

Finance Director's review



Key Performance Indicators (KPIs)

The Group has further improved the strength of its balance sheet in 2008 and has continued to strengthen its financial controls. If the current economic uncertainty continues then the importance of both of these will increase. Further improvements are being targeted in 2009.

The Group manages its internal operational performance using a number of KPIs. The most important of these are as follows:

	2008	2007
Operating profit margin	16.2%	16.3%
Staff costs/operating income	61.1%	58.5%
Average fee income per client	£81,000	£70,000
Average fee income per employee	£111,000	£105,000
% of operating income from clients shared by more than one business in the Group	66%	62%
% of operating income from international work	37%	34%
Debtors days	50 days	55 days

Cash flow and banking arrangements

Net cash at 31 December 2008 was £6.3 million compared to £0.8 million at 31 December 2007.

The Group benefited from unusually strong cash generation close to the year end and if this had not occurred the Group would have had approximately £3 million of debt at 31 December 2008.

The Group generated cash from trading activities in 2008 of £24.6 million (2007 – £21.4 million) representing a cash conversion on profits before tax of 151% (2007 – 155%).

The Group continues to operate well within its banking covenants and has a borrowing facility of £32 million which continues until July 2013.

Deferred considerations

Deferred considerations still payable, total a maximum of £35.7 million, comprising £18.7 million payable in cash and £17.0 million payable in shares or cash at Chime's discretion. The timing of these payments is £0.2 million in 2009, £9.8 million in 2010 with the balance payable between 2011 and 2014.

Capital expenditure and investment

Total capital expenditure for 2008 was £2.2 million (2007 – £1.9 million). The main categories of investment are leasehold improvements (£0.5 million) fixtures and fittings (£1.3 million), computer software (£0.2 million), and motor vehicles (£0.2 million).

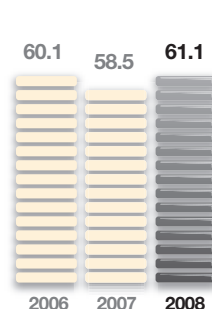
Procurement

The Group operates a central procurement function which uses the power of the Group to ensure that all businesses buy materials and services as cost effectively as possible.

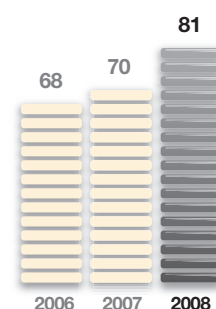
Operating profit margin (%)



Staff costs / operating income (%)



Average fee income per client (£'000)



Pensions

All the Group's employees are entitled to contribute to the Group's pension scheme or to personal pension schemes. These are all defined contribution schemes.

Taxation

The effective tax charge for 2008 was 31.6% compared to 32.4% last year. The notional finance costs of deferred considerations which are not subject to tax relief and deferred tax charges relating to share option schemes increased the effective tax charge above the UK corporation tax rate of 28%.

Dividends

The dividend has increased in line with the adoption of a more progressive dividend policy announced this time last year. The Group now operates a 4 times cover policy. The Board is proposing to pay a final dividend of 3.18p per share (2007 – 2.40p), giving a total dividend per share of 4.72p compared to 3.50p in 2007, this is an increase of 35%. The final dividend will be payable on 19 June 2009 to shareholders on the register at 29 May 2009. The expected ex-dividend date is 27 May 2009.

Going concern

The Directors have prepared cash flow forecasts which indicate that the Group has adequate resources to continue in operational existence for the foreseeable future. In preparing these forecasts the directors have taken into account the following key factors:

- The possible impact of the continued economic downturn on the Group's business
- Key client account renewals
- The level of committed and variable costs
- Current new business targets compared to levels achieved in previous years

The Directors have concluded, based on the cash flow forecasts, that it is appropriate to prepare the accounts on a going concern basis.

Outlook

In 2008 the Group put a lot of emphasis on conserving and generating cash. This included reviewing and improving client contracts and terms of business, supervision procedures and credit control. There are no significant deferred considerations payable in 2009 so the Group is expecting again to be cash positive at the end of 2009.

The Group will retain its current borrowing facilities so that it is well placed to deal with any deterioration in trading conditions in the future.

Mark Smith

Group Finance Director
11 March 2009

Note:

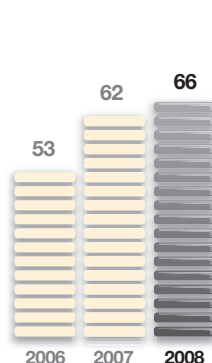
More detail on the Group's cash position and facilities at 31 December 2008, as well as maturities of the financial liabilities, can be found in note 43 to the financial statements. The principal risks and uncertainties faced by the Group are included in the Director's report and note 43. Details on the performance of the entity in the year and the future prospects of the Group can be found in the Chairman's statement.

Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 38.

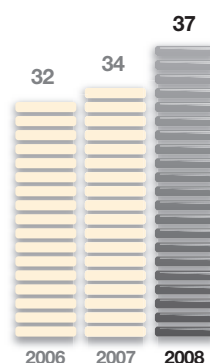
Average income per employee (£'000)



Income from shared clients (%)



International income (%)



Debtors days (No. of days)

