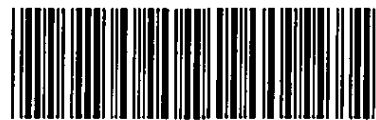


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COMPANIES HOUSE

Adding value

Christie Group plc
Annual Report 2006

COMPANY NUMBER 1471939

Christie Group offers a portfolio of 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.

Our vision

To continue to flourish as a business services and software group serving the needs of predominantly European and North American clients

Our objective

To build on our substantial strengths and successes in our chosen sectors

Our aim

To grow our business through product development, new services and appropriate acquisitions and strategic alliances – while best serving our customers needs

Financial highlights

Revenue	Operating profit	Basic earnings per share	
	£'000	£ 000	pence

Our year in brief

- Revenue up by 12%
- Operating profit up by 38%
- Earnings per share up 57% to 16.90p
- Total dividend for 2006 up 0.5p to 4p
- Christie + Co's European offices into profit
- New Christie + Co offices opened in Marseilles and Dusseldorf
- Orridge wins major food retailer
- First BeStore customer for VCSTIMELESS
- Strong performance in buoyant market for Professional Business Services Division

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Our divisions

Professional business services

Software solutions

Stock & inventory services

Revenue

Business sales and valuations, consultancy and financial services

Christie + Co

www.christie.com
www.christiecorporate.com

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

Christie Finance and Christie Insurance

www.christieinsurance.com
www.christiefinance.com

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

Pinders

www.pinders.co.uk
www.pinderpack.co.uk

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. The Building Consultancy Division offers a full range of project management, building monitoring and surveying services. Instructions are undertaken for a broad cross section of corporate, charity, private and public sector clients.

EPoS and head office systems

VCSTIMELESS

www.vcstimeless.com

Retail

The VCSTIMELESS retail applications address such sectors as fashion accessories, luggage, leather goods, sports footwear, home furnishings, perfumery and toys. Solutions include merchandising planning and management, forecasting, supply chain optimisation, EPoS, CRM 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. Columbus next is a next generation supply chain optimisation and decision support solution.

Leisure and cinemas

VCSTIMELESS VENPoS and Vista-branded leisure, hospitality and cinema management softwares comprise admissions, head office, back office and online ticketing modules.

Stock and inventory control

Orridge

www.orridge.co.uk
Europe's longest established stocktaking business specialising in all fields of retail stocktaking including high street, warehousing, food and factory. It also 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
The leading supplier of stocktaking, inventory control, audit and related stock management services to the hospitality sector. Bespoke software and systems enable real time management reporting to its customer base using the most up-to-date technology.

Our sectors

Leisure

Retail

Care

Turnover

Sector constituent industries

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> • Hotels • Pubs & Bars • Restaurants • Takeaways • Sports & Fitness Clubs • Cinemas & Entertainment Venues • Visitor Attractions • Destination Resorts • Caravan & Holiday Parks • Guesthouses • Casinos & Bingo Halls • Railways • Nightclubs • Currency Exchange Bureaux • Event Caterers • Ten-pin Bowling Alleys | <ul style="list-style-type: none"> • Supermarkets Convenience Stores & Bakeries • Fashion & Footwear Outlets • Jewellery & Accessories Shops • Lifestyle & Home Furnishings Stores • Newsagents & Booksellers • DIY & Garden Centres • Off-licences • Sports & Leisure Stores • Post Offices • Perfumery & Beauty Care Outlets • Warehouses & Supply Chain Premises • Professional Practices • Forecourt Businesses • Luggage & Leather Goods Shops • Department Stores | <ul style="list-style-type: none"> • Residential Care Homes • Nursing Homes • Domiciliary Care Businesses • Hospitals • Close Care/Assisted Living Centres • Surgeries • Daycare & Childcare Centres • Schools & Colleges • Pharmacies • Dental Practices |
|---|--|---|

Christie**Group offices****Countries where we have transacted business**

Belgium	Algeria	Czech Republic	Japan	Poland	Tunisia
Canada	Andorra	Denmark	Kenya	Portugal	Turkey
France	Angola	Dominican Republic	Kuwait	Qatar	United Arab Emirates
Germany	Austria	Egypt	Latvia	Reunion	United Kingdom
Italy	Bahamas	France	Lebanon	Romania	United States of America
Spain	Bahrain	Gabon	Luxembourg	Russia	
United Kingdom	Barbados	Germany	Mali	Saudi Arabia	
	Belgium	Greece	Malta	Senegal	
	Brazil	Guadeloupe	Martinique	Singapore	
	Cameroon	Hong Kong	Mauritius	Spain	
	Canada	Hungary	Mexico	Sweden	
	Cape Verde	Iceland	Monaco	Switzerland	
	Channel Islands	Ireland	Morocco	Taiwan	
	China	Ile of Man	Netherlands	Tanzania	
	Costa Rica	Israel	Norway	Thailand	
	Cyprus	Italy	Panama	Trinidad and Tobago	

I AM PLEASED TO REPORT THAT OUR OPERATING PROFIT FOR THE YEAR INCREASED BY 38% TO £6.1 MILLION ON SALES WHICH GREW BY 12% TO £87.1 MILLION.

Our agency and valuations business, Christie + Co, gave a robust performance. It continues to benefit from its focus on substantial but specialist business areas such as licensed, leisure, care and retail, to a depth of understanding that cannot be matched by any of our competitors.

A particularly pleasing aspect of the year is that the European offices of Christie + Co came into profit for the first time, having achieved a 54% sales gain in the year. The first European office was opened nine years ago. Since that time, the growth of the European business has been supported by strong marketing aimed at developing the Christie + Co brand. We have also opened other offices in major national or regional centres and finally we have recruited and developed suitably skilled staff members. We now have eight offices in three countries (France, Spain and Germany). We believe the way ahead should prove less arduous.

In aggregate, the Professional Business Services division produced a profit of £8.4 million on a turnover of £49.7 million.

Our software solutions business produced an increased loss of £2.4 million. Whilst sales increased to £15.1 million, our new software was only available for pilot testing towards the end of this period, but we believe this should generate increasing sales orders as the year progresses.

Our stocktaking division continued to grow, but as reported in my interim statement, in what proved to be something of a transitional year, it incurred high training costs as part of re-equipping. We won our first major food retailer, Co-op, and we foresee good growth prospects for us in this sector.

In summary, professional business services and stock and inventory services together generated over £8.9 million operating profit and £11.6 million of cash. Continued investment in software development is programmed for 2007 and 2008. We intend to meet such costs from our existing cash resources, without impinging on our ability to fund growth in our profitable divisions.

We have enjoyed a very good year, thanks to the commitment of our skilled teams and we continue to see scope for further improvement.

Philip Gwyn
Chairman

MILESTONES IN 2006

FEBRUARY

VCSTIMELESS's flagship product, Columbus Enterprise, wins an award in Spain for the best retail management software solution.

APRIL

Christie + Co begins its roll-out of Eclipse, a bespoke e-marketing tool, across its network of UK and European offices.

VCSTIMELESS launches its new look with a new logo and a more modern identity.

MAY

VCSTIMELESS launches the Columbus next concept at its European User Conference.

The launch of VenPowa, Venners' new software package that assists operators in controlling their stock movements.

“We have enjoyed a very good year, thanks to the commitment of our skilled teams, and we continue to see scope for further improvement”

JULY

Pommy Sarwal is appointed as a Christie Group Non-executive Director

AUGUST

Christie Group purchased the remaining 10% of Orridge SA (Belgium) making it a wholly-owned subsidiary

SEPTEMBER

Christie + Co opens new offices in Marseilles and Dusseldorf

Orridge expands into food retail stocktaking after winning a contract with the Co-op

Our business philosophy is to focus on what we know and do best. Years of experience serving leisure, retail and care clients have given us a profound understanding of the operational dynamics that govern these sectors. As a result, our clients – and ultimately Christie Group stakeholders – gain the full benefit of our skills and expertise.

Adhering to our philosophy served us well in 2006. Our turnover rose by 12% from £77.5 million to £87.1 million. Equally encouraging, our total operating profit rose by 38% from £4.4 million to £6.1 million. Each of our three divisions – professional business services, software solutions and stock and inventory services – achieved material organic growth within our areas of business activity.

Consistent with our strategy, each division also worked to develop a portfolio of logically related pan-European services meeting the requirements that run throughout our clients' business activities. During the year we reinforced this continental platform with the opening of new offices in Marseille and Düsseldorf. Now, we are better placed than ever in France and Germany and particularly well-positioned to grow our hotel consultancy and retail stocktaking and software business in an enlarged European Union. As a result, our business risks and opportunities are diversified across a number of economies, industry sectors and types of service provision.

“EACH OF OUR THREE DIVISIONS... ACHIEVED MATERIAL ORGANIC GROWTH WITHIN OUR AREAS OF BUSINESS ACTIVITY.”

Our investment policy has also proved to be successful. We continue to provide the requisite time, energy, expertise and people in all our businesses, and we have invested in new products and appropriate strategic alliances. An example of this is our partnership with the Japanese third-party IT service provider PBC. Also during 2006, we built on the success of existing partnerships with other leading third-party companies such as Capgemini, BearingPoint and LogicaCMG.

What we are not doing, however, is engaging in technological innovation for its own sake. That is not in our or our customers' interests. Instead, in 2006 we continued to ensure that our investment in research and development programmes was confined to creating new products and services that would give us a competitive edge in best meeting customers' needs. Looking ahead, while Christie Group

remains a market leader in the services we provide, the potential for growth remains significant. In each of our three divisions, we pursue a strategy for growth by accessing a wider geographical market for our products and services, and deliberately moving higher up the value chain - whilst maintaining our penetration of private clients' requirements in our multi-domestic markets. Our client focus is often the requirement of the company or division in addition to that of the individual trading unit.

The arrival of financial buyers in our business environment increases our ability to provide services across the leisure, retail and care markets as such investors are catholic in the range of businesses they own. In each of our chosen sectors, we see opportunities to serve a wider range of businesses without losing our sector focus. Examples include forecourt businesses, domiciliary care and event catering.

One of the challenges to sustainable growth is attracting and retaining the right people. In 2006 we made progress in this area, selectively expanding our staff while our profits for the same period rose by 38%. The productivity and professionalism of everyone in the group should be applauded.

Thanks to the efforts of Christie Group people, we are well-equipped to face the future.

David Rugg
Chief Executive

OUR STRATEGY FOR GROWTH

European expansion

Each of our divisions is developing a portfolio of logically related pan-European services that run through our clients' business activities. As a result, our business risks and opportunities are diversified across a number of economies, industry sectors and types of service provision.

Leveraging our synergies

Our logically related services, skills and expertise are put to best use, especially when two or more of our companies combine their complementary skills for the benefit of our clients.

Increasing our penetration of our core sectors

As the business environment within our specialist sectors matures, we see opportunities to serve a wider range of businesses without losing our sector focus.

OUR EXPANSION IN EUROPE IS BASED ON CLIENT DEMAND AND MARKET OPPORTUNITIES ACROSS MULTIPLE NATIONAL ECONOMIES THROUGH OUR EXISTING PORTFOLIO OF SERVICES

In 2000, Christie Group acquired Groupe Timeless to complement Venners Computer Systems, its existing hospitality software business. Timeless specialises in software for integrated French fashion manufacturers and retailers

The acquisition of Timeless was important in establishing a pan-European presence for the group as a whole. Over the next few years VCS and Timeless were re-branded as VCSTIMELESS and expansion was accelerated as customers sought a single system with support across national boundaries. New offices were opened in Spain and Italy and, to date, VCSTIMELESS has provided systems to around 450 brands in over 20 European countries and others worldwide.

At the same time the group's platform on the continent was being extended through new Christie + Co offices. The first of these was Paris in 1998, followed by seven more in major cities across France, Germany and Spain.

In 2004 Christie + Co established its international consultancy service, operating in the hotel and care sectors. This multi-lingual team works with virtually all the major hotel operators and the leading investment and lending

banks on a range of projects, such as feasibility studies and development, valuation and appraisal advice.

Christie + Co has gained a reputation for facilitating cross-border transactions, a perfect example of this collaborative approach being the Scotsman Group, which was sold in 2006. With offices in each of the hotels' locations, Christie + Co was perfectly placed to handle this prestigious £63 million deal.

In 2002, Christie Group bought Orridge, another stocktaking company. Orridge specialises in retail and complements Venners' work in the licensed sector. This acquisition took the group into Belgium where Orridge already had an office and from which it now serves clients in 13 countries on the continent.

