christie group plc

GOING THE EXTRA MILE

Passionate about your business

Interim Report 2016

...with the digital revolution

Christie Group provides a portfolio of over 70 professional business services for the leisure, retail and care sectors.

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

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

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

Professional Business Services

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

Stock & Inventory Systems & Services

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

Contents

Our brands

Professional Business Services

CHRISTIE & CO

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

www.christie.com

CHRISTIE FINANCE

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

www.christiefinance.com

CHRISTIE INSURANCE

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

www.christieinsurance.com

PINDERS

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

www.pinders.co.uk

Stock & Inventory Systems & Services

ORRIDGE
the Company that Counts

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

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

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venners
Maximised Profits. Optimised Controls.

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

www.venners.co.uk

VENNERSYS
Ticketing • EPoS • Online

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

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

CHRISTIE TIMELINE

1846	1896	1935	1952	1969	1977	1980	1984	1986	1988
Orridge Established	Venners founded	Christie & Co established	Christie & Co opens its first regional office in Exeter	Pinders established	Christie & Co opens Edinburgh office Reliance Consumer Credit formed, later becoming Christie Finance and Christie Insurance	Holding company established, which later became Christie Group plc	Venners acquired	Pinders acquired	Christie Group floated on London Stock Exchange

Where we are

Offices

46 offices across the UK, Continental Europe and Canada.

Employees

Employing over 3,100 professional and specialist staff.

1994	1998	1999	2000	2002	2005	2008	2010	2012	2013	2015
Orridge establishes its continental European business in Belgium	Christie & Co opens its Paris office, its first in mainland Europe	Christie & Co opens Frankfurt office	Christie & Co opens Barcelona office	Orridge acquired	Christie Group plc moves to AIM	Christie & Co expands into Finland with Helsinki office Vennersys established	Christie & Co opens Vienna office	Christie & Co opens Dublin and Warsaw offices	Orridge acquires Orridge Inventory Services GmbH Christie & Co opens Cardiff office	Christie & Co expands into Sweden with Stockholm office Christie & Co establishes Asia Desk

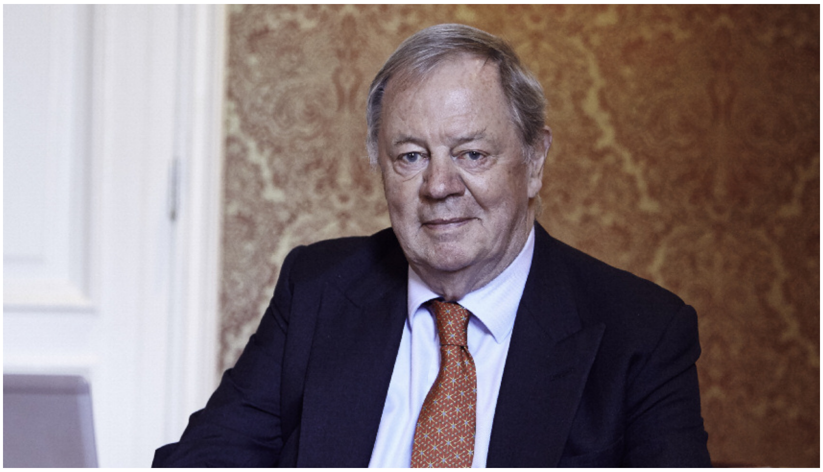
Highlights

- Revenue for the first half marginally lower than prior year at £31.6m (2015: £31.7m)
- Operating loss of £0.9m (2015: operating profit of £1.7m)
- Negative earnings per share of 4.95p per share (2015: 4.18p per share)
- Board expects a stronger and profitable second half
- Interim dividend maintained at 1.0p per share (2015: 1.0p per share)
- UK transactional pipelines at end of first half up 19% on H1 2015
- Strong European Hotel transaction activity
- Christie Finance's pipeline of loan transactions has grown by almost 50% on a year ago, while the average loan value arranged for clients has increased by 9%
- Impact of living wage on UK retail stocktaking operations offset by successful fee negotiations
- Christie & Co recognised as a "Superbrand" within the real estate sector

"After a difficult first half in the run up to the EU referendum, progress has resumed. We have stepped up the margin in our stocktaking division and are seeing increased activity in our transactional business. We look forward to a stronger finish to the year."

