Directors' remuneration report

Group policy on the remuneration of directors and employees
This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Act, a resolution to approve this report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on the 'auditable part' of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information
Remuneration Committee
The composition, chairmanship and activities of the Remuneration Committee are set out on pages 32 and 37. The members of the Committee receive remuneration as set out in this report. They abstain from participating where their own interests are concerned and have no involvement in the day-to-day management of the Group's operations. Other Directors attend meeting by invitation only but this would not include when matters relating to their own remuneration arrangements are discussed. In addition to the current members of the Committee Julian Seymour (resigned 31 December 2007) was a member when the Co-Investment Plan, as detailed later, was approved by the Committee.

During the financial period under review, the Remuneration Committee sought the assistance of the Chairman and Finance Director relating to Directors' performance and remuneration. The Committee used Towers Perrin to provide advice primarily on competitive market levels and on the performance-related elements of the Executive Directors' remuneration. Towers Perrin were not contracted to supply any other services during 2008. The Remuneration Committee also approved the grant of share options under the Savings-Related Share Option Scheme, the grant of shares under the Deferred Share Plan and they approved an expenses policy for Executive Directors.

The Committee's terms of reference are available on request from the Company Secretary and will be available for inspection at the forthcoming AGM.

Remuneration policy
The Group is committed to attracting and retaining high-quality staff. Remuneration is set at levels commensurate with competing firms in the same industry and is monitored on a regular basis. The performance measurement of the Executive Directors and key senior management and the determination of their annual remuneration packages are undertaken by the Committee. More generally, the Committee reviews executive remuneration arrangements regularly to ensure that they remain effective, competitive and appropriate to the Group's circumstances and prospects, and monitors incentive award levels and consequent company liabilities. It also reviews the awards of shares made under the Deferred Share Plan and of options over shares under the Executive and Savings-Related Share Options schemes in terms of their effect on dilution limits.

Three of the four Executive Directors spend a large proportion of their time on fee-earning client work. Their remuneration packages are therefore based on the appropriate market rate for two different functions: one is the management of the Group in the executive roles of Chairman, Deputy Chairman and Chief Executive and the other is as client handlers and new business winners. Looked at in those terms, their remuneration is considered to be in line with market rates. The Committee places considerable emphasis on the performance-linked elements of their remuneration, i.e. Annual Bonus, Deferred Share Incentives and Long-Term Incentives.

Executive Directors are entitled to accept external appointments outside the Company providing that the Chairman's permission is sought and confirmed by the Board.

The fees payable to the Non-Executive Directors represent compensation in connection with Board and Committee meetings and, where appropriate, for devoting additional time and expertise for the benefit of the Group in a wider capacity. Non-Executive Directors do not participate in the Company's pension or share option or other incentive plans. The Board considers that the Non-Executive Directors' remuneration conforms with the requirements of the Combined Code.

This Report sets out the Group's Remuneration policies for the Directors for the year ended 31 December 2008. These policies are likely to continue to apply in future years, unless there are specific reasons for change.

Remuneration packages
In 2008 there were five main elements of the remuneration packages for Executive Directors:

- basic annual salary and benefits;
- annual bonus payments which cannot exceed 50% of salary;
- deferred share incentives;
- long-term incentive plans; and
- pension arrangements.

Basic annual salary and benefits
In setting salary levels, the Remuneration Committee considers the experience and responsibility of the Executive Directors and their personal performance during the previous year. The Committee also takes account of salary levels within other companies of a similar size and nature, as well as the rates of increases for other employees within the Group. The Remuneration Committee reviews salaries with effect from January each year. The benefits provided by the Group to the Executive Directors consist principally of pension contributions, a car or car allowance and private medical insurance.

With the exception of the Chief Executive, no increases in salary were awarded to the Executive Directors in either 2007 or 2008 consistent with greater emphasis on incentivising performance through bonuses.

Annual bonus
The Executive Directors' annual bonus arrangements are focused on the achievement of the Group's short-term financial objectives. The annual bonus allocation is capped at a maximum of 50% of salary for the Executive Directors, of this up to 25% of the relevant Director's salary may be payable if the Company meets the profit targets set by the Board. A further maximum of 25% may be paid to each Executive Director, based on key performance indicators linked to the Group's stated strategy and tailored to their individual roles. Some of these are non-financial. The Remuneration Committee reviews the specific key performance indicators for each director and their overall performance both against those indicators and generally. Based on its assessment, the Committee determines what, if any, further bonus is payable. The Committee believes the performance metrics chosen align with shareholder value creation. Bonus payments are not pensionable.