Looking ahead into 2007, Christie Group will continue to expand in Europe. Orridge will open an office in the Netherlands to service its developing Dutch business. Christie + Co will extend its representation in Germany by opening in Hamburg and VCSTIMELESS intends to make Columbus more available in Central and Eastern Europe thereby giving it the ability to generate further sales and gain new clients.

EUROPEAN EXPANSION

Each of our divisions is developing a portfolio of logically related pan-European services that run through our clients' business activities. As a result, our business risks and opportunities are diversified across a number of economies, industry sectors and types of service provision.

LEVERAGING OUR SYNERGIES

Our logically related services, skills and expertise are put to best use, especially when two or more of our companies combine their complementary skills for the benefit of our clients

WHEN TWO CHRISTIE GROUP COMPANIES PUT THEIR COMPLEMENTARY SKILLS TOGETHER FOR HILTON, SYNERGIES WERE THE RESULT

Together, Christie + Co and Venners were involved in the sale of two of Hilton Hotels Corporation's biggest European assets, the Metropoles in London and Birmingham

Christie + Co was instructed to market two of the largest and most prominent hotel properties in Europe, the 1,054-bedroom Hilton London Metropole and the 794-bedroom Hilton Birmingham Metropole. The two hotels offered a truly exceptional investment opportunity, Hilton being a widely recognised brand and the market leader in the operation of large international convention hotels.

Christie + Co's marketing included a series of presentations at various Hilton properties around the world. The hotels attracted considerable interest from a variety of investors – both UK and international – resulting in Christie + Co running a number of competitive bidding rounds. Bidders included private equity funds, UK and US property companies and many of Hilton's current asset owners worldwide.

Following this considerable interest and the multi-stage bidding process, the properties were sold through Christie + Co to the Tonstate Group for £417 million, with Hilton retaining 30-year management contracts on both hotels.

This successful sale and manage-back transaction was the biggest deal ever brokered by Christie + Co in its 71-year history, and was a measure of the scope of the work the company is called upon to undertake. It also confirmed Christie + Co's growing reputation and its position as a leading advisor and transactional specialist in the corporate hotel market.

As part of the sale, the client called in Venners to compile full inventories of both hotels' chattel assets – a huge task considering the scale of the two facilities. On the day of the completion itself, the inventories were meticulously checked and updated to meet the requirements of both the vendor and purchaser.

For the first time, the Venners inventory team used DVD technology enabling instant updating in the final hours before the sale. Also on the day of completion, six stocktakers from Venners attended each hotel to value the stock in trade. They worked through each premises, adhering to an action plan carefully coordinated with colleagues at Christie + Co.

The result of the two Christie Group companies working together was a seamless service which benefited the client.

INCREASING PENETRATION OF OUR CORE SECTORS: NEW OPPORTUNITIES THROUGH NEW LETTINGS FOR PUNCH

When Punch Taverns, the UK's leading pub company, decided to transfer over 700 of its best managed houses to the leasehold market, they turned to Christie + Co to handle the deals

The project was a first for Christie + Co and the response involved an innovative approach. Historically pub companies had let their pubs without charging a premium but Christie + Co suggested doing just that – seeking a premium for each pub – each one reflecting the property's high quality – thereby maximising revenue for the client.

Christie + Co's marketing efforts were aimed at that objective and the properties were made available in three tranches. Marketing included a series of professionally-produced brochures, a number of roadshow promotions, various e-marketing campaigns, extensive advertising

and special features on both the Punch and Christie + Co websites.

Existing managers at the pubs to be leased were encouraged to consider the opportunities, as were retailers at other Punch outlets, and to maximise interest. Christie + Co used its extensive, UK-wide database of applicants looking to buy a pub. To cover the financial aspects of acquiring the leases, Christie Finance was also involved in the marketing efforts.

By the end of the year, Christie + Co had let over 300 of the pubs concerned with a significant number of further deals in the pipeline and due to complete early in 2007. Based on this successful penetration of this part of the pub market, Christie + Co is now working with many other pub chains on the transfer of former managed houses into their leased estates.

INCREASING PENETRATION OF OUR CORE SECTORS

As the business environment within our specialist sectors matures, we see opportunities to serve a wider range of businesses without losing our sector focus.

Divisional review

Professional business services

(€ 000)	2006	2005
Operating profit	8,386	4,519

Chris Day MD Christie + Co and
Christie Group director

Christie Group has its origins as a supplier of professional business services. This division, comprising three businesses, still develops that role and remains the largest part of our group.

Today's services include provision of business intelligence in our specialist sectors through Christie + Co, market leadership in finance and insurance from Christie Finance and Christie Insurance, and business appraisal, valuation and consultancy by Pinders.

Overall, turnover in the division in 2006 rose by 15% to £49.7m and profit by 86% to £8.4m.

Christie + Co

The 2006 strategy for Christie + Co, the oldest and largest component in the division, was to continue focusing on its specialist areas. Overall, our aim was to leverage the brand to its maximum potential and enhance positive perceptions of Christie + Co throughout our target markets. This was achieved through, among other things, the consolidation of the new brand and the launch of a bespoke e-marketing tool, part of a wider marketing strategy to reduce our reliance on printed material.

At the same time, we continued to make the most of promising opportunities to increase our business reach, both

geographically and within our defined areas of expertise. This strategy worked. In 2006 there were improvements in performance and earnings throughout the business, including a 17% growth in like-for-like fee income. Also, in the UK, for example, we saw a substantial increase in profits over the previous year and the number of agency inspections rose by 1,500.

Such success was due to creativity and hard work, helped by market conditions that were decidedly in our favour. This situation is likely to continue, thanks to the growing trend for existing and future clients to seek the sort of specialist advice and services for which we are well-known, for example, investment advice.

From our operations in the UK and continental Europe, we are increasingly involved in global markets. Continued expansion, including the opening of our Marseilles and Dusseldorf offices, has helped to enhance our standing as a business adviser to clients beyond the confines of Europe.

Private equity is growing in importance throughout our specialist markets, and membership of the British Venture Capital Association provides us with valuable links to this industry.

In a year of overall success, we negotiated the sale of the London and Birmingham Metropole hotels on behalf of Hilton Hotel Corporation, and we successfully launched the on-going instruction from Punch to convert 720 managed pubs throughout the UK to leases with premiums. (See the case studies on pages 10 to 13.)

Other highlights included:

- The valuation of Paragon Healthcare in advance of HgCapital's acquisition of the business for £322 million.
- The sale of Oakley Court in Windsor off an asking price of £50 million, on behalf of Queens Moat Houses.
- Valuation of more than 1,500 pubs for The Wolverhampton & Dudley Breweries.
- The sale of 11 Holiday Inn hotels on behalf of LRG Acquisition.

Looking ahead, we will focus on improving our core retail agency activities as well as raising the game in delivering local valuation services. We will also concentrate on enhanced activities in our corporate markets, and further develop our European operations.

On behalf of BIL Gaming, a wholly owned subsidiary of BIL International, Christie + Co undertook a fully coordinated national acquisition exercise to deliver multiple sites for BIL to pursue 1968 Gaming Act Certificate of Consent and Casino Licence applications. This exercise followed BIL's £31 million acquisition of the famous Clermont Club in Berkeley Square, London.

Acting on behalf of Acorn International Hotels, Christie + Co sold a portfolio of 10 hotels in the Balearic Islands. The 2, 3 and 4 Star properties had a total of 2,834 beds and were acquired by Hoteles Globales. The hotels were sold in record time – just five months after their introduction to the market – and the sale was one of the highest profile deals in Spain in 2006.

Patrick Ryan MD Christie Finance
and Christie Insurance

Christie Finance and Christie Insurance

We embarked on a major re-branding programme in 2006, which will result in the emergence of four new trading names in 2007: Christie Finance, Christie Corporate Finance, Christie Insurance and Christie Corporate Insurance. The intention is that the two new corporate brands will focus on further establishing the Christie name as a leading provider of financial services in our corporate markets.

Christie Insurance saw a continuation of the soft insurance market that has prevailed since 2004. A market in this state can be either a cause for concern or an opportunity. In 2006, we opted for the positive perception and worked to increase our market share. As a result, when the market hardens and premiums rise, we will be well-placed to benefit.

Christie Finance continued to expand during the year, partly as a result of a re-structuring. Re-aligning the business more closely with Christie + Co took further advantage of the two companies' synergies, whilst retaining Christie Finance's independence in the finance market.

In line with the resulting heightened activity, there was a significant increase in the number of business mortgage personnel appointments throughout our regions.

Pinders

The star performer in our appraisal, valuation and consultancy business was the retail sector. Retail instructions on an increasingly varied range of businesses were up by more than 30% over the previous year, exceeding 2006 forecasts. This increased activity occurred not only in our more traditional markets, but also in niche markets that benefited from our diversity of expertise and involvement. The level of weekly instructions fluctuated in our other sectors, due to a combination of increased competition and fewer quality businesses coming to the market. However, lenders remained committed to these business sectors and, with continued demand from purchasers, values continued to rise.

Overall, lenders continued to be reticent about funding leasehold going concerns, preferring to concentrate more on freehold businesses. This had a particular impact on the number of leisure sector appraisals we undertook in 2006.

The project management part of our business built up a strong pipeline of appointments during the year. Typically, this involved a degree of high-level strategic advice that yielded significant fees and raised our profile. There was

Mark Ellis, MD Pinders

also a particular focus on both the not-for-profit and public sectors, where our impartial specialist advice and professionalism is well recognised.

In building surveying, we consolidated our position following new staff appointments and we now have a sound team for 2007.

Of course, much of the work we do is behind the scenes and, due to the confidential nature of our work with lenders, applicants and vendors, must remain so. Dedication and discretion have been rewarded by engendering increasingly close relationships with a number of clients, which leads of course to repeat business and word-of-mouth recommendations.

Lender panel positions were maintained and increased in a number of cases during the year, with new entrants to the market anticipated in 2007.

Looking to 2007, we foresee an increasing focus on niche and specialist markets, such as dental practices, clinics, health centres, supported living units and veterinary practices. There will also be greater emphasis on work at the higher end of our markets, producing correspondingly higher fees.

Christie Finance had another busy year with overall business levels moving sharply forward. Turnover increased by 19% year on year. A number of large deals were brokered by Christie Corporate Finance, including two central London hotel deals on behalf of London Town Hotels, where the gross consideration was in excess of £27 million.

A Pinders report assessed (for lending purposes) the proposed development of a holiday park with 91 timber lodges and a leisure building, public house and swimming pool. This was a landmark scheme with little comparable evidence. However, using Pinders' invaluable database of similar businesses, knowledge of other schemes and information gained from contacts, a comprehensive report was produced providing a breakdown of the likely gross development value of the site.

Divisional review

Software solutions

(€ 000)	2006	2005
Operating loss	(2,400)	(1,268)

Michel Ramis CEO VCSTIMELESS
and director of the division

VCSTIMELESS, our provider of business software solutions, has its origins in the early 1990s and the belief that electronic point of sale (EPoS) systems required some form of continued external audit and therefore needed to provide an interface to stock auditors. From its start in the hospitality sector, the original company soon expanded into leisure, particularly multiplex cinemas. Following Christie Group's targeted acquisition of a specialist retail software company in 2000, we moved into the rapidly growing non-food retail sector as well.

Today, our software solutions encompass merchandise management, EPoS, CRM, supply chain optimisation and business intelligence applications. Thanks to the international nature of our clients, operations span the globe.

During the year, VCSTIMELESS's revenues grew by 10% to a record £15.1 million. Software revenue increased by 15% thanks to significant market wins, and new business represented 52% of total revenue, compared with 21% in 2005.

However, despite these figures, VCSTIMELESS had a challenging year and reported losses. These were due to:

- Late delivery of Columbus next, which will be progressively available from 2007.
- The requirement for additional new Columbus next modules in the light of changing customer demands.
- Increased focus and investment on large retailer accounts characterised by long sales cycles and varying levels of commitment.

International scale

In 2006, we consolidated our position as a truly international company, with 72% of our total revenue coming from international operations outside the UK.

In France, where VCSTIMELESS has its retail origins, there was success in signing new major higher-tier retail players. These included Veté, an apparel retailer with over 150 stores in France and 14 in Portugal (see case study on page 17) and Comptoir des Colonniers, with more than 210 stores in seven countries in Western Europe and Japan.