David Rugg, Chief Executive

Chairman's statement



As I envisaged in my AGM statement in June, reduced corporate activity in the M & A market in the run-up to the EU Referendum resulted in an operating loss of £0.9m (2015: £1.7m operating profit) on revenue of £31.6m (2015: £31.7m).

The quantum of the first-half operating loss was compounded by commissions foregone in a reaction to the EU referendum decision. This subdued revenue, coupled with a higher operating cost base which itself flowed from our decision to invest to drive further growth following that achieved in 2014 and 2015, combined to move our first-half performance back year-on-year. This investment has augmented the capacity within our Professional Business Services division.

Notwithstanding these factors, I am pleased to advise that post-Brexit and the ensuing short period of political instability which followed, business is returning towards more normal levels. Our continental operations remain both integral and supportive of what we do. European hotel transaction activity has been strong from a number of the countries in which we are present, with further territories expected to contribute as we move forwards.

The major UK banks which support our sectors have been incentivised to lend by the Bank of England. We can also expect strong inward UK investment based upon a rebased low sterling exchange rate.

Across our sectors we expect that inbound tourism should boom, whilst our hospitality businesses and petrol forecourts also benefit from the staycation. An ageing population supports the Care industry and even longer-working grandparents are boosting occupancy for Children's Day Nurseries. Consumer staples will ensure that convenience retailing continues to flourish.

Professional Business Services

Christie & Co has been identified by The Centre for Brand Analysis as a "Superbrand" in a survey commissioned by The Estates Gazette, a pleasing endorsement of its rebranding earlier this year.

The introduction of the Living Wage in April increased the operating costs of the businesses we sell where, in general, wage costs are the largest variable operating cost. This will in many cases have an effect on their short-term profitability. We have, however, as yet seen no uptick in the level of distress-driven sales mandates.

Volumes of UK business sales have remained subdued. Notwithstanding this, we completed the sale of 6 regional Hilton hotels on behalf of Oaktree Capital, Westmont and Paulsons to 6 individual buyers.

Across the Channel we have been busy selling the Radisson Sun Gardens Dubrovnik to a group of Chinese investors, illustrating once again our ability to close transactions outside of those countries where we have physical locations.

Internationally, we have been provided with a number of key instructions across Europe such as two Novotel hotels in Hungary, Modlin Fortress in Warsaw and The Gresham in Dublin.

Christie & Co provided advisory services relating to one of the largest hotel portfolio transactions completed in Q2 of this year, continuing its trend of advising on a significant proportion of the major UK hotel portfolio transactions that have taken place in recent years.

Our valuers were also busy supporting the sale of Liberation Group's owners LGV to Caledonia Group for £118m. A portfolio of both UK and Channel Island pubs, as well as around 300 convenience stores, were sold from Co-Op to McColls.

In the Medical sector, we continued to diversify and took instructions on a major aesthetics dispensing business. We have also been instructed to sell a portfolio of pharmacies on behalf of Lloyds Pharmacy. Dental projects also included the sale of a substantial pair of dental practices, Smile and Madeira Dental Care in Dorset, for in excess of the asking price of £2.5m.

In the Care division, and more specifically our Childcare & Education team, we successfully brokered the sale of Bush

Babies Children's Nurseries to Busy Bees Childcare as well as selling First Class Child Care to Just Childcare in the first half. This success has continued into the second half, where we recently completed the sale of Positive Steps Children's Day Nurseries – also to Busy Bees Childcare – in a deal believed to be the largest in the sector this year.

Whilst corporate valuation instructions were lower, we saw an overall net increase of 12.5% in the number of single asset instructions received for SME owners, buyers and their banks.

Christie & Co's hotly anticipated research report entitled Adult Social Care 2016: Funding, Staffing & The Bottom Line was released in July 2016 at an event held at the Royal Nursing College in London which was attended by over 70 key clients and industry figures. It illustrates once again our skills and knowledge base that stretches well beyond property.

Christie Finance's pipeline of loan transactions has grown by almost 50% over the corresponding point last year, whilst the value of Christie Insurance's renewals book increased by 9%.

Pinders, our business appraiser, undertook a significant volume of business in the education sector, providing specialist advice relating to assets with a combined value of some £100m, on behalf of a number of lenders, who have increasingly targeted this sector.

