re-set

Business and communications in a re-set world

> "We think every generation, maybe every 50 years, you get a permanent re-set, under which the future has to be judged" **Jeff Immelt,** Global CEO of GE

Public Relations | Advertising & Marketing Services | Sports Marketing | Research

The Chime Group helps clients create, manage, monitor and market their businesses, brands and reputations both in the UK and internationally.

Chime is the holding company for the UK's leading public relations group, Bell Pottinger; one of the fastest growing advertising and marketing services groups in the UK that includes VCCP and Teamspirit; the UK's number one sports marketing group that includes Fast Track and Essentially; and one of the UK's leading research groups including Opinion Leader Research and Facts International.

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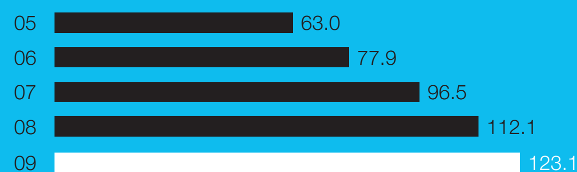
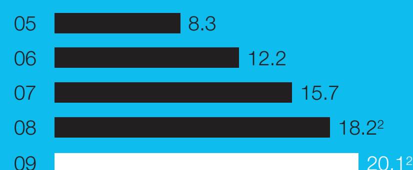
Operating Income (£m)



Operating Profit (£m)



Earnings per share (p)

Financial Highlights

- Operating income up 10% to £123.1 million (2008: £112.1 million)
  – Organic growth of 8%[1]
- Operating profit up 10% to £20.1 million[2] (2008: £18.2 million)
  – Organic growth of 7%[1 and 2]
- Operating profit margin 16.4%[2] (2008: 16.3%)
- Profit before tax up 14% to £18.8 million[2 and 3] (2008: £16.5 million)
- Reported profit before tax up 14% to £18.6 million (2008: £16.3 million)
- Basic earnings per share from continuing operations up 11% to 22.46p[2 and 3] (2008: 20.19p)
- Net cash as at 31 December 2009 of £4.8 million (2008: £6.3 million)
- Final dividend of 3.50p per share (2008: 3.18p), an increase of 10%

Corporate Highlights

- Acquisition of Essentially Group completed and Sports Marketing now shown as a separate division
- Acquisition of majority stake in Pelham Public Relations completed
- Acquisition of Tree completed on 10th March 2010
- Placing to raise £4.5 million successfully completed

Notes:
1. Organic growth is calculated excluding all acquisitions in 2008 and 2009.
2. Before taking account of amortisation of acquired intangible assets (£0.3 million, 2008: £0.1 million) and costs relating to acquisitions (£0.2 million, 2008: £nil).
3. Before taking account of profit on disposal of a minority of a subsidiary (£1.3 million, 2008: £nil) and write off of investments (£1.0 million, 2008: £nil).

Operating income[1]
(2008: £112.1m)
£123.1m

Earnings per share[2 and 3]
(2008: 20.19p)
22.46p

Profit before tax[2 and 3]
(2008: £16.5m)
£18.8m

Margin[2]
(2008: 16.3%)
16.4%

Operating profit[2]
(2008: £18.2m)
£20.1m

Final dividend
(2008: 3.18p)
3.50p

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Chairman's Statement

Summary of Results

	2009 £m	2008 £m	% Change
Operating Income	**123.1**	112.1	+10%
Operating Profit[2]	**20.1**	18.2	+10%
Operating Profit Margin[2]	**16.4%**	16.3%	
Organic[1]			
Operating Income	**120.7**	112.1	+8%
Operating Profit[2]	**19.5**	18.2	+7%

Review of Operations

Overall the Group performed extremely well in 2009. The Group acted for 1,389 clients in 2009 compared to 1,381 in 2008. 230 of these clients used more than one of our businesses (256 in 2008) which represented 70% of total operating income (2008 – 66%).

150 clients paid us over £100,000 in 2009, compared to 170 in 2008. Our top 30 clients represented 57% of total operating income (2008 – 48%).

Our two largest clients represented 22.3% of our operating income (2008 – 18.4%). Both clients have been retained since 2003, are high margin and have normal renewal terms. They are both covered by more than one contract covering the various different services provided to the client so that the ending of one contract would be unlikely to lead to all contracts for the same client coming to an end.

Average fee income per client in 2009 was £89,000 compared to £81,000 in 2008. Average income per employee was £118,000 in 2009 compared to £111,000 in 2008. In 2009, 46% of our income came from overseas work compared to 37% in 2008.

Divisional Performance

2009 was a good year for the Public Relations Division, the Advertising and Marketing Services and the Sports Marketing Divisions, but a disappointing one for our Research Division.

Public Relations continues to be our largest division being 54% of operating income (2008 – 55%), Advertising and Marketing Services was 27% (2008 – 27%), Sports Marketing was 14% (2008 – 12%) and Research 5% (2008 – 6%). The full year impact of the Essentially acquisition should mean that Sports Marketing should be about 20% of Group operating income in 2010.

"We outperformed the market and our competitors in 2008 and we have done so again in 2009. These are our best results ever and we are very pleased and delighted. We have made three acquisitions, controlled costs and strengthened our existing business. 2010 has started well and we are cautiously optimistic for the outcome of the full year."

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

	2009 £m	2008 £m	% Change
Operating Income	**66.8**	61.3	+9%
Operating Profit	**13.9**	12.1	+15%
Operating Profit Margin	**20.8%**	19.7%	

Overall the division showed good revenue growth with strong cost control which resulted in an improved margin. Some businesses were affected by the downturn but this was more than offset by other businesses performing beyond our expectations, notably our geopolitical business, Corporate Citizenship and Good Relations.

Advertising and Marketing Services – VCCP Group and Teamspirit

	2009 £m	2008 £m	% Change
Operating Income	**33.3**	30.2	+10%
Operating Profit	**4.0**	3.5	+14%
Operating Profit Margin	**12.0%**	11.6%	

Operating income continued to grow whilst costs have grown at a slower rate leading to an improvement in operating profit margin. We believe this trend can continue.

There was a strong performance from VCCP both in the UK and Germany, as well as our digital and search businesses. Teamspirit, our financial services marketing business, performed ahead of our expectations and well ahead of 2008.

Sports Marketing – Fast Track and Essentially

	2009 £m	2008 £m	% Change
Operating Income	**17.2**	13.6	+26%
Operating Profit[2]	**3.5**	2.8	+27%
Operating Profit Margin	**20.6%**	20.5%	

The 2009 results include two months of the acquisition of Essentially and a full year of Fast Track. 2008 relates only to Fast Track. The integration of Fast Track and Essentially is going well and both businesses have continued to grow. The Fast Track business in the Middle East has done particularly well.

These are high margin businesses in a marketplace that we believe will continue to grow despite the economic uncertainty.

Note:
2. Before taking account of amortisation of acquired intangible assets (£0.3 million, 2008: £0.1 million) and costs relating to acquisitions (£0.2 million, 2008: £nil).

Research – The Research Group

	2009 £m	2008 £m	Change %
Operating Income	**5.8**	7.0	-17%
Operating (Loss)/Profit	**(0.2)**	0.4	–
Operating Profit Margin	**–**	5.4%	

The Research Division remains very disappointing. The marketplace has been affected by the economic downturn but our businesses have also underperformed.

Within the division Facts International has performed very well and we are using that business and its management as a basis for restructuring the whole division.

The acquisition of Tree will provide additional opportunities for growth and we expect the division as a whole to show a profit in the first six months of the year and continue to grow thereafter.

Operational Highlights of the Year

- 54 awards across the Group in 2009, most notably
– VCCP: winner of Marketing's Creative Agency of the Year, Campaign's Campaign of the Year and 3 British Television Advertising Awards; Resonate: Gold Cannes Lion; Good Relations: Gold Cannes Lion; Fast Track: Gold at the Sports Event Management Awards; Teamspirit: 2 Golds, 2 Silvers and 2 Bronzes at Money Marketing Awards; BMT: 7 awards at the MAA Globes.
- Bell Pottinger retained its position as No. 1 in the 'PR Week' League Table.
- Fast Track remains No. 1 in 'Marketing' Sponsorship League Table.
- Emirates' sponsorship of the Rugby 7's World Cup in Dubai.
- The Home Office's Alcohol Awareness campaign.
- The Government's Sexual Health campaign.
- Winning consultancy work for four 2012 Olympic Games partners.
- VCCP Health's appointment as a roster agency for Merck Sharp and Dohme.
- The winning presidential election campaign in Gabon.

Chairman's Statement (continued)

Corporate activity

We have completed the acquisition of Tree (London) Limited (Tree) following the announcement that we had entered into the Heads of Terms on 15th January 2010. Tree is a research and data analytics company which we have acquired from Cagney plc for £2 million in cash. The transaction has been funded from the proceeds of a cash placing made on 15th January 2010.

During 2009 we acquired the sports marketing business, Essentially, and we merged Pelham Public Relations, a financial public relations business, with our existing Bell Pottinger Corporate and Financial business.

These three businesses will enhance the range of services we can offer to our clients and will give us additional opportunities for growth in 2010 and beyond.

Corporate and Social Responsibility

The Group continues to be carbon neutral and reduced its carbon footprint by 42% in 2007 and 2008. We are expecting to have reduced it by a further 5% during 2009. We continue to consider and enhance the environmental impact of our businesses and are working closely with our major suppliers to ensure best practice is embedded in our wider operations. We continue to be included in the FTSE4Good and have been re-accredited with a Big Tick by Business in the Community for our work on climate change.

- Winning Nokia's public relations.
- Winning npower.
- Promoting the economic profile of Bahrain within the region and global markets.
- The Department of Health's organ donation campaign.
- Winning Alibaba.com in Ptarmigan Bell Pottinger.
- Winning the search marketing for Virgin Money, Sage and Hiscox.
- Winning O2 in the Czech Republic and Slovakia.
- Winning Coca-Cola Enterprises corporate public relations.
- Developing the Hepatitis C campaign for the Department of Health.
- Launching Legal and General's new campaign.
- Enabling Texaco to become an official partner of the Football League.
- Launching Mubadala's Formula 1 website.
- Announcing Duchy Originals' exclusive deal with Waitrose.
- Promoting Paul Bell as Chief Executive of Bell Pottinger Group.
- Welcoming Michael Edge as Head of Digital at VCCP from AKQA.
- Welcoming former member of Shadow Cabinet Tim Collins as Managing Director of Bell Pottinger Public Affairs.

Outlook

Part of our 2009 strategy was to strengthen our existing business ready for any upturn in the 2010 market. We believe this strategy will be beneficial for 2010. Highlights are:

- We have considerably improved our financial public relations offering through the merger with Pelham. In the first quarter this business has increased its income and its new business conversion has been very good.
- Our public affairs business has had a record start to the year following the appointment of Tim Collins as Managing Director to work alongside Peter Bingle, the Chairman.
- The whole Public Relations Group has been strengthened by the promotion of Paul Bell to Chief Executive alongside Kevin Murray, the Chairman. Paul previously ran our most successful public relations business, Bell Pottinger Sans Frontieres.
- We acquired Essentially which is now being integrated with Fast Track. This year's results show the Sports Marketing Division separate from the Advertising and Marketing Service Division in order to highlight its growth potential for 2010.
- The management of our Research Division has been changed. We have appointed Crispin Beale as Chief Executive. Crispin, together with his Chairman Nick Lamb, more than doubled the profits of Facts International in 2009. We are confident the Division will return to profitability and will once again become an important part of our total business.
- We have completed the acquisition of Tree which will become part of the Research Division and will supply our clients with a service not previously available within the Group.
- Following winning Marketing Magazine's agency of the year and Campaign magazine's 'campaign' of the year, VCCP is receiving a record number of new business opportunities. VCCP has won TCP, Jungle Formula and Gatwick Express already this year and has opened an office in the Czech Republic to service both the Czech Republic and Slovakia for O2.
- We will continue our policy of controlling our costs, increasing the proportion of our costs that are variable and we are targeting an improvement in our margin.
- We will continue our policy of considering earnings enhancing acquisitions that expand our range of services and starting up new businesses to service our existing client list.
- We are well funded and continue to be very cash generative.

All in all we are cautiously optimistic for the outcome of 2010.

Lord Bell
Chairman
10th March 2010

re-set
Chief Executive's Statement

Jeff Immelt of GE first coined the phrase, "Re-set World" to describe a business environment turned on its head by the credit crunch and subsequent downturn. Immelt was not talking primarily about Communications. But he could have been. At Chime we believe that Communications is one of the areas of business activity that has been "Re-set" more rapidly and completely than any other.

Overview

What does the Communications Re-set look like? The simple answer is that it looks increasingly digital. Of course, the internet was around long before the credit crunch but the last two years have accelerated its role in Communications and its impact on brands and reputation. Today the web is the distribution channel through which brands and products are consumed as well as communicated, a social channel through which reputation is created and enacted, a channel for immediate measurement and dialogue, a means of distribution and transaction and a channel that demands rapid responses from all communicators be they individuals, brands, companies or countries. The multi-functionality has changed the way that Communications approaches the internet; it has also triggered important changes in the way other channels are used.

Take the introduction of multimedia newsrooms across both TV news channels and national newspapers, which deliver stories in different forms, through different media channels at different times of the day. The approach that works for TV won't necessarily work online; the strengths of a radio discussion are very different to those of mobile channels. All are more likely to be consumed at different times. Recognising the differences between the channels and the value that each can bring to a story is now central to all communication plans. In a fragmenting media universe, the ability to communicate a message irrespective of format and channel has become the goal.

Integration

Advertisers and advertising agencies have long spoken of the need for creative ideas that can transcend one media channel or another. They haven't always acted like they mean it. All too often, a 'Big Idea' has come to mean a big TV ad with other formats tagged on. In the Re-set World this is simply no longer an option: building a campaign around one dominant channel simply misses too many consumer contact points. In a recent piece for the advertising trade magazine, Campaign, VCCP's Stu Parkinson argues convincingly that even those at the cutting edge of digital advertising must remember the importance of ideas, experiences and connections that work across channels. We would cite O2's communications as a perfect example of that approach.

Chime's purpose is the business of building brands and reputations and this happens through conversations. Today, the dialogue is more prominent than ever; and because of the internet, it is also vastly more measurable. Increasingly the objective of Communications is to build social participation with and around a brand rather than simply delivering a fully formed brand message to consumers. Aleksandr, the computer-generated Meerkat used by VCCP to promote compare-the-market through Twitter, Facebook and (yes) TV, provides a great example.

Re-set reputations

In the Re-set World, brands and corporate reputation cannot be separated. Consumers can no longer be expected to focus on the former while conveniently ignoring the latter. Toyota was able to track the impact of its product recall through the increasing number of Google searches for rivals General Motors and Ford. The brand of Manchester United has been subverted by fans angered by their perceptions around management of the club. The Re-set world of

"…growth and opportunity is testament to the modern communications strategies that each of our divisions pursued in advance of the credit crunch, and the swiftness with which they are responding to the challenges of the Re-set World.

communications is about customer participation as much as customer satisfaction.

Sustainability, which cynics once predicted would disappear from the agenda at the first sniff of a recession, has instead seen its scope and significance hugely expanded. Sustainable businesses are no longer seen as 'green'; they are well-run businesses, and it is well-run businesses and brands that consumers choose to align themselves with in the Re-set World. Transparent, credible sustainability is today as important to brand success as the size of a media budget. Unilever has recognised as much with the introduction of its brand footprint strategy, drawing clear connections for consumers between governance and the products they choose.

Re-set opportunities

The Communications Re-set has brought disruption elsewhere. And with that disruption comes opportunity. The importance of brand experience in engaging across fragmented media channels is helping to drive the growth of our Sports Marketing division, as the tangible connections delivered by sponsorship are given global reach through the power of the internet. Emirates' hugely successful strategy of supporting the passion drivers (usually sports) for different communities around the world, HSBC's exceptional activation strategy for the Lions rugby tour of South Africa: both show the rapidly accelerating importance of brand experiences that stand above different formats.

The government work conducted by Chime agencies such as Bell Pottinger Sans Frontières is also taking place against the background of a Re-set World. Today it is the developed world that must deal with perceptions of debt and instability, whilst developing economies appear poised to take advantage. Our involvement with countries such as Bahrain is very exciting in this regard.

Research, meanwhile, is re-inventing itself to suit the demands for dialogue, accountability and actionable insight. Today it must provide clients with immediate benefits in increasing the efficiency of campaigns whilst providing foresight around future trends and opportunities.

These are just some of the ways in which interpreting the Re-set World is helping to keep Chime ahead of its competitors as we strive to deliver our brand promise of 'the Modern Communications Group'. The growth that the Group has delivered over the last year has been achieved not despite the Re-set World but because of it. The core strengths of our approach will enable Chime companies to continue to take a leading role in re-interpreting Communications and helping clients to meet their challenges in the years ahead.

Christopher Sattherthwaite
Chief Executive
10th March 2010

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Financial Director's Review

Adjusted and Statutory results
In this Annual Report where adjusted results are shown they are prepared to provide an indication of the Group's underlying business performance.