In the UK, new customers featured the country's second largest cinema chain, Vue. Also included was Hamleys, the world-famous toy retailer, which not only has its famous shop in London but 12 more at major airports and in department stores with another to open soon in a shopping mall in Dubai (see case study on page 17).

Results in Canada were better than forecast, thanks in large part to the successful roll-out of the cinema software we distribute, in Cineplex, Canada's largest cinema chain.

Southern Europe saw gratifying sales and the addition of four major retailers to the customer roster in Spain and Italy. A particularly welcome win was Blanco, a fast-growing fashion retailer in the process of opening 30 stores every year across Europe. In the second half of 2006, we also strengthened our Spanish and Italian sales organisations by the appointment of a new country manager in Spain and a sales manager in Italy.

Two factors guided the choice made by major new clients: firstly, shared commitment to innovation and

Belgian ladies fashion manufacturer and retailer, Mer du Nord, uses VCSTIMELESS and Orridge to optimise its retail activities. In-store stocktaking is outsourced to Orridge, who complete two stocktakes a year counting more than 100,000 items. Orridge provides an electronic file which is uploaded directly into Columbus Retail, which Mer du Nord uses to manage its retail operations from purchasing through to point of sale.

VCSTIMELESS technology provides Guess with multi-lingual and multi-currency platforms to manage its complex inventories at its stores, head office and overseas franchises. All company-owned stores have an internet-based link to head office, which allows instant monitoring of new product lines and stock availability. In-depth analysis of sales data is made easier using Optimum, a VCSTIMELESS business intelligence module. This helps the client's decision-making processes, especially when planning sales promotions.

“Our focus for 2007 will include accelerating the time to market of all our next products in order to secure revenues from our existing customer base

international scope matching VCSTIMELESS's own vision, secondly our compelling new products and services (see case studies below)

New products, higher profile

By far the most important new product development in 2006 was the preparation for the phased launch of Columbus next. The latest in the highly successful Columbus range of products, Columbus next is a uniquely advanced supply chain optimisation, decision and planning solution for retailers using the latest Microsoft technologies and service-oriented architecture. By the end of the year, five tier-2 fashion retailers had already selected Columbus next.

In addition, orders were received for our other new products, BeStore (EPoS) and Columbus BI (Business Intelligence).

In May 2006, we staged our third European User Conference, attracting a record 350 delegates from Asia and Europe. In February, our flagship Columbus Enterprise won an award in Spain for the best retail management software solution. The jury recognised its best-in-class

features as well as its innovative use on the Tour de France, one of the world's most popular sporting events, where we delivered an effective mobile store system.

Strategy for success

In 2006, we began a partnership with the Japanese third-party service provider PBC to secure training, help desk, project management and roll-out of Columbus Enterprise across Japan. As a result of this partnership, our proven EPoS solution, Columbus Retail, is now available in Japanese – an option chosen by existing clients Anne Fontaine and Bonpoint to support their Asian operations. Partnered by Microsoft, we had the support of a vigorous worldwide sales organisation enabling us to achieve heightened international status and expand our scope.

On these solid foundations, and during the critical year ahead, our major challenges will include:

- Successfully delivering an exemplary service to our first next customers in order to accelerate both the next market and the sales process.

- Consolidating our cooperation and existing partnerships with third-party companies that influence tier-1 and tier-2 businesses. These organisations include Capgemini, BearingPoint and LogicaCMG.
- Accelerating the time to market of all future next products in order to secure revenues from our existing customer base.
- Improving profitability by financing further product development in partnership with our high-value customers.

Exciting opportunities ahead should yield continued growth across all our regions. This growth will be based on sales generated by new products and by the strengthening of our international business.

Vet's, a leading French fashion retailer with over 160 stores, selected the VCSTIMELESS retail management suite, as part of a major merchandising management and IT overhaul. Solutions included the flagship Columbus Enterprise software and the next generation software solutions including Columbus Business Intelligence and Columbus next. Vet's expects to improve efficiency and performance across the entire retail chain, from merchandise planning through to customer relationship management in its stores.

As part of plans to open franchised flagship stores around the world, Hamleys needed an order system for its own brand stock items. The famous toy retailer chose VCSTIMELESS solutions to manage the entire stock import and sales process including order generation, transportation, customs documentation, delivery, invoice matching and payment. Hamleys chose the VCSTIMELESS solution because of its robustness, ease of use and international 24/7 help desk.

Divisional review

Stock & inventory services

(£ 000)	2006	2005
Operating profit	555	1,356

Trevor Heyburn MD Venners and
director of the division

Christie Group has been stocktaking on a significant commercial scale since 1984, when we acquired Venners, a venerable family firm with roots in the 19th Century and a specialist supplier to the licensed sector

Since then, we have expanded to become a leading supplier of stocktaking, inventory, control audit and related stock management services to the hospitality and retail sectors. More recently, our 2002 acquisition of Orridge, Europe's longest-established stocktaking business, enabled us to expand our retail activities even further. These now include high street chains, warehouses, factories and supermarkets throughout the UK and, from our continental European base in Belgium, we now service customers in 13 countries. During 2007, we are targeting increased expansion in Europe, responding to and anticipating the needs of our international retailing clients

Profit in the division was held back in 2006 because of a re-equipping in the first half and the cost of an on-going and significant TUPE transfer in the second. The effects of the latter will continue into 2007

Venners

Demand for our services in the hospitality sector heightened in 2006. We conducted some 26,000 individual stock audits, which involved tallying almost 5 million individual stock items

True to our roots, we won a broad cross-section of new clients in 2006. The biggest of these was Sodexho, the event caterers (see case study below). As a result, we provided stocktaking and other services at some of the most prestigious events in the UK's social and sporting calendar. These included the Royal Horticultural Society's Chelsea Flower Show, The Open, The Derby, the Ryder Cup and Royal Ascot.

Among the other major clients we acquired in 2006 were Thistle Hotels, Legacy Hotels, Leisure Plex, British Country Inns and New Legion Clubs.

Some of the support for these new clients was provided through our innovative VenPowa system, a new software package that assists operators in the control of their stock movements. The conceptualisation, writing and implementation of VenPowa took three months of intense development. We immediately deployed it at a number of clients' venues such as Twickenham Stadium.

Also in 2006, we laid the groundwork for considerable volumes of new or repeat business. We signed contracts with Foundation Group, International Currency Exchange (ICE), Legacy Hotels, Thwaites and Residor SAS. Looking ahead, negotiations are underway with several major chains with some already committed to contracts that will start in early 2007.

At a time when food hygiene has become an issue of increasing public concern, we revamped and re-launched an operational reporting template that encompasses state-of-the-art food hygiene parameters.

A year of high performance was marred by two receiverships (Barvest and London & Edinburgh Swallow Group) and also the closure of a protracted tribunal claim related to the collapse of the Unwins chain. Both of these hit our profits.

As part of our focus on customer service, we appointed a services director and improved our year-on-year rating based on customer survey results.

A Venners client operating a substantial portfolio of UK hotels asked how many bottles of Moët & Chandon champagne each hotel had in stock. Just 15 minutes later the information was sent via e-mail proving that Vision 21 helps Venners provide a sparkling service.

Approached by Sodexho, Venners conceptualised, designed and built a new stocktaking system (VenPowa) that allowed the client to control stocks at its Prestige Event Catering locations. VenPowa provided the backbone of stock-related data for a number of high-profile events including The Chelsea Flower Show, The Open, The Derby, the Ryder Cup and Royal Ascot.

Paul Harding MD Orridge

Orridge

Throughout Europe the retail sector increasingly regards stocktaking as an outsourced activity. As specialists in this area, this is good news for us. It perfectly places us to tap into this sizeable market – estimated in the UK alone to be worth £90 million a year. Half of that is as yet unexploited, particularly in certain sectors such as pharmacies. We are making the most of this situation.

In 2006, a key objective was to increase our penetration across the various business activities of our existing clients. For example, work for the Co-op (for which we now do 5,500 audits per annum) was originally limited to the client's pharmacy operations. Now it has expanded to include the supermarket part of the business – a milestone in our determination to become a significant player in that sector (see case study below). Work for Waterstones also grew as a result of its purchase of Ottakers.

Another way to grow revenues from existing clients is to increase the range

of services we provide to them. Through our partnership with Ernst & Young we assisted WHSmith with its delivery tracking. We also expanded our services to New Look by developing our supply chain offering, in particular, delivery checks including exports. At Woolworths we ensured that the accuracy of stock at its online distribution centre was ready for the Christmas rush.

During the year, we also took advantage of the synergies between Christie Group companies. For example, we worked closely with VCSTIMELESS on a widening range of accounts including Louis Pion-Royal Quartz, a chain of 30 jewellers in France; Italian lingerie retailer Loveable and Mer du Nord, the Belgian fashion retailer. The two companies also collaborated on retail promotion.

Other noteworthy Orridge achievements during 2006 included:

- Securing Savers as a client – part of the AS Watson Group
- Rolling out 1,300 new scanners to all our field staff
- Restructuring of our IT help desk
- Completing the rollout of wireless LAN field technology

- Developing a technology-based distribution solution for B&Q and Somerfield
- Joining with Ernst & Young in a supply chain partnership
- Increasing our northern region management to support the additional work from the Co-op and Superdrug
- Appointing a divisional head for our pharmacy work to reflect its growing importance as part of our business mix
- Re-structuring the board of directors in order to increase efficiency and re-align responsibilities

To consolidate these achievements and continue to grow, we have developed a comprehensive strategy for 2007. This includes continued focus on the supermarket sector, heightened brand awareness in retail and a drive to agree longer-term contracts with as many of our customers as possible to mutual benefit. Our staff training and development will concentrate on the skills needed to drive sales.

Thirteen months of negotiations, tough competition and a three-month trial in 100 stores won Orridge a long-term contract with the Co-op. Over 45 employees were transferred from the original Co-op stocktaking team. The Orridge service replicates Co-op's processes and delivers numerous benefits including greater efficiency and Orridge ownership of equipment and support costs.

When Boots implemented plans to improve its in-house stocktaking system the high street retailer called on Orridge. Using Boots' own technology and processes Orridge provide the staff to conduct full stocktakes. Boots benefit by receiving efficient and independent counts and are able to oversee and monitor the counts in real time, thereby enabling their staff to concentrate on sales.

Financial review

Robert Zenker
Finance Director

The areas I would like to examine in more depth this year are

- Cash generation
- Tax charge
- Earnings per share (eps)
- Pension deficit
- Key performance indicators (KPIs)

Cash generation

What is obviously a reality check when looking at a company's profits is that cash generated from operations is in line with the business's operating profits. To that end, in 2006, we generated £10.6 million of cash from our operations (2005: £6.8 million). This compares with an operating profit of £6.1 million (2005: £4.4 million). Part of the increased efficiency in cash generation has been improved control of working capital which has generated £3.7 million in the year compared with £1.5m in 2005. This has been due to making it an area of focus for all parts of the business.

In 2005 we paid £0.2 million in tax, principally as a result of past losses in our Professional Business Services European operations being offset against our UK tax liabilities. This year as a group we paid £3.0 million more, a total of £3.2 million. The result is that our net funds still increased by £4.5 million to £8.9 million at the year-end. This gives us a level of resilience as well as resources for expansion.

Tax charge

I have tabulated below the effective taxation rate (taxation on the face of the income statement as a percentage of pre-tax profit) and the underlying rate of tax (current year corporation and deferred tax as a percentage of pre-tax profit).

	2006	2005	2004
Effective rate	32.8%	38.7%	37.5%
Underlying rate	37.2%	39.5%	36.3%

* The 2004 effective tax rate has been adjusted for the exceptional item and for tax relief on overseas losses amounting to £1,017,000.

As one can see, the underlying rate has reduced since last year. Currently we have unrelieved European losses in the Software Solutions Division, for which we have not taken any credit. A reduction in these losses will impact our tax charge favourably.

Net funds (£ 000)

Dividends declared
per share (pence)

Earnings per share (eps)

Our eps for the year at 16.90p was 57% up on last year (10.79p). This is due to a combination of higher profits and a reduction in the effective, not underlying, tax charge of 5.9% (see the tax note).

Pension deficit

The table below shows the net UK pension deficit (after deducting the related deferred tax) for the last three years.

	2006	2005	2004
UK pension deficit	6,240	6,732	7,067
Deferred tax	(1,872)	(2,020)	(2,120)
Net UK pension deficit	4,368	4,712	4,947

The deficit has reduced due to a mixture of improved stock market performance and a continuation of our deficit reduction plan. For the group as a whole, the total employer pension charge as a percentage of wage and salaries was 2.8% (2005: 3.2%).

