

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Business review

The principal business of the Group is providing public relations, advertising, sports marketing, market research, direct marketing, design and event management consultancy. A review of the performance and development of the Group's business during the year, its position at the year end and its prospects is set out in the Chairman's statement on pages 4 and 5 and Finance Director's report on pages 30 and 31. The principal risks and uncertainties facing the Group, as well as the Group's policies for managing capital can be found within note 43 of the accounts on page 86 and within the section headed internal control within the Directors' statement on corporate governance on page 36.

The Group's use of financial instruments is set out in note 43 of the financial statements.

The Group uses the following key performance indicators to measure progress towards objectives.

	2008	2007
Organic operating income growth	9%	11%
Organic profit growth (Organic growth excludes acquisitions in 2007 and 2008)	10%	13%
Operating profit margin	16.2%	16.3%
Earnings per share	19.87p	17.15p
Average fee income per client	£81,000	£70,000
Average income per employee	£111,000	£105,000
Staff costs/operating income	61.1%	58.5%
Net cash	£6,324,000	£812,000

Results and dividends

The Group's income statement is set out on page 50 and shows a profit before tax for the year to 31 December 2008 of £16,339,000 (2007 – £13,762,000). The Directors recommend the payment of a final dividend of 3.18p per ordinary share to be paid on 19 June 2009 to the ordinary shareholders on the register on 29 May 2009, which together with the interim dividend paid on 15 October 2008 makes a total of 4.72p per share for the year (2007 – 3.50p).

Directors and their interests

The Directors' interests in the shares of Chime Communications plc are disclosed as part of the Report of the Board to the Shareholders on Directors' Remuneration on page 40. Details relating to Directors' share options are also given as part of the Report of the Board to the Shareholders on Directors' Remuneration. There has been no change in the interests of the Directors between 31 December 2008 and 10 March 2008.

At the forthcoming Annual General Meeting, Lord Bell, Christopher Satterthwaite and Catherine Biner Bradley are due to retire by rotation and offer themselves for re-election.

Paul Richardson will retire and offer himself for re-election at the Annual General Meeting as he has been a Non-Executive Director for more than nine years.

Hon. Richard Alston was appointed as a Director by the Board on 2 July 2008 and has been proposed for election at the forthcoming Annual General Meeting.

Other than described in the Report of the Board to the Shareholders on Directors' Remuneration no Director of the Company has, or had during the year, any interests in the shares of other Group companies or in any transactions which were unusual in their nature or were significant to the Company's business.

Donations

During the year the group donated £36,567 (2007 – £39,608) for charitable purposes.

The Group's policy is not to make direct donations to support political parties. However, the nature of the Group's work is such that to support its commercial activities, certain companies within the Group may need to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made. In addition, the Group may invite clients and prospective clients to attend events which fall within the meaning of the Companies Act 2006 provisions. The Companies Act 2006 defines "political party", "political organisation", "political donation" and "political expenditure" widely and as a result, it is possible that political organisations may include bodies concerned with matters such as policy review and law reform, or the representation of the business community or sections of it, or the representation of other communities or special interest groups.

During the year and adopting this wider definition, the Group made payments that might be deemed to be political donations totalling £22,000 to various organisations and individuals principally connected with the Conservative Party.

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Employee involvement

The Group operates a policy of informing all employees on a regular basis of the Group's financial performance. In addition, the Group's Savings-Related Share Option Scheme, Performance-Related Pay and bonus schemes encourages employees at all levels to contribute to the achievement of the Group's short- and long-term goals.

Employment of disabled people

The Group gives full and fair consideration to all applications for employment made by disabled people, having regard to their particular aptitudes and abilities. Opportunities for training, career development and promotion do not disadvantage these employees.

Acquisition of the Company's own shares

At the end of the year, the Directors had authority, under the shareholders' resolution issued on 14 May 2008, to purchase through the market 5,327,504 of the Company's own ordinary shares at prices not less than 25p per ordinary share and not more than 5% above the average of the middle market quotations as derived from the London Stock Exchange Daily Official List. This authority will last until the conclusion of the next Annual General Meeting.

Substantial interests

At 10 March 2009 the following interests, other than those of the Directors set out above, in 3% or more of the issued ordinary share capital had been notified to the Company:

	Number of ordinary shares	% of ordinary share capital
WPP Group Plc	11,036,718	19.34
Fidelity Investments	6,734,919	11.80
Aberforth Partners	4,534,000	7.95
JP Morgan Asset Management	1,747,339	3.06

Creditor payment terms

The Group's policy on suppliers is that they will be paid in accordance with agreed terms and conditions of trade on a regular basis.

The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amounts invoiced by suppliers during the year, was 38 days in aggregate for the Group (2007 – 31). The Company did not have any trade creditors at 31 December 2008 or 2007.

Auditors

Each of the Directors at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP has expressed its willingness to continue in office as Auditors and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

Robert Davison, Secretary
11 March 2009