares represents 665,000 shares (2004: 700,000) with a nominal value of 2p each.

19A. SHARE BASED PAYMENTS

Certain employees hold options to subscribe for shares in the Company at prices ranging from 35.70p to 145.00p under share option schemes for the period from August 1996 to October 2005.

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

2005	Number of shares 2004	Option exercise price	Date granted	Option exercise period
27,000	43,000	35.70p	Aug 1996	Aug 1999 – Aug 2006
65,833	133,333	48.00p	Dec 1997	Dec 2000 – Dec 2007
6,000	9,000	47.50p	Aug 1998	Aug 2001 – Aug 2008
40,667	73,001	41.50p	Dec 1998	Dec 2001 – Dec 2008
15,000	34,000	81.00p	Sep 1999	Sep 2002 – Sep 2009
—	46,000*	81.00p	Sep 1999	Sep 2002 – Sep 2006
34,333	37,333	145.00p	May 2000	May 2003 – May 2010
21,000	24,000	81.50p	Oct 2000	Oct 2003 – Oct 2010
43,333	58,333	53.50p	May 2001	May 2004 – May 2011
9,000	22,000	40.00p	Oct 2001	Oct 2004 – Oct 2011
26,333	116,555	36.00p	May 2002	May 2005 – May 2012
25,000	25,000	45.50p	Sep 2002	Sep 2005 – Sep 2012
—	3,000	44.50p	Oct 2002	Oct 2005 – Oct 2012
81,000	87,000	47.50p	Apr 2003	Apr 2006 – Apr 2013
57,000	60,000	46.50p	Jun 2003	Jun 2006 – Jun 2013
103,000	113,000	94.00p	May 2004	May 2007 – May 2014
41,000	41,000	111.50p	Jun 2004	Jun 2007 – Jun 2014
52,000	52,000	98.50p	Oct 2004	Oct 2007 – Apr 2014
175,000	—	100.00p	Apr 2005	Apr 2008 – Apr 2015
44,000	—	101.50p	Oct 2005	Oct 2008 – Oct 2015
866,499	977,555			

Under the Share Option Scheme the Remuneration Committee can grant options over shares to employees of the company. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the Share Option Scheme are generally reserved for employees at senior management level and 88 employees are currently participating in this group. The Company has made grants at least annually. Options granted under the Share Option Scheme will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment.

The Group also operates a Save As You Earn (SAYE) scheme which was introduced in 2002. Under the SAYE scheme eligible employees can save up to £250 per month over a three or five year period and use the savings to exercise options granted between 67.5p to 111.5p. There were 814,000 (2004: 855,000) remaining options outstanding under the SAYE scheme at 31 December 2005.

Share options (including SAYE schemes) were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The key assumptions used in the calculations are as follows:

	2005	2004
Share price at grant date	47.50p – 111.50p	47.50p – 111.50p
Exercise price	47.50p – 111.50p	47.50p – 111.50p
Expected volatility	36.3% – 52.6%	43.1% – 52.6%
Expected life (years)	3 – 5 years	3 – 5 years
Risk free rate	4.40%	4.40%
Dividend yield	2.7%	2.7%
Fair value per option	19.04p – 45.63p	19.04p – 45.63p

The expected volatility is based on historical volatility over the last 7 years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

19A SHARE BASED PAYMENTS continued

A reconciliation of share option movements (excluding SAYE schemes) over the year to 31 December 2005 is shown below:

	Number	2005 Weighted average exercise price	Number	2004 Weighted average exercise price
Outstanding at 1 January	977,555	63.37p	919,556	52.93p
Granted	226,000	100.29p	215,000	98.43p
Forfeited/lapsed	(81,000)	81.36p	(48,000)	65.09p
Exercised	(256,056)	44.59p	(109,001)	40.56p
Outstanding at 31 December	866,499	76.87p	977,555	63.37p
Exercisable at 31 December	313,499	59.86p	480,000	60.92p

The weighted average share price for options exercised over the year was 102.16p (2004: 107.73p). The total charge for the year relating to employee share based payment plans was £65,000 (2004: £38,000), all of which related to equity-settled share based payment transactions. The weighted average remaining contractual life of share options outstanding at 31 December 2005 was 6.8 years (2004: 6.3 years).