Key performance indicators (KPIs)

In accordance with the enhanced Directors Report regulations we are this year including our main KPIs for both the group and the individual operating divisions. As a business we have a number of key aims that these indicators measure:

- Revenue growth – an important part of our strategy is growing the business which is best measured by revenue growth.

- Productivity – being in the service sector employee costs are our largest single cost element. It is important to remain competitive and to continue to improve our productivity. This KPI looks at the employee cost (remuneration and benefits) required to produce £1,000 of revenue. In this case a reducing figure reflects an improvement.
- Operating profit % – last but not least is profitability. This is measured as operating profit as a percentage of revenue.

	Group	PBS	SS	SIS
Revenue growth				
2006 on 2005	12.4%	14.9%	9.8%	8.8%
2005 on 2004	10.8%	16.1%	5.7%	4.1%
Productivity – staff costs per £1,000 of revenue				
2006	585	493	531	710
2005	591	512	512	714
Operating profit/(loss) as % of revenue				
2006	7.0%	16.9%	(15.9%)	2.5%
2005	5.7%	10.4%	(9.2%)	6.6%

Robert Zenker
Finance Director

Board of directors

Philip Gwyn **Chairman**

Philip (62) is a barrister and merchant banker by training. He is responsible for group strategy and planning. Philip is a non-executive director of Alumasc plc and director of a number of private companies.

David Rugg **Chief Executive**

David (54) is responsible for the day-to-day operation and development of the group. David either chairs or sits on the boards of Christie Group companies and has been with the group since 1972, having been managing director since 1985 and chief executive since 2000.

Robert Zenker **Finance Director**

Robert (54) is a chartered accountant and a member of the Chartered Institute of Taxation. He has responsibility for all financial and company accounting matters together with corporate finance matters and financial public relations. After qualifying, he joined Deloitte (now part of PricewaterhouseCoopers) before moving on to Sainsbury's and then Virgin Group.

Chris Day **Executive Director**

Chris (49) joined Christie + Co in 1985 and, having worked in both the Birmingham and London offices, was appointed managing director in 1993. He has overall responsibility for all Christie + Co's specialist transactional and advisory activities. Chris has overseen the successful expansion of Christie + Co into a truly pan-European firm, which currently has 16 offices in the UK and nine international offices.

Peter Lane (Lord Lane of Horsell)
Senior Non-executive Director

Peter (82) is chairman of the Audit Committee and is also a member of both the Remuneration and Nomination Committees. He was senior partner of Binder Hamlyn accountants and has been chairman of a number of listed companies.

Michael Likierman
Non-executive Director

Michael (66) was the founding chief executive of Habitat France. He later co-founded GrandVision SA, the French-based owner of Vision Express. He is chairman of Generale de Telephone and other private companies. In 2002 Michael was made a Chevalier de la Legion d'Honneur. He chairs the Nomination Committee and is a member of both the Audit and Remuneration Committees.

Tony Chambers
Non-executive Director

Tony (63) was previously head of banking and director of Robert Fleming, a director of Save and Prosper Group and chairman of Gartmore High Income. He is currently a director of F&C UK Select Trust. Tony chairs the Remuneration Committee and is also a member of both the Audit and Nomination Committees.

Pommy Sarwal
Non-executive Director

Pommy Sarwal (56) was previously with Deloitte & Touche where he was a partner in corporate finance since 2002. In addition, he is a member of the Ports Advisory Group of the DTI Trade & Investment Division, a non-executive director of Chatham Historic Dockyard and a member of the Board of the Port of London Authority. Pommy is a member of the Audit, Nomination and Remuneration Committees.

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Robert Zenker FCA CTA FBHA

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Charles Stanley

Principal solicitors
Royds

Auditors
Nexia Smith & Williamson

Principal bankers
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COMPANY NUMBER 1471939

Directors' Report for the year ended 31 December 2006

The Directors present their report and the audited financial statements for the year ended 31 December 2006

Principal Activities and Business Review

Christie Group plc is the parent undertaking of a group of companies covering a range of related activities. These fall into three divisions – Professional Business Services, Software Solutions and Stock and Inventory Services. Professional Business Services principally covers business valuation, consultancy 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 audit and inventory preparation and valuation. A description of the Group's activities and a detailed business review of the year and future developments are given in the Chairman's Statement and the Review of Operations. In addition the Group's main Key Performance Indicators are explained in the Financial Review on page 21 and the risks and uncertainties in the Corporate Governance report on page 28.

Results and Dividends

The results for the year are set out in the consolidated income statement on page 33. The directors recommend the payment of a final dividend of 2.75p (2005: 2.5p) per share which, together with the interim dividend of 1.25p (2005: 1.0p) per share, makes a total of 4.0p (2005: 3.5p) per share totalling £983,000 (2005: £856,000) for the year. The profit for the year before tax was £6,152,000 (2005: £4,381,000) and the profit for the financial year was £4,131,000 (2005: £2,684,000) and this amount, less dividends paid, has been transferred to reserves.

Directors

The Directors of the Company in office at the date of this report, together with their biographical details, are shown on pages 22 and 23. All these Directors served throughout the year, with the exception of Pommy Sarwal who was appointed on 3 July 2006. Philip Gwyn and Chris Day retire in accordance with the company's Articles of Association. Philip Gwyn and Chris Day being eligible offer themselves for re-election and Pommy Sarwal for election at the forthcoming Annual General Meeting. Directors' interests are shown in the Remuneration Report. During the year under review appropriate directors' and officers' insurance was in place.

Employees

The Directors recognise the benefits which accrue from keeping employees informed on the progress of the business and involving them in the Group's performance. Each individual operating company adopts employee consultation as appropriate. The Company is committed to providing equality of opportunity to all employees regardless of nationality, ethnic origin, age, sex or sexual orientation and continues to be supportive of the employment and advancement of disabled persons.

Donations

The Group contributed £27,000 (2005: £14,000) to charities during the year. It made no political contributions. The Group also operates a Give As You Earn scheme for employees.

Research and Development

The Group continues to invest in software development which will provide long term commercial benefits. In total £3,032,000 (2005: £2,919,000) of costs have been incurred on research and development in the year of which £1,546,000 (2005: £1,611,000) has been capitalised as software development costs.

Policy on Payments to Suppliers

It is a policy of the Group in respect of all its suppliers, where reasonably practicable, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment, and to abide by the terms of payment. The Company (Christie Group plc) had no trade payables at the year end or the previous year end. The Group's average trade payable days during the year was 30 (2005: 41).

Acquisition of Own Shares

During the year the Company funded the purchase of 381,000 (2005: 100,000) of its own ordinary shares, through an Employee Share Ownership Trust, for a consideration of £570,000 (2005: £112,000) to enable it to meet awards under its Save As You Earn Scheme and other share schemes. This brought the total holding of the Employee Share Ownership Trust to 616,000 shares (2005: 665,000 shares), which represents 2.44% (2005: 2.66%) of the current issued share capital.

Health, Safety and the Environment

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

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements, which appear on pages 33 to 61.

Auditors

During the year our auditors, Nexia Audit Limited changed their name to Nexia Smith & Williamson Audit Limited and now trade as Nexia Smith & Williamson. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Nexia Smith & Williamson be re-appointed as auditors of the Company will be put to the Annual General Meeting.

Disclosure of Information to Auditors

Directors of the Company have confirmed that in fulfilling their duties as a director

- so far as they are each aware, there was no relevant audit information of which the auditors were unaware, and
- have taken all reasonable steps that a Director ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company auditors were aware of that information.

This information is given and should be interpreted in accordance with the provision of s 234ZA of the Companies Act 1985.

This report was approved by the board on 29 March 2007.

R M Zenker
Company Secretary
2 Crane Court
Fleet Street
London EC4A 2BL



Corporate Governance

Corporate Governance

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

The Board

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

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

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

Organisational structure and control environment

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

Internal control

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

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

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

Risk management

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

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

Financial planning, budgeting and monitoring

The Group operates a planning and budgeting system with an annual Budget approved by the Board. There is a financial reporting system which compares results with the budget and the previous year on a monthly basis to identify any variances from approved plans. Rolling cash flow forecasts form part of the reporting system. The Group remains alert to react to other business opportunities as they arise.

Non-executive Directors

The Non-executive Directors do not have service agreements and have no automatic right of re-appointment. They are regarded by the Board as bringing experience to the Board from their fields of business, finance and politics, and ensure that all matters of strategy performance, progress and standards are debated thoroughly. The senior Non-executive Director is Peter Lane (Lord Lane of Horsell).

The table below shows the extent to which each of the Non-executive Directors complies with objective tests on independence.

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

The Non-executive Directors are nevertheless considered by the Board to be independent in character and judgement and have no relationships or any circumstances that are likely to affect their judgement as Directors of the Company.

Audit Committee

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

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

Remuneration Committee

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

Nomination Committee

The Nomination Committee meets as required to select and propose suitable candidates for the approval of the Board to fill vacancies or new positions and to make recommendations to the Board on its composition. The Nomination Committee consists of the Non-executive Directors, with Michael Likierman as Chairman.

Corporate Governance

Risks and uncertainties

We operate in a world with a heightened awareness of risk. In growing and developing our businesses we have made a conscious decision to try and minimise unrewarded risk. We have done this in the following ways:

- 1 We are growing a European business in order that we are less dependent on the success or otherwise of one country's economy
- 2 We service three sectors – leisure, care and retail, so that we are not dependent solely on the fortunes of one sector
- 3 We offer a spread of services across our three divisions, for example transactional, advisory and support
- 4 We have a spread of work which deliberately covers both corporate and private clients

That said, whilst we have endeavoured to reduce risks we are not immune to movements in the global economy or changes in the economic or legislative environments in the countries in which we do business. In addition, such things as the psychological affect of terrorist attacks, banking crises and changes in behaviour pattern due to environmental based legislation can all impact our businesses in unexpected ways. All of our activities rely on the recruitment and retention of skilled individuals in an era of low unemployment. Some of our activities, such as software development, may need to compete for operatives on an international basis. Each of our divisions, though, face certain risks that are unique to the services they provide and they are categorised under the divisional headings below:

The following could adversely affect our markets and businesses:

Professional Business Services

- rises in interest rates or the expected rise thereof,
- lack of bank liquidity and more conservative lending criteria
- increase in business insolvencies, and
- a slow down in the residential housing market, caused by the introduction of HIPS (Home Information Pack Solution)

Software Solutions

- late delivery of new software
- downturn in consumer spending which would affect retailers' profitability. Apart from economic factors, such things as unusual weather patterns have been shown to have an effect on consumer spending
- unexpected technical innovations
- anti-competitive practices by global retail software vendors, and
- a failure in bought-in software components

Stock and Inventory Services

- changes in employee legislation, in particular the Working Time Directive,
- increase in transport costs, and
- trends towards a cashless society

The above list of risks is meant to highlight those we consider relevant today and is not intended to be an exhaustive list of risks facing the businesses.

Dialogue with Institutional Shareholders

The directors seek to build on a mutual understanding of objectives between the company and its institutional shareholders. This is done through meetings following the publication of the year-end and interim results.

Shares and shareholdings

The interests of directors are set out on page 30. All major shareholders (those with more than 3% of the issued share capital) that are not currently directors of the company are listed below:

Andrew Muir	3.4%
-------------	------

Purchase of own shares by the Company

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

Remuneration Report

Part 1 of this report sets out the Company's remuneration policies for the Directors for the year ended 31 December 2006. These policies are likely to continue to apply in future years unless there are specific reasons for change in which case shareholders will be informed in future reports. Part 2 sets out audited details of the remuneration received by Directors during the year ended 31 December 2006.

PART 1 Remuneration Committee (not subject to audit)

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

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

- Base salary is reviewed annually and in setting salary levels the Remuneration Committee considers the experience and responsibilities of the Executive Directors and their personal performance during the previous year. The Committee also takes account of external market data, as well as the rates of increases for other employees within the Company. Base salary going forward is the only element of the package to determine future pensionable earnings.
- Share options are granted having regard to an individual's seniority within the business and, together with the Group's Save As You Earn scheme (SAYE), are designed to give Executive Directors an interest in the increase in the value of the Group.
- Benefits are primarily the provision of cars and health insurance.
- Annual bonuses are calculated as a percentage of pre-tax profits in excess of a threshold. Bonuses are designed to reward achievement of budget and contribute approximately 25% of total earnings and whilst they are uncapped, excess amounts relate to profits which exceed initial objectives.