For 2008, the key performance indicators included:

- Growth in operating profit margin
- Growth in income from international work
- Growth in number and value of shared clients
- Growth in average fee per client
- Revenue generation
- Client retention
- Cash management and conversion
- Quality of internal control
- Management of Chime's reputation

The Committee considered the performance of the Directors in February 2009. The profit targets set by the Board have been met in a more challenging market than was anticipated when they were set and performance compares favourably with that of competitors. The Committee has also assessed that each of the Directors has achieved or exceeded their individual key performance indicators and, as a result, believes that such exceptional performance fully justifies the maximum bonus award.

The resultant bonuses for 2008 are shown in the remuneration table on page 45.

Deferred Share Plan

During 2006 the Company introduced a Deferred Share Plan (the Plan). Under the Plan restricted rights over existing Chime Communications shares are granted to Executive Board Directors, subsidiary Board Directors and senior employees of the Group. A participant of the Plan must remain employed by the Group for a period of three years after the date of grant for the shares to vest with the employee. There are no other performance criteria attached to the restricted shares. The plan aims to encourage the retention of key employees. All grants under the Plan are approved by the Remuneration Committee. The grants under the scheme to date have been relatively modest. The Deferred Share Plan replaced the Executive Share Option Scheme.

The Executive Directors received grants under the Plan in 2006, but will receive no further awards under this Plan for the duration of the Co-Investment Plan. Details of their participation are shown in the table on page 44.

Co-Investment Plan

In 2006 shareholder approval was granted to introduce a Co-Investment Plan (CIP). The CIP was established to align the interests of the Company's most senior executives to the three-year business plan put in place during 2006. Participation in the plan is dependent upon the commitment by the executive to maintain an investment in the Company's shares until the end of the performance period, over shares with an initial value up to 50% of salary capped at a total of £175,000 per participant. In return for this commitment the executive is granted an award over a maximum of five times as many matching shares. The number of matching shares that vest, if any, are dependent upon the achievement of performance targets measured over a four-year performance period.

50% of the matching shares are tied to the aggregate reported earnings per share (EPS) and 50% are tied to total shareholder return (TSR) relative to a peer group of other media companies. The comparator group for awards in 2006 and 2007 was ITE Group, Wilmington Group, M&C Saatchi, Tarsus Group, Next Fifteen Communications, Cello Group, Huntsworth, Centaur Media, Future, Chrysalis Group, Bloomsbury Publishing, Creston, Media Square and Scottish Media Group.

The maximum award is for achieving EPS growth equivalent to 26% per annum compounded and a TSR ranking in the top 15% of the comparator group. In addition to the above requirements the Remuneration Committee must be satisfied as to the underlying financial performance of the Company. The Executive Directors will receive no further awards under any of the Company's long-term incentive schemes for the duration of this scheme.

Relative TSR is recognised as one of the best indicators of whether a shareholder has achieved a good return on investing in the Group relative to its peer group. In addition, an EPS performance condition provides an appropriate measure of the Group's underlying financial performance.

The table on page 45 shows the maximum number of shares that will vest with the Executive Directors should the performance targets be met in full.

Under the rules of the CIP, the Remuneration Committee has the authority to make adjustments to the published EPS if events happen that make it fair and reasonable to do so.

In 2007 it was agreed that an adjustment would be made going forward to the published EPS relating to the amortisation of a long-term client contract of Fast Track, a business acquired in that year. In the view of the Remuneration Committee this is an accounting treatment which was not anticipated when the plan was established and is not a current trading item. This adjustment represents only 2% of EPS.

Share Option schemes

Previously the Company has operated an Executive Share Option Scheme for Executive Directors, subsidiary Board directors and senior employees. All executive options granted from November 1997 (other than special executive options) are subject to the Group achieving during the period of grant, an average total shareholder return on the shares for the preceding three years which exceeds the average FTSE 100 TSR for the same period and a percentage growth in EPS which is at least equal to the percentage growth in the Retail Price Index plus 6% over three years.The exercise price of the options granted under the above scheme is equal to the market value of the company's shares at the time when the options were granted. Executive share options are only expected to be granted in future if there is a contractual commitment or in exceptional circumstances.

The Company also operates a Savings-Related Share Option Scheme which is open to all employees after an initial qualifying period of employment.

Pensions

Pension contributions on behalf of the Executive Directors are paid by the Company to the Group's money purchase pension scheme or to a personal pension scheme up to the value of 20% of their basic salary.

Directors' contracts

The Company's policy is that Executive Directors should normally be employed on rolling contracts which may be terminated by the Company giving no more than 12 months notice and which otherwise expire on retirement, currently at age 65. In December 2006 the Company agreed a new service contract with Lord Bell in order that he may continue as a director beyond age 65. All Executive Directors and employees have rolling contracts of employment with a notice period that does not exceed 12 months.