20. RESERVES

Group	Share premium £'000	Merger reserve £'000	Share based payments £'000	Own shares £'000	Capital redemption reserve £'000	Fair value and other reserves £'000	Profit and loss account £'000
At 1 January 2005	3,826	945	38	(335)	10	4,484	3,002
Share issues	109	—	—	—	—	109	—
Movement in respect of employee share scheme	—	—	65	64	—	129	—
Exchange difference on repayment of foreign exchange loan	—	—	—	—	—	—	(158)
Retained profit for the year	—	—	—	—	—	—	1,958
At 31 December 2005	3,935	945	103	(271)	10	4,722	4,802

Group	Share premium £'000	Merger reserve £'000	Share based payments £'000	Own shares £'000	Capital redemption reserve £'000	Fair value and other reserves £'000	Profit and loss account £'000
At 1 January 2004	3,780	945	—	(324)	10	4,411	(2,029)
Share issues	46	—	—	—	—	46	—
Movement in respect of employee share scheme	—	—	38	(11)	—	27	—
Retained profit for the year	—	—	—	—	—	—	5,031
At 31 December 2004	3,826	945	38	(335)	10	4,484	3,002

Company	Share premium £'000	Merger reserve £'000	Own shares £'000	Capital redemption reserve £'000	Other reserves £'000	Fair value and other reserves £'000	Profit and loss account £'000
At 1 January 2005	3,826	945	(335)	10	89	4,535	7,817
Share issues	109	—	—	—	—	109	—
Movement in respect of employee share scheme	—	—	64	—	—	64	—
Retained profit for the year	—	—	—	—	—	—	1,691
At 31 December 2005	3,935	945	(271)	10	89	4,708	9,508

Company	Share premium £'000	Merger reserve £'000	Own shares £'000	Capital redemption reserve £'000	Other reserves £'000	Fair value and other reserves £'000	Profit and loss account £'000
At 1 January 2004	3,780	945	(324)	10	88	4,499	6,068
Share issues	46	—	—	—	—	46	—
Movement in respect of employee share scheme	—	—	(11)	—	1	(10)	—
Retained profit for the year	—	—	—	—	—	—	1,749
At 31 December 2004	3,826	945	(335)	10	89	4,535	7,817

21. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the balance sheet are determined as follows:

	2005 £'000	2004 £'000
United Kingdom	6,732	7,067
Overseas	58	50
	6,790	7,117

United Kingdom

The Group operates two defined benefit schemes, providing benefits on final pensionable pay. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method.

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

The amounts recognised in the balance sheet are determined as follows:

	2005 £'000	2004 £'000
Present value of obligations	30,527	28,556
Fair value of plan assets	(22,054)	(18,325)
	8,473	10,231
Unrecognised actuarial losses	(1,741)	(3,164)
Liability in the balance sheet	6,732	7,067

The amounts recognised in the income statement are as follows:

	2005 £'000	2004 £'000
Current service cost	(897)	(885)
Interest cost	(1,515)	(1,351)
Expected return on plan assets	1,269	1,198
Net actuarial loss recognised in the year	(26)	—
Total included in employee benefit expenses (note 6)	(1,169)	(1,038)

The actual return on plan assets was £2,718,000 (2004: £1,250,000).

The movement in the liability recognised in the balance sheet is as follows:

	2005 £'000	2004 £'000
Beginning of the year	7,067	7,466
Expenses included in employee benefit expenses	1,169	1,038
Contributions paid (including employee contributions)	(1,504)	(1,437)
End of the year	6,732	7,067

The principal actuarial assumptions used were as follows:

	2005 %	2004 %
Discount rate	4.70 – 4.80	5.20 – 5.25
Inflation rate	2.75	2.75 – 3.00
Expected return on plan assets	6.00 – 6.25	5.20 – 9.20
Future salary increases	2.75 – 3.10	3.00 – 4.50
Future pension increases	3.00 – 3.60	3.00 – 3.25

21. RETIREMENT BENEFIT OBLIGATIONS continued

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

	2005 Years	2004 Years
Male	19.8	19.9
Female	22.8	22.8

The income statement charge of £108,000 (2004: £92,000) and balance sheet liability £613,000 (2004: £660,000) recognised by the Company in relation to the Christie Group defined benefit scheme has been allocated on the basis of contributions to the scheme. For the year ended 31 December 2005 contributions paid by the Company amounted to £155,000 (2004: £136,000).

Overseas

In accordance with French law a retirement indemnity provision is held. Rights to these benefits accrue on the condition that the employee will be with the employer at retirement date.

The movement in the liability recognised in the balance sheet is as follows:

	2005 £'000	2004 £'000
Beginning of the year	50	45
Expenses included in employee benefit expenses	8	5
End of the year	58	50

The principal assumptions used were as follows:

	2005 %	2004 %
Discount rate	2.50	1.60
Future salary increases	3.00	1.60
Employee turnover	12.00	8.00

Assumptions regarding future mortality experience are set based on advice from published statistics and experience. with mortality table INSEE statistic ref: TD-TV 00-02 being used.