Service contracts and/or letters of appointment

Executive Directors

It is the Group's policy to appoint Executive Directors under service agreements terminable by either party giving 12 months' notice. David Rugg has a two year notice period that was agreed on flotation of the Company and this is still considered appropriate.

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

Non-executive Directors

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

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

Outside Directorships

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

Remuneration Report

PART 2 Directors Emoluments (audited information)

	2006 £ 000	2005 £ 000
Fees	86	54
Salaries and benefits	826	746
Performance-related bonuses	461	145
Contributions to self-administered pension fund	21	21
	1,394	966

Highest paid Director amounts included above

	2006 £ 000	2005 £ 000
Salaries and benefits	333	265
Performance-related bonuses	160	45
	493	310
Defined benefit scheme		
Accrued pension at end of year	137	130

Directors' pension entitlements

The Company contributed £21,000 (2005 £21,000) for Philip Gwyn to a self-administered pension fund. David Rugg, Robert Zenker and Chris Day are members of the Christie Group plc Pension & Assurance Scheme.

Directors' interests

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

	31 Mar 2007	31 Dec 2006	31 Dec 2005
Philip Gwyn	10,967,582	10,967,582	10,967,582
David Rugg	2,481,510	2,478,777	2,478,777
Chris Day	469,469	469,469	451,669
Robert Zenker	191,348	188,615	188,615
Peter Lane	40,000	40,000	40,000
Michael Likierman	341,500	341,500	341,500
Tony Chambers	43,190	43,190	43,190
Pommy Sarwal	-	-	-

Share options

Two of the Executive Directors exercised options granted under the SAYE scheme, retaining the shares. The aggregate of these gains made on these exercises, calculated on the difference between the option and mid-market price on the date of option maturity, was £9,000 (2005 £22,000), of which £4,500 (2005 £11,000) related to the gain attributable to the highest paid Director.

During the year none of the Executive Directors received share options.

The market price of the shares at 31 December 2006 was 260 0p (31 December 2005 115 5p) and the range during the year was 115 5p to 265 0p (year to 31 December 2005 88 0p to 121 0p).

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The Directors have elected to prepare financial statements for the Group and the Company in accordance with IFRS and the Companies Act 1985.

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

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

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

Auditors' report on financial statements

Independent auditors' report to the shareholders of Christie Group plc

We have audited the Group and Company financial statements (the financial statements) of Christie Group plc for the year ended 31 December 2006 which comprise the Consolidated income statement, the Consolidated and Company Statements of changes in shareholders' equity, the Consolidated and Company Balance sheets, the Consolidated and Company Cash Flow Statements and the related notes 1 to 27. We have also audited the information in the Remuneration report that is described as being audited. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, applied in accordance with the provisions of the Companies Act 1985 are set out in the Statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Operating and Financial Reviews that is cross referred to from the Business Review section of the Directors' report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, the unaudited part of the Remuneration Report, the Chairman's Statement, the Review of Operations, the Financial Review and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's and Company's affairs as at 31 December 2006 and of the profit of the Group for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements

Nexia Smith & Williamson
 Nexia Smith & Williamson 25 Moorgate
 Chartered Accountants London
 Registered Auditors EC2R 6AY

29 March 2007

The maintenance and integrity of the Christie Group plc web site is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Consolidated Income Statement for the year ended 31 December 2006

	Note	2006 € 000	2005 £ 000
Revenue	5	87,096	77,506
Employee benefit expenses	6	(50,949)	(45,832)
		36,147	31,674
Depreciation and amortisation		(1,298)	(1,292)
Other operating expenses		(28,770)	(25,973)
Operating Profit	5	6,079	4,409
Finance costs	7	(274)	(249)
Finance income	7	347	221
Total finance credit/(costs)	7	73	(28)
Profit before tax	8	6,152	4,381
Taxation	9	(2,019)	(1,694)
Profit for the year after tax		4,133	2,687
Attributable to			
Equity Shareholders of the parent		4,131	2,684
Minority interest		2	3
		4,133	2,687
Earnings per share			
– Basic	11	16 90p	10 79p
– Fully diluted	11	16 41p	10 69p

All the amounts derive from continuing activities

Consolidated Statement of Changes in Shareholders' Equity as at 31 December 2006

	Attributable to the Equity Holders of the Company					Total equity £ 000
	Share capital £ 000	Fair value and other reserves [Note 20] £ 000	Cumulative translation reserve £ 000	Retained earnings £ 000	Minority interest £ 000	
Balance at 1 January 2005	495	4,484	(347)	3,002	16	7,650
Exchange difference on repayment of foreign exchange loan	-	-	158	(158)	-	-
Currency translation adjustments	-	-	(40)	-	-	(40)
Net income/(expenses) recognised directly in equity	-	-	118	(158)	-	(40)
Profit for the year	-	-	-	2,684	3	2,687
Total recognised income for the year	-	-	118	2,526	3	2,647
Issue of share capital	5	109	-	-	-	114
Movement in respect of employee share scheme	-	64	-	-	-	64
Employee share option scheme	-	-	-	-	-	-
- value of services provided	-	65	-	-	-	65
Dividends paid	-	-	-	(726)	-	(726)
Balance at 1 January 2006	500	4,722	(229)	4,802	19	9,814
Currency translation adjustments	-	-	(153)	-	-	(153)
Net expenses recognised directly in equity	-	-	(153)	-	-	(153)
Profit for the year	-	-	-	4,131	2	4,133
Total recognised income/(expenses) for the year	-	-	(153)	4,131	2	3,980
Issue of share capital	4	105	-	-	-	109
Movement in respect of employee share scheme	-	(523)	-	-	-	(523)
Employee share option scheme	-	-	-	-	-	-
- value of services provided	-	106	-	-	-	106
Purchase of minority interest	-	-	-	(15)	(21)	(36)
Dividends paid	-	-	-	(917)	-	(917)
Balance at 31 December 2006	504	4,410	(382)	8,001	-	12,533

Consolidated Balance Sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
Assets			
Non-current assets			
Intangible assets – Goodwill	12	4,096	3,939
Intangible assets – Other	13	3,166	2,810
Property, plant and equipment	14	2,214	2,179
Deferred tax assets	15	2,176	1,977
Available-for-sale financial assets	16a	300	300
		11,952	11,205
Current assets			
Inventories	17	332	310
Trade and other receivables	18	14,279	14,117
Current tax assets		282	–
Cash and cash equivalents		11,414	6,811
		26,307	21,238
Total assets		38,259	32,443
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	504	500
Fair value and other reserves	20	4,410	4,722
Cumulative translation reserve		(382)	(229)
Retained earnings	20	8,001	4,802
		12,533	9,795
Minority interest		–	19
Total equity		12,533	9,814
Liabilities			
Non-current liabilities			
Borrowings	23	1,735	2,221
Retirement benefit obligations	21	6,300	6,790
		8,035	9,011
Current liabilities			
Trade and other payables	22	16,954	12,748
Current tax liabilities		–	732
Borrowings	23	737	138
		17,691	13,618
Total liabilities		25,726	22,629
Total equity and liabilities		38,259	32,443

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2007

Consolidated Cash Flow Statement for the year ended 31 December 2006

	Note	2006 £ 000	2005 £ 000
Cash flow from operating activities			
Cash generated from operations	24a	10,578	6 772
Interest paid		(274)	(249)
Tax paid		(3,233)	(214)
Net cash generated from operating activities		7,071	6 309
Cash flow from investing activities			
Acquisition of subsidiary (net of cash acquired)	24b	-	(79)
Purchase of minority interest in subsidiary		(36)	-
Purchase of property plant and equipment (PPE)		(1,407)	(858)
Proceeds from sale of PPE		156	132
Intangible assets expenditure		(1,503)	(1 712)
Proceeds from disposal of intangible assets	13	1,193	-
Proceeds from sale of available-for-sale asset		-	70
Increased investment in available-for-sale asset		-	(200)
Interest received		347	221
Net cash used in investing activities		(1,250)	(2 426)
Cash flow from financing activities			
Proceeds from issue of share capital		109	114
(Payments to)/proceeds from ESOP		(523)	64
Proceeds from borrowings		-	510
Repayment of borrowings		(82)	(277)
Payments of finance lease liabilities		(59)	(111)
Dividends paid		(917)	(726)
Net cash used in financing activities		(1,472)	(426)
Net increase in net cash (including bank overdrafts)		4,349	3 457
Cash and bank overdrafts at beginning of year		6,811	3 354
Cash and bank overdrafts at end of year		11,160	6 811

Company Statement of Changes in Shareholders' Equity as at 31 December 2006

	Attributable to the Equity Holders of the Company			
	Share capital £ 000	Fair value and other reserves (Note 20) £ 000	Retained earnings £ 000	Total equity £ 000
Balance at 1 January 2005	495	4,535	7,817	12,847
Profit for the year	-	-	2 417	2 417
Total recognised income for the year	-	-	2 417	2 417
Issue of share capital	5	109	-	114
Movement in respect of employee share scheme	-	64	-	64
Dividends paid	-	-	(726)	(726)
Balance at 1 January 2006	500	4,708	9,508	14,716
Profit for the year	-	-	2 275	2 275
Total recognised income for the year	-	-	2 275	2 275
Issue of share capital	4	105	-	109
Movement in respect of employee share scheme	-	(523)	-	(523)
Employee share options scheme - value of services provided	-	1	-	1
Dividends paid	-	-	(917)	(917)
Balance at 31 December 2006	504	4,291	10,866	15,661

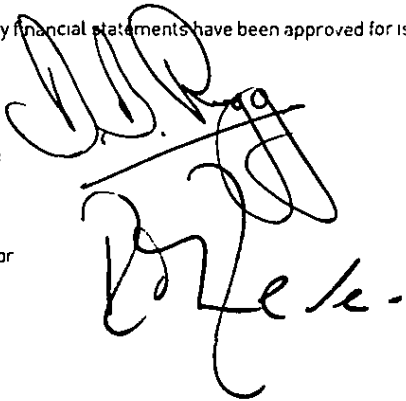
Company Balance sheet as at 31 December 2006

	Note	2006 € 000	2005 € 000
Assets			
Non-current assets			
Investments in subsidiaries	16	11,250	11 250
Deferred tax assets	15	174	172
Available-for-sale financial assets	16a	300	300
Other receivables	18	6,058	-
		17,782	11 722
Current assets			
Trade and other receivables	18	3,333	7 504
Current tax assets		1,528	-
Cash and cash equivalents		6,489	4 321
		11,350	11,825
Total assets		29,132	23 547
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	504	500
Fair value and other reserves	20	4,291	4,708
Retained earnings	20	10,866	9 508
Total equity		15,661	14 716
Liabilities			
Non-current liabilities			
Borrowings	23	1,600	2 000
Retirement benefit obligations	21	578	613
		2,178	2 613
Current liabilities			
Trade and other payables	22	10,893	5 452
Current tax liabilities		-	766
Borrowings	23	400	-
		11,293	6,218
Total liabilities		13,471	8 831
Total equity and liabilities		29,132	23 547

These Company financial statements have been approved for issue by the Board of Directors on 29 March 2007

D B Rugg
Chief Executive

R M Zenker
Finance Director



Company Cash Flow Statement for the year ended 31 December 2006

	Note	2006 £ 000	2005 £ 000
Cash flow from operating activities			
Cash used in operations	24a	(582)	(1 132)
Interest paid		(260)	(264)
Tax (paid)/received		(1,527)	1 155
Net cash used in operating activities		(2,369)	(241)
Cash flow from investing activities			
Proceeds from sale of available-for-sale financial asset		-	70
Investment in available-for-sale financial asset		-	(200)
Investment income from fixed asset investments		5,350	2 778
Interest received		518	439
Net cash generated from investing activities		5,868	3 087
Cash flow from financing activities			
Proceeds from issue of share capital		109	114
(Payments to)/proceeds from ESOP		(523)	64
Dividends paid		(917)	(726)
Net cash used in financing activities		(1,331)	(548)
Net increase in net cash		2,168	2 298
Cash at beginning of year		4,321	2 023
Cash at end of year		6,489	4 321

Notes to the Consolidated 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 consultancy 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 audit and inventory preparation and valuation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies for the year ended 31 December 2006

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

2.1 Basis of preparation

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

The financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2007).