Stock & Inventory Systems & Services

In our hospitality stocktaking business, Venners, new client wins have continued in 2016. Those we have added include Bravo Inns and Arena Racing Company. Our Consultancy offering has been taken on board by, amongst others, HQ Theatres, Lewis Partnership, Accor and Macdonald Hotels and in Ireland by Rezidor Hotels.

Golf club additions in Ireland include Holywood, Banbridge, Fort William and Lisburn, meaning that we now assist over 60 golf clubs to maximise profit from their bars, dining rooms and shops across the UK and Ireland.

In Retail stocktaking, new opportunities continue to arise for Orridge, based upon quality of service. New work has been secured with Englehorn, Habitat, Adidas and Hallhuber.

Our fee negotiations, triggered by the introduction of the Living Wage, are now complete and we have been able to recover the increased cost. Additionally, we have seen an encouraging response from new counter and supervisor bonus schemes which have been introduced alongside changes in working practices to increase productivity. In Germany, we have invested in larger capacity people carriers and more powerful technology to increase efficiency.

Within Vennersys, VenPoS Cloud, our Visitor Attraction software system, continues to attract new clients as we increase its wide functionality. New functionality includes the new VenPoS handy terminal which facilitates flexible stocktaking with linked reporting in our site manager suite. Our third party ticket generator allows our users to allocate tickets to the likes of Amazon to sell tickets on the attraction operators' behalf.

We have introduced "My account" functionality to our consumer site allowing visitor attractions to increase efficiency by enabling their customers to self-manage their bookings as well as allowing visitor attractions to tailor promotions and advance purchase offers to members.

We have signed our first distillery at Glenmorangie, our first cemetery at Highgate, our first Maze – The Wizard Maze – and further stately homes, including Floors Castle.

Outlook

The EU Referendum inevitably disrupted our first half trading. Our markets in the UK remain steady, if unspectacular. The banks we work with have been freed to lend. Our UK markets are attracting inward investment based, in part, on a lower value of sterling.

Our team hails from 23 countries, many naturalised or with permit rights of residence abroad. We value the collaboration of all of our colleagues which is intrinsic to the success of our business. I thank each of them on your behalf for their continuing contribution.

We continue to expect a stronger and profitable second half's trading.

Cash flow in the first half of the year reflects the first half trading performance combined with anticipated working capital outflow. The latter is expected to unwind in the second half of the year, with stronger second half trading improving cash generation.

We work in a real economy. Our underlying financial covenant is the millions of customers our clients' businesses serve, so our markets are both strong and soundly-based. We are optimistic of the prospects for our markets and our businesses.

Severe storms on the night of 22 June flooded our head office power supply forcing us to relocate to temporary accommodation for five weeks. On your behalf I thank our continuity planners and those who implemented our plans which enabled us to continue to trade with extremely limited disruption.

The Board has declared a maintained interim dividend of 1.0p (2015: 1.0p per share) which will be paid on 14 October 2016 to shareholders on the register on 23 September 2016.

Philip Gwyn
Chairman

Consolidated interim income statement

	Note	Half year to 30 June 2016 (Unaudited) £'000	Half year to 30 June 2015 (Unaudited) £'000	Year ended 31 December 2015 £'000
Revenue	4	31,575	31,738	63,743
Employee benefit expenses		(23,260)	(21,329)	(42,888)
		8,315	10,409	20,855
Depreciation and amortisation		(352)	(266)	(576)
Impairment credit		–	–	143
Other operating expenses		(8,867)	(8,427)	(16,659)
Operating (loss)/profit	4	(904)	1,716	3,763
Finance costs		(47)	(49)	(91)
Pension scheme finance costs		(216)	(256)	(511)
Total finance charge		(263)	(305)	(602)
(Loss)/profit before tax		(1,167)	1,411	3,161
Taxation	5	(202)	(409)	(614)
(Loss)/profit for the period after tax		(1,369)	1,002	2,547
All amounts derive from continuing operations.				
(Loss)/profit for the period after tax attributable to:				
– Equity shareholders of the parent		(1,301)	1,091	2,712
– Non-Controlling interest		(68)	(89)	(165)
		(1,369)	1,002	2,547
Earnings per share attributable to equity holders – pence				
– Basic	6	(4.95)	4.18	9.73
– Fully diluted	6	(4.95)	4.06	9.47