22. TRADE AND OTHER PAYABLES

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Trade payables	2,565	3,566	—	—
Amounts owed to group undertakings	—	—	1,856	1,642
Other taxes and social security	3,332	3,223	856	782
Other creditors	898	719	139	13
Accruals and deferred income	5,953	3,642	153	256
	12,748	11,150	3,004	2,693

23. BORROWINGS

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Non-current				
Bank and other borrowings (unsecured)	2,212	2,040	2,000	2,000
Finance lease obligations	9	68	—	—
	2,221	2,108	2,000	2,000
Current				
Bank loans:				
Unsecured	82	166	—	—
Finance lease obligations	56	108	—	—
	138	274	—	—
Total borrowings	2,359	2,382	2,000	2,000

The Group is not subject to any contractual repricing.

The financial liabilities comprise:

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Floating interest rate loans	2,294	2,061	2,000	2,000
Invoice discounting	—	145	—	—
Finance lease liabilities	65	176	—	—
	2,359	2,382	2,000	2,000

The maturity of non-current borrowings is as follows:

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Bank loans repayable between one and two years	477	22	400	—
Bank loans repayable between two and five years	1,735	2,018	1,600	2,000
Obligation under finance leases:				
– between one and two years	9	68	—	—
	2,221	2,108	2,000	2,000

Interest on the Group's borrowings is as follows:

- Floating interest rate loans – 1.25% to 1.37% above LIBOR
- Invoice discounting -1.75% above base rate; and
- Finance lease liabilities - variable.

The carrying amounts of short-term and non current borrowings approximate to their fair value.

24. NOTES TO THE CASH FLOW STATEMENT

a. Cash generated from/(used in) operations

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Profit for the year	2,687	5,763	2,416	2,471
Adjustments for:				
– Taxation	1,694	360	(49)	(159)
– Finance costs/(credits)	28	176	(2,953)	(2,910)
– Exceptional finance credit	—	(2,455)	—	—
– Depreciation	1,251	1,175	—	—
– Amortisation of intangible assets	41	28	—	—
– (Profit)/loss on sale of property, plant and equipment	(20)	16	—	—
– Profit on sale of current available for sale financial assets	(176)	—	(176)	—
– Loss on sale of intangible assets	—	31	—	—
– Foreign currency translation	(19)	(9)	—	—
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):				
– Movement in share option charge	65	38	—	1
– Movement in retirement benefit obligation	(327)	(399)	(47)	(44)
– Decrease/(increase) in inventories	45	(43)	—	—
– Increase in trade and other receivables	(515)	(733)	(2,695)	(3,557)
– Decrease in current available-for-sale financial assets	504	—	504	—
– Increase/(decrease) in trade and other payables	1,514	(259)	367	(817)
Cash generated from/(used in) operations	6,772	3,689	(2,633)	(5,015)

b. Acquisition of subsidiary

On 18 January 2005 the Group purchased West London Estates Limited. The cash outflow as a result of the acquisition is detailed below:

	2005 £'000
Property, plant and equipment	32
Net current assets	270
Assets acquired	302
Goodwill on acquisition	21
Consideration paid	323
Cash acquired	(244)
Net cash outflow	(79)

25. RECONCILIATION OF MOVEMENT IN NET FUNDS

	As at 1 Jan 2005 £'000	Cash flow £'000	Acquisition (excluding cash and overdrafts) £'000	As at 31 Dec 2005 £'000
Cash in hand and at bank	3,499	3,635	(323)	6,811
Overdrafts	(145)	145	—	—
Debt due after one year	(2,040)	(172)	—	(2,212)
Debt due within one year	(21)	(61)	—	(82)
Finance leases due after one year	(68)	59	—	(9)
Finance leases due within one year	(108)	52	—	(56)
	1,117	3,658	(323)	4,452
Movement in borrowings				£'000
Debt due within one year:				
Repayment of part of bank loan				(254)
New unsecured bank loan				315
				61
Debt due after one year:				
Repayment of part of bank loan				(23)
New unsecured bank loan				195
				172

26. OPERATING LEASE COMMITMENTS

At 31 December 2005 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years.

	Property £'000	2005 Vehicles and equipment £'000	Property £'000	2004 Vehicles and equipment £'000
Commitments under non-cancellable operating leases due:				
Within one year	1,379	552	1,066	550
Within two to five years	3,914	1,431	4,316	1,536
After five years	3,579	—	4,183	—
	8,872	1,983	9,565	2,086

Operating lease payments represent:

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

The Group also sub-lets an element of office space in respect of certain property lease agreements.

