

CHRISTIE GROUP PLC

14th SEPTEMBER 2005

Interim Results for the six months ended 30 June 2005

Christie Group, a leading business services and software group, today announces its interim results for the six months ended 30 June 2005.

Highlights

- Turnover up 9% to £38.9 million (2004: £35.7 million)
- Overall Group operating profit (stated under IFRS) up 5% to £2.35 million (2004: £2.23 million), reflecting continued investment in business development
- Strong performance at established operations with operating profit of £4.4 million (2004: £3.1 million)
- West London Estates successfully integrated into Pinders
- Christie + Co advised "LRG Acquisition" on their £1 billion purchase of 73 hotels from InterContinental Hotel Group, the largest investment deal of its kind in UK Hotel Sector
- VcsTimeless and Wincor Nixdorf sign accord for development of EPoS solution for non-food retailers
- Important business wins in stocktaking business including Argos and Boots
- Interim dividend maintained at 1 pence per share
- Board announces intention to move listing to Alternative Investment Market ("AIM"), subject to shareholder approval

Philip Gwyn, Chairman, commented:

"During the first half of this year, we have won important new business and taken a number of steps to help ensure that we are well positioned for future growth, including the acquisition and successful integration of West London Estates into our Pinders business. These actions, combined with the continuing investment we are making in software R&D and European expansion, will help us ensure the sustainable long term development of Christie Group."

Despite a challenging trading environment, I believe that the diversity of our income streams and the profitability of our established businesses mean we are well positioned for further progress during 2005."

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Note to Editors

Christie Group (CTG.L) is listed on the London Stock Exchange. It is a leading international professional services business with 32 offices throughout Europe and Canada. Christie Group consists of three autonomously managed business divisions: Professional Business Services, Software Solutions and Stock and Inventory Services. The three complementary businesses are specifically focused on the leisure, retail and care sectors.

For more information, please go to: www.christiegroup.com

CHAIRMAN'S STATEMENT

HALF YEAR TO 30 JUNE 2005

Christie Group's turnover for the half year to June 2005 increased 9% to £38.9 million (2004: £35.7 million). Overall Group operating profit (stated under IFRS) increased by 5% to £2.35 million (2004: £2.23 million). These figures mask sharply higher profits from established operations (£4.4 million against £3.1 million in 2004), and more substantial losses from developing businesses, details of which are given below. The Board remains confident that the developing businesses will bring benefits to shareholders in future periods.

Dividend

The Board has declared an unchanged interim dividend of 1p per share.

Professional Business Services

Sales in our Professional Business Services division moved ahead by 10%. West London Estates (acquired in January 2005), which has now been fully integrated into our Pinder business, was profitable in the first half and provides a nucleus for growth.

Christie + Co advised "LRG Acquisition" on their purchase of a £1 billion portfolio of 73 hotels from InterContinental Hotel Group, with IHG retaining the management of the hotels. This is the largest investment deal of its kind in the UK Hotel Sector.

During the first half of 2005, Christie + Co incurred losses of £1.3 million from continuing European and UK expansion and development. New operational bases were opened in Epsom and Enfield in the UK and in May 2005 we opened a new office in Madrid. We recognise that the gestation periods of these operations and the speed at which they will reach profitability will vary. Christie + Co's UK revenue rose 14% compared to the first half of 2004.

Turnover at Christie First Business Mortgages was flat during the first half of 2005. The Insurance Broking operation wrote 16% more policies than in the corresponding period of 2004 but commission income rose 11%, reflecting reduced premiums in a continuing "soft" market.

Software Solutions

Overall, turnover for the division increased by 19% including a contribution from our Spanish operation, following two years of significant investment.

In June 2005, our Retail Software Solutions company, VcsTimeless, won the European Retail Solutions award for Project Implementation of the Year in association with our customer Lancel, the luxury goods company. Since the implementation of VcsTimeless' Colombus Retail Software Suite, Lancel has been able to increase efficiencies, achieve greater inventory availability and control, improve the speed and accuracy of stock replenishment and raise staff productivity.

During the period VcsTimeless also signed an accord with Wincor Nixdorf to create a new EPoS solution for top tier non-food retailers. The solution will be marketed by VcsTimeless in our existing territories and elsewhere by Wincor Nixdorf. This EPoS solution is designed to interface with our real time head office system, code named Magellan, which is set for launch at our 2006 user conference.

Stock and Inventory Services

Profit in our stocktaking business nearly doubled to £1.1 million (2004: £0.6 million) in its seasonally stronger first half on turnover of £11.5 million (2004: £11.3 million). Having successfully absorbed a 36% increase in retail stocktaking business during 2004, we now anticipate further additional work for the second half of this year and 2006, following business wins from Boots, Argos, Gieves & Hawkes, Barbour and others.