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

Interpretations and amendments to published standards effective in 2006

The following amendments and interpretations to standards are mandatory for the Group's accounting periods beginning on or after 1 January 2006:

- IAS 19 (Amendment) Employee Benefits (effective from 1 January 2006). This amendment introduced the option of an alternative recognition approach for actuarial gains and losses. It also imposed additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also added new disclosure requirements. As the Group has not changed the accounting policy adopted for recognition of actuarial gains and losses, the adoption of this amendment has only impacted the format and extent of disclosures presented in the statements.

It is anticipated that mandatory new standards or interpretations effective for accounting periods beginning on or after 1 January 2006, not covered specifically above, will have no impact on the Group's financial statements.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods but which the group has not early adopted. These are as follows:

- IFRIC 8 Scope of IFRS 2 (effective for accounting periods beginning on or after 1 May 2006). This interpretation requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007 but it is not expected to have any impact on the Group's financial statements.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007 but it is not expected to have any impact on the Group's financial statements.
- IFRIC 11 Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007). The interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for instance options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions. Management is currently assessing the impact of IFRIC 11 on the Group's operations.
- IFRS 7 Financial Instruments: Disclosures and the complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective for accounting periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.
- IFRS 8 Operating Segments (effective for accounting periods on or after 1 January 2009). IFRS 8 proposes that entities adopt the management approach to reporting the financial performance of its operating segments. Management is currently assessing the impact of IFRS 8 on the format and extent of disclosures presented in the financial statements.

It is anticipated that new standards or interpretations currently in issue at the time of preparing these financial statements (March 2007), not covered specifically above, will have no impact on the Group's financial statements.

2.2 Consolidation

The Group financial statements include the results of Christie Group plc and all its subsidiary undertakings on the basis of their financial statements to 31 December 2006. 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 presentation currency.

Transactions and balances

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

Group companies

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

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

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

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

2.4 Revenue recognition

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

Agency, consultancy and valuations

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

Business mortgage broking

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

Insurance broking

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

Software solutions

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

Stock and inventory services

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

Other income is recognised as follows:

Interest income

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

Dividend income

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

2.5 Segmental reporting

In accordance with the Group's risks and returns, the definition of segments for primary and secondary segment reporting reflects the internal management reporting structure. 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. Segment expenses consist of directly attributable costs and other costs which are allocated based on relevant criteria.

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.

Notes to the Consolidated Financial Statements

2.6 Intangible assets**Goodwill**

On the acquisition of a business fair values are attributed to the net assets acquired. Goodwill arises on the acquisition of subsidiary undertakings representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill arising on acquisitions is capitalised and subject to impairment review both annually and when there are indications that the carrying value may not be recoverable. Goodwill arising on acquisitions prior to the date of transition to IFRS has been retained at previous UK GAAP amounts as permitted by IFRS 1 First time adoption of International Accounting Standards. Prior to 1 January 2004 goodwill was amortised over its estimated useful life such amortisation ceased on 31 December 2003 subject to an impairment review at the date of transition in which no impairment was recognised. The Group's policy for the years up to 31 March 1998 was to eliminate goodwill arising on acquisitions against reserves. As permitted by IFRS 1 and IFRS 3 such goodwill remains eliminated against reserves.

Research and development

Software development is capitalised at cost when the following criteria are demonstrated:

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

Development costs are amortised in equal annual instalments over the expected product or system life commencing in the year when the product is completed. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. All other research and development costs are written off in the year in which they are incurred.

Other

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

2.7 Property, plant and equipment

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

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

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

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

2.8 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Rentals under operating leases (net of any incentives received) are charged to the income statement on a straight-line basis over the period of the lease.

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities whilst the interest elements are charged to the income statement over the period of the leases at a constant rate.

2.9 Impairment of assets

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

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

2 10 Investments

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

Available-for-sale financial assets

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

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

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

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

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

2 11 Inventories

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

2 12 Trade receivables

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

2 13 Cash and cash equivalents

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

2 14 Borrowings

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

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

2 15 Taxation including deferred tax

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

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

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

Notes to the Consolidated Financial Statements

2.16 Share capital and share premium

Ordinary shares are classified as equity

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

2.17 Dividend distribution

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

2.18 Employee benefits

Pension obligations

The Group has both defined benefit and defined contribution schemes. A defined benefit scheme is a pension scheme that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration. A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

Pension obligations – Defined benefit schemes

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

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

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

Pension obligations – Personal pension scheme

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

Share based compensation

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

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

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

Commissions and bonus plans

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

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

a) Market risk

Foreign exchange risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

d) Cash flow and interest rate risk

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

3.2 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Estimated impairment of goodwill

Goodwill is subject to an impairment review both annually and when there are indications that the carrying value may not be recoverable, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 12).

(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, and
- the estimated life expectancy of participating members

The assumptions used by the Group, as stated in Note 21, 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.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION**a Primary reporting format – business segments**

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

The segment results for the year ended 31 December 2006 are as follows:

	Professional Business Services £ 000	Software Solutions £ 000	Stock and Inventory Services £ 000	Other £ 000	Group £ 000
Continuing Operations					
Total gross segment revenue	49,739	15,053	22,337	2,777	89,906
Inter-segment revenue	(33)	-	-	(2,777)	(2,810)
Revenue	49,706	15,053	22,337	-	87,096
Operating profit	8,386	(2,400)	555	(462)	6,079
Net finance credit					73
Profit before tax					6,152
Taxation					(2,019)
Profit for the year after tax					4,133

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

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

Other segment items included in the income statements for the years ended 31 December 2006 and 2005 are as follows:

	Professional Business Services £ 000	Software Solutions £ 000	Stock and Inventory Services £ 000	Other £ 000	Group £ 000
31 December 2006					
Depreciation and amortisation	557	333	379	29	1,298
Impairment of trade receivables	701	382	55	-	1,138
31 December 2005					
Depreciation and amortisation	673	304	269	46	1,292
Impairment of trade receivables	644	166	2	-	812

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Professional Business Services £ 000	Software Solutions £ 000	Stock and Inventory Services £ 000	Other £ 000	Group £ 000
Assets					
Assets	10,433	11,953	5,329	8,086	35,801
Deferred tax assets					2,176
Current tax assets					282
					38,259
Liabilities					
Liabilities	12,959	4,268	4,056	1,977	23,260
Borrowings (excluding finance leases)					2,466
					25,726
Capital expenditure					
Capital expenditure	191	1,776	997	94	3,058

5 SEGMENT INFORMATION continued

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

	Professional Business Services £ 000	Software Solutions £ 000	Stock and Inventory Services £ 000	Other £ 000	Group £ 000
Assets	12 168	9 937	4 707	3 654	30 466
Deferred tax assets					1 977
					32,443
Liabilities	10 066	3 507	4 006	2 024	19 603
Current tax liabilities					732
Borrowings (excluding finance leases)					2 294
					22,629
Capital expenditure	1 130	1 224	187	29	2,570

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

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

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

b Secondary reporting format – geographical segments

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

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

The Group's revenue is mainly in Europe. Revenue is allocated based on the country in which the customer is located.

	2006 £ 000	2005 £ 000
Revenue		
Europe	86,435	77 080
Rest of the World	661	426
	87,096	77 506
Total segment assets		
Europe	35,666	30 169
Rest of the World	135	297
	35,801	30 466

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

	2006 £ 000	2005 £ 000
Capital expenditure		
Europe	3,058	2 570
Analysis of revenue by category		
Sales of goods	6,709	2 568
Revenue from services	80,387	74 938
	87,096	77 506

Notes to the Consolidated Financial Statements

6 EMPLOYEE BENEFIT EXPENSES

	2006 £ 000	2005 £ 000
Staff costs for the Group during the year		
Wages and salaries	40,657	36,588
Social security costs	6,255	5,387
Other benefits	2,485	2,335
Pension costs – defined benefit schemes (Note 21)	1,058	1,169
Pension costs – defined contribution scheme	388	288
Cost of employee share scheme	106	65
	50,949	45,832

The amounts included in employee benefit expenses in 2005 have been amended to include certain expenditure previously included in other operating expenses. The reclassification has no effect on operating profit.

	2006 Number	2005 Number
Average number of people (including executive directors) employed by the Group during the year was		
Operational	1,039	1,025
Administration and support staff	303	305
	1,342	1,330

7 FINANCE (CREDIT)/COSTS

	2006 £ 000	2005 £ 000
Interest payable on bank loans and overdrafts	267	242
Other interest payable	5	-
Interest payable on finance leases	2	7
Total finance costs	274	249
Bank interest receivable	(335)	(126)
Other interest receivable	(12)	(95)
Total finance income	(347)	(221)
Net finance (credit)/costs	(73)	28

8 PROFIT BEFORE TAX

	2006 £ 000	Group 2005 £ 000
Profit before tax is stated after charging/(crediting)		
Depreciation of property plant and equipment		
– owned assets	1,196	1,125
– under finance leases	53	126
Amortisation of intangible fixed assets	49	41
Profit on sale of property plant and equipment	(47)	(20)
Loss on sale of intangible fixed asset	19	-
Profit on sale of current available for sale financial assets (including Company Ent (2005: £176,000))	-	(176)
Operating lease charges		
– buildings	1,741	1,412
– other	1,162	752
Repairs and maintenance expenditure on property plant and equipment	337	397
Research and non-capitalised development costs	1,486	1,308
Loss on foreign exchange (including Company £45,000 (2005: £31,000))	11	28
Inventories		
– (credit) / cost of inventories recognised as an expense (included in other operating expenses)	(27)	41
– write down of inventories	8	1

8 PROFIT BEFORE TAX continued**Services provided by the Group's auditor and network firms**

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

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
Audit services				
– audit of the parent company and consolidated financial statements	21	18	21	18
– audit of the subsidiary company financial statements	113	109	–	–
Other services pursuant to legislation	13	12	5	5
Tax services	145	130	87	55
Other services not covered above	19	33	–	–

In addition to the above services the Group's auditors acted as auditors to the Christie Group plc Pension & Assurance Scheme and the Venners Retirement Benefit Scheme. The appointment of auditors to the Group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme who act independently from the management of the Group. The aggregate fees paid to the Group's auditor for audit services to the pension schemes during the year were £9 500 (2005: £9 000).

9 TAXATION

	2006 £ 000	2005 £ 000
Current tax		
UK Corporation tax at 30% (2005: 30%)	2,406	1,324
Foreign tax	73	57
Adjustment in respect of prior periods	(267)	(37)
Total current tax	2,212	1,344
Deferred tax		
Origination and reversal of timing differences	(193)	350
Total deferred tax	(193)	350
Tax on profit on ordinary activities	2,019	1,694

The tax for the year is higher (2005: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below.

Tax on profit on ordinary activities

	2006 £ 000	2005 £ 000
Profit on ordinary activities before tax	6,152	4,381
Profit on ordinary activities at standard rate of UK corporation tax of 30% (2005: 30%)	1,846	1,314
Effects of		
– tax losses not yet utilised	716	236
– expenses not deductible for tax purposes	478	105
– taxable deductions	(638)	–
– utilisation of tax losses and other deductions	(5)	–
– adjustment to tax charge in respect of previous periods	(267)	(37)
– fixed asset timing differences	62	(15)
– other timing differences	26	(259)
– rate differential on certain tax losses	(6)	–
Total current tax	2,212	1,344

10 DIVIDENDS

Group and Company	2006 £ 000	2005 £ 000
Interim		
2005 interim paid October 2005 (1.0p)	–	245
2006 interim paid October 2006 (1.25p)	306	–
Final		
2004 final paid June 2005 (2.0p)	–	481
2005 final paid June 2006 (2.5p)	611	–
	917	726

A dividend in respect of the year ended 31 December 2006 of 2.75p per share amounting to a total dividend of £677 000 is to be proposed at the Annual General Meeting on 29 June 2007. These financial statements do not reflect this proposed dividend.