27. 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.

28. CAPITAL COMMITMENTS

The Group has contracted but not provided for capital commitments for £298,000 (2004: £554,000) of intangible asset expenditure.

29. TRANSITION TO IFRS**29.1 Basis of transition to IFRS****29.1.1 Application of IFRS**

The Group's financial statements for the year ended 31 December 2005 are the first annual financial statements that comply with IFRS. These financial statements have been prepared as described in the accounting policies in Note 2.

Christie Group plc's transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date. The reporting date of these consolidated financial statements is 31 December 2005. The Group's IFRS adoption date is 1 January 2005.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS, as detailed below.

Christie Group plc has elected to apply the following optional exemptions from full retrospective application.

(a) Business combinations exemption

Christie Group plc has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 January 2004 transition date.

(b) Employee benefits exemption

Christie Group plc has elected to recognise all cumulative actuarial gains and losses in equity as at 1 January 2004.

(c) Exemption from restatement of comparatives for IAS 32 and IAS 39

The Group elected to apply this exemption. It applies previous GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information. The adjustments required for differences between GAAP and IAS 32 and IAS 39 are determined and recognised at 1 January 2005.

(d) Designation of financial assets and financial liabilities exemption

The Group reclassified various securities as available-for-sale investments and as financial assets at fair value through profit and loss. The adjustments relating to IAS 32 and IAS 39 at the opening balance sheet date of 1 January 2005, the IAS 32/39 transition date.

(e) Share-based payment transaction exemption

The Group has elected to apply the share-based payment exemption. It applied IFRS 2 from 1 January 2004 to those options, that were issued after 7 November 2002 but that have not vested by 1 January 2005.

29. TRANSITION TO IFRS continued

Christie Group plc has applied the following mandatory exceptions from retrospective application.

(a) *Derecognition of financial assets and liabilities exception*

Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS. The application of the exemption from restating comparatives for IAS 31 and IAS 39 means that the Group recognised from 1 January 2005 any financial assets and financial liabilities derecognised since 1 January 2004 that do not meet the IAS 39 derecognition criteria. Management did not choose to apply the IAS 39 derecognition criteria to an earlier date.

(b) *Estimates exception*

Estimates under IFRS at 1 January 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

(c) *Assets held for sale and discontinued operations exception*

Management applies IFRS 5 prospectively from 1 January 2005. Any non-current assets held for sale or discontinued operations are recognised in accordance with IFRS 5 only from 1 January 2005. Christie Group plc did not have any non-current assets that met the held-for-sale criteria during the period presented. No adjustment was required.

29.2 Reconciliations between IFRS and GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS. The first reconciliation provides an overview of the impact on equity of the transition at 1 January 2004 and 31 December 2004.

The following four reconciliations provide details of the impact of the transition on:

- equity at 1 January 2004 (Note 29.2.2)
- equity at 31 December 2004 (Note 29.2.3)
- net income 31 December 2004 (Note 29.2.4)
- cash flow 31 December 2004 (Note 29.2.5)

29.2.1 Summary of equity

Group	Note	1 January 2004 £'000	Note	31 December 2004 £'000
Total equity under UK GAAP		7,256		11,568
Recognition of post-retirement benefit obligations under IAS 19	29.2.2e	(7,466)	29.2.3g	(7,067)
Recognition of deferred tax on retirement benefit obligations	29.2.2c	2,240	29.2.3d	2,120
Reversal of Goodwill amortised		—	29.2.3b	548
Reversal of proposed ordinary dividends payable	29.2.2f	492	29.2.3h	481
Total equity under IFRS		2,522		7,650

Company	Note	1 January 2004 £'000	Note	31 December 2004 £'000
Total equity under UK GAAP		12,132		13,036
Recognition of post-retirement benefit obligations under IAS 19	29.2.2j	(704)	29.2.3m	(590)
Recognition of deferred tax on retirement benefit obligations	29.2.2h	211	29.2.3j	198
Reversal of dividends receivable from subsidiaries	29.2.2i	(1,071)	29.2.3k	(278)
Reversal of proposed ordinary dividends payable	29.2.2k	492	29.2.3n	481
Total equity under IFRS		11,060		12,847