Any compensation payable on early termination of employment contracts would be in line with contractual and statutory requirements.

The table below summarises key details in respect of each Director's contract.

	Contract date	Years to expected retirement	Company notice period	Executive notice period
Executive Directors				
Lord Bell	7 December 2006	2	12 months	12 months
Piers Pottinger	10 May 1994	10	12 months	12 months
Christopher Satterthwaite	6 December 2002	12	12 months	12 months
Mark Smith	10 May 1994	11	12 months	12 months

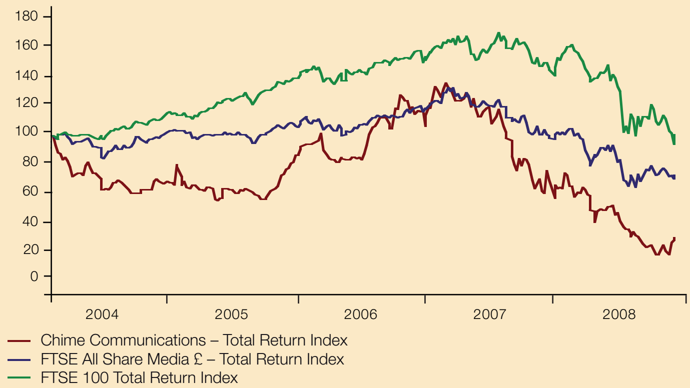
	Date of initial appointment	Date of last re-election	Notice period
Non-Executive Directors			
Rodger Hughes	1 July 2007	May 2008	3 months
Hon. Richard Alston	2 July 2008	–	3 months
Catherine Biner Bradley	11 September 2001	June 2006	3 months
Paul Richardson	3 December 1998	May 2008	Linked to WPP shareholding
Dave Allen (resigned 16 December 2008)	3 December 2001	May 2008	Linked to WPP shareholding

Director appointments are subject to Board approval and election by shareholders at the Annual General Meeting following appointment and, thereafter, re-election by rotation every three years.

There are no provisions for compensation payments on early termination in the Non-Executive Directors' Terms and Conditions of Appointment.

Hon. Richard Alston was appointed by the Board in July 2008 and is retiring in accordance with Article 80 and the requirements of the Code. He is proposed as a Director at the Company's Annual General Meeting.

Chime Communications Total Shareholder Return relative to FTSE 100 and FTSE All-Share Media Sector



Source: Thomson Datastream

Performance graph

This graph shows the Company's performance measured by total shareholder return, compared with the performance of the FTSE. All-Share Media Index, also measured by total shareholder return. The FTSE All-Share Media Index has been chosen as the most suitable comparator as it is the general market index in which the Group appears.

Audited information
Directors' emoluments

	Salary and fees £	Benefits £	Bonuses £	Emoluments excl. pension contributions £	Pension contributions £	**Total 31 December 2008 £**	Total 31 December 2007 £
Executive Directors							
Lord Bell*	615,000	109,464	307,500	1,031,964	123,000	**1,154,964**	966,952
Piers Pottinger	401,000	30,192	100,250	531,442	80,200	**611,642**	569,906
Christopher Satterthwaite	400,000	21,017	200,000	621,017	70,000	**691,017**	518,625
Mark Smith	250,000	28,418	125,000	403,418	50,000	**453,418**	384,519
Non-Executive Directors							
Rodger Hughes	40,000	–	–	40,000	–	**40,000**	20,000
Hon. Richard Alston (appointed 2 July 2008)	12,500	–	–	12,500	–	**12,500**	–
Catherine Biner Bradley	25,000	–	–	25,000	–	**25,000**	17,500
Paul Richardson	–	–	–	–	–	**–**	–
Julian Seymour (resigned 31 December 2007)	–	–	–	–	–	**–**	30,000
Dave Allen (resigned 16 December 2008)	–	–	–	–	–		–
Totals	1,743,500	189,091	732,750	2,665,341	323,200	**2,988,541**	2,507,502

*Chairman and highest paid Director

The sums paid to Julian Seymour were in respect of consultancy fees.

The pension contributions made by the Company are in respect of money purchase schemes. Contributions in respect of Lord Bell, Piers Pottinger, Mark Smith and Christopher Satterthwaite for the year ended 31 December 2007 were £123,000, £80,200, £50,000 and £70,000 respectively. Piers Pottinger and Mark Smith were members of the Group's defined contribution scheme in 2007.