AIM

Your Board has carefully considered the attractions of moving to the Alternative Investment Market ("AIM"). AIM is designed for smaller companies and we believe an AIM Listing would, offer a number of benefits to our business. AIM's simplification of administrative requirements and a more flexible regulatory regime have both competitive and cost advantages. It would enable us to agree and execute transactions more quickly should acquisition opportunities arise.

We envisage no alteration in the standards of reporting and governance which the Group has always achieved. Thus we see ourselves as continuing to be attractive to specialist institutional funds while the AIM tax regime will also make us more attractive to the retail investor.

A circular regarding the proposed move to AIM convening an EGM will be sent to shareholders shortly.

Outlook

Christie Group enjoys a diverse range of income from the services it provides to the Retail, Leisure and Care industries throughout Europe. Our established business operations are both profitable and growing. Although the current trading environment remains challenging, I believe we are well positioned to make further progress during the second half of 2005.

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Consolidated interim income statement

	Note	Half year to 30 June 2005 £'000 (Unaudited)	Half year to 30 June 2004 £'000 (Unaudited)	Year ended 31 December 2004 £'000 (Unaudited)*
Revenue		38,878	35,694	69,968
Employee benefit costs		(22,171)	(19,379)	(39,876)
		16,707	16,315	30,092
Depreciation and amortisation		(639)	(540)	(1,203)
Other expenses		(13,723)	(13,542)	(24,892)
Operating Profit		2,345	2,233	3,997
Interest payable		(884)	(833)	(1,619)
Interest receivable		683	644	1,290
Exceptional finance credit		-	-	2,455
Total finance (costs) / credit		(201)	(189)	2,126
Profit before income tax		2,144	2,044	6,123
Income tax expense	6	(801)	(826)	(360)
Profit for the period after tax		1,343	1,218	5,763
Minority interest		(1)	(2)	(10)
Profit for the period		1,342	1,216	5,753
Earnings per share (pence)				
- Basic	7	5.42p	4.94p	23.32p
- Fully diluted	7	5.36p	4.85p	22.98p

* The UK GAAP income statement was audited for the year ended 31 December 2004.

Consolidated interim balance sheet

	Note	At 30 June 2005 £'000 (Unaudited)	At 30 June 2004 £'000 (Unaudited)	At 31 December 2004 £'000 (Unaudited)*
ASSETS				
Non-current assets				
Property, plant and equipment		2,484	2,428	2,659
Goodwill		4,025	3,918	3,918
Intangible assets		2,183	370	1,153
Deferred income tax assets		2,231	2,527	2,327
Available-for-sale financial assets		100	100	100
		11,023	9,343	10,157
Current assets				
Inventories		295	272	355
Trade and other receivables		17,474	16,391	13,371
Available-for-sale financial assets		504	504	504
Current income tax assets		-	-	413
Cash and cash equivalents		3,019	2,312	3,499
		21,292	19,479	18,142
Total assets		32,315	28,822	28,299
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		498	495	495
Fair value and other reserves		4,581	4,467	4,484
Cumulative translation adjustment		(467)	(320)	(347)
Retained earnings		3,862	(1,293)	3,002
		8,474	3,349	7,634
Minority interest		17	3	16
Total equity		8,491	3,352	7,650
LIABILITIES				
Non-current liabilities				
Borrowings		2,281	79	2,108
Retirement benefit obligations	9	6,745	6,939	7,067
		9,026	7,018	9,175
Current liabilities				
Trade and other payables		12,909	11,735	11,200
Current income tax liabilities		325	942	-
Borrowings		1,564	5,775	274
		14,798	18,452	11,474
Total liabilities		23,824	25,470	20,649
Total equity and liabilities		32,315	28,822	28,299

These consolidated interim financial statements have been approved for issue by the Board of Directors on 13 September 2005.

* The UK GAAP balance sheet was audited as at 31 December 2004.