29. TRANSITION TO IFRS continued**29.2.2 Reconciliation of equity at 1 January 2004**

Group	Note	GAAP £'000	Effects of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Property, plant and equipment	a	2,631	(144)	2,487
Intangible assets — Goodwill		3,918	—	3,918
Intangible assets — Other	b	35	144	179
Deferred tax assets	c	445	2,240	2,685
Available-for-sale financial assets		100	—	100
		7,129	2,240	9,369
Current assets				
Inventories		312	—	312
Trade and other receivables		12,635	—	12,635
Available-for-sale financial assets		504	—	504
Cash and cash equivalents		4,346	—	4,346
		17,797	—	17,797
Total assets		24,926	2,240	27,166
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		493	—	493
Fair value and other reserves		4,411	—	4,411
Cumulative translation reserve	d	—	(359)	(359)
Retained earnings	g	2,346	(4,375)	(2,029)
		7,250	(4,734)	2,516
Minority interest		6	—	6
Total equity		7,256	(4,734)	2,522
Liabilities				
Non-current liabilities				
Borrowings		121	—	121
Retirement benefit obligations	e	—	7,511	7,511
Provisions and other liabilities		31	—	31
		152	7,511	7,663
Current liabilities				
Trade and other payables	f	11,920	(537)	11,383
Current tax liabilities		1,023	—	1,023
Borrowings		4,575	—	4,575
		17,518	(537)	16,981
Total liabilities		17,670	6,974	24,644
Total equity and liabilities		24,926	2,240	27,166

29. TRANSITION TO IFRS continued

29.2.2 Reconciliation of equity at 1 January 2004 continued

Explanation of the effect of the transition to IFRS

The following explains the material adjustments to the balance sheet at the date of transition, 1 January 2004.

	£'000
a) <i>Property, plant and equipment</i>	
Reclassification of computer software to intangible assets	(144)
Total impact – decrease in Property, plant and equipment	(144)
Under IAS 38 only computer software that is integral to a related item of hardware should be included as property, plant and equipment. This adjustment reclassifies relevant computer software in accordance with IAS 38.	
b) <i>Intangible assets</i>	
Reclassification of computer software from Property, plant and equipment	144
Total impact – increase in Intangible assets	144
This adjustment is as per a) above.	
c) <i>Deferred tax</i>	
Recognition of deferred tax on the Retirement benefit obligations	2,240
Total impact – increase in Deferred tax assets	2,240
IAS 12 allows a net presentation of deferred tax assets and liabilities only when certain criteria are met. This adjustment recognises the deferred tax asset relating to the inclusion of Retirement benefit obligations under IAS 19.	
d) <i>Cumulative translation reserve</i>	
Recognition of cumulative translation adjustments	359
Total impact – decrease in Cumulative translation reserve	359
In accordance with IAS 21 cumulative translation differences have been recognised.	
e) <i>Retirement benefit obligations</i>	
Recognition of post-retirement benefit obligations under IAS 19	(7,466)
Reclassification of retirement indemnity provision	(45)
Total impact – increase in Retirement benefit obligations	(7,511)
Under UK GAAP the liability/asset on the balance sheet represents the timing differences between the SSAP 24 charge and the payments made to the pension and post-retirement healthcare schemes. Under IFRS, the liability/asset on the balance sheet represents the deficit/surplus on pension and post-retirement healthcare schemes. This balance encompasses all assets/liabilities arising from defined benefit schemes.	
f) <i>Trade and other payables (current)</i>	
Reversal of proposed ordinary dividends payable	492
Reclassification of retirement indemnity provision	45
Total impact – decrease in Trade and other payables (current)	537
Dividends proposed after the balance sheet date but before the financial statements are finalised were treated as an adjusting post-balance sheet event under UK GAAP and accrued in the financial statements. Such dividends are treated as a non-adjusting balance sheet event under IFRS and are not accrued.	
g) <i>Retained earnings</i>	
All above adjustments were recorded against the opening retained earnings at 1 January 2004. The total net impact is a decrease in retained earnings of £4,375,000.	

29. TRANSITION TO IFRS continued**29.2.2 Reconciliation of equity at 1 January 2004** continued

Company	Note	GAAP £'000	Effects of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Deferred tax assets	h	—	211	211
Fixed asset investments		11,555	—	11,555
Available-for-sale financial assets		100	—	100
		11,655	211	11,866
Current assets				
Trade and other receivables	i	2,644	(1,071)	1,573
Available-for-sale financial assets		504	—	504
Cash and cash equivalents		765	—	765
		3,913	(1,071)	2,842
Total assets		15,568	(860)	14,708
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		493	—	493
Fair value and other reserves		4,499	—	4,499
Retained earnings	l	7,140	(1,072)	6,068
Total equity		12,132	(1,072)	11,060
Liabilities				
Non-current liabilities				
Retirement benefit obligations	j	—	704	704
		—	704	704
Current liabilities				
Trade and other payables	k	3,243	(492)	2,751
Deferred tax		6	—	6
Current tax liabilities		187	—	187
		3,436	(492)	2,944
Total liabilities		3,436	212	3,648
Total equity and liabilities		15,568	(860)	14,708

29. TRANSITION TO IFRS continued

29.2.2 Reconciliation of equity at 1 January 2004 continued

Explanation of the effect of the transition to IFRS

The following explains the material adjustments to the balance sheet at the date of transition, 1 January 2004.