Notes to the Consolidated Financial Statements

11 EARNINGS PER SHARE

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

	2006	2005
Profit attributable to equity holders of the Company (£ 000)	4,131	2 684
Weighted average number of ordinary shares in issue (thousands)	24,448	24 866
Basic earnings per share (pence)	16 90	10 79

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 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

	2006	2005
Profit attributable to equity holders of the Company (£ 000)	4,131	2 684
Weighted average number of ordinary shares in issue (thousands)	24,448	24 866
Adjustment for share options (thousands)	728	249
Weighted average number of ordinary shares for diluted earnings per share (thousands)	25,176	25 115
Diluted earnings per share (pence)	16 41	10 69

12 INTANGIBLE ASSETS – GOODWILL

Group	Total £ 000
Cost	
At 1 January 2006	3 939
Acquisitions	157
At 31 December 2006	4,096

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

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment. The carrying amounts of goodwill by segment as at 31 December 2006 are as follows

Goodwill	Professional Business Services £ 000	Software Solutions £ 000	Stock and Inventory Services £ 000
UK	178	-	833
Continental Europe	-	3 085	-

During the year the acquired goodwill was tested for impairment in accordance with IAS 36 on the basis of the relevant CGUs. Following the impairment tests there has been no change to the carrying values

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

13 INTANGIBLE ASSETS - OTHER

Group	Software € 000	Software development € 000	Total € 000
Cost			
At 1 January 2006	202	2 719	2 921
Exchange adjustments	(4)	(34)	(38)
Additions	105	1 546	1 651
Disposals	(36)	(1 193)	(1 229)
At 31 December 2006	267	3,038	3,305
Accumulated amortisation			
At 1 January 2006	111	-	111
Exchange adjustments	(4)	-	(4)
Charge for the year	49	-	49
Disposals	(17)	-	(17)
At 31 December 2006	139	-	139
Net book amount at 31 December 2006	128	3,038	3,166

The expected useful lives are as follows

Software	3 - 10 years
Software development	5 - 10 years

The investment in software development relates to development of products for resale in the Software Solutions division. The Software Development disposal reflects amounts relating to the Christie + Co operational support system, the costs of which were recovered from the third party software house contracted to provide the system.

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

14 PROPERTY, PLANT AND EQUIPMENT

Group	Short leasehold property € 000	Fixtures fittings computer equipment and motor vehicles € 000	Total € 000
Cost			
At 1 January 2006	531	7 179	7 710
Exchange adjustments	(1)	(41)	(42)
Additions	-	1 407	1 407
Disposals	(158)	(256)	(414)
At 31 December 2006	372	8,289	8,661
Accumulated depreciation			
At 1 January 2006	348	5 183	5 531
Exchange adjustments	(1)	(27)	(28)
Charge for the year	64	1 185	1 249
Disposals	(155)	(150)	(305)
At 31 December 2006	256	6,191	6,447
Net book amount at 31 December 2006	116	2,098	2,214

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT continued

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

Depreciation in the year on fixtures fittings computer equipment and motor vehicles includes £53,000 (2005 £126 000) on assets held under finance lease or hire purchase agreements which have a net book value at 31 December 2006 of £8 000 (2005 £62 000)

At 31 December 2006 and 2005 the Company held fixtures, fittings computer equipment and motor vehicles with a cost of £9 000 and accumulated depreciation of £9 000

15 DEFERRED TAX

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

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

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
Deferred tax assets/(liabilities) comprises				
Accelerated capital allowances	201	109	2	2
Short-term timing differences	103	(152)	(1)	(13)
Deferred tax asset/(liability)	304	(43)	1	(11)
Deferred tax asset on pension	1,872	2 020	173	183
At 31 December	2,176	1 977	174	172

Movements in the deferred tax asset

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
At 1 January	1,977	2 327	172	203
Exchange adjustments	6	-	-	-
Transfer from/(to) the income statement	193	(350)	2	(31)
At 31 December	2,176	1 977	174	172

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £587 000 (2005 £307 000) in respect of losses that can be carried forward against future taxable income.

The forthcoming reduction in the rate of UK corporation tax to 28% (previously 30%) announced in the Budget on 21 March 2007 would reduce the deferred tax asset recognised at 31 December 2006 by approximately £145 000.

16 INVESTMENTS IN SUBSIDIARIES

Company	Shares in subsidiary undertakings € 000	Loans to subsidiary undertakings € 000	Total € 000
Cost			
At 1 January 2006 and at 31 December 2006	5 559	6 301	11 860
Provisions			
At 1 January 2006 and at 31 December 2006	610	-	610
Net book amount at 31 December 2006	4,949	6,301	11,250
Net book amount at 31 December 2005	4 949	6 301	11 250

Subsidiary undertakings

At 31 December 2006 the principal subsidiaries were as follows

Company	Country of incorporation	Nature of business
Christie Owen & Davies plc (trading as Christie + Co)*	UK	Business valuers, surveyors and agents
Christie + Co SARL*	France	Business valuers surveyors and agents
Christie + Co GmbH*	Germany	Business valuers surveyors and agents
Christie Owen & Davies SL*	Spain	Business valuers surveyors and agents
Pinders Professional & Consultancy Services Ltd	UK	Business appraisers
RCC Business Mortgage Brokers plc (trading as Christie Finance)	UK	Business mortgage brokers
RCC Insurance Brokers plc* (trading as Christie Insurance)	UK	Insurance brokers
Orridge & Co Ltd	UK	Stocktaking and inventory management services
Orridge SA*	Belgium	Stocktaking and inventory management services
Venners plc	UK	Licensed stock and inventory auditors and valuers
VcsTimeless Ltd*	UK	EPoS head office systems and merchandise control
Venners Computer Systems Corporation*	Canada	EPoS head office systems and merchandise control
Timeless SA*	France	EPoS head office systems and merchandise control
Timeless Premier SL*	Spain	EPoS head office systems and merchandise control
Timeless Italia Srl*	Italy	EPoS head office systems and merchandise control

The Company directly or indirectly* owns 100% of the ordinary share capital of each of the above companies. During the year the Group purchased the remaining 10% of the Orridge SA ordinary share capital making it a wholly owned subsidiary

16a AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006 € 000	Group 2005 € 000	2006 € 000	Company 2005 € 000
Non-current assets				
Cost				
At 1 January	300	604	300	604
Additions	53	200	-	200
Disposals	-	(504)	-	(504)
At 31 December	353	300	300	300
Provisions				
Charge for the year	53	-	-	-
At 31 December	53	-	-	-
Net book amount at 31 December	300	300	300	300

During the year the Group purchased 1 522 500 1p ordinary shares in Capcon Holdings plc an AIM listed business. At 31 December 2006 the market value of the shares was £42 000. The investment has been provided against given the relative illiquidity of the shares

The other available-for-sale financial assets represent an unquoted investment held at cost. The fair value of the unquoted investment at 31 December 2006 approximates to cost

17 INVENTORIES

	2006 € 000	Group 2005 € 000
Finished goods and goods for resale	332	310

A provision of £17 000 (2005: £21 000) is held against goods for resale to reflect the net realisable value of the inventory

Notes to the Consolidated Financial Statements

18 TRADE AND OTHER RECEIVABLES

	2006 € 000	Group 2005 € 000	2006 € 000	Company 2005 € 000
Current assets				
Trade receivables	11,317	10,621	-	-
Less Provision for impairment of receivables	(2,387)	(1,778)	-	-
Amounts owed by group undertakings	-	-	1,868	6,333
Other debtors	2,435	2,273	1,336	1,151
Prepayments and accrued income	2,914	3,001	129	20
	14,279	14,117	3,333	7,504
Non-current assets				
Amounts owed by group undertakings	-	-	8,458	-
Less Provision for impairment of amounts owed by group undertakings	-	-	(2,400)	-
	-	-	6,058	-

During the year the Company renegotiated the repayment terms of loans with certain subsidiaries which has resulted in the loans being due after more than one year

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

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

19 SHARE CAPITAL

Ordinary shares of 2p each	Number	2006 € 000	Number	2005 € 000
Authorised				
At 1 January and 31 December	30,000,000	600	30,000,000	600
Allotted and fully paid				
At 1 January	25,003,552	500	24,747,496	495
Issued during the year	212,832	4	256,056	5
At 31 December	25,216,384	504	25,003,552	500

The consideration received for the shares issued in the year was €109,000 (2005: €114,000)

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 to purchase 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 31 December 2006 the total payments by the Company to the ESOP to finance the purchase of ordinary shares was €916,000 (2005: €641,000). The market value at 31 December 2006 of the ordinary shares held in the ESOP was €1,601,000 (2005: €768,000). The investment in own shares represents 616,000 shares (2005: 665,000) with a nominal value of 2p each

19a SHARE BASED PAYMENTS

Certain employees hold options to subscribe for shares in the Company at prices ranging from 36p to 145p under share option schemes for the period from August 1998 to April 2006

The remaining options outstanding under approved schemes at 31 December are shown below

Number of Shares		Option exercise price	Date granted	Option exercise period
2006	2005			
-	27 000	35 70p	Aug 1996	Aug 1999 - Aug 2006
-	65 833	48 00p	Dec 1997	Dec 2000 - Dec 2007
6,000	6 000	47 50p	Aug 1998	Aug 2001 - Aug 2008
7,667	40 667	41 50p	Dec 1998	Dec 2001 - Dec 2008
15,000	15 000	81 00p	Sep 1999	Sep 2002 - Sep 2009
22,000	34 333	145 00p	May 2000	May 2003 - May 2010
6,000	21 000	81 50p	Oct 2000	Oct 2003 - Oct 2010
37,000	43 333	53 50p	Apr 2001	Apr 2004 - Apr 2011
6,000	9 000	40 00p	Oct 2001	Oct 2004 - Oct 2011
9,000	26 333	36 00p	Apr 2002	Apr 2005 - Apr 2012
25,000	25 000	45 50p	Sep 2002	Sep 2005 - Sep 2012
43,000	81 000	47 50p	Apr 2003	Apr 2006 - Apr 2013
31,000	57 000	46 50p	Jun 2003	Jun 2006 - Jun 2013
93,000	103 000	94 00p	May 2004	May 2007 - May 2014
38,000	41 000	111 50p	Jun 2004	Jun 2007 - Jun 2014
37,000	52 000	98 50p	Oct 2004	Oct 2007 - Oct 2014
168,000	175 000	100 00p	Apr 2005	Apr 2008 - Apr 2015
35,000	44 000	101 50p	Oct 2005	Oct 2008 - Oct 2015
188,000	-	130 50p	Apr 2006	Apr 2009 - Apr 2016
766,667	866 499			

Under the Share Option Scheme the Remuneration Committee can grant options over shares to employees of the Company. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the Share Option Scheme are generally reserved for employees at senior management level and 119 employees are currently participating in this group. The Company has made grants at least annually. Options granted under the Share Option Scheme will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment and achievement of a performance target.

The Group also operates a Save As You Earn (SAYE) scheme which was introduced in 2002. Under the SAYE scheme eligible employees can save up to £250 per month over a three or five year period and use the savings to exercise options granted between 45 5p to 228 5p. There were 783 000 (2005 814 000) remaining options outstanding under the SAYE scheme at 31 December 2006.

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

	2006	2005
Share price at grant date	46 50p - 222 00p	46 50p - 111 50p
Exercise price	46 50p - 228 50p	46 50p - 111 50p
Expected volatility	36 3% - 52 7%	36 3% - 52 7%
Expected life (years)	3 - 5 years	3 - 5 years
Risk free rate	4 4% - 5 1%	4 4%
Dividend yield	1 6% - 2 7%	2 7%
Fair value per option	19 04p - 78 91p	19 04p - 45 63p

The expected volatility is based on historical volatility over the last 8 years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

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

	2006		2005	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	866,499	76 87p	977 555	63 37p
Granted	191,000	130 50p	226 000	100 29p
Forfeited/lapsed	(78,000)	83 00p	(81 000)	81 36p
Exercised	(212,832)	51 14p	(256 056)	44 59p
Outstanding at 31 December	766,667	96 75p	866 499	76 87p
Exercisable at 31 December	207,667	60 97p	313 499	59 86p

Notes to the Consolidated Financial Statements

19a SHARE BASED PAYMENTS continued

The weighted average share price for options exercised over the year was 170.70p (2005: 102.16p). The total charge for the year relating to employee share based payment plans was £106,000 (2005: £65,000) all of which related to equity-settled share based payment transactions. The weighted average remaining contractual life of share options outstanding at 31 December 2006 was 7.4 years (2005: 6.8 years).

20 RESERVES

Group	Share premium £ 000	Merger reserve £ 000	Share based payments £ 000	Own shares £ 000	Capital redemption £ 000	Fair value and other reserves £ 000	Retained earnings £ 000
At 1 January 2006	3,935	945	103	(271)	10	4,722	4,802
Share issues	105	-	-	-	-	105	-
Movement in respect of employee share scheme	-	-	106	(523)	-	(417)	-
Purchase of minority interest	-	-	-	-	-	-	(15)
Retained profit for the year	-	-	-	-	-	-	3,214
At 31 December 2006	4,040	945	209	(794)	10	4,410	8,001

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

Company	Share premium £ 000	Merger reserve £ 000	Share based payments £ 000	Own shares £ 000	Capital redemption £ 000	Other reserves £ 000	Fair value and other reserves £ 000	Retained earnings £ 000
At 1 January 2006	3,935	945	-	(271)	10	89	4,708	9,508
Share issues	105	-	-	-	-	-	105	-
Movement in respect of employee share scheme	-	-	1	(523)	-	-	(522)	-
Retained profit for the year	-	-	-	-	-	-	-	1,358
At 31 December 2006	4,040	945	1	(794)	10	89	4,291	10,866

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

Share premium – The balance on the share premium reserve represents the amounts received in excess of the nominal value of the ordinary shares.