Consolidated interim statement of changes in shareholders' equity

	Attributable to the equity holders of the Company				Minority Interest	Total equity
	Share capital	Fair Value and other reserves (See note 11)	Cumulative Translation adjustments	Retained earnings		
Balance at 1 January 2004	493	4,411	(359)	(2,029)	6	2,522
Issue of share capital	2	42	-	-	-	44
Movement on minority interest	-	-	-	-	(5)	(5)
Currency translation adjustments	-	-	39	-	-	39
Net income/(expense) recognised directly in equity	2	42	39	-	(5)	78
Profit for the period	-	-	-	1,216	2	1,218
Total recognised income for the period	2	42	39	1,216	(3)	1,296
Employee share option scheme:						
-value of services provided	-	14	-	-	-	14
Dividend	-	-	-	(480)	-	(480)
Balance at 30 June 2004	495	4,467	(320)	(1,293)	3	3,352
Balance at 1 July 2004	495	4,467	(320)	(1,293)	3	3,352
Issue of share capital	-	4	-	-	-	4
Movement on minority interest	-	-	-	-	5	5
Currency translation adjustments	-	-	(27)	-	-	(27)
Net income/(expenses) recognised directly in equity	-	4	(27)	-	5	(18)
Profit for the period	-	-	-	4,537	8	4,545
Total recognised income for the period	-	4	(27)	4,537	13	4,527
Movement in respect of employee share scheme	-	(11)	-	-	-	(11)
Employee share option scheme:						
-value of services provided	-	24	-	-	-	24
Dividend	-	-	-	(242)	-	(242)
Balance at 31 December 2004	495	4,484	(347)	3,002	16	7,650
Balance at 1 January 2005	495	4,484	(347)	3,002	16	7,650
Issue of share capital	3	65	-	-	-	68
Movement on minority interest	-	-	-	-	1	1
Currency translation adjustments	-	-	(120)	-	-	(120)
Net income/(expenses) recognised directly in equity	3	65	(120)	-	1	(51)
Profit for the period	-	-	-	1,342	-	1,342
Total recognised income for the period	3	65	(120)	1,342	1	1,291
Employee share option scheme:						
- value of services provided	-	32	-	-	-	32
Dividend	-	-	-	(482)	-	(482)
Balance at 30 June 2005	498	4,581	(467)	3,862	17	8,491

Consolidated interim cash flow statement

		Half year to 30 June 2005 £'000	Half year to 30 June 2004 £'000	Year to 31 December 2004 £'000
	Note	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities				
Cash generated from / (used in) operations	10 a)	117	(1,313)	3,688
Interest paid		(121)	(156)	(268)
Income tax received / (paid)		33	(750)	(1,439)
Net cash generated from / (used in) operating activities		29	(2,219)	1,981
Cash flow from investing activities				
Acquisition of subsidiary (net of cash acquired)	10 b)	(139)	-	-
Purchase of property, plant and equipment (PPE)		(523)	(462)	(1,317)
Proceeds from sale of PPE		103	5	29
Purchase of intangible assets		(1,072)	(214)	(1,020)
Interest received		73	44	92
Net cash used in investing activities		(1,558)	(627)	(2,216)
Cash flow from financing activities				
Proceeds from issue of share capital		68	44	48
Investment in ESOP		-	-	(13)
Proceeds from borrowings		510	60	2,121
Repayments of borrowings		(27)	(15)	-
Renegotiation of loan		-	-	(1,730)
Payments of finance lease liabilities		(58)	(27)	(115)
Dividends paid		(482)	(480)	(721)
Net cash generated from / (used in) financing activities		11	(418)	(410)
Net decrease in net cash (including bank overdrafts)		(1,518)	(3,264)	(645)
Cash and bank overdrafts at beginning of period		3,354	3,722	3,722
Exceptional gain		-	-	277
Cash and bank overdrafts at end of period		1,836	458	3,354

Notes to the consolidated interim financial statements

1. General information

Christie Group plc is the parent undertaking of a group of companies covering a range of related activities. These fall into 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 ending 31 December 2005

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

These interim consolidated financial statements of Christie Group plc are for the six months ended 30 June 2005 and are covered by IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS), because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 December 2005. The interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (September 2005). The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

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. The policies applied to financial instruments for 2004 and 2005 are disclosed separately below.

Christie Group plc's consolidated 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 interim financial statements, management has amended certain accounting, valuation and consolidation 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 equity and its net income and cash flows are provided in Note 4.

These consolidated interim financial statements have been prepared under the historical cost convention.

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 interim financial statements, are disclosed in Note 3.

Notes to the consolidated interim financial statements (continued)

Accounting policies for the year ending 31 December 2005 (continued)

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 30 June 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.

2.3 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 presentational 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- c) all resulting exchange differences are recognised as a separate component of equity (Cumulative translation adjustment).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, 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

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

Agency, valuations and appraisals:

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 upon submission of the completed report to the client.

Notes to the consolidated interim financial statements (continued)

Accounting policies for the year ending 31 December 2005 (continued)

Business mortgage broking:

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

Insurance broking:

Insurance brokerage is accounted for when insurance commences.

Software solutions:

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

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 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. Prior to 1 January 2004, goodwill was amortised over its estimated useful life, such amortisation ceased on 31 December 2003.

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.

2.7 Intangibles

Research and Development

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

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.

Notes to the consolidated interim financial statements (continued)

Accounting policies for the year ending 31 December 2005 (continued)

2.8 Property plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write down the cost of all tangible fixed assets to their 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.

2.9 Leases

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

2.10 Impairment of assets

Fixed 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 pre-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.

2.11 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, cost being determined on a last-in-first-out (LIFO) basis.

Notes to the consolidated interim financial statements (continued)

Accounting policies for the year ending 31 December 2005 (continued)

From 1 January 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends 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.

(1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they either are held for trading or are expected to be realised within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet. During the year, the Group did not hold any investments in this category.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(4) 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.

Notes to the consolidated interim financial statements (continued)

Accounting policies for the year ending 31 December 2005 (continued)

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.