	£'000
h) <i>Deferred tax</i>	
Recognition of deferred tax on the Retirement benefit obligations	211
Total impact – increase in Deferred tax assets	211
IAS 12 allows a net presentation of deferred tax assets and liabilities only when certain criteria are met. This adjustment recognises the deferred tax asset relating to the inclusion of Retirement benefit obligations under IAS 19.	
i) <i>Trade and other receivables</i>	
Reversal of proposed dividends receivable from subsidiaries	(1,071)
Total impact – decrease in Trade and other receivables	(1,071)
Dividends receivable after the balance sheet date but before the financial statements are finalised were treated as an adjusting post-balance sheet event under UK GAAP and accrued in the financial statements. Such dividends are treated as a non-adjusting balance sheet event under IFRS and are not accrued.	
j) <i>Retirement benefit obligations</i>	
Recognition of post-retirement benefit obligations under IAS 19	(704)
Total impact – increase in Retirement benefit obligations	(704)
Under UK GAAP the liability/asset on the balance sheet represents the timing differences between the SSAP 24 charge and the payments made to the pension and post-retirement healthcare schemes. Under IFRS, the liability/asset on the balance sheet represents the deficit/surplus on pension and post-retirement healthcare schemes. This balance encompasses all assets/liabilities arising from defined benefit schemes.	
k) <i>Trade and other payable (current)</i>	
Reversal of proposed ordinary dividends payable	492
Total impact – decrease in Trade and other payables (current)	492
Dividends proposed after the balance sheet date but before the financial statements are finalised were treated as an adjusting post-balance sheet event under UK GAAP and accrued in the financial statements. Such dividends are treated as a non-adjusting balance sheet event under IFRS and are not accrued.	
l) <i>Retained earnings</i>	
All above adjustments were recorded against the opening retained earnings at 1 January 2004. The total net impact is a decrease in retained earnings of £1,072,000.	

29. TRANSITION TO IFRS continued**29.2.3 Reconciliation of equity at 31 December 2004**

Group	Note	GAAP £'000	Effects of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Property, plant and equipment	a	3,231	(572)	2,659
Intangible assets - Goodwill	b	3,370	548	3,918
Intangible assets - Other	c	581	572	1,153
Deferred tax assets	d	207	2,120	2,327
Available-for-sale financial assets		100	—	100
		7,489	2,668	10,157
Current assets				
Inventories		355	—	355
Trade and other receivables		13,371	—	13,371
Available-for-sale financial assets		504	—	504
Current tax		413	—	413
Cash and cash equivalents		3,499	—	3,499
		18,142	—	18,142
Total assets		25,631	2,668	28,299
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		495	—	495
Fair value and other reserves	e	4,446	38	4,484
Cumulative translation reserve	f	—	(347)	(347)
Retained earnings	i	6,611	(3,609)	3,002
		11,552	(3,918)	7,634
Minority interest		16	—	16
Total equity		11,568	(3,918)	7,650
Liabilities				
Non-current liabilities				
Borrowings		2,108	—	2,108
Retirement benefit obligations	g	—	7,117	7,117
		2,108	7,117	9,225
Current liabilities				
Trade and other payables	h	11,681	(531)	11,150
Borrowings		274	—	274
		11,955	(531)	11,424
Total liabilities		14,063	6,586	20,649
Total equity and liabilities		25,631	2,668	28,299

29. TRANSITION TO IFRS continued

29.2.3 Reconciliation of equity at 31 December 2004 continued

The nature of the adjustments from GAAP to IFRS at 31 December 2004 is similar to that of the adjustments from GAAP to IFRS at 1 January 2004. Explanations of the adjustments are disclosed in Note 29.2.2.