Consolidated interim statement of comprehensive income

	Half year to 30 June 2016 (Unaudited) £'000	Half year to 30 June 2015 (Unaudited) £'000	Year ended 31 December 2015 £'000
(Loss)/profit for the period after tax	(1,369)	1,002	2,547
Other comprehensive (losses)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	143	(67)	(72)
Net other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods	143	(67)	(72)
Items that will not be reclassified to profit or loss:			
Re-measurement (losses)/gains on defined benefit plans	(3,046)	57	1,676
Income tax effect	459	(11)	(335)
Net other comprehensive (losses)/income not being reclassified to profit or loss in subsequent periods	(2,587)	46	1,341
Other comprehensive (losses)/income for the period, net of tax	(2,444)	(21)	1,269
Total comprehensive (losses)/income for the period	(3,813)	981	3,816
Total comprehensive (losses)/income attributable to:			
Equity shareholders of the parent	(3,745)	1,070	3,981
Non-controlling interest	(68)	(89)	(165)
	(3,813)	981	3,816

Consolidated interim statement of changes in shareholders' equity

Half year to 30 June 2015 (Unaudited)	Share capital £'000	Fair value and other reserves £'000	Cumulative translation adjustments £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2015	531	4,954	544	(12,473)	(289)	(6,733)
Profit/(loss) for the period after tax	–	–	–	1,091	(89)	1,002
Items that will not be reclassified subsequently to profit or loss	–	–	–	46	–	46
Items that may be reclassified subsequently to profit or loss	–	–	(67)	–	–	(67)
Total comprehensive (losses)/income for the period	–	–	(67)	1,137	(89)	981
Movement in respect of employee share scheme	–	144	–	–	–	144
Employee share option scheme:						
– value of services provided	–	91	–	–	–	91
Dividends paid	–	–	–	(392)	–	(392)
Balance at 30 June 2015	531	5,189	477	(11,728)	(378)	(5,909)

Year ended 31 December 2015 (Audited)	Share capital £'000	Fair value and other reserves £'000	Cumulative translation adjustments £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2015	531	4,954	544	(12,473)	(289)	(6,733)
Profit/(loss) for the year after tax	–	–	–	2,712	(165)	2,547
Items that will not be reclassified subsequently to profit or loss	–	–	–	1,341	–	1,341
Items that may be reclassified subsequently to profit or loss	–	–	(72)	–	–	(72)
Total comprehensive (losses)/income for the year	–	–	(72)	4,053	(165)	3,816
Movement in respect of employee share scheme	–	69	–	–	–	69
Employee share option scheme:						
– value of services provided	–	184	–	–	–	184
Dividends paid	–	–	–	(653)	–	(653)
Balance at 31 December 2015	531	5,207	472	(9,073)	(454)	(3,317)

Half year to 30 June 2016 (Unaudited)	Share capital £'000	Fair value and other reserves £'000	Cumulative translation adjustments £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2016	531	5,207	472	(9,073)	(454)	(3,317)
Profit/(loss) for the period after tax	–	–	–	(1,301)	(68)	(1,369)
Items that will not be reclassified subsequently to profit or loss	–	–	–	(2,587)	–	(2,587)
Items that may be reclassified subsequently to profit or loss	–	–	143	–	–	143
Total comprehensive (losses)/income for the period	–	–	143	(3,888)	(68)	(3,813)
Movement in respect of employee share scheme	–	117	–	–	–	117
Employee share option scheme:						
– value of services provided	–	2	–	–	–	2
Dividends payable	–	–	–	(394)	–	(394)
Balance at 30 June 2016	531	5,326	615	(13,355)	(522)	(7,405)