2.12 Inventories

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

2.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the 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.

2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on 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.

2.15 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.

2.16 Taxation including deferred tax

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

Deferred income 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 income 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the consolidated interim financial statements (continued)

Accounting policies for the year ending 31 December 2005 (continued)

2.17 Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where any Group company purchases the Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of income 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 income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Dividend distribution

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

2.19 Employee benefits

Pension obligations

The Group operates both defined benefit and defined contribution plans. A defined benefit plan is a pension plan 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 plan is a pension plan 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 plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan 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% and the value of plan 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 income, unless the changes to the pension plan 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 plans

Group companies contribute towards personal pension plans for participating employees. These employees are currently entitled to such contributions after a qualifying period has elapsed. Payments to the plan are charged as an employee benefit expense as they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no further payment obligations once the contributions have been paid.

Notes to the consolidated interim financial statements (continued)

Accounting policies for the year ending 31 December 2005 (continued)

Share based compensation

The fair value of employee share option plans, including Save As You Earn (SAYE) schemes, is calculated using an appropriate option pricing model. 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.

Share options granted before 7 November 2002 and vested before 1 January 2005.

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated between share capital and share premium.

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 provisions where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Interim measurement note

(a) Current income tax

Current income tax expense is recognised in these interim consolidated financial statements based on management's best estimates of the weighted average annual income tax rate expected for the full financial year.

(b) Costs

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

(c) Retirement benefit obligations

The measurement of the expenses and liabilities associated with the Group's retirement benefit obligations at 30 June 2005 reflects a number of assumptions, based on the actuarial valuation as at 31 December 2004 after taking into account actual cash contributions to the schemes. Further details of the assumptions used are detailed in Note 3.1 (b).

Notes to the consolidated interim financial statements (continued)

3. 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.

3.1 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.

(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 employees

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.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS

4.1 Basis of transition to IFRS

4.1.1 Application of IFRS

The Group's financial statements for the year ended 31 December 2005 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Note 2.1. The Group has applied IFRS 1 in preparing these consolidated interim financial statements.

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 interim consolidated financial statements is 30 June 2005. The Group's IFRS adoption date is 1 January 2005.

In preparing these interim 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.

4.1.2 Exemptions from full retrospective application elected by the Group

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) Fair value as deemed cost exemption

Christie Group plc has elected to measure certain items of property, plant and equipment at fair value as at 1 January 2004.

(c) Employee benefits exemption

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

(d) 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.

(e) 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.

(f) 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.

(g) Fair value measurement of financial assets or liabilities at initial recognition

The Group has not applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit and loss where there is no active market. This exemption is therefore not applicable.

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

4.1.3 Exceptions from full retrospective application followed by the Group

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 32 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.

4.2 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, 30 June 2004 and 31 December 2004.

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

- equity at 1 January 2004 (Note 4.2.2)
- equity at 30 June 2004 (Note 4.2.3)
- equity at 31 December 2004 (Note 4.2.4)
- net income 30 June 2004 (Note 4.2.5)
- net income 31 December 2004 (Note 4.2.6)
- cash flow 30 June 2004 (Note 4.2.7)
- cash flow 31 December 2004 (Note 4.2.8)

4.2.1 Summary of equity

	1 January		30 June		31 December	
	2004		2004		2004	
	£'000	Note	£'000	Note	£'000	Note
Total equity under UK GAAP	7,256		7,700		11,568	
Recognition of post-retirement benefit obligations under IAS 19	(7,466)	4.2.2 e)	(6,939)	4.2.3 g)	(7,067)	4.2.4 g)
Recognition of deferred tax on Retirement benefit obligations	2,240	4.2.2 c)	2,082	4.2.3 d)	2,120	4.2.4 d)
Reversal of Goodwill amortised	-		269	4.2.3 b)	548	4.2.4 b)
Reversal of proposed ordinary dividends payable	492	4.2.2 f)	240	4.2.3 h)	481	4.2.4 h)
Total equity under IFRS	2,522		3,352		7,650	

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

4.2.2 Reconciliation of equity at 1 January 2004

	Note	GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
ASSETS				
Non-current assets				
Property, plant and equipment	a)	2,631	(144)	2,487
Goodwill		3,918	-	3,918
Intangible assets	b)	35	144	179
Deferred income 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 adjustment	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)	-	7,466	7,466
Provisions and other liabilities		31	-	31
		152	7,466	7,618
Current liabilities				
Trade and other payables	f)	11,920	(492)	11,428
Current income tax liabilities		1,023	-	1,023
Borrowings		4,575	-	4,575
		17,518	(492)	17,026
Total liabilities		17,670	6,974	24,644
Total equity and liabilities		24,926	2,240	27,166

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (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 adjustment</i>	
Recognition of cumulative translation adjustments	359
Total impact – decrease in cumulative translation adjustment	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)
Total impact – increase in retirement benefit obligations	(7,466)
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
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.	
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.	