	£'000
a) <i>Property, plant and equipment</i>	
Reclassification of computer software to intangible assets	(572)
Total impact – decrease in Property, plant and equipment	(572)
b) <i>Goodwill</i>	
Reversal of goodwill amortised in the period	548
Total impact – increase in Goodwill	548
c) <i>Intangible assets</i>	
Reclassification of computer software from Property, plant and equipment	572
Total impact – increase in Intangible assets	572
d) <i>Deferred tax</i>	
Recognition of deferred tax on the Retirement benefit obligations	2,120
Total impact – increase in Deferred tax assets	2,120
e) <i>Fair value and other reserves</i>	
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005	(38)
Total impact – increase in Fair value and other reserves	(38)
f) <i>Cumulative translation reserve</i>	
Recognition of cumulative translation adjustments	347
Total impact – decrease in Cumulative translation reserve	347
g) <i>Retirement benefit obligations</i>	
Recognition of post-retirement benefit obligations under IAS 19	(7,067)
Reclassification of retirement indemnity provision	(50)
Total impact – increase in Retirement benefit obligations	(7,117)
h) <i>Trade and other payables (current)</i>	
Reversal of proposed ordinary dividends payable	481
Reclassification of retirement indemnity provision	50
Total impact – decrease in Trade and other payables (current)	531

i) *Retained earnings*

The cumulative effect of all of the above adjustments has resulted in a decrease in retained earnings at 31 December 2004 of £3,609,000.

29. TRANSITION TO IFRS continued**29.2.3 Reconciliation of equity at 31 December 2004** continued

Company	Note	GAAP £'000	Effects of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Deferred tax assets	j	5	198	203
Fixed asset investments		11,250	—	11,250
Available-for-sale financial assets		100	—	100
		11,355	198	11,553
Current assets				
Trade and other receivables	k	5,409	(278)	5,131
Available-for-sale financial assets		504	—	504
Current tax		364	—	364
Cash and cash equivalents		648	—	648
		6,925	(278)	6,647
Total assets		18,280	(80)	18,200
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		495	—	495
Fair value and other reserves	l	4,534	1	4,535
Retained earnings	o	8,007	(190)	7,817
Total equity		13,036	(189)	12,847
Liabilities				
Non-current liabilities				
Borrowings		2,000	—	2,000
Retirement benefit obligations	m	—	660	660
		2,000	660	2,660
Current liabilities				
Trade and other payables	n	3,244	(551)	2,693
		3,244	(551)	2,693
Total liabilities		5,244	109	5,353
Total equity and liabilities		18,280	(80)	18,200

29. TRANSITION TO IFRS continued

29.2.3 Reconciliation of equity at 31 December 2004 continued

The nature of the adjustments from GAAP to IFRS at 31 December 2004 is similar to that of the adjustments from GAAP to IFRS at 1 January 2004. Explanations of the adjustments are disclosed in Note 29.2.2.

	£'000
j) <i>Deferred tax</i>	
Recognition of deferred tax on the Retirement benefit obligations	198
Total impact – increase in Deferred tax assets	198
k) <i>Trade and other receivables</i>	
Reversal of proposed dividends receivable from subsidiaries	(278)
Total impact – decrease in Trade and other receivables	(278)
l) <i>Fair value and other reserves</i>	
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005	(1)
Total impact – increase in Fair value and other reserves	(1)
m) <i>Retirement benefit obligations</i>	
Recognition of post-retirement benefit obligations under IAS 19	(590)
Reclassification from trade and other payables	(70)
Total impact – increase in Retirement benefit obligations	(660)
n) <i>Trade and other payables (current)</i>	
Reversal of proposed ordinary dividends payable	481
Reclassification of post-retirement benefit obligations under IAS 19	70
Total impact – increase in Trade and other payables (current)	551
o) <i>Retained earnings</i>	
The cumulative effect of all of the above adjustments has resulted in a decrease in retained earnings at 31 December 2004 of £190,000.	

29.2.4 Reconciliation of net income for year ended 31 December 2004

Group	Note	GAAP £'000	Effects of transition to IFRS £'000	IFRS £'000
Revenue		69,968	—	69,968
Employee benefit expenses	a	(40,390)	361	(40,029)
		29,578	361	29,939
Depreciation and amortisation	b	(1,751)	548	(1,203)
Other operating expenses		(24,892)	—	(24,892)
Operating profit		2,935	909	3,844
Interest payable		(268)	—	(268)
Interest receivable		92	—	92
Exceptional finance credit (net)		2,455	—	2,455
Total finance credit		2,279	—	2,279
Profit before tax		5,214	909	6,123
Taxation	c	(240)	(120)	(360)
Profit for the year		4,974	789	5,763