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

	2009	2008
Operating profit margin[1]	**16.4%**	16.3%
Average fee income per client	**£89,000**	£81,000
Average fee income per employee	**£118,000**	£111,000
% of operating income from clients shared by more than one business in the Group	**70%**	66%
% of operating income from international work	**46%**	37%

[1] Before taking account of amortisation of acquired intangible assets (£0.3 million, 2008: £0.1 million) and costs relating to acquisitions (£0.2 million, 2008: £nil)

Operating profit, profit before tax and earnings per share
Operating profit increased by 8% to £19.6 million (2008 – £18.1 million) and profit before tax increased by 14% to £18.6 million (2008 – £16.3 million). Earnings per share increased from 19.87p in 2008 to 22.06p in 2009, an increase of 11%.

Cash flow and banking arrangements
Net cash at 31st December 2009 was £4.8 million compared to £6.3 million at 31st December 2008.

The Group continued to generate cash in 2009 with cash from operating activities of £10.4 million (2008 – £21.3 million).

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

Deferred consideration
Total deferred consideration payable under existing earn out agreements is £37.1 million of which £17.2 million (net of the effect of £1.1 million discount) has been provided for as at 31 December 2009. Amounts provided for at the current year end are based on management's best estimate of likely future payments. Details of the maximum amount payable, by agreement, are included in note 36 to the financial statements.

The split of deferred consideration between cash and shares can vary at Chime's discretion. Of the maximum outstanding it is expected that in total £18.4 million would be payable in cash and £18.7 million would be payable in Chime shares. The timing of these payments is £11.1 million in 2010, £2.1 million in 2011, £4.5 million in 2012 with the balance payable in 2013 and 2014.

Operating profit margin (%)

Average fee income per client (£'000)

Average income per employee (£'000)

Income from shared clients (%)

Year	Value
07	62.0
08	66.0
09	70.0

International income (%)

Year	Value
07	34.0
08	37.0
09	46.0

Debtors days (No. of days)

Year	Value
07	55.0
08	50.0
09	50.0

Capital expenditure and investment

Total capital expenditure for 2009 was £1.5 million (2008 – £2.2 million).

The main categories of investment are leasehold improvements (£0.4 million) fixtures and fittings (£0.9 million) and computer software (£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.

Pensions

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

Taxation

The effective tax rate for 2009 was 31.6% compared to 31.6% last year.

Dividends

The Board is proposing to pay a final dividend of 3.50p per share (2008 – 3.18p), giving a total dividend per share of 5.10p compared to 4.72p in 2008, this is an increase of 8.1%. The final dividend will be payable on 18th June 2010 to shareholders on the register at 28th May 2010. The expected ex-dividend date is 26th May 2010.

Finance costs

Finance costs net of interest receivable, decreased by £0.6 million to £0.5 million mainly as a result of the decline in market interest rates and improved cashflow from trading activity. In addition there was a charge of £0.9 million in relation to the finance cost of deferred consideration.

Treasury policy

The Group's treasury policy is detailed in note 41 to the financial statements.

Capital structure

The Group is financed primarily through equity but has available credit facilities as detailed above.

Mark Smith
Group Finance Director
10th March 2010

Board of Directors

Lord Bell
Chairman

Piers Pottinger
Deputy Chairman

Christopher Satterthwaite
Chief Executive

Mark Smith
Finance Director

Rodger Hughes
Senior Non-executive *‡#

Hon. Richard Alston
Non-executive

Catherine Biner Bradley
Non-executive *‡#

Paul Richardson
Non-executive *‡#

COMPANY SECRETARY
Robert Davison

* Member of the Audit Committee
‡ Member of the Remuneration Committee
# Member of the Nominations Committee

The Board of Directors is responsible for overall strategy, acquisitions, resourcing and the consideration of significant financial matters. It meets four times annually and additionally if required. It reviews the strategic direction of the Group's trading companies, their annual budgets and their progress towards achievement of agreed targets. It is also responsible for the integrity of financial information and ensuring the financial controls and the systems of identification and management of risk, both financial and non-financial are robust and appropriate. The Board has three standing committees: the Audit Committee, the Nominations Committee and the Remuneration Committee.

Lord Bell, aged 68 – Chairman
Lord Bell is one of the best known figures in the United Kingdom communications industry. He helped found Saatchi & Saatchi in 1970, and as International Chairman he took Saatchi & Saatchi into its position as the first British No. 1 worldwide advertising agency in 1981. He successfully ran the publicity campaigns for the Conservative Party for the general elections in 1979, 1983 and 1987.

He was appointed Deputy Chairman of Lowe Howard-Spink Bell plc in 1985 and remained in that position until the formation of Chime Communications in 1989. He advises the chairmen of many of Britain's leading companies and organisations as well as foreign heads of state and international business leaders and politicians. He was awarded a knighthood in 1990 by Lady Thatcher in her resignation honours and a peerage by Tony Blair.

Piers Pottinger, aged 56 – Deputy Chairman
Following three years at J Henry Schroder Wagg Co Limited, Piers Pottinger spent three years as an analyst with stockbrokers Laurence Prust. In 1978, he joined Charles Barker. He spent two years as Director of Media Relations at Manufacturers Hanover Trust in New York before returning to London as Managing Director of Sterling Financial Public Relations in 1982. He joined Good Relations City (later Bell Pottinger Corporate and Financial) as Managing Director in 1985 and was also a Director of Good Relations Group plc. He is currently Non-Executive Chairman of Sportech plc, Vice President of the National Society for Epilepsy, trustee of the Foundation for Liver Research and Director of Racing Welfare.

Christopher Satterthwaite, aged 53 – Chief Executive
Christopher Satterthwaite began his commercial career as a graduate trainee at HJ Heinz. Since his grounding on the client side, he has worked for three different kinds of marketing communication agencies: IMP 1981 – 1993, then the UK's largest sales promotion and direct marketing agency; HHCL Partners 1993-2000, Campaign's 1990s 'Advertising Agency of the Decade'; and Bell Pottinger 2000-2001, the UK's leading Public Relations agency. Christopher was appointed Chief Executive of Chime Communications plc in 2002. He is a Non-Executive Director of Centaur Media plc and a trustee of Dulwich Picture Library.

Mark Smith, aged 54 – Finance Director
Mark Smith has been a Chartered Accountant since 1978, having qualified with Touche Ross & Co (now Deloitte LLP). Following two years as European Finance Director at RCA Records, he joined Good Relations Group plc in 1984 and became its Group Finance Director in 1985. In 1986 he became Finance Director of Lowe Bell Communications (now Bell Pottinger Group) and Finance Director of Chime Communications at the time of the management buyout in 1989. Since 1989 he has also been responsible for all Chime's corporate transactions including joining the Stock Exchange through a reverse takeover in 1994. Mark is a Non-Executive Director of Holiday Extras Holdings Limited.

Rodger Hughes, aged 61 – Senior Non-Executive Director
Rodger Hughes is a Chartered Accountant who was a partner in PricewaterhouseCoopers for 25 years, including four years as Managing Partner and seven years as Head of the Assurance Practice. He has had extensive experience advising a wide range of clients on business issues and was for some years the firm's advertising industry leader. He was, until 2007, Auditor to the Duchy of Cornwall. Rodger is a non-executive member of the board of Simmons and Simmons, the international law firm, and a member of the Steering Board of Companies House. He was a Non-Executive Director of Friends Provident plc until its takeover in 2009.

The Honourable Richard Alston, aged 68 – Non-Executive Director
Richard Alston is currently a member of the international advisory board of London based hedge fund, CQS. He has served on the boards of a number of publicly listed Australian companies, including Hansen Technologies, UCMS and Broadcast Services Australia, of which he was Chairman. He is Chairman of the Melba Foundation and also an Adjunct Professor at Bond University.

From 2005-2008 he was Australian High Commissioner to the UK and from 1996-2003 he was Federal Minister for Communications, Information Technology and the Arts. Prior to entering the Australian Parliament, where he served as a Senator for Victoria from 1986-2004, he was a barrister with an extensive practice in common law and commercial and administrative law.

He has bachelor degrees in law, commerce and arts from Melbourne University and masters degrees in law and business administration from Monash University.

Catherine Biner Bradley, aged 56 – Non-Executive Director
Catherine Biner Bradley is a Swiss lawyer with offices in Geneva and Vaud who specialises in business law and in Swiss and international tax planning. She founded Bourquin & Biner Bradley, where she remains a partner today. She serves on the board of Directors of a number of Swiss and international companies. She was a Director of COLT Telecom plc for five years, commencing with its initial listing on the London Stock Exchange in 1996, serving during that period on its Audit and Compensation Committees.

Paul Richardson, aged 52 – Non-Executive Director
Paul Richardson became Group Finance Director of WPP plc in December 1996 after four years with the Company as Director of Treasury. He is responsible for WPP's worldwide finance function, including external reporting, taxation, procurement, property, treasury and internal audit. Previously he spent six years with the central team of Hanson plc financing major acquisitions and disposals. He is a Chartered Accountant and a member of the Association of Corporate Treasurers. He is also a Non-Executive Director of S.T.W. in Australia and Ceva Group PLC.

Robert Davison, aged 52 – Company Secretary
Robert joined the Group in 1987 as Group Services Manager, became Assistant Company Secretary in 1994 and Director of Administration in 1998. Prior to joining the Group he worked in the music industry for ten years, initially for PolyGram, including working on the launch of the compact disc format in Europe, and later with RCA Records. In his current role he is additionally responsible for the Group's centralised functions such as IT, property, HR, legal services and risk management. Robert is a Fellow of the Institute of Chartered Secretaries and Administrators.

Executive Management Team

The Executive Management Team is made up of three elements; executive directors; senior executives each with management responsibility for an individual trading division; and representatives of the business development and commercial aspects of the Group's operations. They meet monthly to discuss the implementation of strategy, progress made in meeting targets, resourcing and other group-wide issues and initiatives. The Team discuss individual divisional issues in addition to those common across the Group in order to ensure best practice and experience is pooled in meeting the Company's goals.

Piers Pottinger, aged 56
(For biographical details see page 10)

Christopher Satterthwaite, aged 53
(For biographical details see page 10)

Mark Smith, aged 54
(For biographical details see page 10)

Paul Bell, aged 55
Paul Bell is Chief Executive of the Bell Pottinger Group, Chime's Public Relations Division.

A graduate in history and politics of the University of Cape Town, Paul spent the first part of his career as a journalist, writing and reporting on South Africa's transition from apartheid. During this time he held senior posts on several leading publications, and was a two-time winner of a Mondi Gold, South Africa's leading award for magazine journalism. In the mid-1990s he served as Director of Communications for the country's Electoral Commission, helping deliver its first non-racial, democratic general election. A year later he led the team which produced the Candidature File for Cape Town's bid for the 2004 Olympics.

In 2000 he returned to the UK and was appointed as a Consultant with Bell Pottinger. From 2004 he led the team which built the company's specialised practice in the development and deployment of strategic communications for security-stabilisation and conflict-mitigation. In 2008 he was appointed Chief Executive of Bell Pottinger Sans Frontières, the Chime strategic and geopolitical communications agency. He was appointed to his current role in January 2010.

Bart Campbell, aged 39
Bart Campbell is Chief Executive of the Essentially Group.

Bart has worked in the sports industry, as a lawyer, athlete manager and sports marketer since 1994. In his native New Zealand he attended Otago University obtaining a BA and LLB, subsequently being admitted to the bar as a barrister and solicitor to the High Court of New Zealand in 1994. In the right place and at the right time when rugby turned professional in 1995 he has been able to combine his career with his vocation.

After completing a M. Com. Law (hons) he founded Global Sports Management in 1999 which grew to become the leading rugby union player management business in the world, representing many of the leading figures in world rugby, with offices in the UK, New Zealand and South Africa. Bart was also a founder shareholder of Accelerate Sport & Music Ltd, a niche sports marketing agency focusing on rugby union, whose clients included the British & Irish Lions, the Magner's League, Rugby World Cup 7's Dubai 2009 and the New Zealand Rugby Union. These businesses were acquired by Essentially Group in 2006 at which point Bart became CEO of Essentially in November 2006.

Adrian Coleman, aged 46
Adrian Coleman is Chief Executive of the VCCP Partnership, having been one of the founding partners of VCCP when it was formed in 2002.

Prior to this he was Chief Executive of the AMD Group (Chime-owned) where he oversaw the media group, responsible for publishing, design and online, as well as advertising. Before joining AMD, Adrian was a partner at HHCL & Partners, a Director of IMP and he started his career working for Exxon on the client side. Overall, he has a broad understanding of the marketing mix through his previous experience.

Sue Farr, aged 54
Sue Farr has been a member of the Executive Management Team since 2003 and is currently leading Chime's strategic and business development programme.

Previously she was European Managing Director of Golin/Harris, an IPG-owned public relations group, where she ran several businesses across Europe. Most of Sue's client-side career has been spent in broadcasting, firstly as Director of Corporate Communications for Thames Television plc (1990-1993), which saw her launch UK Gold, and subsequently as Director of Marketing for the BBC (1993-2000), where she was responsible for marketing strategy, planning and implementation across all the BBC's public service brands.

Sue is a trustee of Historic Royal Palaces, Non-Executive Director at Motivcom and a director of The Marketing Society since 1984, she was the first woman chair in 1991 – 1992. She was a non-executive director of New Look plc from 1994 until 1996. She was Chairman of The Marketing Group of Great Britain in 1999 – 2001. She was voted the Advertising Woman of the Year in 1997, a WACL Woman of Achievement in 1998 and awarded The Marketing Society 'Grand Prix' in 1998.

Jim Glover, aged 44
Jim Glover is the Chief Executive of the Sports Marketing Division.

Jim has worked in the sports marketing industry for over 16 years. After beginning at IMG specialising in golf clients, Jim joined US based golf management company Cornerstone Sports, managing the European office. In 1994 he set up Lighthouse Communications, one of the first independent agencies to offer the corporate world independent, impartial advice on sponsorship. Over the next ten years, Jim built the company into one of the most respected independent consulting agencies in Europe, responsible for creating successful sponsorship programmes for Heineken International, GlaxoSmithKline, MMC and Ford. In December 2005, he oversaw the successful acquisition of Lighthouse by leading sports marketing agency Fast Track and was asked to join the merged company as Managing Director with responsibility for the client-facing elements of the business. Having been the CEO at Fast Track he was asked to oversee the integration of the Essentially brand into Chime's newly formed Sports Marketing Division as Chief Executive.

Kevin Murray, aged 55
Kevin Murray is Chairman of the Bell Pottinger Group, Chime's Public Relations Division.

Kevin specialises in the field of strategic communications and reputation management and has years of experience advising chairmen and chief executives, as well as managing complex and global communications projects and departments. He has worked with clients across a wide range of industries, often dealing with organisations going through significant change or suffering a crisis that threatens the future of their business.

Previously he was Director of Communications for British Airways and, before that, Director of Corporate Affairs for AEA Technology, the international science and engineering business that was floated off from the United Kingdom Atomic Energy Authority. Prior to AEA, Kevin was Group Public Relations Manager for Bayer companies in the UK. He is also a former national newspaper journalist, magazine publisher and marketing director.

Alan Pascoe, MBE, aged 62
Alan Pascoe is Chairman of the Sports Marketing Division and Fast Track.

Following a successful athletics career in which he represented Great Britain at three Olympic Games and won a silver medal, Alan became involved in sponsorship, where he has worked for over 30 years. This has involved managing and delivering major sports and entertainment programmes, acting as a consultant to some of the world's leading brands and creating and organising some of Britain's most successful events. In the mid-1980s, Alan set up API, which grew to become one of the top three sponsorship, television and sports marketing companies in the world, employing over 300 people in 13 offices around the world. After selling API to the Interpublic Group in 1998, Alan set up Fast Track as a specialist sponsorship consultancy with the initial task of supporting UK Athletics to revive and re-launch British athletics. In September 2003, Alan was appointed to one of his most challenging roles yet as Vice- Chairman of the London 2012 Olympic bid, which was awarded to London by the IOC on 6 July 2005. In 2004 Alan was voted Sponsorship Personality of the Year by Hollis Publishing and has led Fast Track into a hugely successful period of growth and industry recognition, becoming the first-ever company to win back-to-back sponsorship industry awards as well as being nominated as the leading sponsorship agency in the UK by Marketing Magazine in 2005 and 2006.

Jon Ridgeon, aged 43
Jon Ridgeon is Chief Executive of Fast Track.

Jon is a former two-time Olympic track and field athlete and world championship silver medalist at 110m hurdles. Post his athletics career, in the early 1990's Jon entered the worlds of sports broadcasting (presenting mainly for the BBC) and sports marketing, initially specialising in rights marketing. When Fast Track was first established in 1998, Jon created the communications department, before moving on to take up a number of roles including Director of Athletics and then Managing Director, with particular responsibility for events, communications and rights marketing. Jon was appointed to his current role in January 2010. In addition to his role at Fast Track, Jon is a presenter for Sky Sports.

Nick Taylor, aged 57
Nick Taylor is Group Commercial Director.

Nick began his commercial career as a graduate trainee in the aerospace and medical divisions of Smiths Industries plc. In 1979 he founded Harvard Public Relations, which went on to become one of Europe's leading TMT consultancies with offices in London, Paris and Munich. Following Harvard's acquisition by Chime in 2000, Nick joined the Executive Management Team with responsibility for Chime's overseas offices; he is also a member of the Corporate Development Team handling M&A activity. Nick is a Non-Executive Director of Merityre Specialists and a member of the Chartered Institute of Marketing.