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

4.2.3 Reconciliation of equity at 30 June 2004

	<i>Note</i>	GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
ASSETS				
Non-current assets				
Property, plant and equipment	<i>a)</i>	2,573	(145)	2,428
Goodwill	<i>b)</i>	3,649	269	3,918
Intangible assets	<i>c)</i>	225	145	370
Deferred income tax assets	<i>d)</i>	445	2,082	2,527
Available-for-sale financial assets		100	-	100
		6,992	2,351	9,343
Current assets				
Inventories		272	-	272
Trade and other receivables		16,391	-	16,391
Available-for-sale financial assets		504	-	504
Cash and cash equivalents		2,312	-	2,312
		19,479	-	19,479
Total assets		26,471	2,351	28,822
EQUITY				
Capital and reserves attributable to equity holders				
Share capital		495	-	495
Fair value and other reserves	<i>e)</i>	4,453	14	4,467
Cumulative translation adjustment	<i>f)</i>	-	(320)	(320)
Retained earnings	<i>i)</i>	2,749	(4,042)	(1,293)
		7,697	(4,348)	3,349
Minority interest		3	-	3
Total equity		7,700	(4,348)	3,352
LIABILITIES				
Non-current liabilities				
Borrowings		79	-	79
Retirement benefit obligations	<i>g)</i>	-	6,939	6,939
		79	6,939	7,018
Current liabilities				
Trade and other payables	<i>h)</i>	11,975	(240)	11,735
Current income tax liabilities		942	-	942
Borrowings		5,775	-	5,775
		18,692	(240)	18,452
Total liabilities		18,771	6,699	25,470
Total equity and liabilities		26,471	2,351	28,822

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

The nature of the adjustments from UK GAAP to IFRS at 30 June 2004 is similar to those at 1 January 2004. There are two additional adjustments at 30 June 2004, relating to goodwill and share options. Explanations of all other adjustments are disclosed in Note 4.2.2.

	£'000
a) <i>Property, plant and equipment</i>	
Reclassification of computer software to intangible assets	(145)
Total impact – decrease in Property, plant and equipment	(145)
b) <i>Goodwill</i>	
Reversal of goodwill amortised in the period	269
Total impact – increase in Goodwill	269
In accordance with IFRS 3, goodwill and other intangible long-term assets with indefinite useful lives should not be amortised.	
c) <i>Intangible assets</i>	
Reclassification of computer software from Property, plant and equipment	145
Total impact – increase in Intangible assets	145
d) <i>Deferred tax</i>	
Recognition of deferred tax on the Retirement benefit obligations	2,082
Total impact – increase in deferred tax assets	2,082
e) <i>Fair value and other reserves</i>	
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005.	(14)
Total impact – increase in Fair value and other reserves	(14)
The Group has issued share options to senior management, these were not recognised under GAAP.	
f) <i>Cumulative translation adjustment</i>	
Recognition of cumulative translation adjustments	320
Total impact – decrease in cumulative translation adjustment	320
g) <i>Retirement benefit obligations</i>	
Recognition of post-retirement benefit obligations under IAS 19	(6,939)
Total impact – increase in retirement benefit obligations	(6,939)
h) <i>Trade and other payables (current)</i>	
Reversal of proposed ordinary dividends payable	240
Total impact – decrease in Trade and other payables (current)	240
i) <i>Retained earnings</i>	
All above adjustments were recorded against the opening retained earnings at 30 June 2004. The total net impact is a decrease in retained earnings of £4,042,000.	

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

4.2.4 Reconciliation equity at 31 December 2004

	<i>Note</i>	GAAP £'000 (Audited)	Effect of transition to IFRS £'000	IFRS £'000
ASSETS				
Non-current assets				
Property, plant and equipment	a)	3,231	(572)	2,659
Goodwill	b)	3,370	548	3,918
Intangible assets	c)	581	572	1,153
Deferred income 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
Other financial assets at fair value through profit or loss		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 equity holders				
Share capital		495	-	495
Fair value and other reserves	e)	4,446	38	4,484
Cumulative translation adjustment	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)	-	7,067	7,067
		2,108	7,067	9,175
Current liabilities				
Trade and other payables	h)	11,681	(481)	11,200
Borrowings		274	-	274
		11,955	(481)	11,474
Total liabilities		14,063	6,586	20,649
Total equity and liabilities		25,631	2,668	28,299

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (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 and 30 June 2004. Explanations of the adjustments are disclosed in Notes 4.2.2 and 4.2.3.

	£'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 adjustment</i>	
Recognition of cumulative translation adjustments	347
Total impact – decrease in cumulative translation adjustment	347
g) <i>Retirement benefit obligations</i>	
Recognition of post-retirement benefit obligations under IAS 19	(7,067)
Total impact – increase in retirement benefit obligations	(7,067)
h) <i>Trade and other payables (current)</i>	
Reversal of proposed ordinary dividends payable	481
Total impact – decrease in Trade and other payables (current)	481
i) <i>Retained earnings</i>	
The cumulative effect of all of the above adjustments has resulted in a decrease in retained earnings at 30 June 2004 of £3,609,000.	