Directors' share options, restricted shares and matching shares

The following unexercised options over shares were held by directors:

Executive Share Option Scheme

Directors	1 January 2008 (or on appointment)	Post-share consolidation 14 May 2008	Lapsed	31 December 2008 (or on resignation)	Exercise price	Date from which exercisable	Expiry date
Lord Bell	100,000	20,000	–	20,000	£10.45	Nov 2003	Nov 2010
Lord Bell	306,452	61,290	–	61,290	£0.775	Apr 2006	Apr 2013
Piers Pottinger	100,000	20,000	–	20,000	£10.45	Nov 2003	Nov 2010
Christopher Satterthwaite	33,333	6,667	–	6,667	£4.50	Oct 2002	Oct 2009
Christopher Satterthwaite	500,000	100,000	–	100,000	£0.775	Apr 2006	Apr 2013
Mark Smith	100,000	20,000	–	20,000	£10.45	Nov 2003	Nov 2010

On 14 May 2008 the Group carried out a 1 for 5 share consolidation, see note 29 to the accounts on page 77.

Savings-Related Share Option Scheme

Directors	1 January 2008 (or on appointment)	Post-share consolidation 14 May 2008	Surrendered	31 December 2008 (or on resignation)	Exercise price	Date from which exercisable	Expiry date
Christopher Satterthwaite	20,437	4,087	–	4,087	£1.60	July 2009	Dec 2009
Mark Smith	20,437	4,087	(4,087)	–	£1.60	July 2009	Dec 2009

The market price of the shares at 31 December 2008 was 51.5p and the range during 2008 was 50p to 183.75p (share price has been recalculated to take into account the share consolidation on 14 May 2008, see note 29.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Deferred Share Plan

The following restricted shares were held by directors:

Directors	1 January 2008 (or on appointment)	Post-share consolidation 14 May 2008	Awarded	31 December 2008 (or on resignation)	Award date	Vesting date
Lord Bell	214,500	42,900	–	42,900	25 May 2006	25 May 2009
Piers Pottinger	139,800	27,960	–	27,960	25 May 2006	25 May 2009
Christopher Satterthwaite	122,000	24,400	–	24,400	25 May 2006	25 May 2009
Mark Smith	73,200	14,640	–	14,640	25 May 2006	25 May 2009

These shares are included as part of the beneficial holdings in the table on page 45.

Co-investment Plan – matching shares

The following matching shares were held by directors:

Directors	1 January 2008 (or on appointment)	Post-share consolidation 14 May 2008	Awarded	31 December 2008 (or on resignation)	Award date	Vesting date
Lord Bell	2,092,180	418,435	–	418,435	18 September 2006	September 2010
Piers Pottinger	2,302,630	460,525	–	460,525	18 September 2006	September 2010
Christopher Satterthwaite	2,247,020	449,400	–	449,400	18 September 2006	September 2010
Mark Smith	1,632,020	326,400	–	326,400	18 September 2006	September 2010

Directors interests in the shares of Chime Communications plc

The Directors of the Company, all of whom were directors for the whole year, unless otherwise indicated, and their interests in the Company at 31 December 2008, or on date of resignation, and at 1 January 2008 or date of appointment were:

	Beneficial holdings			Share options		
Directors	1 January 2008 (or date of appointment) Ordinary Shares of 5p each	Post-share consolidation 14 May 2008 Ordinary Shares of 25p each	31 December 2008 (or date of resignation) Ordinary Shares of 25p each	1 January 2008 (or date of appointment) Ordinary Shares of 5p each	Post-share consolidation 14 May 2008 Ordinary Shares of 25p each	31 December 2008 (or date of resignation) Ordinary Shares of 25p each
Lord Bell	1,895,914	379,182	419,182	406,452	81,290	81,290
Piers Pottinger	2,145,600	429,120	429,120	100,000	20,000	20,000
Christopher Satterthwaite	449,404	89,880	118,451	553,770	110,753	110,754
Mark Smith	540,918	108,183	153,194	120,437	24,087	20,000
Rodger Hughes	60,265	12,053	12,053	–	–	–
Dave Allen (resigned 16 December 2008)	–	–	–	–	–	
Hon. Richard Alston (appointed 2 July 2008)	–	–	–	–	–	–
Catherine Biner Bradley	39,514	7,903	7,903	–	–	–
Paul Richardson	–	–	–	–	–	–

Lord Bell also held a non-beneficial interest in 169,900 ordinary shares at 1 January 2008 and at 31 December 2008. Christopher Satterthwaite also held a non-beneficial interest in 118 ordinary shares at 1 January 2008 and at 31 December 2008.

Approval

This report was approved by the Board of Directors and signed on its behalf by

Robert Davison, Secretary
11 March 2009