Director's Statement on Corporate Governance

Corporate Governance Report

The Board of Directors is collectively accountable to the Company's shareholders for good corporate governance and is committed to maintaining compliance with the principles of corporate governance contained in the Combined Code on Corporate Governance issued in 2006, and as amended in section 1 of the Combined Code issued in 2008 by the FRC (The Code).

A narrative statement on how the Company has applied the Principles throughout the year ended 31 December 2009 and a statement of compliance appears at the end of this report on page 23.

Directors and the Board

Board effectiveness

The Company is controlled through the Board of Directors which, on 31 December 2009 comprised four Executive and four Non-Executive Directors. The biographies of the current Directors are shown on pages 10 and 11 of this report.

The Board meets quarterly and additionally as necessary and is responsible for overall Group strategy, acquisitions and the consideration of significant financial matters. It reviews the strategic direction of the Group's trading companies, their annual budgets and their progress towards achievement of those budgets. The Board is responsible for ensuring the integrity of financial information and that the financial controls and systems of risk management, both financial and non-financial, are robust and appropriate.

The Board has delegated the following activities to the Executive Directors:

- the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board;
- implementation of the strategies and policies of the Group as determined by the Board;
- monitoring of the operating and financial results against plans and budgets;
- monitoring the performance of acquisitions and investments against plans and objectives;
- prioritising the allocation of capital, technical and human resources; and
- developing and implementing risk management systems.

New Directors receive a full, formal and tailored induction on joining the Board in order to further inform them of the Company's activities and structure. All Directors are able to take independent professional advice, at the Company's expense, in the furtherance of their duties, if necessary. The Company also makes appropriate training available to all existing Directors. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

When absence from meetings is unavoidable the views of the Director concerned are sought in advance then put to the meeting in order to facilitate a comprehensive discussion. Each Director continues to make themselves available to their fellow directors and ensures he/she contributes to the major decisions before the Board.

Executive Directors are entitled to accept external appointments outside the Company and retain the fees from such appointments provided that the Chairman's permission is sought and confirmed by the Board.

Chairman, Chief Executive and Senior Independent Director

The Chairman, Lord Bell, is responsible for the running of the Board and he ensures that all Directors receive sufficient, accurate and timely information on financial, business and corporate issues prior to meetings. He also ensures that the Non-Executive Directors have access to any further supplementary information they may require should they request it.

The Chief Executive's (Christopher Satterthwaite) responsibilities focus on co-ordinating the Company's business and implementing Group strategy. He is also a member of the Executive Management Team as detailed on page 12.

Rodger Hughes is the Senior Non-Executive Director and is also Chairman of each of the three standing committees.

The Board in 2009

The Board met for regular business on four occasions during the year. Piers Pottinger, Richard Alston and Paul Richardson were each absent for one meeting but on different occasions.

The Board met on two further occasions to discuss the details of the acquisition of the Essentially Group plc. Piers Pottinger and Rodger Hughes were absent from one meeting but their views were sought on the agenda matters in advance then put to the meeting in order to facilitate a comprehensive discussion.

Board balance

As at 31 December 2009 the Board comprised four independent Non-Executive Directors and four Executive Directors, one of whom is the Chairman, all of whom have served throughout the 2009 financial year.

Non-Executive Directors
The individual Non-Executive Directors have different skills, experience and qualifications from working presently or previously in varied sectors of the economy and as such they are able to bring independent judgement to bear on matters for consideration by the Board.

Rodger Hughes was appointed as a Director by the Board in July 2007 and elected by shareholders in May 2008. He is the Senior Non-Executive Director and Chairman of the Audit, Remuneration and Nomination Committees.

The Hon. Richard Alston was appointed as a Director by the Board in July 2008 and was elected by the shareholders at the AGM in May 2009.

Catherine Biner Bradley was appointed as a Director in 2001 and last re-elected by shareholders in May 2009.

Paul Richardson is the WPP plc representative on the Board under the subscription agreement of 1997 and has been a Director of the Company since that date. He was last re-elected by shareholders at the AGM in May 2009. Under the Code and due to his length of service, he is required to retire and submit for re-election by shareholders annually.

The Board considers its current Non-Executive Directors to be of sufficient calibre and number that their views may be of sufficient weight that no individual or small group can dominate the Board's decision-making process. Their qualifications and experience is relevant to their directorships and in their appointments to the Committees where relevant (see page 10).

The Non-Executive Directors' terms and conditions of appointment are available for inspection at the Company's registered office on request and will be available, together with the Executive Directors' service contracts, at the forthcoming AGM.

Independence of Non-Executive Directors
The Code states that it is for the Board to determine whether a Director is independent in character and judgement and consider whether there are any relationships or circumstances that are likely to affect a Director's judgement.

In applying the Code, the Board has considered whether the length of service of Paul Richardson (13 years) has compromised his independence. He is experienced and accomplished in his fields of expertise. In his association with the Company he has acquired an understanding of the Company's operations, its markets and the issues determining its success. He has shown commitment to the Company in both time and effort. The Board does not consider his long service as a Director to be detrimental or to have eroded his objectivity and it should not raise any concerns about his ability to perform his duties.

Paul Richardson is the WPP plc representative on the Board as stated above.

Performance evaluation has shown that he continues to have a good record of involvement in Board-level discussions and contributes additional help to further the Company's strategies. The Board considers Paul Richardson to be independent.

The question of Non-Executive Directors' shareholdings should also be considered when assessing independence. Rodger Hughes and Catherine Biner Bradley each hold a small number of shares in the Company as disclosed on page 31. The Board considers that these holdings are not significant and believes this should not raise questions regarding their independence. The Board considers that Directors owning shares in the Company directly aligns them with the interests of the shareholders.

Following performance evaluations for 2009 the Board has considered the independence of its Non-Executive Directors and continues to consider them to be independent in both judgement and character and that the circumstances shown above are unlikely to affect their respective judgements when considering matters of the Company.

Retirement and Proposed Re-Election of Directors
In line with the provisions of the Code directors are required to submit to the shareholders for re-election every three years. Additionally the Company believes that governance is served by that rule being supplemented by one third of the total number of Directors standing for re-election at each AGM. As a result, the following Directors are due to retire immediately before, and are proposed for re-election at, the forthcoming AGM.

Mark Smith (retiring by rotation). Mark is the Group Finance Director and was first appointed to the Board in 1994 and last re-elected by shareholders in 2007.

Catherine Biner Bradley (retiring due to length of service). Catherine is a Non-Executive Director and a member of each of the three standing Committees. She was first appointed to the Board in 2001 and last re-elected by shareholders in 2009. Catherine is proposed for re-election due to her length of service being 9 years (in September 2010). Under the Code Catherine will now retire and be proposed for re-election annually.

Paul Richardson (retiring due to length of service). Paul is the WPP plc representative on the Board and in addition to being appointed as a Non-Executive Director in 1997 sits on the three standing Committees. Under the Code, due to his length of service he is required to retire and be proposed for re-election annually. He was last re-elected at the AGM in May 2009.

Standing Committees
Membership of the three standing Committees is restricted to those Non-Executive Directors deemed to be independent by the Board and is shown on page 10.

Audit Committee

Summary of the role of the Audit Committee
The Audit Committee is appointed by the Board from the non-executive directors of the company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Combined Code.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance together with reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and systems of risk management;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board for a resolution to be put to the shareholders for their approval in general meeting, for the appointment of the external auditors and the approval of their remuneration and terms of engagement;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- Monitoring and, where appropriate, approving the parameters for the engagement of the external auditors to supply non-audit services taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee reports its findings to the Board, identifying any matters on which it considers that action or improvement is required, and makes recommendations on the steps to be taken.

Composition of the Audit Committee

Membership
Membership of the Committee is reviewed by the Chairman of the Committee and the Group Chairman (who is not a member of the Audit Committee) at regular intervals and they recommend new appointments to the Nominations Committee for onward recommendation to the Board. The Committee is comprised of three independent non-executive directors, which is the minimum membership required under the Terms of Reference. Two members constitute a quorum.

The Audit Committee is required to include one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently the Audit Committee Chairman, Rodger Hughes and Paul Richardson both meet that requirement.

The members of the Audit Committee are:

Name	Date of appointment	Qualification
Rodger Hughes (Chairman)	1st July 2007	Chartered Accountant
Catherine Biner Bradley	4th December 2003	Lawyer
Paul Richardson	3rd December 1998	Chartered Accountant

The Board considers that the relevant experience and specialist expertise of each of the current members of the Committee is highly beneficial to the performance of the Committee.

The Audit Committee in 2009

The Committee met on four occasions during the year. Paul Richardson was absent from one meeting. The external auditors are represented at each meeting and may request a meeting of the Committee without management being present if necessary.

In 2009 the Audit Committee has discharged its responsibilities by performing the standing duties summarised above and the following activities:

- considered a review of the internal controls and risk management systems including the resources required for an appropriate internal audit function for the Group's growth;
- monitored the continuing development of the Company's contingency plans;
- considered the response to new and revised legislation and regulatory requirements;
- reviewed the Group's draft preliminary and interim results statements prior to Board approval and reviewed the external auditors' detailed reports thereon;
- reviewed the Group's interim management statements and pre-close period updates prior to their release;
- reviewed the appropriateness of the Group's accounting policies;
- reviewed regularly the impact on the Group's financial statements of matters such as the adoption of new International Financial Reporting Standards;
- recommended to the full Board, which adopted the recommendation, the reappointment of Deloitte LLP as the Group's external auditors;
- reviewed and approved the audit fee and reviewed non-audit fees payable to the Group's external auditors; and
- reviewed the external auditors' plan for the audit of the Group's accounts, which included key areas of scope of work; key risks on the accounts; confirmations of auditor independence and the proposed audit fee and approving the terms of engagement for the audit.

External auditors

- The Audit Committee is responsible for the development, implementation and monitoring of the Group's external audit function. Oversight and responsibility for monitoring the independence, objectivity and compliance by the external auditors with ethical and regulatory requirements lies with the Committee, and day to day responsibility is delegated to the Group Finance Director. The external auditors are jointly responsible to the Board and the Audit Committee but the Committee is the primary contact. The Committee monitors and, where appropriate, approves the parameters for the engagement of the external auditors to supply non-audit services.

To fulfil its responsibility regarding the independence of the external auditors in 2009, the Audit Committee reviewed:

- the external auditors' plan for the current year, noting the role of the senior statutory audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years, and any changes in the key audit staff;
- the arrangements for day-to-day management of the audit relationship;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditors in addition to its case-by-case approval of the provision of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the arrangements for ensuring the external auditors' independence and objectivity;
- the external auditors' fulfilment of the agreed audit plan and any variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditors' reporting on internal control.

Following the above, the Audit Committee has recommended to the Board that Deloitte LLP is re-appointed.

Remuneration Committee

Summary of the role of the Remuneration Committee

The Committee measures the performance of the Executive Directors and of key members of senior management as a prelude to recommending their annual remuneration. The Committee is also responsible for overseeing grants under the Company's Co-Investment Plan, Executive Share Option Scheme, the Savings-Related Share Option Scheme, the Deferred Share Plan and the VCCP Key Players Incentive Scheme to employees of the Group. When required the Chairman, Lord Bell, attends the meetings but is not actually a member. The remuneration of the Non-Executive Directors is recommended by the Chairman and Finance Director and takes account of the time spent on Board and Committee matters. Final decisions are made by the Board but no Director takes part in any discussion regarding his or her own remuneration.

Composition of the Remuneration Committee
The membership of the Committee is shown on page 10. Rodger Hughes is Chairman.

The Remuneration Committee in 2009
The Committee met on three occasions during the year. All the members were present at two meetings; Paul Richardson was absent on one occasion.

The Committee has considered the maturity in 2010 of the 2006 Co-Investment Plan for Executive Directors and senior executives and has supervised the development of a replacement plan to be introduced in 2010 (further details are included in the Remuneration report on page 27 and in the Notice of Meeting for the forthcoming AGM).

It has reviewed and approved a further grant under the Company's Deferred Share Plan for senior managers and of the Savings-Related Share Option Scheme, which is open to all staff after a qualifying period of employment. The Committee has reviewed and made a further grant under the VCCP Key Players Incentive Scheme. The Committee continues to monitor the administration of the incentive schemes and the performance targets that apply to each.

The Committee has considered the performance of the individual Executive Directors against a predetermined set of key performance indicators and has agreed their remuneration as set out on page 29. The Committee has also approved the disclosures to shareholders in the financial statements of the Company.

The Committee has re-appointed Towers Watson as external advisors on remuneration matters.

Nominations Committee

Summary of the role of the Nominations Committee
The Committee leads the process of appointments to the Board by evaluation of the skills, knowledge and experience required for a particular appointment.

The Code requires the Company to have a formalised process for the selection and appointment of new Directors. The Board considers that a prescriptive procedure is inappropriate and could prove restrictive and costly both in terms of identifying potential candidates and the selection process itself. The Company does not believe that it should commit to the exclusive use of external recruitment consultants, although there may be occasions where this method is employed.

Composition of the Nominations Committee
The membership of the Committee is shown on page 10. Rodger Hughes is Chairman.

The Nominations Committee in 2009
The Committee did not meet during the year.

Performance evaluation

The Directors
The performance evaluation of the individual Directors for 2009 took place in early 2010.

The Remuneration Committee, led by Rodger Hughes, the Senior Independent Non-Executive Director, evaluated the performance of the Executive Directors. This was against individual key performance indicators set during the year by the Committee.

The Executive Directors, led by the Chairman, is responsible for the assessment of the performance of the Non-Executive Directors.

The performance evaluations of the Directors showed continued commitment by each Board member and did not identify any areas of concern.

The Board, the committees and the management process
Additionally, and in line with the requirements of the Code, the Company carries out annual performance evaluations of the Board, the Committees and the processes utilised by each forum. The aim of the evaluation is to recognise the strengths and address any weaknesses of the management process; to ensure that the Board meets its objectives and that effectiveness is maximised.

The work of the Board and its Committees together with the processes used and the business transacted during the year is assessed by each forum, taking into account the specific workloads of each; the knowledge and expertise of its members and; the recommendations made to the Board regarding specific tasks put before the Committees concerned.

The performance evaluations of the Board and Committees did not identify any issues of concern or failure or incapacity to perform the duties for which they are convened or in meeting the duties as summarised above.

Relations with shareholders
The Company is keen to promote two-way communications with its institutional and private investors and responds quickly to queries received. Lord Bell, Chairman; Christopher Satterthwaite, Chief Executive; and Mark Smith, Group Finance Director, are the Company's principal spokespersons with investors, analysts, the press and other interested parties.

All shareholders are sent copies of the Company's Annual and Interim Reports and, where appropriate, circulars and prospectuses. The Annual and Interim

reports are also published on the Group website, www.chime.plc.uk, together with announcements, press releases and Company information. This enables investors worldwide to keep informed of the Company's progress. Shareholders are given at least 21 days' notice of the Annual General Meeting at which all Directors are generally present and at which questions are both invited and encouraged.

Electronic and Web Communications
At the AGM in 2008 shareholders passed a resolution authorising the Company to utilise electronic means of communication with its members. In February 2010 shareholders were given the option to receive shareholder communications by electronic means. The Company believe this equates with the advice it gives to its clients regarding utilising all channels of communication and also further illustrates our commitment to the environment by reducing the carbon emissions associated with the production and delivery of printed matter.

Accountability and audit

Financial reporting
A review of the businesses in the Group is included in the Chief Executive's Review. The Board uses this, together with the Chairman's Statement and the Directors' report on pages 32 to 37 to present a balanced and understandable assessment of the Company's position and prospects. The Directors' responsibilities for the financial statements are described on page 38 of the Report and Financial Statements.

Internal control
The Board has established a process for identifying, evaluating and managing significant risks faced by the Group. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The control and risk management procedures are designed to highlight any weaknesses and/or failures in the systems to the Board at the earliest opportunity together with action taken and/or proposed. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Information on the Group's significant risks, together with the relevant control and monitoring procedures, is reviewed on a monthly basis by the heads of the business units under the guidance of a nominated Executive Director. This information is presented to the Executive Directors to assess any identified risks and the overall effectiveness of the system of internal control. An update on all significant risk management issues is made to the Board at each quarterly meeting. Additionally, companies annually complete a review of specified risk areas and their local risk management processes under the supervision of the trading division finance directors, the Group Internal Auditor and the Company Secretary. The Company also has a sub-committee of the Audit Committee, the Risk Management Committee, that specifically monitors and investigates potential areas of risk raised by the trading companies and by the Group centralised administrative management in areas such as Legal, Human Resources and IT.

The Board recognises the need to ensure that established risk management procedures and standards are integrated into all acquired businesses and accordingly potential areas of non-compliance are identified during the due diligence process and addressed post-completion.

The internal audit function reports directly to the Audit Committee. A review of this function has been conducted and reported to the Board within the annual review of the system of internal controls. Recommended changes to the scope and application of internal audit procedures have been adopted and resourced accordingly. The internal audit programme for the year has been presented to and approved by the Audit Committee.

The Group has a number of overseas companies including businesses in Europe, the USA and the Middle East. The acquisition of Essentially Group plc in November has further increased the number of overseas locations with additional offices in Australia, India and New Zealand. The Audit Committee has broadened the scope of work of both the internal audit functions and the systems of risk management in order to ensure standards of control are maintained throughout the enlarged Group. Control of the overseas businesses is currently effected by designated senior executives reporting directly to the Board.