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

4.2.5 Reconciliation of net income for six months ended 30 June 2004

	Note	GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue		35,694	-	35,694
Employee benefit costs	a)	(19,969)	590	(19,379)
Depreciation and amortisation	b)	(809)	269	(540)
Other expenses		(13,542)	-	(13,542)
Total expenses		(34,320)	859	(33,461)
Operating Profit		1,374	859	2,233
Interest payable	c)	(157)	(676)	(833)
Interest receivable	d)	45	599	644
Total finance (costs) / credit		(112)	(77)	(189)
Profit before income tax		1,262	782	2,044
Income tax expense	e)	(668)	(158)	(826)
Profit for the period		594	624	1,218

The following explains the material adjustments to the income statement for the six months ended 30 June 2004.

	£'000
a) <i>Employee benefit costs</i>	
Recognition of post-retirement benefit costs under IAS 19	604
Recognition of charge for share options	(14)
Total impact – decrease in Employee benefit costs	590

Under UK GAAP, the Group measures pension commitments and other related benefits in accordance with SSAP 24 'Accounting for pension costs'. Additional disclosures are given in accordance with FRS 17 'Retirement benefits'. Under IFRS, the Group measures pension commitments and other related benefits in accordance with IAS 19 'Employee Benefits'. Rather than showing solely an operating charge in the income statement, as is the case under current UK GAAP, under IAS 19 a net financing charge is also recognised. The net finance charge relates to the unwinding of the discount applied to the liabilities of the post-retirement benefit schemes offset by the expected return on the assets of the scheme.

The IAS 19 adjustment reflects the net credit to employee benefit costs resulting from the reclassification of the financing charge and change in accounting from SSAP 24 to IAS 19.

The Group has issued share options to senior management, which were not recognised under UK GAAP.

b) <i>Goodwill amortised</i>	
Reversal of goodwill amortised in the period	269
Total impact – decrease in Goodwill amortisation	269

In accordance with IFRS 3, goodwill and other intangible long-term assets with indefinite useful lives should not be amortised.

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

c)	<i>Interest payable</i>	
	Recognition of post-retirement benefit costs under IAS 19	(676)
	Total impact – increase in interest payable	(676)
	This represents the finance charge relating to the unwinding of the discount applied to the liabilities of the post-retirement benefit schemes.	
d)	<i>Interest receivable</i>	
	Recognition of post-retirement benefit credits under IAS 19	599
	Total impact – increase in interest receivable	599
	This represents the finance credit relating to the expected return on the assets of the post-retirement benefit schemes.	
e)	<i>Income tax expense</i>	
	Movement in deferred tax asset relating to Retirement benefit obligations	(158)
	Total impact – increase in income tax expense	(158)
	This adjustment reflects the movement in the deferred tax asset relating to the inclusion of Retirement benefit obligations under IAS 19.	

4.2.6 Reconciliation of net income for year ended 31 December 2004

	Note	GAAP £'000 (Audited)	Effect of transition to IFRS £'000	IFRS £'000
Revenue		69,968	-	69,968
Employee benefit costs	a)	(40,390)	514	(39,876)
Depreciation and amortisation	b)	(1,751)	548	(1,203)
Other expenses		(24,892)	-	(24,892)
Total expenses		(67,033)	1,062	(65,971)
Operating Profit		2,935	1,062	3,997
Interest payable	c)	(268)	(1,351)	(1,619)
Interest receivable	d)	92	1,198	1,290
Exceptional finance credit		2,455	-	2,455
Total finance (costs) / credit		2,279	(153)	2,126
Profit before income tax		5,214	909	6,123
Income tax expense	e)	(240)	(120)	(360)
Profit for the period		4,974	789	5,763

The nature of adjustments from UK GAAP at 31 December 2004 is similar to those adjustments from UK GAAP to IFRS at 30 June 2004.

		£'000
a)	<i>Employee benefit costs</i>	
	Recognition of post-retirement benefit costs under IAS 19	552
	Recognition of charge for share options	(38)
	Total impact – decrease in Employee benefit costs	514

Notes to the consolidated interim financial statements (continued)

4. Transition to IFRS (continued)

b)	<i>Goodwill amortised</i>	
	Reversal of goodwill amortised in the period	548
	Total impact – decrease in Goodwill amortisation	548
c)	<i>Interest payable</i>	
	Recognition of post-retirement benefit costs under IAS 19	(1,351)
	Total impact – increase in interest payable	(1,351)
d)	<i>Interest receivable</i>	
	Recognition of post-retirement benefit credits under IAS 19	1,198
	Total impact – increase in interest receivable	1,198
e)	<i>Income tax expense</i>	
	Movement in deferred tax asset relating to Retirement benefit obligations	(120)
	Total impact – increase in income tax expense	(120)

4.2.7 Reconciliation of cash flow for the six months ended 30 June 2004

The only IFRS transition effects presented by the Group in its statement of cash flow for the six months ended 30 June 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 £144,000, reflecting the reclassification of computer software as an intangible asset in accordance with IAS 38, see 4.2.2 a) and b).