29. TRANSITION TO IFRS continued**29.2.4 Reconciliation of net income for year ended 31 December 2004** continued

	£'000
a) <i>Employee benefit expenses</i>	
Recognition of post-retirement benefit costs under IAS 19	399
Recognition of charge for share options	(38)
Total impact – decrease in Employee benefit expenses	361
b) <i>Goodwill amortisation</i>	
Reversal of goodwill amortised in the year	548
Total impact – decrease in Goodwill amortisation	548
c) <i>Taxation</i>	
Movement in deferred tax asset relating to Retirement benefit obligations	(120)
Total impact – increase in Taxation	(120)

The UK GAAP profit for the parent company for the financial year before dividends paid and proposed amounted to £1,577,000. The cumulative effect of the IFRS adjustments as detailed below resulted in an increase in profit for the year of £894,000.

	£'000
d) <i>Employee benefit expenses</i>	
Recognition of post-retirement benefit costs under IAS 19	115
Recognition of charge for share options	(1)
Total impact – decrease in Employee benefit expenses	114
e) <i>Dividend receivable</i>	
Reversal of dividends receivable from subsidiaries	793
Total impact – decrease in Investment income	793
f) <i>Taxation</i>	
Movement in deferred tax asset relating to Retirement benefit obligations	(13)
Total impact – increase in Taxation	(13)

29.2.5 Reconciliation of cash flow for the year ended 31 December 2004

The only IFRS transition effects presented by the Group in its statement of cash flow for the year ended 31 December 2004, were as follows:

- a) Under UK GAAP, borrowings included 'Bank overdrafts'. Bank overdrafts under IFRS are classified as part of 'cash and cash equivalents' because they form an integral part of the entity's cash management.
- b) Purchase of property, plant and equipment was reduced by, and the purchase of intangible assets was increased by £572,000, reflecting the reclassification of computer software as an intangible asset in accordance with IAS 38.

In 2005 the Group has adopted IFRS for the first time and in accordance with the requirements of IFRS, 2004 figures have been restated. Restatement of earlier years is not required under IFRS and accordingly the information presented below for 2003 and earlier years in respect of the income statement is prepared under UK GAAP. The main adjustments that would be required to comply with IFRS are the recognition of the defined benefit pension funds liabilities on the balance sheet in accordance with IAS 19 and the reversal of goodwill amortisation (IFRS 3).

	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000	UK GAAP 2002 £'000	UK GAAP 2001 £'000
Consolidated income statements					
Revenue	77,506	69,968	62,457	46,473	43,833
Operating profit before goodwill amortisation	4,409	3,844	3,245	2,614	2,318
Goodwill amortisation	—	—	(551)	(497)	(566)
Exceptional item	—	2,455	—	—	(262)
Finance charges net	(28)	(176)	(206)	(164)	(244)
Profit on ordinary activities before taxation	4,381	6,123	2,488	1,953	1,246
Taxation	(1,694)	(360)	(1,469)	(1,182)	(891)
Profit on ordinary activities after taxation	2,687	5,763	1,019	771	355
Minority interest	(3)	(10)	—	—	—
Dividends	(726)	(722)	(722)	(625)	(637)
Retained profit/(loss) for the year	1,958	5,031	297	146	(282)
Earnings per share					
– basic	10.79p	23.28p	4.15p	3.06p	1.39p
– basic before exceptional items (net of tax)*	10.79p	9.23p	4.15p	3.06p	2.11p
– basic before goodwill amortisation and exceptional items (net of tax)*	10.79p	9.23p	6.39p	5.03p	4.34p
Dividends per ordinary share [payable in respect of the year]	3.5p	3.0p	3.0p	2.5p	2.5p

* Exceptional items include credit for the prior year dual residence tax losses and the exceptional finance credit of £2,455,000 in 2004.

	IFRS 2005 £'000	IFRS 2004 £'000
Consolidated balance sheets		
Non current assets	11,205	10,157
Current assets	21,238	18,142
Current liabilities	(13,618)	(11,424)
	18,825	16,875
Non-current borrowings	(2,221)	(2,108)
Retirement benefit obligations	(6,790)	(7,117)
Net assets	9,814	7,650
Shareholders' funds – equity interests	9,795	7,634
Minority interest	19	16
	9,814	7,650

Annual General Meeting

39 Victoria Street
London SW1H 0EU

28 June 2006 at 10am

Announcements

Half-year results for 2006
Preliminary full-year results for 2006
Final dividend 2006

September 2006
April 2007
June 2007

Final dividend 2005

Ex-dividend
Record date
Paid

31 May 2006
2 June 2006
30 June 2006

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