Given the nature of the Group's activities, the Board recognises the risks associated with its ability to attract, motivate and retain talented employees. Accordingly, a significant part of the Group's risk management procedures are focused in this area and the Group continues to utilise employee benefits schemes shown on pages 80 and 81 to help meet this requirement.

Code of Conduct
Whilst the Company accepts that each of its individual brands will have its own unique culture, the Group has adopted a set of key values, underpinned by a published Code of Conduct covering ethical issues such as bribery and corrupt practices, conflicts of

interest, confidentiality, equal opportunities and discrimination. This is available to all employees and forms part of the induction process for new staff. Compliance with the code is verified via the system of risk identification and management on a regular basis. The Code remains under review and will be adapted as market forces and legal requirements demand or if additional risks are identified.

The Group has a clear, written whistleblowing policy and procedure available to all staff regarding concerns of employees about ethical behaviour and non-compliance with regulatory requirements and/or the law. During 2010 the Group will set up a help line, to be run by an external third party, in order that staff can report any perceived shortcomings within its operations.

The Group has material investments in a small number of associated companies that are not managed by the Group. Accordingly, the Group can only influence, not control, their management practices and therefore the review of internal controls for these operations is less comprehensive than that for the Group's managed operations.

Financial control

The financial control procedures are described under the following five headings:

1. *Financial reporting* – The Group has a comprehensive system for reporting financial results to the Board; each trading company prepares monthly results with a comparison against budget. The Board reviews these for the Group as a whole and by operating segment and determines appropriate action. Towards the end of each financial year the operating units prepare detailed budgets for the following year.

   Budgets and plans are reviewed and necessary changes made by the Board before being adopted formally.

2. *Quality and integrity of personnel* – One of the Group's core values is integrity; this is regarded as vital to the maintenance of the Group's system of internal financial control and is reflected in the quality and experience of the Group's financial staff.

3. *Operating unit financial controls* – Key controls over major business risks include reviews against performance indicators and exception reporting. The trading companies regularly assess their exposure to major business risks and appropriate action is taken both at operating and Group level in order to ensure that risk is minimised as far as possible.

4. *Electronic Data Systems* – The Group's financial and management information is processed by and stored on data systems. Accordingly, the Group has established controls and procedures over the security of data held. The Group has put in place arrangements for processing to continue and data to be retained in the event of complete failure of any system.

5. *Controls over central functions* – A number of the Group's key functions, including treasury, taxation, acquisitions and insurance are dealt with centrally. Each of these functions has clear and detailed procedures and is required to report to the Board on a regular basis; the treasury details are reported daily to the Finance Director.

The Audit Committee and Auditors

The Audit Committee has considered reports made to it by the executive management of the Group, which assesses the major business risks and the control environment against the criteria for assessing internal financial controls which are set out in the guidance for Directors on reporting on internal control. The Audit Committee has reported to the Board that it has been able to review the effectiveness of the Group's system of internal financial control for the accounting year and the period to the date of approval of the financial statements.

The Group has a policy for the employment of the auditors for non-audit work. The auditors work on tax issues and work closely related to their role as the Company's auditors but any increase in fees is strictly controlled by the Audit Committee. Any other non-audit assignments can be awarded to the auditors during the year but only where fees and the scope of work remains within Audit Committee approved limits.

Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 5. The financial position of the Group, its cash flows and borrowing facilities are described in the Finance Director's Report on pages 8 and 9. In addition, note 41 of the financial statements include the group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; and its exposure to credit risk and liquidity risk.

As highlighted in note 41 to the financial statements, the Group meets its day to day working capital requirements through an overdraft facility that is due for renewal in June 2010 and a committed facility which matures in June 2013. These facilities are subject to banking covenants as disclosed in note 41.

In preparing 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 Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility and banking covenants.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

More detail on the Group's cash position and facilities at 31 December 2009, as well as maturities of the financial liabilities, can be found in note 27 to the financial statements. The principal risks and uncertainties faced by the Group are included in the Directors Report. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 36.

Social responsibility

We are in the business of managing brand and corporate reputation on behalf of clients and the Board acknowledges that being socially responsible is an important factor in the management of our business.

The Board confirms that regular consideration is given to the significance of social, environmental and ethical (SEE) issues (as defined by the Association of British Insurers), and as part of our wider operational risk framework, identifies significant risks arising from these areas to short-term and long-term value.

The Group also considers corporate responsibility to be an area of business opportunity. Our subsidiary, Corporate Citizenship, provides not only a focus for our investment in this field but provides the Group with specialist expertise.

The Board believes that corporate responsibility should underpin everything that we do. The Group is therefore committed to demonstrating the importance of this, not only in our work for clients, but in our own working practices.

The Company measures the performance of each of its businesses against a benchmark list of minimum corporate responsibility standards. These cover:

- Promoting good environmental practices – both in our own operations and to our wider stakeholders;
- Empowering community work – the promotion of volunteering and charity work by our staff and companies alike;
- Young people – via our internship, work experience and graduate schemes

The standards are designed to be stretching and, as such, encourage continual improvement in these important areas. The minimum standards will be developed in future to encompass other areas of corporate responsibility.

We continue to report our corporate responsibility performance to our stakeholders via our website. These detail not only the principles of our approach; our targets and our performance but also give examples of the initiatives undertaken.

The Company continues to be listed on the FTSE4Good Index, which evaluates companies' performance on a number of corporate responsibility criteria. Business in the Community awarded the Group a second Big Tick award during 2009 for continued progress in enhancing our environmental performance.

Environment

The business of Chime Communications is primarily in the UK and delivers services to clients based on image, ideas, research and content. As such, our direct and indirect impact on the environment is minimal and considered low-risk.

However, we acknowledge that our customers, staff and other stakeholders have an interest in our impact on the environment and as such we have committed to monitor and improve our environmental performance where possible. The Group has reduced its carbon footprint by 42% since becoming Carbon Neutral in 2007. We are currently assessing our emissions reductions during 2009 and expect to meet our target of a further 5% reduction. We continue to consider and enhance the environmental impact of our businesses and are working closely with our major suppliers to ensure best practice is embedded in our wider operations. We regularly incorporate our environmental performance in business presentations as we believe this is an important consideration when evaluating reputation both for our companies and our clients alike.

Health and safety

The Board believes that our people are our most important asset. Our businesses do not include any industrial or manufacturing processes and our staff are mainly office-based. As such, risk of accidents is low. We do acknowledge that we may expose our staff to additional areas of risk which, whilst not unique to Chime (for example, business travel, event organisation and lone or remote working), do require further scrutiny, mitigation and procedural guidance in order to maximise the wellbeing of our people.

A revised policy and set of procedures was published to staff in September 2008 and has been promoted to staff throughout 2009.

Employee issues

As a people business, our reputation depends on the skills, knowledge and integrity of our people. Chime has fostered an entrepreneurial culture and each of our businesses is encouraged to create a stimulating, rewarding and inspiring work environment for our people.

We recognise that central oversight on human resources issues is beneficial and continually review the employment standards across the Group as part of the general management and risk identification processes.

In order to attract and retain talented staff we continue to operate our Executive Share Option and Savings-Related Share Option Schemes together with our Deferred Share Plan and VCCP Key Players Incentive Scheme. We also continue to review our incentive schemes on an ongoing basis to ensure they are fit for purpose.

Ethics

The Group meets all relevant laws, regulations and codes of practice issued by any relevant Government or appropriate regulator. We ensure that all our people are aware and comply with such standards. In addition, we recognise that integrity is essential to the maintenance of our reputation in the marketplace. As part of our regular review process, issues of conduct are identified, reviewed and the Board is alerted as appropriate. We utilise our published Code of Conduct (see page 20) which formalises the values, behaviour and ethical standards expected of Chime employees. This area remains under review. We maintain our whistleblowing policy and procedure (see page 21) and ensure that our published standards of behaviour are communicated to both new and existing staff.

Compliance statement

Statement about applying the principles of the Code

The company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above.

Statement of compliance with the Code

Throughout the year ended 31 December 2009, the company has been in compliance with the Provisions of the Code on Corporate Governance issued in 2006, and as amended in section 1 of the Combined Code issued in 2008 by the FRC (The Code), except for Code A.4.6 – Processes used by the Nominations Committee (the reason for non-compliance is shown on page 19); and B.1.4 – Executive Directors' remuneration for external non-executive directorships is not stated, as this information is available in the financial statements of the companies concerned.

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

Robert Davison
Secretary
10th March 2010

Director's Remuneration Report

Group policy on the remuneration of Directors and employees

This Report sets out the Group's Remuneration policies for the Directors for the year ended 31 December 2009. Except where noted, these policies are likely to continue to apply in future years, unless there are specific reasons for change. It has been prepared in accordance with Schedule 8 to the Accounting regulations under the Companies Act 2006. 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 relating to Directors' remuneration in the Combined Code. 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 certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. 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 10 and 18. 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 meetings 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 2006 Co-Investment Plan, as detailed later, was approved by the Committee. A summary of the role, key responsibilities and the work carried out by the Committee are outlined within the Corporate Governance Report on pages 18 to 19.

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 (now Towers Watson) to provide advice primarily on competitive market levels, on the performance-related elements of the Executive Directors' remuneration and formulation of new long-term incentive scheme. Towers Watson were not contracted to supply any other services during 2009. The Remuneration Committee also approved the grant of share options under the Savings-Related Share Option Scheme, the grant of shares under the VCCP Key Players Incentive Scheme and the grant of shares under the Deferred Share Plan.

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

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 various Savings Related, Deferred, VCCP Key Players Incentive Schemes and Co-Investment Plan 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 and retain any fees paid to them 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.

Remuneration packages of the executive directors
In 2009 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 contribution, a car or car allowance and private medical insurance.

With the exception of the Chief Executive (who received an increase in 2009), no increases in salary were awarded to the Executive Directors in either 2008 or 2009 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 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 performance against 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 assesses their overall performance both against those indicators and generally. Based on this 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 2009, 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 March 2010. The profit targets set by the Committee have been met in a challenging environment and performance again compares favourably with that of competitors. The Committee has also assessed each Directors' achievements against their individual key performance indicators. Bonus awards averaging 40% of salary have been approved by the Committee reflecting generally excellent performance.

The resultant bonuses for 2009 are shown in the remuneration table on page 29.

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 fixed period as determined by the Remuneration Committee at the date of grant 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 Plan to date have been relatively modest. The Deferred Share Plan replaced the Executive Share Option Scheme. There are presently deferred share plans that have vesting periods of two, three and four years.

The Executive Directors received grants under the Plan in 2006, but are excluded from participation in any other incentive scheme for the duration of the current Co-Investment Plan or any replacement long term investment plan. Details of their participation are shown in the table on page 30.

The rules of the Plan as approved by the shareholders in general meeting in 2006 authorise the Remuneration Committee to use its discretion to "to get or keep favourable tax, exchange control or regulatory treatment of participants" and as such the Committee has considered and authorised an earlier maturity date of March 2010 (previously July 2010) as it will benefit the members at no additional cost to the shareholders. The grant comprises 34 members and totals 151,000 shares. The Executive Directors are not members of the Plan under this grant as noted above.

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, with an initial value of up to 50% of salary, capped at a total value 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, is dependent upon the achievement of performance targets measured over a four year performance period.

50% of the matching shares is 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 STV Group. No further awards were made after 2007.

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.

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.

Under the rules of the CIP the Executive Directors received no awards (post 2006) under any of the Company's long-term incentive schemes for the duration of this scheme.

The table on page 30 shows the maximum number of shares that will vest with the Executive Directors should the performance targets be met in full together with the number of shares to be awarded at current estimated performance. The CIP includes four other senior executives in addition to the Executive Directors.

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 2010 it was agreed that an adjustment would be made to the published EPS for the year ended 31 December 2009. The adjustment is detailed in note 5 to the accounts. In the view of the Remuneration Committee the adjustment represents amounts which were either non-recurring, non-trading items or where the accounting treatment was not anticipated when the plan was established. This adjustment represents only 2% of EPS.

Level of Award

The Committee has considered the potential level of the award and has determined that the part that is dependent on EPS performance between 2006 to 2009 will be 49.7%. The TSR performance period ends on the date of the preliminary announcement of results on 10th March 2010 and will therefore require further calculation after that date. Estimates made in early March forecast that the TSR target would be met in full and therefore this would indicate the payment of that element at 100%. If realised as estimated the total number of shares that will vest will be 74.85% of the maximum as shown on page 30.

Vesting Date

The rules of the CIP approved by shareholders in 2006 provide that the Committee may:

(i) change the CIP to take account of changes to the ICTA 1988 or other relevant law and:
(ii) may change the Plan to get or keep favourable tax, exchange control or regulatory treatment for Participants or any member of the Group

The CIP provided the Company with an element of executive retention in that the participants would forfeit their right to matching shares if they left the Company after the performance period ended but prior to the original Vesting Date of 10th September 2010.

The Committee has considered and resolved that the participants of the Plan will be given the option to elect to have their matching shares (either in total or in part) vest at the earlier date of 19th March. Any earlier vesting on this date would be subject to a number of conditions.

A participant vesting at the earlier date would agree to forfeit the vested matching shares should they leave the company's employment in the period prior to the original Vesting Date of 11th September 2010. As each of the participants have contractual notice periods in excess of six months the Committee has assessed that this is unlikely but protection for the shareholders is still appropriate. In addition the Committee wished to ensure that should a participant leave the Company as a "bad leaver" (as defined in the rules of the CIP) during the period to 10th September 2010 then any costs attributable to the earlier vesting would also require repayment to the Company.

Any participant of the Plan opting to vest early would agree not to sell their matching shares prior to the original Vesting Date.

The Committee believes that these changes, with the executive retention and cost repayment measures in place, are in the interests of shareholders.

Replacement Plan
As the current CIP matures in March 2010 the Committee has developed a replacement long term investment plan in order to continue to incentivise the Executive Directors and senior management. Shareholder approval of the new plan will be sought at the forthcoming AGM and further details will be circulated to shareholders with the Notice of Meeting.

VCCP Key Players Incentive Scheme
During 2008 the Company introduced an Incentive Scheme for key individuals within the VCCP Group. Under the Scheme a bonus pool is calculated with reference to growth in profits of the VCCP Group, the bonus pool is payable 50% in cash and 50% in restricted rights over existing Chime Communications shares. The distribution of the pool is restricted to senior employees of the VCCP Group. The Scheme covers the period 1 January 2008 to 31 December 2012. A participant of the Scheme must remain employed by the Group for a fixed period as determined by the Remuneration Committee at the date of grant after the date of grant for the cash and shares to vest with the employee. The Scheme allows for a claw-back facility if the profits of the VCCP Group fall below a base level of profits. There are no other performance criteria attached to the cash or restricted shares. The Scheme aims to encourage the retention of key employees within the VCCP Group. All grants under the Scheme are approved by the Remuneration Committee. The grants under the Scheme todate have been relatively modest.

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 total shareholder return for the same period and a percentage growth in earnings per share 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. There have been no grants of Executive Share Options since 2005. 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' interests in contracts and other transactions with Group companies
No Director has a material interest in any contract with any Group company other than a service contract.

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 expires 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	9	12 months	12 months
Christopher Satterthwaite	6 December 2002	11	12 months	12 months
Mark Smith	10 May 1994	10	12 months	12 months

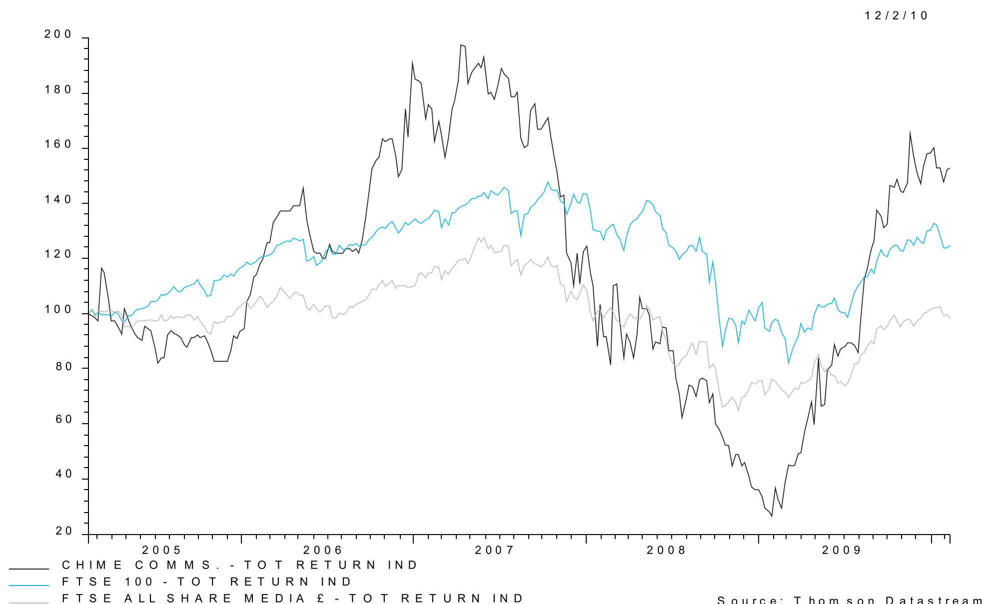
	Date of initial appointment	Date of last re-election	Notice period
Non-Executive Directors			
Rodger Hughes	1 July 2007	May 2008	3 months
Hon Richard Alston	2 July 2008	May 2009	3 months
Catherine Biner Bradley	11 September 2001	May 2009	3 months
Paul Richardson	3 December 1998	May 2009	Linked to WPP 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.