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

The nature of adjustments from UK GAAP to IFRS at 31 December 2004 is similar to those at 30 June 2004.

- a) Purchase of property, plant and equipment was reduced by, and the Purchase of intangible assets was increased by, £572,000.

Notes to the consolidated interim financial statements (continued)

5. Segment information

a. Primary reporting format – business segments

At 30 June 2005, the Group is organised into three main business segments: Professional Business Services, Software Solutions and Stock and Inventory Services.

The segment results for the period ended 30 June 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	20,126	7,299	11,473	1,285	40,183
Inter-segment sales	(20)	-	-	(1,285)	(1,305)
Sales	20,106	7,299	11,473	-	38,878
Operating profit	1,669	(287)	1,055	(92)	2,345
Net finance credit/(costs)					(201)
Profit before income taxes					2,144
Income taxes					(801)
Profit for the period after tax					1,343

The segment results for the period ended 30 June 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	18,318	6,131	11,265	1,253	36,967
Inter-segment sales	(20)	-	-	(1,253)	(1,273)
Sales	18,298	6,131	11,265	-	35,694
Operating profit	2,185	(557)	633	(28)	2,233
Net finance credit/(costs)					(189)
Profit before income taxes					2,044
Income taxes					(826)
Profit for the period after tax					1,218

Notes to the consolidated interim financial statements (continued)

5. Segment information (continued)

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)
Sales	37,269	12,976	19,723	-	69,968
Operating profit	4,293	(1,145)	958	(109)	3,997
Net finance credit/(costs)					(329)
Exceptional finance credit					2,455
Profit before income taxes					6,123
Income taxes					(360)
Profit for the period after tax					5,763

Other segment items included in the income statement are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
Depreciation and amortisation					
For the period ended 30 June 2005	345	149	124	21	639
For the period ended 30 June 2004	317	97	93	33	540
For the year ended 31 December 2004	647	247	248	61	1,203

The segment assets and liabilities at 30 June 2005 and capital expenditure for the period then ended are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
Assets	13,301	10,739	5,930	114	30,084
Deferred income tax assets					2,231
					32,315
Liabilities	9,520	4,344	4,471	1,438	19,773
Current income tax liabilities					325
Borrowings (excluding finance leases)					3,726
					23,824
Capital expenditure	998	511	64	22	1,595

Notes to the consolidated interim financial statements (continued)

5. Segment information (continued)

The segment assets and liabilities at 30 June 2004 and capital expenditure for the period then ended are as follows:

	Professional Business Services £'000	Software Solutions £'000	Stock and Inventory Services £'000	Other £'000	Group £'000
Assets	10,989	7,666	5,957	1,683	26,295
Deferred income tax assets					2,527
					28,822
Liabilities	9,531	3,581	4,062	1,675	18,849
Current income tax liabilities					942
Borrowings (excluding finance leases)					5,679
					25,470
Capital expenditure	258	352	70	5	685

The segment assets and liabilities at 31 December 2004 and capital expenditure for the period then ended 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 income tax assets					2,327
Current income tax asset					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.

Notes to the consolidated interim financial statements (continued)

5. Segment information (continued)

b. Secondary format – geographical segments

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

- UK
- Continental Europe
- Rest of the World.

The Rest of the World segment operations are mainly based in North America.

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

	30 June 2005	30 June 2004	31 December 2004
	£'000	£'000	£'000
Sales			
UK	31,793	29,629	57,083
Continental Europe	6,844	5,856	12,345
Rest of the World	241	209	540
	38,878	35,694	69,968

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

	30 June 2005	30 June 2004	31 December 2004
	£'000	£'000	£'000
Total assets			
UK	23,057	22,182	19,883
Continental Europe	6,754	4,058	5,548
Rest of the World	273	55	128
	30,084	26,295	25,559

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

	30 June 2005	30 June 2004	31 December 2004
	£'000	£'000	£'000
Capital expenditure			
UK	1,069	372	1,544
Continental Europe	526	309	856
Rest of the World	-	4	25
	1,595	685	2,425

6. Taxation

The tax charge for the six months ending 30 June 2005 has been based on a forecasted effective tax rate for the year to 31 December 2005 of 38% (2004: 42%), together with the movement in deferred tax asset relating to Retirement Benefit obligations.

A deferred tax asset of £207,000 was recognised at 31 December 2004, prior to any deferred tax relating to Retirement Benefit obligations, and there has been no material change in the position at 30 June 2005 (30 June 2004: £445,000).