Consolidated interim statement of financial position

	Note	At 30 June 2016 (Unaudited) £'000	At 30 June 2015 (Unaudited) £'000	At 31 December 2015 £'000
Assets				
Non-current assets				
Intangible assets – Goodwill		1,790	1,674	1,703
Intangible assets – Other		1,226	854	1,066
Property, plant and equipment		1,251	994	1,095
Deferred tax assets		3,613	3,814	3,266
Available-for-sale financial assets		635	635	635
Other receivables		451	465	451
		8,966	8,436	8,216
Current assets				
Inventories		8	4	6
Trade and other receivables		12,913	14,172	12,007
Current tax assets		243	12	45
Cash and cash equivalents	11	2,348	472	3,621
		15,512	14,660	15,679
Total assets		24,478	23,096	23,895
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital	8	531	531	531
Fair value and other reserves		5,326	5,189	5,207
Cumulative translation reserve		615	477	472
Retained earnings		(13,355)	(11,728)	(9,073)
		(6,883)	(5,531)	(2,863)
Non-controlling interest		(522)	(378)	(454)
Total equity		(7,405)	(5,909)	(3,317)
Liabilities				
Non-current liabilities				
Retirement benefit obligations	9	14,721	13,728	11,958
Borrowings		3	–	7
Provisions		281	313	155
		15,005	14,041	12,120
Current liabilities				
Trade and other payables		9,438	8,747	9,052
Current tax liabilities		73	808	–
Borrowings		6,479	3,397	4,288
Provisions		888	2,012	1,752
		16,878	14,964	15,092
Total liabilities		31,883	29,005	27,212
Total equity and liabilities		24,478	23,096	23,895

Consolidated interim statement of cash flows

	Note	Half year to 30 June 2016 (Unaudited) £'000	Half year to 30 June 2015 (Unaudited) £'000	Year ended 31 December 2015 £'000
Cash flow from operating activities				
Cash (used in)/generated from operations	10	(2,735)	(1,274)	2,681
Interest paid		(47)	(49)	(91)
Tax paid		(129)	(11)	(831)
Net cash (used in)/generated from operating activities		(2,911)	(1,334)	1,759
Cash flow from investing activities				
Purchase of property, plant and equipment (PPE)		(373)	(291)	(571)
Proceeds from sale of PPE		14	9	21
Intangible assets expenditure		(297)	(244)	(574)
Net cash used in investing activities		(656)	(526)	(1,124)
Cash flow from financing activities				
Proceeds from invoice discounting		1,158	291	56
Payment of finance lease liabilities		(4)	–	(10)
Dividends paid		–	(392)	(653)
Net cash generated from/(used in) financing activities		1,154	(101)	(607)
Net (decrease)/increase in cash and cash equivalents		(2,413)	(1,961)	28
Cash and cash equivalents at beginning of period		17	6	6
Exchange gain/(losses) on Euro bank accounts		107	(58)	(17)
Cash and cash equivalents at end of period	11	(2,289)	(2,013)	17

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

2. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 December 2016.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, except for those noted below and except for the adoption of new standards and interpretations effective as of 1 January 2016. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

A number of amendments apply for the first time in 2016. However, they do not materially impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Non-statutory accounts

These consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The financial information for the year ended 31 December 2015 set out in this interim report does not constitute the Group's statutory accounts for that period. The statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis. The financial information for the periods ended 30 June 2016 and 30 June 2015 is unaudited.

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.

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 consistent with those applied to the consolidated financial statements for the year ended 31 December 2015.

4. Segment information

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

The reportable segment results for continuing operations for the period ended 30 June 2016 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
Total gross segment revenue	16,440	15,188	1,538	33,166
Inter-segment revenue	(53)	–	(1,538)	(1,591)
Revenue	16,387	15,188	–	31,575
Operating loss	(414)	(116)	(374)	(904)
Net finance charge				(263)
Loss before tax				(1,167)
Taxation				(202)
Loss for the period after tax				(1,369)

The reportable segment results for continuing operations for the period ended 30 June 2015 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
Total gross segment revenue	17,574	14,216	1,520	33,310
Inter-segment revenue	(52)	–	(1,520)	(1,572)
Revenue	17,522	14,216	–	31,738
Operating profit/(loss)	2,444	(394)	(334)	1,716
Net finance charge				(305)
Profit before tax				1,411
Taxation				(409)
Profit for the period after tax				1,002

4. Segment information continued

The reportable segment results for continuing operations for the year ended 31 December 2015 are as follows:

	Professional Business Services £'000	Stock & Inventory Systems & Services £'000	Other £'000	Group £'000
Total gross segment revenue	36,369	27,478	4,312	68,159
Inter-segment revenue	(104)	–	(4,312)	(4,416)
Revenue	36,265	27,478	–	63,743
Operating profit/(loss)	4,646	(953)	70	3,763
Net finance charge	(353)	(179)	(70)	(602)
Profit before tax				3,161
Taxation				(614)
Profit for the year after tax				2,547

The Group is not reliant on any key customers.