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

Aggregate Directors' remuneration
The total amounts for Directors' remuneration were as follows:

Directors' emoluments

Name	Salary and fees £	Benefits £	Bonuses £	Emoluments excl. pension contribution £	Pension contributions £	Total 31 December 2009 £	Total 31 December 2008 £
Executive Directors							
Lord Bell*	615,000	102,508	276,750	994,258	123,000	**1,117,258**	1,154,964
Piers Pottinger	401,000	29,878	80,200	511,078	80,200	**591,278**	611,642
Christopher Satterthwaite	500,000	21,978	250,000	771,978	106,000	**877,978**	691,017
Mark Smith	250,000	28,450	112,500	390,950	50,000	**440,950**	453,418
Non-executive Directors							
Rodger Hughes	40,000	–	–	40,000	–	**40,000**	40,000
Hon. Richard Alston	25,000	–	–	25,000	–	**25,000**	12,500
Catherine Biner Bradley	25,000	–	–	25,000	–	**25,000**	25,000
Paul Richardson	–	–	–	–	–	**–**	–
Totals	1,856,000	182,814	719,450	2,758,264	359,200	**3,117,464**	2,988,541

*Chairman and highest paid Director

The pension contributions made by the Company are in respect of money purchase schemes. Contributions in respect of Lord Bell, Piers Pottinger, Christopher Satterthwaite and Mark Smith for the year ended 31 December 2008 were £123,000, £80,200, £70,000 and £50,000 respectively.

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 2009 (or on appointment)	Lapsed	31 December 2009 (or on resignation)	Exercise price	Date from which exercisable	Expiry date
Lord Bell	20,000	–	20,000	£10.45	Nov 2003	Nov 2010
Lord Bell	61,290	–	61,290	£0.775	Apr 2006	Apr 2013
Piers Pottinger	20,000	–	20,000	£10.45	Nov 2003	Nov 2010
Christopher Satterthwaite	6,667	(6,667)	–	£4.50	Oct 2002	Oct 2009
Christopher Satterthwaite	100,000	–	100,000	£0.775	Apr 2006	Apr 2013
Mark Smith	20,000	–	20,000	£10.45	Nov 2003	Nov 2010

Savings-Related Share Option Scheme

Directors	1 January 2009 (or on appointment)	Lapsed	Granted	31 December 2009 (or on resignation)	Exercise price	Date from which exercisable	Expiry date
Chris Satterthwaite	4,087	(4,087)	–	–	£1.60	July 2009	Dec 2009
Mark Smith	–	–	8,995	8,995	£0.675	July 2014	Dec 2014

The market price of the shares at 31 December 2009 was 217.25p and the range during 2009 was 37.75p to 226.75p.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year. These are shown on page 27.

Deferred Share Plan

The following restricted shares were held by Directors:

Directors	1 January 2009 (or on appointment)	Released	31 December 2009 (or on resignation)	Award date	Vesting date
Lord Bell	42,900	–	42,900	25 May 2006	11 March 2010
Piers Pottinger	27,960	27,960	–	25 May 2006	25 May 2009
Chris Satterthwaite	24,400	–	24,400	25 May 2006	11 March 2010
Mark Smith	14,640	–	14,640	25 May 2006	11 March 2010

The gain made on the release of the deferred shares to Piers Pottinger was £59,275. The market value at the date of release was £2.12 per share.

Under the rules of the Deferred Share Plan the vesting date may be extended. The vesting date of the deferred shares for Lord Bell, Christopher Satterthwaite and Mark Smith has been extended to coincide with the proposed release of shares under the Co Investment Plan. Under the rules of the Co-Investment Plan the Executive Directors are able to use the shares allocated to them under the Deferred Share Plan as part of their investment to qualify for the plan.

No other terms of the Deferred Share Plan were varied during the year, or previous years.

Co-Investment Plan – matching shares

The following matching shares were held by Directors:

Directors	1 January 2009 (or on appointment)	Awarded	31 December 2009 (or on resignation)	Award date	Earlier Optional Vesting date
Lord Bell	418,435	–	418,435	18 September 2006	September 2010
Piers Pottinger	460,525	–	460,525	18 September 2006	March 2010
Christopher Satterthwaite	449,400	–	449,400	18 September 2006	September 2010
Mark Smith	326,400	–	326,400	18 September 2006	March 2010

The earlier vesting date of 19th March 2010 was approved by the Remuneration Committee in March 2010 – further details are shown on page 26.

As described on page 26 estimates made in early March forecast that overall performance against both the EPS and the TSR elements of the target performance of the CIP would result in 74.85% of the maximum number shown above vesting to the Executive Directors. If this is the case the matching shares awarded would be as follows: Lord Bell – 313,199 shares; Piers Pottinger – 344,703 shares; Christopher Satterthwaite – 336,376 shares and; Mark Smith – 244,310 shares.

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 2009, or on date of resignation, and at 1 January 2009 or date of appointment were:

	Beneficial holdings		Share options	
	1 January 2009 (or date of appointment) Ordinary Shares of 25p each	31 December 2009 (or date of resignation) Ordinary Shares of 25p each	1 January 2009 (or date of appointment) Ordinary Shares of 25p each	31 December 2009 (or date of resignation) Ordinary Shares of 25p each
Lord Bell	419,382	419,382	81,290	81,290
Piers Pottinger	429,120	401,160	20,000	20,000
Chris Satterthwaite	118,451	118,451	110,754	100,000
Mark Smith	153,194	153,194	20,000	28,995
Rodger Hughes	12,053	12,053	–	–
Hon Richard Alston	–	–	–	–
Catherine Biner Bradley	7,903	7,903	–	–
Paul Richardson	–	–	–	–

Lord Bell also held a non-beneficial interest in 169,900 ordinary shares at 1 January 2009 and at 31 December 2009. Chris Satterthwaite also held a non-beneficial interest in 118 ordinary shares at 1 January 2009 and at 31 December 2009.

Approval

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

Robert Davison
Secretary
10th March 2010

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009. The Corporate Governance Statement set out on pages 15 to 23 forms part of this report.

Principal Activities

The principal business of the Group is providing public relations, advertising, sports marketing, market research, direct marketing, design and event management consultancy. The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 16 to the accounts on page 69.

Business Review

The information that fulfils the requirements of the enhanced business review, as required by Section 417 of the Companies Act 2006 ("the Act") and which form part of this report by reference, are included in the following sections of the Annual Report:

- 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 and Finance Director's report on pages 2 to 5 and 8 and 9;
- The principal risks and uncertainties facing the Group are described on page 35 to 37; and
- Details of the principal subsidiaries are set out in note 16.

The Group's use of financial instruments is set out in note 41 of the financial statements.

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

	2009	2008
Organic operating income growth[1]	**8%**	9%
Organic profit growth[1 and 2]	**7%**	10%
Operating profit margin[2]	**16.4%**	16.2%
Earnings per share[2 and 3]	**22.46p**	20.19p
Average fee income per client	**£89,000**	£81,000
Average income per employee	**£118,000**	£111,000
Net cash	**£4,824,000**	£6,324,000
Clients using more than one company	**230**	256
Operating income from international clients	**46%**	37%
Operating income from top 30 clients	**57%**	48%

Note:
1. Organic growth is calculated excluding all acquisitions in 2008 and 2009.
2. Before taking account of amortisation of acquired intangible assets (£0.3 million, 2008: £0.1 million)and costs relating to acquisitions (£0.2 million, 2008: £nil).
3. Before taking account of profit on disposal of a minority of a subsidiary (£1.3 million, 2008: £nil) and write off of investments (£1.0 million, 2008: £nil).

As a whole the annual Report provides information about the Group's businesses, its financial performance during the year and likely future developments. There have been no significant changes to the Group's principal trading activities during the year under review and the Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the new financial year.

Results and dividends

The Group's income statement is set out on page 40 and shows a profit before tax for the year to 31 December 2009 of £18,553,000 (2008 – £16,339,000). The Directors recommend the payment of a final dividend of 3.50p per ordinary share to be paid on 18 June 2010 to the ordinary shareholders on the register on 28 May 2010 which together with the interim dividend paid on 16 October 2009 makes a total of 5.10p per share for the year (2008 – 4.72p).

Dividends are recognised in the accounts in the year they are paid, or in the case of a final dividend when approved by shareholders, such that the amount recognised in the 2009 accounts comprises 2008's final dividend and 2009's interim dividend.

Directors and their interests

The names of the Directors are set out on pages 10 to 11, which includes brief biographical details. There were no changes to the board structure during 2009.

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 31. Details relating to Directors' remuneration, share options and long-term incentives 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 2009 and 10 March 2010.

At the forthcoming Annual General Meeting, Mark Smith and Catherine Biner-Bradley are due to retire by rotation and offers themselves for re-election and Paul Richardson will also 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.

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.

Directors' indemnities
As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. There is no agreement in place between the Company and its Directors and employees providing for compensation for loss of office of employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

The Company has purchased and maintains Directors' and Officers' insurance cover against legal liabilities and costs for claims in connection with any act or omission by its Directors or Officers in the execution of their duties.

Donations
During the year the Group donated £18,827 (2008 – £36,567) 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 organisations", "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 £38,536 (2008 – £22,000) to various organisations, £32,686 connected with the Conservative Party, £2,500 connected with the Scottish National Party, £2,000 connected with the Liberal Democrats and £1,350 connected with the Labour Party.

Employee involvement
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved principally via the Group's intranet site, emails and formal and informal functions. In addition, the Group's Savings-Related Share Option Scheme, Performance Related Pay and bonus schemes encourage employees at all levels to contribute to the achievement of the Group's short and long term goals.

Employment of disabled persons
The Group believes in an equality of opportunity for all employees based on merit and that no employee or job applicant should receive less favourable treatment on the grounds of: age, sex, marital status, disability, colour, race, religion, nationality or ethnic origin.

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

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 40 days in aggregate for the Group (2008 – 38). The Company did not have any trade creditors at 31 December 2009 or 2008.

Additional information for shareholders
The following information, which summarises certain provisions of the current Articles and Association of Chime Communications plc ("the Articles") and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together "the Companies Acts"), is required to be provided to shareholders as a result of the implementation of the European Directive on Takeover bids (2004/25/EC) into English Law. The current Articles were adopted by the Company at the Annual General Meeting on 14 May 2008. This is a summary only and the relevant provisions of the Articles and 'The' Companies Acts should be consulted if further information is required.

Share capital
As at 31 December 2009 the Company's issued share capital comprised 67,336,968 ordinary shares with a nominal value of 25 pence each. As at 10 March 2010, the Company's issued share capital comprised 69,843,357 ordinary shares. Details of the authorised and issued share capital, together with movements in the issued share capital during the year, are shown in note 29 of the accounts on page 80.

Rights and obligations attaching to shares
The rights attaching to the Company's ordinary shares, being the only share class of the company, are set out in the Articles. Subject to the Companies Acts and applicable law, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or if no such resolution is in effect or such resolution does not make specific provision as the Board may determine. There is currently no such applicable resolution in effect.

Voting rights
Holders of ordinary shares are entitled to attend and speak at general meetings of the Company. On a show of hands every holder of ordinary shares who is present in person shall have one vote. On a poll every holder of ordinary shares present in person shall have one vote for every share of which he is the holder. Votes may be exercised in person or by proxy. Every notice of general meeting of the Company shall specify the deadlines in relation to the exercise of voting rights in respect of each resolution proposed at such meeting. Electronic and paper proxy appointments must be received not later than 48 hours before the general meeting, provided that at an adjournment of a meeting the proxy form must be received not later than 24 hours before the date of the adjourned meeting.

No holder of ordinary shares may attend or vote (whether in person or by proxy) nor exercise any other right conferred by being a holder of ordinary shares, unless all calls or other sums presently payable by the holder of such ordinary shares have been paid. A holder of ordinary shares may lose the entitlement to vote at a general meeting where that holder has failed to respond to a disclosure notice made by the Company under the Companies Acts with information concerning interests held in those shares.

Variation of rights
The Company may resolve by the consent of not less than 75% in nominal value of the issued shares of the Company, and subject to the Companies Acts, to vary all or any of the rights attaching to the shares of the Company.

Restriction on transfer of shares
The Directors may refuse, provided such refusal does not prevent dealings in the shares of the company from taking place in an open and proper manner or where the Company has a lien over such shares, to register a transfer of certificated shares which are not fully paid, or where the instrument of transfer has not been correctly stamped and lodged at the place designated by the Board accompanied by the certificate of shares and such other evidence of title as may be reasonably required to show the right of the transferor to make the transfer. The Directors may also refuse to register a transfer unless: (i) it is to a person who is not a minor; (ii) a bankrupt; (iii) is subject to an order made on the grounds of some mental or other incapacity that prevents management of their own affairs; (iv) it is in favour of not more than four transferees; and (v) the instrument of transfer is in respect of one class of shares only.

Transfers of uncertificated shares of the Company may be made using the CREST system and the Directors may refuse a transfer of shares in accordance with the rules governing the operation of the CREST system.

Significant direct or indirect holdings of securities and special rights
The holdings of shares of the Company by the Directors are notified on page 31. Significant holdings in the shares of the Company are notified on page 35. Under the subscription Agreement between the Company and WPP plc of 1997, WPP plc has the right to appoint two non-executive directors of the Company provided it holds not less than 20% of the shares of the Company and the right to appoint one non-executive director provided it holds not less than 12.5% of the shares of the Company. There are no other holdings of shares of the Company in which there are special rights.

Dividends and other payments
The Company may by ordinary resolution from time to time declare dividends in accordance with the rights of the members subject to the provisions of the Companies Acts and provided that the dividend does not exceed the amount recommended by the Board of Directors. The Board may pay interim dividends in such amount as the Board considers justified by the financial position of the Company.

Employee share trust
The Company operates a number of schemes in order to incentivise the employees of the Company. Shares are held by a trustee in order to satisfy the entitlements of employees under the Group's share schemes other than those that are satisfied by the issue of new shares. The shares held by the trustee do not have any special rights with regard to the control of the Company. The rights attaching to the shares held by the trustee are generally not exercisable by the relevant employees except where the interest is held beneficially by them. Further details son the share schemes may be found on pages 26 and 27.

Appointment and replacement of Directors

Directors may be appointed by ordinary resolution of the Company in general meeting or by the Board upon the recommendation of the Nominations Committee. Directors may be removed by ordinary resolution of the Company in general meeting upon special notice or by notice of not less than 75% of the other Directors of the Company being not fewer than three in number.

Amendment to the Articles

Amendment to the Articles of Association may be made by special resolution of the Company in general meeting in accordance with the Companies Acts.

Powers of the Directors

The Directors of the Company may exercise all the powers of the Company as set out in the Articles including the power to borrow money, to mortgage or charge the assets and property of the Company, to issue securities and to give securities for any debt or liability of the Company or any third party. The Board of Directors exercising such powers shall manage the business of the Company. The Company may also authorise the Directors to issue, increase, consolidate, sub-divide and cancel shares by ordinary resolution and in accordance with the relevant Articles and legislation.

Acquisition of the Company's own shares

The Company may purchase its own shares in accordance with the relevant provisions of the Companies Acts, subject to the resolution of the shareholders. Shares purchased by the Company may be held in treasury or should, if not held in treasury, be cancelled immediately thus reducing the issued share capital of the Company.

At the end of the year, the Directors had authority, under the shareholders' resolution issued on 13 May 2009, to purchase through the market £4,754,825 of the Company's own ordinary shares at prices not less than 25p per ordinary share and not more than five per cent 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 8 March 2010 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 plc	11,036,718	15.80
Fidelity Investments	9,057,107	12.97
Abeforth Partners	3,930,700	5.63
JM Finn, stockbrokers	3,518,651	5.03
Legal and General Investment Management	3,256,583	4.66
JP Morgan Asset Management	2,462,389	3.53

Significant agreements

The following significant agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

- Under the £32 million committed banking facility agreement dated 18 August 2008 between the Company and The Royal Bank of Scotland Plc, upon a change of control of the Company or any of its subsidiaries, without the consent of the bank, the bank may by written notice declare the loan, all interest accrued and all other sums payable under the agreement to be immediately due and payable and/or terminate the obligations of the bank under the agreement.

The Directors confirm there are no contractual or other arrangements between the Group and any person which are essential to the business of the company.

Risks and uncertainties

The Board has considered the principal risks and uncertainties affecting the Group as at 31 December 2009 and these are summarised below. The Group has specific policies in place to ensure risks are properly evaluated and managed at the appropriate level within the Group. These policies are set out in the Directors' Statement on Corporate Governance, in the section headed internal control on page 20.

1. The Group receives a significant portion of its revenues from a limited number of large clients, and the loss of those clients would adversely impact the Group's prospects, business, financial condition and result of operations.

   A relatively small number of clients contribute a significant percentage of the Group's operating income. The Group's two largest clients accounted for approximately 22.3 % of operating income in the year ended 31 December 2009 (2008 – 18.4%) and the Group's 30 largest clients accounted for approximately 57% of operating income in the year ended 31 December 2009 (2008 – 48%).

2. The Group is dependent on key personnel and its relationships with clients.

   The Group's future success is substantially dependent on the continued services and continuing contributions of its Directors, senior management and other key personnel. The loss of the services of any of the Group's executive officers or other key employees could have a material adverse effect on the Group's business.