Merger reserve – The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares.

Share based payments – The balance on the share based payments reserve represents the value of services provided in relation to employee share ownership schemes.

Own shares – Own shares represents Company shares held in the Employee Share Ownership Plan (ESOP) that can be used to meet the future requirements of employee Save As You Earn and share option schemes.

Capital redemption reserve – The balance on the capital redemption reserve represents the aggregate nominal value of all the ordinary shares repurchased and cancelled.

21 RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the balance sheet are determined as follows

	2006 £ 000	2005 £ 000
United Kingdom	6,240	6,732
Overseas	60	58
	6,300	6,790

United Kingdom

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

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

The amounts recognised in the balance sheet are determined as follows

	2006 £ 000	2005 £ 000
Present value of funded obligations	28,663	24,250
Fair value of plan assets	(25,679)	(22,054)
	2,984	2,196
Present value of unfunded obligations	3,640	6,277
Unrecognised actuarial losses	(384)	(1,741)
Liability in the balance sheet	6,240	6,732

The principal actuarial assumptions used were as follows

	2006 %	2005 %
Discount rate	4.80 - 5.00	4.70 - 4.80
Inflation rate	3.00	2.75
Expected return on plan assets	6.20 - 6.90	6.00 - 6.25
Future salary increases	3.00 - 3.25	2.75 - 3.10
Future pension increases	3.00	3.00 - 3.60

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

	2006 Years	2005 Years
Male	21.7	19.8
Female	24.6	22.8

The movement in the defined benefit obligation is as follows

	2006 £ 000	2005 £ 000
At 1 January	30,527	28,556
Interest cost	1,477	1,515
Current service cost	945	897
Benefits paid	(204)	(493)
Actuarial (gains)/losses	(442)	52
At 31 December	32,303	30,527
Attributable to		
Present value of funded obligations	28,663	24,250
Present value of unfunded obligations	3,640	6,277
	32,303	30,527

Notes to the Consolidated Financial Statements

21 RETIREMENT BENEFIT OBLIGATIONS continued

The movement in the fair value of plan assets is as follows

	2006 £ 000	2005 £ 000
At 1 January	22,054	18,325
Expected return on plan assets	1,364	1,269
Contributions	1,550	1,504
Benefits paid	(204)	(493)
Actuarial gain	915	1,449
At 31 December	25,679	22,054

The amounts recognised in the income statement are as follows

	2006 £ 000	2005 £ 000
Current service cost	(945)	(897)
Interest cost	(1,477)	(1,515)
Expected return on plan assets	1,364	1,269
Net actuarial loss recognised in the year	-	(26)
Total included in employee benefit expenses (Note 6)	(1,058)	(1,169)

The actual return on plan assets was £2,279,000 (2005: £2,718,000)

Plan assets are comprised as follows

	2006 Expected return		2005 Expected return	
	£ 000	%	£ 000	%
Equity	17,288	6.70 - 7.60	11,235	6.30 - 8.00
Debt	3,618	4.80 - 5.10	5,827	4.60 - 4.80
Other	4,773	5.30 - 5.70	4,992	4.00 - 6.30
	25,679	6.20 - 6.90	22,054	6.00 - 6.25

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to UK post retirement benefit schemes for the year ending 31 December 2007 are £1,580,000.

History of experience adjustments

As at 31 December	2006 £ 000	2005 £ 000	2004 £ 000
Present value of defined obligations	32,303	30,527	28,556
Fair value of plan assets	(25,679)	(22,054)	(18,325)
Deficit	6,624	8,473	10,231
Experience adjustments on plan liabilities	364	183	(1,232)
Experience adjustments on plan assets	915	1,449	52

The income statement charge of £82,000 (2005: £108,000) and balance sheet liability £578,000 (2005: £613,000) recognised by the Company in relation to the Christie Group defined benefit scheme has been allocated on the basis of contributions to the scheme. For the year ended 31 December 2006 contributions paid by the Company amounted to £135,000 (2005: £155,000).

Overseas

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

21 RETIREMENT BENEFIT OBLIGATIONS continued

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

	2006 £ 000	2005 £ 000
Beginning of the year	58	50
Expenses included in employee benefit expenses	2	8
End of the year	60	58

The principal assumptions used were as follows

	2006 %	2005 %
Discount rate	2.50	2.50
Future salary increases	3.00	3.00
Employee turnover	12.00	12.00

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

Expected contributions to the Overseas post retirement benefit scheme for the year ending 31 December 2007 are £65 000

22 TRADE AND OTHER PAYABLES

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
Trade payables	2,159	2 565	-	-
Amounts owed to group undertakings	-	-	9,085	4 304
Other taxes and social security	4,248	3 332	897	856
Other creditors	917	898	229	139
Accruals	8,421	4 570	682	153
Deferred income	1,209	1 383	-	-
	16,954	12 748	10,893	5 452

23 BORROWINGS

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
Non-current				
Bank and other borrowings (unsecured)	1,735	2 212	1,600	2 000
Finance lease obligations	-	9	-	-
	1,735	2 221	1,600	2 000
Current				
Bank and other borrowings (unsecured)	731	82	400	-
Finance lease obligations	6	56	-	-
	737	138	400	-
Total borrowings	2,472	2 359	2,000	2 000

The Group is not subject to any contractual repricing

The financial liabilities comprise

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
Floating interest rate loans	2,212	2 294	2,000	2 000
Overdraft	45	-	-	-
Invoice discounting	209	-	-	-
Finance lease liabilities	6	65	-	-
	2,472	2 359	2,000	2 000

Notes to the Consolidated Financial Statements

23 BORROWINGS continued

The maturity of non-current borrowings is as follows

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
Bank loans repayable between one and two years	460	477	400	400
Bank loans repayable between two and five years	1,275	1,735	1,200	1,600
Obligation under finance leases				
- between one and two years	-	9	-	-
	1,735	2,221	1,600	2,000

Interest on the Group's borrowings is as follows

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

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

24 NOTES TO THE CASH FLOW STATEMENT**a Cash generated from/(used in) operations**

	2006 £ 000	Group 2005 £ 000	2006 £ 000	Company 2005 £ 000
Profit for the year	4,133	2,687	2,275	2,416
Adjustments for				
- Taxation	2,019	1,694	(535)	(49)
- Finance (credit)/costs	(73)	28	(5,608)	(2,953)
- Depreciation	1,249	1,251	-	-
- Amortisation of intangible assets	49	41	-	-
- Profit on sale of property plant and equipment	(47)	(20)	-	-
- Profit on sale of current available-for-sale financial assets	-	(176)	-	(176)
- Loss on sale of intangible assets	19	-	-	-
- Foreign currency translation	(105)	(19)	-	-
- Movement in share option charge	106	65	1	-
- Movement in retirement benefit obligation	(490)	(327)	(35)	(47)
- Increase in non-current other receivables	-	-	(6,058)	-
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)				
- (Increase)/decrease in inventories	(22)	45	-	-
- (Increase)/decrease in trade and other receivables	(318)	(515)	4,170	(2,086)
- Decrease in current available-for-sale financial assets	-	504	-	504
- Increase in trade and other payables	4,058	1,514	5,208	1,259
Cash generated from/(used in) operations	10,578	6,772	(582)	(1,132)

b Acquisition of subsidiary

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

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

25 RECONCILIATION OF MOVEMENT IN NET FUNDS

	As at 1 January 2006 £ 000	Cash flow £ 000	Non-cash movements £ 000	As at 31 December 2006 £ 000
Cash in hand and at bank	6 811	4 603	-	11,414
Overdraft	-	(45)	-	(45)
Invoice discounting	-	(209)	-	(209)
Debt due after one year	(2 212)	-	477	(1,735)
Debt due within one year	(82)	82	(477)	(477)
Finance leases due after one year	(9)	9	-	-
Finance leases due within one year	(56)	50	-	(6)
	4 452	4 490	-	8,942

26 COMMITMENTS**a Operating lease commitments**

At 31 December 2006 the Group has lease agreements in respect of properties vehicles plant and equipment for which the payments extend over a number of years

	Property £ 000	2006 Vehicles and equipment £ 000	Property £ 000	2005 Vehicles and equipment £ 000
Commitments under non-cancellable operating leases due				
Within one year	1,567	805	1 379	552
Within two to five years	4,655	932	3 914	1 431
After five years	2,225	-	3 579	-
	8,447	1,737	8 872	1983

Operating lease payments represent

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

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

b Capital commitments

The Group has contracted but not provided for capital commitments for £255 000 (2005 £298 000) of capital expenditure

27 CONTINGENT LIABILITIES

In the ordinary course of business claims arise in Group companies. In the opinion of the Directors appropriate amounts have been set aside in respect of liabilities which individual companies within the Group may suffer as a result of the resolution of these claims

Five-Year Record

The Group adopted IFRS for the first time in 2005 and in accordance with the requirements of IFRS 2004 figures were restated. Restatement of earlier years is not required under IFRS and accordingly the information presented below for 2003 and 2002 in respect of the income statement is prepared under UK GAAP. The main adjustments that would be required to comply with IFRS (for 2003 and 2002) are the recognition of the defined benefit pension funds liabilities on the balance sheet in accordance with IAS 19 and the reversal of goodwill amortisation (IFRS 3).

	IFRS 2006 £ 000	IFRS 2005 £ 000	IFRS 2004 £ 000	UK GAAP 2003 £ 000	UK GAAP 2002 £ 000
Consolidated income statements					
Revenue	87,096	77,506	69,968	62,457	46,473
Operating profit before goodwill amortisation	6,079	4,409	3,844	3,245	2,614
Goodwill amortisation	-	-	-	(551)	(497)
Exceptional item	-	-	2,455	-	-
Finance credit/(costs)	73	(28)	(176)	(206)	(164)
Profit on ordinary activities before tax	6,152	4,381	6,123	2,488	1,953
Taxation	(2,019)	(1,694)	(360)	(1,469)	(1,182)
Profit on ordinary activities after tax	4,133	2,687	5,763	1,019	771
Minority interest	(2)	(3)	(10)	-	-
Dividends paid	(917)	(726)	(722)	(722)	(625)
Retained profit for the year	3,214	1,958	5,031	297	146
Earnings per share					
- basic	16 90p	10 79p	23 28p	4 15p	3 06p
- basic before exceptional items (net of tax)*	16 90p	10 79p	9 23p	4 15p	3 06p
- basic before goodwill amortisation and exceptional items (net of tax)*	16 90p	10 79p	9 23p	6 39p	5 03p
Dividends per ordinary share (payable in respect of the year)	4 0p	3 5p	3 0p	3 0p	2 5p

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

	2006 £'000	2005 £ 000	2004 £ 000
Consolidated balance sheets			
Non-current assets	11,952	11,205	10,157
Current assets	26,307	21,238	18,142
Current liabilities	(17,691)	(13,618)	(11,424)
	20,568	18,825	16,875
Non-current borrowings	(1,735)	(2,221)	(2,108)
Retirement benefit obligations	(6,300)	(6,790)	(7,117)
Net assets	12,533	9,814	7,650
Shareholders' funds - equity interests	12,533	9,795	7,634
Minority interest	-	19	16
	12,533	9,814	7,650

Financial Calendar

Annual General Meeting

39 Victoria Street
London SW1H 0EU

Friday 29 June 2007 at 2pm

Announcements

Half-year results for 2007
Preliminary full-year results for 2007
Final dividend 2007

September 2007
April 2008
June 2008

Final dividend 2006

Ex-dividend
Record date
Paid

6 June 2007
8 June 2007
5 July 2007

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Designed and produced by Addison Corporate Marketing

Printed by Quadracolor
Printed on Mega Silk

The manufacturer is producing Venners Mega silk and glass products with up to 50% recovered fibres from pre and post consumer waste and the remaining pulp source is totally chlorine free sourced from fully sustainable sources. The manufacturer mg mill has also been accredited with the internationally recognised standard ISO 14001

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