5. Taxation

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 tax on the Group's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 20%, based on the Group's profit before tax and before pension scheme finance costs, due to £44,000 arising from the reduction in the value of the brought forward deferred tax asset and a further £259,000 arising from other movements in the deferred tax asset.

6. 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 period, which excludes the shares held in the Employee Share Ownership Plan (ESOP) trust.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential dilutive ordinary shares: share options. Where a loss for the year has been recognised the share options are considered anti-dilutive and so not included in the calculation of diluted earnings per share.

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.

6. Earnings per share continued

	Half year to 30 June 2016 £'000	Half year to 30 June 2015 £'000	Year ended 31 December 2015 £'000
(Loss)/profit from total operations attributable to equity holders of the Company	(1,301)	1,091	2,712

	30 June 2016 Thousands	30 June 2015 Thousands	31 December 2015 Thousands
Weighted average number of ordinary shares in issue	26,279	26,113	26,171
Adjustment for share options	–	716	714
Weighted average number of ordinary shares for diluted earnings per share	26,279	26,829	26,885

	30 June 2016 Pence	30 June 2015 Pence	31 December 2015 Pence
Basic earnings per share	(4.95)	4.18	9.73
Fully diluted earnings per share	(4.95)	4.06	9.47

7. Dividends

A final dividend in respect of the year ended 31 December 2015 of 1.5p per share, amounting to a total dividend of £394,000, was approved and paid to the Christie Group plc registrar on 4 July 2016. The funds were transferred to shareholders on 8 July 2016.

An interim dividend in respect of 2016 of 1.0p per share, amounting to a dividend of £265,000, was declared by the directors at their meeting on 7 September 2016. These financial statements do not reflect this dividend payable.

The dividend of 1.0p per share will be payable to shareholders on the record on 23 September 2016. The ex-dividend date will be 22 September 2016. The dividend will be paid on 14 October 2016.

8. Share capital

Ordinary shares of 2p each	30 June 2016 Number	30 June 2016 £'000	30 June 2015 Number	30 June 2015 £'000	31 December 2015 Number	31 December 2015 £'000
Allotted and fully paid: At beginning and end of period	26,526,729	531	26,526,729	531	26,526,729	531

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

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

At 30 June 2016 the total payments by the Group to the ESOP to finance the purchase of ordinary shares were £2,639,000 (30 June 2015: £2,658,000; 31 December 2015: £2,643,000). This figure is inclusive of shares purchased and subsequently issued to satisfy employee share awards. The market value at 30 June 2016 of the ordinary shares held in the ESOP was £203,000 (30 June 2015: £487,000; 31 December 2015: £299,000). The investment in own shares represents 247,000 shares (30 June 2015: 368,000; 31 December 2015: 235,000) with a nominal value of 2p each.

9. Retirement benefit obligations

The obligation outstanding of £14,721,000 (30 June 2015: £13,728,000; 31 December 2015: £11,958,000) includes £962,000 (30 June 2015: £980,000; 31 December 2015: £986,000) relating to David Rugg who transferred 80% of his accrued benefits out of the Christie Group Pension and Assurance Scheme during 2014 leaving the residual benefit payable to Mr Rugg under agreement of the Christie Group plc Remuneration Committee.

The Group operates two defined benefit schemes (closed to new members) providing pensions 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 statement of comprehensive income and the movement in the liability recognised in the statement of financial position have been based on the forecast position for the year ended 31 December 2016 after adjusting for the actual contributions to be paid in the period.

9. Retirement benefit obligations continued

The movement in the liability recognised in the statement of financial position is as follows:

	Half year to 30 June 2016 £'000	Half year to 30 June 2015 £'000	Year ended 31 December 2015 £'000
Beginning of the period	11,958	13,970	13,970
Expenses included in the employee benefit expense	303	314	657
Contributions paid	(778)	(743)	(1,468)
Finance costs	216	256	511
Pension paid	(24)	(12)	(36)
Actuarial losses/(gains) recognised	3,046	(57)	1,676
End of the period	14,721	13,728	11,958

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

	Half year to 30 June 2016 £'000	Half year to 30 June 2015 £'000	Year ended 31 December 2015 £'000
Current service cost	303	314	657
Total included in employee benefit expenses	303	314	657
Net interest cost	216	256	511
Total included in finance costs	216	256	511
Actuarial (losses)/gains	(3,046)	57	(1,676)
Total included in other comprehensive (losses)/income	(3,046)	57	(1,676)

The principal actuarial assumptions used were as follows:

	Half year to 30 June 2016 %	Half year to 30 June 2015 %	Year ended 31 December 2015 %
Inflation rate	2.70	3.00	3.00
Discount rate	3.10	4.00	4.00
Future salary increases	2.70	3.00	3.00 – 3.10
Future pension increases	1.90 – 2.70	2.20 – 3.40	2.20 – 3.40

Assumptions regarding future mortality experience were consistent with those disclosed in the financial statements for the year ended 31 December 2015.