3. The Group's industry is highly competitive.

   The Group may face significant competition, both actual and potential, including competition from global competitors which have large capital resources in the provision of similar services to those provided by the Group. Competition in the industry is based upon: range and quality of services offered; geographical reach; reputation; and client relationships.

4. Goodwill and other acquired intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired.

   The Group has a significant amount of goodwill and other acquired intangible assets recorded on its balance sheet with respect to acquired companies. The Group annually tests the carrying value of goodwill for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. In addition, future events could cause the Group to conclude that the asset values associated with a given operation have become impaired.

5. The Group has a large amount of deferred contingent consideration payable pursuant to previous acquisitions that may become payable.

   The Group has deferred contingent consideration payable in the upcoming years pursuant to the terms of previous acquisitions of businesses. The fulfilment of these payment obligations may detrimentally affect cash available to the Group to manage and grow its business efficiently.

6. The Group may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients' products may be defective. The Group has insurance against such claims.

7. The Group is subject to the risk of failure of its information systems.

   The Group's ability to maintain financial controls and provide a high-quality service to clients depends, in part, on the efficient and uninterrupted operation of its management information systems, including its computer systems. The Group's computer systems may be vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures, physical or electronic break-ins, power outages, computer viruses and other malfunctions and disruptions.

8. The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions.

   The Group regularly reviews potential acquisitions of businesses that are complementary to its businesses. As part of the review, the Group conducts business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular transaction.

9. The Group may be unsuccessful in integrating any acquired operations with its existing businesses.

10. Fluctuations of revenues, expenses and operating results may affect the Group's results.

    The Group's revenues, expenses and operating results could vary significantly from period to period as a result of a variety of factors, some of which are outside the Group's control. These factors include general economic conditions, conditions specific to the market, seasonal trends in revenues, capital expenditure, other costs and the introduction of new products or services by the Group or its competitors. In response to a changing competitive environment, the Group may elect from time to time to make certain pricing, service or marketing decisions that could have a material adverse effect on the Group's revenues, results of operations and financial condition.

11. The Group is subject to recessionary economic cycles.

    The Group's business is affected by recessionary economic cycles. Recessionary economic cycles may also adversely affect the businesses of the Group's clients, which can have the effect of reducing the amount of services they purchase from the Group.

12. The Group is subject to currency rate risk.

    Fluctuations in exchange rates between currencies in which the Group operates, relative to pounds sterling, may cause fluctuations in its financial results.

13. The Group may be subject to certain regulations that could restrict the Group's activities.

    From time to time, governments, government agencies and industry self-regulatory bodies in the countries in which the Group operates have adopted statutes, regulations and rulings that directly or indirectly affect the form, content and scheduling of advertising, public relations and public affairs and market research, or otherwise affect the activities of the Group and its clients.

Post balance sheet events
Post balance sheet events are set out in note 42.

Auditors
Each of the persons who is a Director 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 Group's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order 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 s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them 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
10th March 2010

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Directors report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Robert Davison
Secretary
10th March 2010

Independent auditors' report to the members of Chime Communications plc

We have audited the Group financial statements of Chime Communications plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated cash flow statement and the related notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group'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

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Directors' statement on corporate governance in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Chime Communications plc for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Sarah Shillingford

Sarah Shillingford (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
10th March 2010

Consolidated income statement

Year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Continuing operations			
Revenue	2, 3	**300,908**	277,394
Cost of sales		**(177,811)**	(165,304)
Operating income		**123,097**	112,090
Operating expenses		**(103,535)**	(93,980)
Operating profit	6	**19,562**	18,110
Profit on part disposal of a subsidiary	34	**1,385**	–
Loss on disposal of subsidiary	34	**(122)**	–
Share of results of associates		**(412)**	186
Disposal of available for sale investment	19	**(188)**	–
Impairment in carrying value of investment	18	**(350)**	–
Investment income	8	**111**	456
Finance costs	9	**(521)**	(1,393)
Finance cost of deferred consideration	9	**(912)**	(1,020)
Profit before tax		**18,553**	16,339
Tax	10	**(5,856)**	(5,164)
Profit for the year		**12,697**	11,175
Attributable to:			
Equity holders of the parent		**12,479**	10,783
Minority interest		**218**	392
		12,697	11,175
Earnings per share			
From continuing operations			
Basic	12	**22.06p**	19.87p
Diluted	12	**21.13p**	19.59p

Consolidated statement of comprehensive income

Year ended 31 December 2009

	2009 £'000	2008 £'000
Profit for the year	**12,697**	11,175
Recycling of losses/revaluation of available for sale investment	**136**	(113)
Exchange differences on translation of foreign operations	**(722)**	1,866
Net (cost)/income recognised directly in equity	**(586)**	1,753
Total comprehensive income for the year	**12,111**	12,928
Attributable to:		
Equity holders of the parent	**11,893**	12,536
Minority interests	**218**	392
	12,111	12,928

Consolidated balance sheet

31 December 2009

	Notes	2009 £'000	2008 £'000	2007 £'000
Non-current assets				
Goodwill	13	**144,614**	113,086	109,909
Other intangible assets	14	**5,240**	805	762
Property, plant and equipment	15	**4,036**	4,589	4,425
Investments in associates	17	**645**	858	488
Other investments	18	**–**	350	350
Available for sale investments	19	**–**	113	227
Due from deferred consideration	20	**504**	551	568
Deferred tax asset	21	**1,448**	829	1,191
		156,487	121,181	117,920
Current assets				
Work in progress	22	**2,429**	2,019	1,560
Trade and other receivables	23	**48,139**	47,705	42,641
Cash and cash equivalents	24	**5,296**	6,804	10,196
		55,864	56,528	54,397
Total assets		**212,351**	177,709	172,317
Current liabilities				
Trade and other payables	25	**(71,051)**	(69,536)	(58,574)
Current tax liabilities	10	**(4,176)**	(2,706)	(2,548)
Obligations under finance leases	26	**(14)**	(48)	(49)
Bank loan	27	**(52)**	–	–
Short-term provisions	28	**(11,378)**	(388)	(16,335)
		(86,671)	(72,678)	(77,506)
Net current liabilities		**(30,807)**	(16,150)	(23,109)
Non-current liabilities				
Bank loans	27	**(348)**	–	(8,375)
Long-term provisions	28	**(8,489)**	(16,524)	(12,406)
Obligations under finance leases	26	**–**	(16)	(53)
		(8,837)	(16,540)	(20,834)
Total liabilities		**(95,508)**	(89,218)	(98,340)
Net assets		**116,843**	88,491	73,977
Equity				
Share capital	29	**16,834**	14,264	13,319
Share premium account	30	**52,691**	37,121	32,217
Own shares	31	**(5,406)**	(4,952)	(4,381)
Capital reduction reserve	32	**32,385**	32,385	32,385
Translation reserve		**1,290**	2,012	146
Accumulated profit/(loss)		**20,504**	8,731	(612)
Equity attributable to equity holders of the parent		**118,298**	89,561	73,074
Written put options over minority interests		**(2,000)**	(2,000)	–
Minority interest		**545**	930	903
Total equity		**116,843**	88,491	73,977

The financial statements were approved by the Board of Directors and authorised for issue on 10th March 2010. They were signed on its behalf by:

Mark Smith, Director

Consolidated Statement of Changes in Equity

31 December 2009

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital reduction reserve £'000	Translation reserves £'000	Accumu-lated profit/ (loss) £'000	Total £'000	Written put options over minority interests £'000	Minority interests £'000	Total £'000
Balance at 1 January 2007	12,684	26,594	(5,968)	32,385	(245)	(5,592)	59,858	–	428	60,286
Total comprehensive income for the year	–	–	–	–	391	8,594	8,985	–	535	9,520
Acquisition of subsidiaries	585	5,345	–	–	–	–	5,930	–	85	6,015
Issued to staff under options	50	278	–	–	–	–	328	–	–	328
Disposed on exercise of options	–	–	2,747	–	–	(2,547)	200	–	–	200
Purchase of own shares	–	–	(1,160)		–	–	(1,160)	–	–	(1,160)
Equity dividends	–	–	–	–	–	(1,624)	(1,624)	–	–	(1,624)
Credit in relation to share based payments	–	–	–	–	–	557	557	–	–	557
Dividends to minority interests	–	–	–	–	–	–	–	–	(145)	(145)
Balance at 31 December 2007	13,319	32,217	(4,381)	32,385	146	(612)	73,074	–	903	73,977
Total comprehensive income for the year	–	–	–	–	1,866	10,670	12,536		392	12,928
Acquisition of subsidiaries	945	4,909	–	–	–	–	5,854	–	1	5,855
Share issue costs	–	(5)	–	–	–	–	(5)	–	–	(5)
Purchase of own shares	–	–	(571)	–	–	–	(571)	–	–	(571)
Equity dividends	–	–	–	–	–	(2,219)	(2,219)	–	–	(2,219)
Credit in relation to share based payments	–	–	–	–	–	892	892	–	–	892
Written put option over minority interests	–	–	–	–	–	–	–	(2,000)	–	(2,000)
Dividends to minority interests	–	–	–	–	–	–	–	–	(366)	(366)
Balance at 31 December 2008	14,264	37,121	(4,952)	32,385	2,012	8,731	89,561	(2,000)	930	88,491

Consolidated Statement of Changes in Equity (continued)

31 December 2009

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital reduction reserve £'000	Translation reserves £'000	Accumulated profit/ (loss) £'000	Total £'000	Written put options over minority interests £'000	Minority interests £'000	Total £'000
Balance at 1 January 2009	14,264	37,121	(4,952)	32,385	2,012	8,731	89,561	(2,000)	930	88,491
Total comprehensive income for the year	–	–	–	–	(722)	12,615	11,893	–	218	12,111
Acquisition of subsidiaries	2,525	15,404	–	–	–	–	17,929	–	(277)	17,652
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(82)	(82)
Issued to staff under options	45	239	–	–	–	–	284	–	–	284
Share issue costs	–	(73)	–	–	–	–	(73)	–	–	(73)
Disposed on exercise of options	–	–	494	–	–	(480)	14	–	–	14
Purchase of own shares	–	–	(948)	–	–	–	(948)	–	–	(948)
Equity dividends	–	–	–	–	–	(2,666)	(2,666)	–	–	(2,666)
Credit in relation to share based payments	–	–	–	–	–	2,304	2,304	–	–	2,304
Dividends to minority interests	–	–	–	–	–	–	–	–	(244)	(244)
Balance at 31 December 2009	16,834	52,691	(5,406)	32,385	1,290	20,504	118,298	(2,000)	545	116,843

Consolidated cash flow statement

Year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Net cash from operating activities	33	**10,425**	21,277
Investing activities			
Interest received		**63**	330
Dividends received from investments		**47**	126
Proceeds on disposal of property, plant and equipment		**46**	39
Purchases of property, plant and equipment		**(1,279)**	(2,021)
Purchases of other intangible assets		**(220)**	(207)
Proceeds from disposal of available for sale investment		**63**	–
Acquisition of investment in an associate	17	**–**	(117)
Loans granted to associates	17	**(30)**	(59)
Acquisition of subsidiaries	35	**(6,849)**	(10,728)
Disposal of subsidiary	34	**(31)**	–
Deferred consideration received	20	**47**	17
Net cash used in investing activities		**(8,143)**	(12,620)
Financing activities			
Dividend paid		**(2,666)**	(2,219)
Dividends paid to minorities		**(244)**	(366)
Increase in/(repayment of) borrowings		**400**	(8,375)
Repayment of loan notes		**(358)**	(480)
Repayment of obligations under finance leases		**(51)**	(38)
Proceeds on issue of ordinary share capital		**284**	–
Purchase of own shares		**(934)**	(571)
Net cash used in financing activities		**(3,569)**	(12,049)
Net decrease in cash and cash equivalents		**(1,287)**	(3,392)
Cash and cash equivalents at beginning of year		**6,804**	10,196
Effect of foreign exchange rate changes		**(221)**	–
Cash and cash equivalents at end of year		**5,296**	6,804

Notes to the consolidated financial statements
Year ended 31 December 2009

1. General information
Chime Communications plc is a Company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is No.14 Curzon Street, London, W1J 5HN, United Kingdom. The nature of the Group's operations consist principally of public relations, advertising, sports marketing, market research, direct marketing design and event management consultancy.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2. The Group's overseas operations are principally conducted in US Dollars or Euros.

The rates used are as follows:

Currency	Closing rate as at 31 December 2009	Average rate 2009	Closing rate as at 31 December 2008	Average rate 2008	Closing rate as at 31 December 2007
US Dollar	**1.5926**	**1.56593**	1.44792	1.85518	1.99731
Euro	**1.1112**	**1.12297**	1.02719	1.25968	1.35707

2. Significant accounting policies
Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have also been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value in accordance with the accounting policies set out below.

IAS 1 (revised 2007) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in each component of equity for each period presented. Further, IAS 1 requires a third comparative to be included within Consolidated Balance Sheet (along with supplementary notes) in the instance that any previously reported financial information is restated or represented. The re-statement of previously reported segmental information has triggered such a requirement in the current year.

Critical accounting judgments and key sources of estimation uncertainty
In the process of applying the Group's accounting policies, management is required to make judgments, estimates and assumptions that may affect the financial statements. Management believes that the judgments made in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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:

Valuation and asset lives of separately identifiable intangible assets

In order to determine the value of the separately identifiable assets on the acquisition of a business combination, management are required to make estimates when utilising the Group's valuation methodologies. These methodologies include the use of discounted cash flows, revenue and profit before tax multiples. Asset lives are estimated based on the nature of the intangible asset acquired and range between 4 and 8 years and indefinite lives.

Impairment of goodwill and other intangible assets

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets, as determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires Directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate net present value. Note 13 details the assumptions that have been applied.

Contingent consideration and valuation of put option

Contingent consideration relating to acquisitions has been included based on management estimates of the most likely outcome (note 28).

2.Significant accounting policies (continued)

Adjusted results

Management believes that adjusted operating profit (note 5) and adjusted earnings per share (note 5) provide additional useful information on underlying trends to shareholders. These measures are used for internal performance analysis and incentive compensation arrangements for employees. The term adjusted is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to IFRS measurements of profits. The principal adjustments made are in respect of:

- Costs of acquisitions – the costs incurred by the Group in reorganising and integrating acquired businesses, non-recurring business restructuring, closure or disposal of businesses and costs associated with Board level changes;
- Finance income and costs – the costs incurred by the Group in reorganising and integrating acquired businesses banking facilities;
- Amortisation and impairment of acquired intangible fixed assets and goodwill – the Group continues to amortise these intangible fixed assets and test for impairment of these assets but does not see these charges as integral to underlying trading; and
- Costs of business combinations – IFRS3 (revised) to be effective from 1 January 2010 requires transaction costs, changes in the value of contingent consideration, settlement of pre-existing contracts and share-based payments to be expensed, management do not see these charges as integral to the underlying trading.

Accounting policies have been applied consistently between years with the exception of the new standards or amendments adopted in the year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Corporate Governance Report on page 21.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised, unless the Group has incurred legal or constructive obligation or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill and is included in the carrying value of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the income statement in the period of acquisition.

Where a group company transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

2. Significant accounting policies (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Future anticipated payments to vendors in respect of earnouts are based on the Directors' best estimates of future obligations, which are dependent on future performance of the interests acquired and assume the operating companies improve profits in line with Directors' estimates and are included in liabilities greater or less than one year as appropriate. When earnouts are to be settled in cash or share consideration, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future. The resulting interest charge is included within finance costs.

Under IFRS, an impairment charge is required for both goodwill and other indefinite lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit we identify for impairment testing and the criteria we use to determine which assets should be aggregated.

Segmental reporting

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

As required by IFRS 8 the prior year comparatives have been restated to reflect the change in management reporting of the Fast Track Group of companies into a new Sports Marketing Division. Management created this new reporting division after the acquisition of the Essentially Group in October 2009. Management stated its intention to report this division in the prospectus made available to Shareholders in October 2009. The Fast Track Group includes Fast Track Sales, Fast Track Events, Fast Track Sailing, Fast Track Sports Media Consultancy Espana, Stuart Higgins Communications and The Sports Business. The Fast Track Group of companies was previously reported within the Advertising and Marketing Services division, it is now included within Sports Marketing. The effect of this change on the Advertising and Marketing Division is a decrease in the following for 2008: revenue £29,531,000 operating income £13,614,000; operating profit £2,654,000; capital additions £576,000, depreciation £571,000; segment assets £45,732,000; segment liabilities £10,337,000.

As required by IAS 1 (Presentation of Financial Statements) and as a result of a change in previously reported comparative segmental information management has provided balance sheets and notes to the balance sheet for the current year plus the prior two years, i.e. 2008 and 2007.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and comprises the gross amounts billed to clients in respect of fees earned, expenses recharged and commission-based income.

Operating income is revenue less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses and marketing products.

Contractual arrangements are reviewed to ascertain whether the group acts as principal or agent with regards to third party costs. If the relationship is that of agent then the recharge of third party costs is not recognized through revenue or cost of sales.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Revenue and operating income are stated exclusive of VAT, sales taxes and trade discounts.

Public Relations

Revenue is typically derived from retainer fees and services performed subject to specific agreement. Revenue is recognised when the service is performed in accordance with the contractual arrangement. Revenue is recognised on long-term contracts through an assessment of the time incurred to date compared to the total hours required to complete the contract, and an assessment of the value delivered to the client compared to the total value of the contract. If the outcome of these can be assessed with reasonable certainty, revenue and related costs are recognised in the income statement.