Notes to the consolidated interim financial statements (continued)

7. Earnings per share

Basic

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 period.

	30 June 2005	30 June 2004	31 December 2004
Profit attributable to equity holders of the Company (£'000)	1,343	1,218	5,763
Weighted average number of ordinary shares in issue (thousands)	24,788	24,677	24,709
Basic earnings per share (pence)	5.42	4.94	23.32

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.

	30 June 2005	30 June 2004	31 December 2004
Profit attributable to equity holders of the Company (£'000)	1,343	1,218	5,763
Weighted average number of ordinary shares in issue (thousands)	24,788	24,677	24,709
Adjustment for share options (thousands)	285	438	368
Weighted average number of ordinary shares for diluted earnings per share (thousands)	25,073	25,115	25,077
Diluted earnings per share (pence)	5.36	4.85	22.98

8. Dividends per share

The dividends paid in June 2005 and June 2004 were £482,000 (2p per share) and £480,000 (2p per share) respectively. An interim dividend in respect of 2005 of 1p per share, amounting to a dividend of £242,000, was declared by the directors at their meeting on 13 September 2005. These financial statements do not reflect this dividend payable.

Notes to the consolidated interim financial statements (continued)

9. Retirement benefit obligations

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

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

The amounts recognised in the income statement are as follows:

	Half year to 30 June 2005 £'000	Half year to 30 June 2004 £'000	Year ended 31 December 2004 £'000
Current service cost	460	486	972
Interest cost	764	676	1,351
Expected return on plan assets	(611)	(599)	(1,198)
Total expense charged in income statement	613	563	1,125

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

	£'000
Beginning of the six-month period 1 January 2004	(7,466)
Total expense charged in the income statement	(563)
Contributions paid	1,090
End of the six month period 30 June 2004	(6,939)
Beginning of the six-month period 1 July 2004	(6,939)
Total expense charged in the income statement	(562)
Contributions paid	434
End of the six month period 31 December 2004	(7,067)
Beginning of the six-month period 1 January 2005	(7,067)
Total expense charged in the income statement	(613)
Contributions paid	935
End of the six month period 30 June 2005	(6,745)

Notes to the consolidated interim financial statements (continued)

10. Notes to the cash flow statement

a) Cash generated from / (used in) operations

	Half year to 30 June 2005	Half year to 30 June 2004	Year to 31 December 2004
	£'000	£'000	£'000
Profit for the period	1,343	1,218	5,763
Adjustments for:			
- tax charge	801	826	360
- finance costs	201	189	329
- exceptional finance credit	-	-	(2,455)
- depreciation	623	531	1,175
- amortisation of intangible assets	16	9	28
- (profit) / loss on sale of tangible assets	(16)	(1)	16
- loss on sale of intangible assets	-	-	31
- foreign currency translation	(74)	(50)	(9)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
- movement in share option charge	32	14	38
- movement in retirement benefit obligation	(475)	(604)	(552)
- decrease / (increase) in inventories	60	40	(43)
- increase in debtors	(3,976)	(4,077)	(734)
- increase / (decrease) in creditors	1,582	592	(259)
Cash generated from / (used in) operations	117	(1,313)	3,688

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:

	Half year to 30 June 2005
	£'000
Goodwill on acquisition	107
Property, plant and equipment	32
Net current assets	244
Consideration paid	383
Cash acquired	(244)
Net cash outflow	139

Notes to the consolidated interim financial statements (continued)

11. Fair value and other reserves

	Own Shares	Share premium	Merger reserve	Share option reserve	Capital redemption reserve	Total fair value and other reserves
Balance at 1 January 2004	(324)	3,780	945	-	10	4,411
Issue of share capital	-	42	-	-	-	42
Employee share option scheme:						
- value of services provided	-	-	-	14	-	14
Balance at 30 June 2004	(324)	3,822	945	14	10	4,467
Balance at 1 July 2004	(324)	3,822	945	14	10	4,467
Issue of share capital	-	4	-	-	-	4
Movement in respect of employee share scheme	(11)	-	-	-	-	(11)
Employee share option scheme:						
- value of services provided	-	-	-	24	-	24
Balance at 31 December 2004	(335)	3,826	945	38	10	4,484
Balance at 1 January 2005	(335)	3,826	945	38	10	4,484
Issue of share capital	-	65	-	-	-	65
Employee share option scheme:						
- value of services provided	-	-	-	32	-	32
Balance at 30 June 2005	(335)	3,891	945	70	10	4,581

GROUP COMPANIES

PROFESSIONAL BUSINESS SERVICES

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

Christie + Co

www.christie.com

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

Christie First www.christiefirst.com

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

Pinders

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

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

SOFTWARE SOLUTIONS

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

VcsTimeless

www.vcstimeless.com

Retail

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

Leisure and cinemas

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

STOCK AND INVENTORY SERVICES

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

Orridge

www.orridge.co.uk

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

Venners

www.venners.com

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