

Chairman's statement



“2008 has been a very successful year of double digit growth, although the outlook for 2009 is uncertain. So far the impact on businesses affected by the economic downturn has been offset by growth in other businesses”.

Review of operations

Overall the Group has continued to perform well. The Group acted for 1,381 clients in 2008 compared with 1,379 in 2007. Of these clients, 256 used more than one of our businesses (236 in 2007), which represented 66% of total operating income (2007 – 62%).

In 2008, 170 clients paid us over £100,000, compared with 164 in 2007. Our top 30 clients represented 48% of total operating income (2007 – 45%).

Our two largest clients represented 18.4% of our operating income. Both clients have been retained since 2003, are high margin and have normal renewal terms. No other client represented more than 3% of our operating income.

Average fee income per client in 2008 was £81,000 compared with £70,000 in 2007. Average income per employee was £111,000 in 2008 compared with £105,000 in 2007. In 2008, 37% of our income came from overseas work compared with 34% in 2007.

Bell Pottinger retained its position as No. 1 in the *PR Week* League Table, Fast Track remains No. 1 in the *Marketing Sponsorship* League Table and VCCP won the *Marketing Week Effectiveness* Award for the launch of the O₂ arena.

Divisional performance

Trading conditions deteriorated in the second half of 2008 for some of our businesses, whilst others performed ahead of our expectations. The Public Relations Division was ahead of budget for 2008, whilst the Advertising and Marketing Services and Research Divisions were behind budget.

Public Relations continues to be our largest division, being 55% of operating income (2007 – 56%), Advertising and Marketing Services was 39% (2007 – 36%) and Research 6% (2007 – 8%).

Public Relations – Bell Pottinger Group including Good Relations, Harvard and Insight

The Public Relations Division had an extremely good year with a particularly strong second half. Costs were very carefully controlled and the 13% increase in operating income has therefore resulted in a 30% increase in operating profit. Our geopolitical, brand, technology and Middle East businesses all performed ahead of our expectations.

Advertising and Marketing Services – VCCP Group, Fast Track and Teamspirit

Our Advertising and Marketing Services Division had a flat year with the first half better than the second half. Our sports marketing, direct marketing, digital, search and brand identity businesses all performed ahead of 2007.

Research – The Research and Engagement Group

The Research and Engagement Division was budgeted to improve in the second half of 2008 following the restructuring we did in the first half. However, due to postponed and cancelled projects their performance continued to deteriorate. We still have confidence in the restructuring we have done and the first quarter of 2009 is looking encouraging with a healthy new business pipeline. In addition the launch of Caucus World, our new digital platform, was delayed due to hold-ups in software development.

New business wins in 2008 included:



Corporate responsibility

The Group continues to be carbon neutral and has targeted to reduce its carbon emissions by a further 5% in 2008 (2007 – 37%). The Group received a 'Big Tick' award from Business in the Community for its work on addressing climate change.

Board changes

On 2 July 2008 The Hon Richard Alston joined the Board. He previously served as Australian High Commissioner to the United Kingdom from February 2005 until March 2008, after a distinguished career in the Australian Parliament as Minister for Communications, Information, Technology and Arts from 1996 to 2003.

On 16 December 2008 David Allen resigned from the Board and we thank him for his contribution over several years.

Outlook

We had an excellent 2008 based on our diversified Group, with particularly strong performances from Public Relations (Bell Pottinger Group) and Sports Marketing (Fast Track).

The company's strategy for 2009 is to control costs, generate cash and focus on new business. We are concentrating on the growth opportunities we have, which are mainly in international, sports marketing, digital, geopolitical and public sector work.

So far the impact on businesses affected by the economic downturn has been offset by growth in other businesses.

Lord Bell
Chairman
11th March 2009

Summary of results

	2008 £m	2007 £m	% change
Actual			
Operating income	112.1	96.5	+16%
Operating profit	18.1	15.7	+15%
Operating profit margin	16.2%	16.3%	
Organic¹			
Operating income	94.7	86.6	+9%
Operating profit	15.3	13.8	+10%

¹ Excluding acquisitions in 2007 and 2008

Public Relations Division

	2008 £m	2007 £m	% change
Operating income	61.3	54.1	+13%
Operating profit	12.1	9.3	+30%
Operating profit margin	19.7%	17.3%	

Advertising and Marketing Services Division

	2008 £m	2007 £m	% change
Operating income	43.8	34.7	+26%
Operating profit	6.2	5.6	+11%
Operating profit margin	14.1%	16.0%	

Research and Engagement Division

	2008 £m	2007 £m	% change
Operating income	7.0	7.7	-10%
Operating profit	0.4	1.4	-73%
Operating profit margin	5.4%	18.1%	