Advertising and Marketing Services, Sports Marketing and Research

Apart from where it is derived from retainer contracts (as above), operating income is recognised on each contract in proportion to the level of services performed. Costs relating to contracts in progress at the balance sheet date are carried forward in work in progress. Losses are recognised as soon as they are foreseen.

The Group receives volume rebates from certain suppliers for transactions entered into on behalf of clients. Based on the terms of the relevant contracts and local law these are either remitted to clients or retained by the Group. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases or, if lower, the present value of minimum lease payments. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the income statement in equal annual amounts over the periods of the leases.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in UK companies denominated in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group’s overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation reserve differences are recognised as income or as expenses in the period in which the operation is disposed of.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as investments in equity securities classified as available for sale, are included in the fair value reserve in equity.

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.

Finance costs

Finance costs which include interest, bank charges and the unwinding of the discount on deferred consideration, are recognised in the income statement in the year in which they are incurred.

Operating profit

Operating profit is stated before the share of results of associate, investment income and finance costs.

Retirement benefit costs

The pension cost is the amount of contributions payable by the Group to the defined contribution pension scheme and to personal pension schemes of certain employees during the accounting period. These are charged as an expense as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

2. Significant accounting policies (continued)

Taxation (continued)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment. Depreciation is provided in equal instalments to write off the cost less residual value over the estimated useful economic lives of asset type as follows:

Short-term leasehold improvements	5 years
Motor vehicles	6 years
Fixtures, fittings and equipment	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Other intangible assets

Other intangible assets comprise acquired customer relationships and contracts, brands and computer software. Customer relationships and corporate brand names acquired as part of acquisitions of business are capitalized separately from goodwill as an intangible if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Corporate brands are considered to have indefinite economic life and are therefore testing annually for impairment. Computer software is capitalised based on the cost incurred to acquire and bring to use the specific software. Intangible assets are stated at cost net of amortisation and any provision for impairment. The costs are amortised over their estimated useful lives using the following rates:

Computer software	4 years
Customer relationships	4 – 8 years
Brand names	Indefinite life

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

2. Significant accounting policies (continued)

Impairment of property, plant and equipment and intangible assets excluding goodwill (continued)

An impairment loss is immediately recognised as an expense in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Work in progress

Work in progress is stated at the lower of invoiced cost and net realisable value, net of payments received on account. Cost represents work supplied from outside the Group awaiting billing to clients at the year-end and directly attributable overhead costs.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash comprises cash, overdrafts and cash held on short-term deposit (up to three months). Cash equivalents are cash deposits held on three months deposit at the Royal Bank of Scotland plc. The deposits guarantee the loan note creditors. Interest accruing on the deposits are payable to the holders of the loan notes less any costs arising.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under contract whose terms require the delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified either as available for sale, and are measured at subsequent reporting dates at fair value, or at amortised cost, where no fair value is readily determinable. Gains and losses on available for sale financial assets arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs.

Put options over equity

Put options over equity are held on the balance sheet at fair value, with movements in fair value being taken to the income statement.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were invested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured for all schemes with market-based conditions by use of the Monte Carlo model. For all other schemes, fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

2. Significant accounting policies (continued)

Share-based payments (continued)

The Group also provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value. The Group records an expense, based on its estimate of the 20% discount related to shares expected to vest on a straight-line basis over the vesting period. Further details are included in note 38 to the accounts.

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

AS 23 (revised 2007) *Borrowing Costs*

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.

Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Embedded Derivatives (Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement)*

The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' (FVTPL) category as permitted by the October 2008 amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (see above).

IFRIC 15 *Agreements for the Construction of Real Estate*

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

IFRIC 18 *Transfers of Assets from Customers* (adopted for transfers of assets from customers received on or after 1 July 2009)

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes what item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of transfer, with the credit recognised in accordance with IAS 18 *Revenue*.

2. Significant accounting policies (continued)

Standards not affecting the reported results nor the financial position (continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/IAS 27 (amended)	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 3 (revised 2008)	*Business Combinations*
IAS 27 (revised 2008)	*Consolidated and Separate Financial Statements*
IAS 28 (revised 2008)	*Investments in Associates*
IFRIC 17	*Distributions of Non-cash Assets to Owners*

The principal impact of IFRS3 is the requirement to expense legal and professional costs incurred in relation to acquisitions rather than including within the cost of acquisition.

Other than IFRS3, the Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

3. Revenue

An analysis of the Group's revenue is as follows:

	2009 £'000	2008 £'000 (restated)
Continuing operations		
Public Relations	**196,477**	178,955
Advertising and Marketing Services	**64,982**	58,156
Sports Marketing	**30,726**	28,164
Research	**8,723**	12,119
Group revenue	**300,908**	277,394

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into four operating segments – Public Relations, Advertising and Marketing Services, Sports Marketing and Research.

Principal activities are as follows:

Public Relations

The Public Relations division comprises some of the leading names in the industry, including Bell Pottinger, Good Relations, Harvard, Insight, Resonate, TTA Public Relations and Corporate Citizenship. It is the ranked number 1 PR Group in the UK in the PR Week public relations consultancy league table for 2008. It serves major UK and international brands, as well as governments, government departments, pharmaceutical and healthcare companies, charities, not-for-profit organisations, professional service firms, consumer brands and famous people.

Advertising and Marketing Services ('AMS')

The AMS division includes the VCCP Group and Teamspirit. It possesses specialist skills in advertising and marketing services – direct marketing, digital communication, search relations, point of sale, sales promotion and specialist media planning and buying. It also specialises in the niche market of financial services.

Sports Marketing

The Sports Marketing division is the UK's number one sports marketing group (Marketing Magazine, December 2009) and includes Fast Track and Essentially Group.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

4. Business and geographical segments (continued)

Business segments (continued)

Research

The Research division is made up of Opinion Leader Research, Brand Democracy, Caucusworld and Facts International. Opinion Leader Research is one of the UK's leading research consultancies.

Segment information about these businesses is presented below:

2009	Public Relations £'000	Advertising and Marketing Services £'000	Sports Marketing £'000	Research £'000	Elimination £'000	Consolidated £'000
Revenue						
External sales	**196,477**	**64,982**	**30,726**	**8,723**	**–**	**300,908**
Inter-segment sales	**50,168**	**18,043**	**1,708**	**2,607**	**(72,526)**	**–**
Total revenue	**246,645**	**83,025**	**32,434**	**11,330**	**(72,526)**	**300,908**

Inter-segment sales are charged at prevailing market prices that would also be available to unrelated third parties. There are no discontinued operations in 2009 (2008 – £Nil).

	Public Relations £'000	Advertising and Marketing Services £'000	Sports Marketing £'000	Research £'000	Elimination £'000	Consolidated £'000
Segment result						
Operating Income	**66,857**	**33,288**	**17,176**	**5,776**	**–**	**123,097**
Operating Profit/(loss)	**13,923**	**4,003**	**2,957**	**(212)**	**–**	**20,671**
Unallocated corporate expenses						**(1,109)**
Operating profit						**19,562**
Profit on part disposal of a subsidiary						**1,385**
Loss on disposal of subsidiary						**(122)**
Share of results of associates						**(412)**
Disposal of available for sale investments						**(188)**
Impairment in carrying value of investment						**(350)**
Investment income						**111**
Finance costs						**(521)**
Finance cost of deferred consideration						**(912)**
Profit before tax						**18,553**
Tax						**(5,856)**
Profit for the year						**12,697**

4. Business and geographical segments (continued)

2009	Public Relations £'000	Advertising and Marketing Services £'000	Sports Marketing £'000	Research £'000	Consolidated £'000
Other segment information					
Capital additions	**801**	**216**	**210**	**272**	**1,499**
Depreciation and amortisation	**906**	**474**	**842**	**164**	**2,386**
Balance sheet					
Assets					
Segment assets	**69,401**	**54,950**	**76,635**	**6,245**	**207,231**
Investments in associates					**645**
Unallocated corporate assets					**4,475**
Consolidated total assets					**212,351**
Liabilities					
Segment liabilities	**40,911**	**15,463**	**17,848**	**1,915**	**76,137**
Unallocated corporate liabilities					**19,371**
Consolidated total liabilities					**95,508**

2008	Public Relations £'000	Advertising and Marketing Services (restated) £'000	Sports Marketing (restated) £'000	Research £'000	Elimination £'000	Consolidated £'000
Revenue						
External sales	178,955	58,156	28,164	12,119	–	277,394
Inter-segment sales	10,106	17,237	1,367	2,352	(31,062)	–
Total revenue	189,061	75,393	29,531	14,471	(31,062)	277,394

Inter-segment sales are charged at prevailing market prices that would also be available to unrelated third parties.

2008	Public Relations £'000	Advertising and Marketing Services (restated) £'000	Sports Marketing (restated) £'000	Research £'000	Elimination £'000	Consolidated £'000
Segment result						
Operating income	61,352	30,164	13,614	6,960	–	112,090
Operating profit	12,115	3,512	2,654	376	–	18,657
Unallocated corporate expenses						(547)
Operating profit						18,110
Share of results of associates						186
Investment income						456
Finance costs						(1,393)
Finance costs of deferred consideration						(1,020)
Profit before tax						16,339
Tax						(5,164)
Profit for the year						11,175

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

4. Business and geographical segments (continued)

2008	Public Relations £'000	Advertising and Marketing Services (restated) £'000	Sports Marketing (restated) £'000	Research £'000	Consolidated £'000
Other segment information					
Capital additions	774	630	576	41	2,021
Depreciation and amortisation	828	541	571	96	2,036
Balance sheet					
Assets					
Segment assets	71,272	48,647	45,732	8,273	173,924
Available for sale financial assets					113
Investments in associates					858
Unallocated corporate assets					2,814
Consolidated total assets					177,709
Liabilities					
Segment liabilities	43,416	15,689	10,337	2,202	71,644
Unallocated corporate liabilities					17,574
Consolidated total liabilities					89,218

2007	Public Relations (restated) £'000	Advertising and Marketing Services (restated) £'000	Sports Marketing (restated) £'000	Research £'000	Consolidated £'000
Other segment information					
Capital additions	946	474	285	96	1,801
Depreciation and amortisation	711	562	224	84	1,581
Balance sheet					
Assets					
Segment assets	72,594	51,017	35,296	9,085	167,992
Available for sale financial assets					227
Investments in associates					488
Unallocated corporate assets					3,610
Consolidated total assets					172,317
Liabilities					
Segment liabilities	36,372	13,252	6,971	3,564	60,159
Unallocated corporate liabilities					38,181
Consolidated total liabilities					98,340

4. Business and geographical segments (continued)

Comparatives have been restated to reflect the change in management reporting of TTA Public Relations and the Fast Track Group comprising Fast Track Sales, Fast Track Events, Fast Track Sailing, Fast Track Sports Media Espana, Stuart Higgins Communications and The Sports Business.

TTA Public Relations had been reported within Advertising and Marketing Services in 2007; it was moved to Public Relations in 2008. The effect of this change for 2007 was: capital additions £46,000, depreciation £20,000; segment assets £1,107,000; segment liabilities £454,000.

The Fast Track Group was previously reported within Advertising and Marketing Services in 2007 and 2008; it is now included within Sports Marketing. The effect of this change for 2007 was a decrease in Advertising and Marketing Services in capital additions of £285,000, depreciation £224,000, segment assets £35,296,000, segment liabilities £6,971,000. The effect of this change for 2008 was a decrease in Advertising and Marketing Services in capital additions of £576,000, depreciation £571,000, segment assets £45,372,000, segment liabilities £10,337,000.

Geographical segments:

The Group's operations are located in the United Kingdom, Germany, the Middle East, the USA, South Africa, India, Australia and New Zealand. The Group's Advertising and Marketing Services division is located in the United Kingdom, Europe and the Middle East. Public relations is carried out in the United Kingdom, Germany, the Middle East and the USA. The Sports Marketing division is located in the United Kingdom, Spain, South Africa, India, Australia and New Zealand. The Research division is located solely in the United Kingdom.

The following table provides an analysis of the Group's revenue by geographical market, based on the billing location of the client:

	Revenue by geographical market	
	2009 £'000	**2008 £'000**
United Kingdom	**107,695**	109,601
Europe and Africa	**45,207**	36,934
Middle East	**91,629**	79,923
USA	**50,403**	45,355
Rest of the world	**5,974**	5,581
	300,908	277,394

There is no revenue from discontinued operations in 2009 (2008 – £Nil).

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

4. Business and geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to tangible assets and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		
	2009 £'000	2008 £'000	2007 £'000
United Kingdom	**200,518**	171,217	166,928
Europe, Middle East and Africa	**8,651**	5,993	4,966
USA and rest of world	**3,182**	499	423
	212,351	177,709	172,317

	Capital additions		
	2009 £'000	2008 £'000	2007 £'000
United Kingdom	**1,296**	1,761	1,726
Europe, Middle East and Africa	**181**	210	69
USA and rest of world	**22**	50	6
	1,499	2,021	1,801

5. Adjusted results

	2009 £'000	2008 £'000
Reconciliation of operating profit to adjusted operating profit		
Operating profit	**19,562**	18,110
Adjusting operating profit items:		
Cost of acquisitions	**250**	–
Intangible asset amortisation	**336**	134
Adjusting operating profit items	**586**	134
Adjusted operating profit	**20,148**	18,244
Reconciliation of statutory profit to adjusted profit before tax		
Profit before tax	**18,553**	16,339
Adjusting operating profit items:	**586**	134
Profit on part disposal of a subsidiary	**(1,385)**	–
Loss on disposal of subsidiary	**122**	–
Write down of carrying value of associates and loans to associates	**435**	39
Disposal of assets held for sale	**188**	–
Impairment in carrying value of investment	**350**	–
Adjusting profit before tax items	**296**	173
Adjusted profit before tax	**18,849**	16,512

5. Adjusted results (continued)

	2009 £'000	2008 £'000
Reconciliation of profit for the year to adjusted profit for the year		
Profit for the year	**12,697**	11,175
Adjusting profit before tax items	**296**	173
Attributable tax expense on adjusting items	**(70)**	–
Adjusting profit for the year items	**226**	173
Adjusted profit for the year	**12,923**	11,348
Reconciliation of profit attributable to equity holders for the year to adjusted profit attributable to equity holders for the year		
Profit for the year attributable to equity holders of the parent	**12,479**	10,783
Adjusting profit for the year attributable to equity holders of the parent	**226**	173
Adjusted profit attributable to equity holders of the parent	**12,705**	10,956
Adjusted earnings per share		
Adjusted profit attributable to equity holders of the parent	**12,705**	10,956
Weighted average number of ordinary shares for the purpose of basic earnings per share	**56,573,800**	54,279,428
Adjusted basic earnings per share	**22.46**	20.19
Adjusted profit attributable to equity holders of the parent	**12,705**	10,956
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**59,065,404**	55,033,747
Adjusted diluted earnings per share	**21.51**	19.91

These operating profit adjusting items affect the Sports Marketing division only.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

6. Operating profit

Profit from continuing operations has been arrived at after charging/(crediting):

	2009 £'000	2008 £'000
Depreciation of owned property, plant and equipment	**1,928**	1,852
Depreciation of assets held under finance leases	**18**	20
Amortisation of other intangible assets –computer software	**104**	30
Amortisation of other intangible assets –customer relationships	**336**	134
Rentals under operating leases – property	**6,236**	6,305
Loss on disposal of property, plant and equipment	**29**	17
Impairment of other intangible assets	**317**	–
Staff costs (see note 7)	**69,665**	68,591
Net foreign exchange losses/(profits)	**96**	(20)
Auditors' remuneration for audit services (see below)	**334**	422

A more detailed analysis of auditors' remuneration is provided below:

	2009 £'000	2009 %	2008 £'000	2008 %
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**80**	**14**	80	19
Fees payable to the Company's auditors and their associates for other services:				
– pursuant to legislation	**17**	**3**	30	7
– the audit of the Company's subsidiaries pursuant to legislation	**200**	**34**	158	37
Total audit fees	**297**	**51**	268	63
Tax services	**81**	**14**	47	11
Corporate finance services*	**207**	**35**	–	–
Other services	**2**	**–**	107	26
Total non-audit fees	**290**	**49**	154	37
Total fees paid to Company's Auditors	**587**		422	

The total audit remuneration in 2009 is shown above as £586,000. £207,000 of the fees for corporate finance services were for preparation of a working capital report and capitalised as part of the cost of acquisitions. £45,000 of the fees for tax services were also capitalised as part of the cost of acquisitions. £334,000 has been expensed in the income statement.

* Relates to non-advisory services provided in connection with the acquisition of the Essentially Group.

7. Staff costs

The average monthly number of employees (including executive Directors) was 1,043.