10. Note to the cash flow statement

Cash (used in)/generated from operations

	Half year to 30 June 2016 £'000	Half year to 30 June 2015 £'000	Year ended 31 December 2015 £'000
Continuing operations			
(Loss)/profit for the period	(1,369)	1,002	2,547
Adjustments for:			
– Taxation	202	409	614
– Finance costs	47	49	91
– Depreciation	216	179	371
– Amortisation of intangible assets	136	87	205
– Profit on sale of property, plant and equipment	(9)	(3)	(6)
– Foreign currency translation	(102)	(44)	(55)
– (Decrease)/increase in provisions	(738)	34	(384)
– Movement in share option charge	117	91	184
– Retirement benefits	(283)	(185)	(336)
– Decrease in non-current other receivables	–	–	14
Changes in working capital (excluding the effects of exchange differences on consolidation):			
– Increase in inventories	(2)	(2)	(4)
– Increase in trade and other receivables	(919)	(3,059)	(970)
– (Decrease)/increase in trade and other payables	(31)	168	410
Cash (used in)/generated from operations	(2,735)	(1,274)	2,681

11. Cash and cash equivalents include the following for the purposes of the cash flow statement:

	Half year to 30 June 2016 £'000	Half year to 30 June 2015 £'000	Year ended 31 December 2015 £'000
Cash and cash equivalents	2,348	472	3,621
Bank overdrafts	(4,637)	(2,485)	(3,604)
	(2,289)	(2,013)	17

12. Related-party transactions

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

During the period rentals of £164,000 (30 June 2015: £162,000; 31 December 2015: £325,000) were paid to Carmelite Property Limited, a company incorporated in England and Wales, and jointly owned by The Christie Group Pension and Assurance Scheme, The Venners Retirement Benefit Fund and The Fitzroy Square Pension Fund, by Christie Group plc in accordance with the terms of a long-term lease agreement.

13. Publication of Interim Report

The 2016 Interim Financial Statements are available on the Company's website www.christiegroup.com

Company information

Board of directors

Philip Gwyn	Chairman
David Rugg	Chief Executive
Dan Prickett	Chief Financial Officer
Chris Day	Executive Director
Paul Harding	Executive Director
Tony Chambers	Senior Non-executive Director
Pommy Sarwal	Non-executive Director

Secretary
Dan Prickett FCA

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

Nominated adviser and broker
Panmure Gordon (UK) Limited

Principal solicitors
Royds
SNR Denton

Auditors
Nexia Smith & Williamson Audit

Financial calendar

Announcements

Preliminary full-year results for 2016	April 2017

Half-year dividend 2016

Ex-dividend	22 September 2016
Record date	23 September 2016
Payment date	14 October 2016

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

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

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

0871 664 0300 from the UK and +44 (0) 20 8639 3399 from overseas. (Calls cost 12 pence per minute plus network extras. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9am to 5:30pm Mon – Fri, excluding public holidays in England and Wales).

shareholderenquiries@capita.co.uk

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

Shareholder information

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

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

Voting online and the shareholder portal – www.capitashareportal.com
You will need your investor code, which can be found on your share certificate(s) to register for the shareholder portal.

Once you have registered, you can immediately:

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

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

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

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

- by phone on 0871 664 0300 from the UK and +44 (0) 20 8639 3399 from overseas. (Calls cost 12 pence per minute plus network extras. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9am to 5:30pm Mon – Fri, excluding public holidays in England and Wales) OR
- by e-mail at shareholderenquiries@capita.co.uk

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

www.sharegift.org/donate-shares

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

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FCA before getting involved. You can check at: www.fca.org.uk/register
- Report the matter to the FCA by calling 0800 111 6768.
- If the calls persist, hang up.

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

Identity theft
Tips for protecting your shares in the company:

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

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