	2009 Number	2008 Number (restated)
Public Relations	**469**	458
Advertising and Marketing Services	**316**	358
Sports Marketing	**166**	134
Research	**92**	63
	1,043	1,013

	2009 £'000	2008 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**58,660**	57,698
Social security costs	**6,587**	6,331
Pension costs – defined contribution plans (see note 39)	**2,970**	3,270
Fair value of share options granted to Directors and employees	**1,448**	1,292
	69,665	68,591

8. Investment income

	2009 £'000	2008 £'000
Dividend received	**47**	126
Loans and receivables at amortised cost:		
Interest on bank deposits	**9**	93
Interest on cash backed loan note	**2**	192
Other interest receivable	**53**	45
	111	456

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

9. Finance costs

	2009 £'000	2008 £'000
Other financial liabilities held at fair value:		
Interest on bank overdrafts and loans	**(479)**	(1,185)
Interest on cash backed loan notes	**(2)**	(192)
Interest on obligations under finance leases	**(3)**	(6)
Other interest payable	**(37)**	(10)
	(521)	(1,393)
Finance cost of deferred consideration	**(912)**	(1,020)
	(1,433)	(2,413)

10. Tax

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax at 28% (2008 – 28.5%)	**6,085**	5,536
Adjustment in respect of prior years	**88**	(484)
	6,173	5,052
Foreign tax	**134**	86
Adjustment in respect of prior years	**254**	(8)
	6,561	5,130
Deferred tax		
Current year originating temporary differences	**(712)**	68
Adjustment in respect of prior years	**7**	(34)
Tax charge for the year	**5,856**	5,164

UK Corporation tax is calculated at 28% of the estimated assessable profit for the year (2008 – 28.5%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Tax (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2009 £	2009 %	2008 £	2008 %
Profit before tax	**18,553**		16,339	
Tax at the UK corporation tax rate of 28% (2008 – 28.5%)	**5,195**	**28.0**	4,656	28.5
Tax effect of expenses that are not deductible in determining taxable profits	**(48)**	**(0.2)**	1,066	6.5
Income not taxable			(38)	(0.2)
Deemed interest on deferred consideration	**255**	**1.4**	306	1.8
Tax effect of the increase in tax losses not previously recognised	**112**	**0.6**	(198)	(1.2)
Prior year corporation tax adjustment	**342**	**1.8**	(493)	(3.0)
Prior year deferred tax adjustment	**7**	**–**	(34)	(0.2)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	**(7)**	**–**	(101)	(0.6)
Tax expense and effective tax rate for the year	**5,856**	**31.6**	5,164	31.6
Discontinued operations	**–**		–	
	5,856		5,164	

11. Dividends

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2008 of 3.18p (2007 – 2.40p) per share	**1,766**	1,352
Interim dividend for the year ended 31 December 2009 of 1.60p (2008 – 1.54p) per share	**900**	867
	2,666	2,219
Proposed final dividend for the year ended 31 December 2009 of 3.5p (2008 – 3.18p) per share.	**2,325**	1,789

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 18 June 2010 to those shareholders on the register at 28 May 2010. The expected ex-dividend rate is 26 May 2010.

Under an arrangement dated 3 April 1996, The Chime Communications Employee Trust which holds 2,213,380 ordinary shares representing 3.3% of the Company's called-up share capital, has agreed to waive dividends 915,492 (1.4% of the company's called up share capital), the difference being those shares held under the deferred share scheme.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**2009**	**2008**
Basic	**22.06p**	19.87p
Diluted	**21.13p**	19.59p
	£'000	**£'000**
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**12,479**	10,783
	Number	**Number**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**56,573,800**	54,279,428
Effect of dilutive potential ordinary shares:		
Deferred shares	**24,585**	–
Share options	**2,467,019**	754,319
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**59,065,404**	55,033,747
Adjusted Earnings per share		
Basic	**22.46p**	20.19p
Diluted	**21.51p**	19.91p
	£'000	**£'000**
Adjusted profit attributable to equity holders of the parent (note 5)	**12,705**	10,956

Diluted earnings per share is calculated on the profit for the year attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the year adjusted for the potentially dilutive impact of employee share incentive schemes and shares to be issued as part of deferred or contingent consideration on acquisitions of subsidiaries.

As at 31 December 2009, some share options were outstanding that had a higher purchase price than the market price of the shares. These options have been excluded from the calculation of diluted earnings per share as they would have been antidilutive.

Adjusted earnings per share has been presented to allow shareholders a further understanding of the trading performance of the Company. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

13. Goodwill

	2009 £'000	2008 £'000	2007 £'000
Cost			
Carrying amount at 1 January	**113,086**	109,909	74,730
Exchange differences	**(346)**	1,019	275
Recognised on acquisition of subsidiaries (see note 35)	**31,855**	932	32,466
De-recognised on disposal of subsidiaries	**(305)**	–	–
Other changes in respect of prior year acquisitions	**324**	1,226	2,438
At 31 December	**144,614**	113,086	109,909

The adjustment arising on prior year acquisitions relates to the contingent consideration being re-assessed as follows:

	2009 £'000
Corporate Citizenship	**515**
Stuart Higgins Communications	**161**
MC Bio Communications	**(352)**
	324

The following is an analysis of the carrying amount of goodwill by segment:

	2009 £'000	2008 £'000	2007 £'000
Public Relations	**37,878**	34,781	36,979
Advertising and Marketing Services	**40,189**	40,189	40,252
Sports marketing	**59,455**	30,719	28,987
Research	**7,092**	7,397	3,691
	144,614	113,086	109,909

In accordance with the Group's accounting policy, the carrying values of goodwill and other intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The 2009 impairment review was undertaken as at 31 December 2009. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows derived from assets using a projection period of up to five years for each cash-generating unit. The basis for this is the 2010 budget with growth rates of between 2% and 17%. The 2010 budgets are based on management's best estimates taking into account prior period results and industry knowledge. After the projection period, steady growth has been assumed at rates not exceeding long-term average growth rates for the industry for each cash-generating unit, with no improvements in operating margin being assumed. An annual growth rate of 2.0% (2008 – 2.0%) and a pre-tax discount rate of 12.5% (2008 – 10.4%) have been assumed.

The Board has considered reasonable possible sensitivities. If discount rates were increased by 2%, the carrying value of goodwill could potentially be impaired by £2.8 million in the Public Relations Division and £0.5 million in the Advertising and Marketing Services Division or 2.29% of the total.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

14. Other intangible assets

	Brand names £'000	Customer relationships £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2009	**–**	**864**	**929**	**1,793**
Additions	**–**	**–**	**220**	**220**
Acquisition of subsidiaries	**486**	**4,486**	**–**	**4,972**
At 31 December 2009	**486**	**5,350**	**1,149**	**6,985**
Accumulated amortisation				
At 1 January 2009	**–**	**293**	**695**	**988**
Charge for the year	**–**	**336**	**104**	**440**
Impairment	**–**	**–**	**317**	**317**
At 31 December 2009	**–**	**629**	**1,116**	**1,745**
Carrying amount at 31 December 2009	**486**	**4,721**	**33**	**5,240**

Customer relationships are being amortised over their useful economic life of 4 to 8 years. Brand names have an indefinite life.

The impairment loss on computer software arose from the delayed launch of online product.

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2008	864	722	1,586
Additions	–	207	207
At 31 December 2008	864	929	1,793
Accumulated amortisation			
At 1 January 2008	159	665	824
Charge for the year	134	30	164
At 31 December 2008	293	695	988
Carrying amount at 31 December 2008	571	234	805

14. Other intangible assets (continued)

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2007	–	656	656
Additions	864	66	930
At 31 December 2007	864	722	1,586
Accumulated amortisation			
At 1 January 2007	–	646	646
Charge for the year	159	19	178
At 31 December 2007	159	665	824
Carrying amount at 31 December 2007	705	57	762

15. Property, plant and equipment

	Short-term leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
Cost				
At 1 January 2009	**5,048**	**634**	**6,452**	**12,134**
Additions	**334**	**29**	**916**	**1,279**
Acquisition of subsidiary	**36**	**6**	**186**	**228**
Disposal of subsidiary	**–**	**–**	**(18)**	**(18)**
Exchange differences	**(2)**	**(9)**	**(71)**	**(82)**
Disposals	**(91)**	**(176)**	**(374)**	**(641)**
At 31 December 2009	**5,325**	**484**	**7,091**	**12,900**
Accumulated depreciation				
At 1 January 2009	**3,561**	**253**	**3,731**	**7,545**
Charge for the year	**633**	**67**	**1,246**	**1,946**
Disposal of subsidiary	**–**	**–**	**(11)**	**(11)**
Exchange differences	**–**	**(5)**	**(45)**	**(50)**
Eliminated on disposal	**(87)**	**(126)**	**(353)**	**(566)**
At 31 December 2009	**4,107**	**189**	**4,568**	**8,864**
Carrying amount at 31 December 2009	**1,218**	**295**	**2,523**	**4,036**

The carrying amount of the Group's motor vehicles includes an amount of £18,259 in respect of assets held under finance leases. As stated in note 26, the Group's obligations under finance leases are secured by the lessor's charges over the leased assets.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

15. Property, plant and equipment (continued)

	Short-term leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
Cost				
At 1 January 2008	4,643	647	5,623	10,913
Additions	527	180	1,314	2,021
Acquisition of subsidiary	–	–	1	1
Exchange differences	–	20	241	261
Disposals	(122)	(213)	(727)	(1,062)
At 31 December 2008	5,048	634	6,452	12,134
Accumulated depreciation				
At 1 January 2008	3,081	313	3,094	6,488
Charge for the year	602	98	1,172	1,872
Exchange differences	–	3	187	190
Eliminated on disposal	(122)	(161)	(722)	(1,005)
At 31 December 2008	3,561	253	3,731	7,545
Carrying amount at 31 December 2008	1,487	381	2,721	4,589

	Short-term leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
Cost				
At 1 January 2007	3,669	647	5,869	10,185
Additions	709	62	1,030	1,801
Acquisition of subsidiary	511	136	482	1,129
Exchange differences	–	4	77	81
Disposals	(246)	(202)	(1,835)	(2,283)
At 31 December 2007	4,643	647	5,623	10,913
Accumulated depreciation				
At 1 January 2007	2,878	376	3,959	7,213
Charge for the year	429	93	881	1,403
Exchange differences	–	1	65	66
Eliminated on disposal	(226)	(157)	(1,811)	(2,194)
At 31 December 2007	3,081	313	3,094	6,488
Carrying amount at 31 December 2007	1,562	334	2,529	4,425

16. Subsidiaries and associates

The Group's principal trading subsidiaries and associated undertakings are listed below:

Company	Nature of business	Country of Incorporation	Proportion of ordinary shares held and voting rights
Subsidiaries			
Bell Pottinger Communications Limited	Public Relations	United Kingdom	100%
Bell Pottinger Communications USA LLC	Public Relations	United States	100%
Pelham Bell Pottinger	Financial Public Relations	United Kingdom	60%
Bell Pottinger Middle East FZ LLC	Public Relations	Dubai	70%
Bell Pottinger Public Affairs Limited	Political Public Relations	United Kingdom	100%
Bell Pottinger Public Relations Limited	Consumer Public Relations & Sports Marketing	United Kingdom	100%
Bell Pottinger USA Inc	Public Relations	United States	100%
Bullnose Limited	Public Relations	United Kingdom	63%
Branded Moments Of Truth Limited	Consumer Marketing	United Kingdom	80%
Caucusworld Limited	Research	United Kingdom	75%
Brand Democracy Limited	Research	United Kingdom	100%
MC Bio Limited	Healthcare Public Relations	United Kingdom	100%
Corporate Citizenship Limited	Corporate & social responsibility consultancy	United Kingdom	100%
De Facto Communications Limited +	Healthcare Public Relations	United Kingdom	100%
Good Relations Limited	Public Relations	United Kingdom	100%
Facts International Limited	Research	United Kingdom	75%
FIL Market Research Limited	Research	United Kingdom	100%
Fast Track Events Limited	Event management	United Kingdom	100%
Fast Track Sales Limited	Marketing consultancy and event management	United Kingdom	100%
Fast Track Sailing Limited	Sports marketing consultancy	United Kingdom	60%
Fast Track Sports Media Consultancy Espana S.L.	Sports marketing consultancy	Spain	52%

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

16. Subsidiaries and associates (continued)

Company	Nature of business	Country of Incorporation	Proportion of ordinary shares held and voting rights
Subsidiaries (continued)			
Bell Pottinger – Harvard GmbH	Public Relations	Germany	100%
Harvard Public Relations Limited +	Public Relations	United Kingdom	100%
Insight Marketing & Communications Limited +	Public Relations	United Kingdom	100%
Bell Pottinger – MMK GmbH	Public Relations	Germany	100%
Opinion Leader Research Limited	Market Research	United Kingdom	100%
Pure Media Group Limited	Media Buying	United Kingdom	100%
Resonate Communications Limited	Consumer Public Relations	United Kingdom	100%
Stephens Francis Whitson Limited	Direct Marketing	United Kingdom	55%
Stuart Higgins Communications Limited	Sports marketing consultancy	United Kingdom	100%
Teamspirit Limited+	Financial Services Advertising and Marketing	United Kingdom	100%
Teamspirit Business and Corporate Limited	Financial Services Advertising and Marketing	United Kingdom	55%
Teamspirit Brand Limited	Financial Services Advertising and Marketing	United Kingdom	55%
The Sports Business Limited	Sports Marketing Consultancy	United Kingdom	100%
Frontiers Group UK Limited	Sports Marketing Consultancy	United Kingdom	100%
Sportseen Limited	Sports marketing and Media Sales	United Kingdom	100%
Essentially Sport Limited	Sports Marketing Consultancy	Guernsey	100%
Athletes 1 Limited	Athletes Management	United Kingdom	100%
Athletes 1 Australia PT	Athletes Management and Sports Marketing	Australia	100%
Global Sports Management Limited	Athletes Management	United Kingdom	100%
Essentially Professional Services Limited	Professional Accounting Services	United Kingdom	100%
Essentially Athlete Management (Rugby and Cricket) Limited	Athletes Management and Sports Consultancy	New Zealand	100%

16. Subsidiaries and associates (continued)

Company	Nature of business	Country of Incorporation	Proportion of ordinary shares held and voting rights
Subsidiaries (continued)			
Essentially South Africa Limited	Athletes Management and Sports Marketing	South Africa	100%
Bell Pottinger – Traffic GmbH	Public Relations	Germany	100%
TTA Public Relations Limited +	Property Marketing	United Kingdom	70%
VCCP Limited +	Advertising and Marketing	United Kingdom	100%
VCCP GmbH	Advertising and Marketing	Germany	100%
VCCP Blue Limited	Advertising and Marketing	United Kingdom	100%
VCCP Digital Limited	Digital Advertising and Marketing	United Kingdom	100%
VCCP Search Limited	Search engine marketing	United Kingdom	60%
Associates			
Meropa Communications (Pty) Limited +	Public Relations	South Africa	20%
Rare Corporate Design Limited	Corporate Design	United Kingdom	40%
The Agency of Someone Limited	Branding and design	United Kingdom	40%
Naked Eye Research Limited	Research	United Kingdom	26%
Ledbury Research Limited	Research	United Kingdom	20%

+ Direct subsidiary/associate of Chime Communications plc

The above list does not include all the subsidiary and associate companies of Chime Communication plc as the directors consider that to give full particulars of all Group undertakings would lead to a statement of excessive length. A full list of Group undertakings is attached to the latest annual return.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

17. Investments in associates

	2009 £'000	2008 £'000	2007 £'000
Carrying value of investments	**221**	167	50
Carrying value of loans to associates	**92**	370	342
Share of profits	**332**	321	96
	645	858	488

	2009 £'000	2008 £'000	2007 £'000
Aggregate amounts relating to associates			
Total assets	**1,611**	2,220	1,086
Total liabilities	**(947)**	(1,282)	(909)
Net assets	**664**	938	177
Revenue	**2,051**	5,794	2,874
Profit /(loss) for the year	**522**	225	(73)

Included in the above liabilities owed by the associates are loans from the Group of £91,660 (2008 – £370,472, 2007 – £342,800). The unrecognised share of losses of associates for the year ending 31 December 2009 is £53,443 and is £116,172 cumulatively to 31 December 2009.

A list of the significant investments in associates, including the name, country of incorporation, proportion of ownership interest is given in note 16.

18. Other investments

In 2008 and 2007 other investments comprised of a 10% holding in PSP Holdings Ltd. This was recorded at cost, less any provision for impairment, as its fair value could not be reliably measured as there was no active market. In 2009 this investment was written down, resulting in a charge to the income statement of £350,000.

19. Available for sale investments

	2009 £'000	2008 £'000	2007 £'000
Fair value	**–**	113	227

During 2009 the investment in Clipper Venture Limited was disposed of resulting in a loss on disposal of £187,600. This loss has been taken to the income statement.

20. Due from deferred consideration

Amounts shown are due from the disposal of Smithfield Financial Limited being the contingent consideration due after one year. Management have assessed the credit risk associated with the balance and are satisfied that the balance is recoverable. £46,751 was received in the year towards the deferred consideration. Management believe the carrying value is a reasonable approximation of the value of the asset.

21. Deferred tax

	2009 £'000	2008 £'000	2007 £'000
Deferred tax asset movement			
At 1 January 2009	**829**	1,191	1,747
Acquisition of subsidiaries	**(942)**	7	80
Credit/(charge) to equity	**855**	(335)	(411)
Credit/(charge) to the income statement	**706**	(34)	(225)
At 31 December 2009	**1,448**	829	1,191
Analysis of deferred tax asset			
Capital allowances in excess of depreciation	**548**	487	417
Short term temporary differences	**72**	103	61
Share-based payments	**1,745**	239	698
Losses	**430**	–	15
Intangibles	**(1,347)**	–	–
	1,448	829	1,191

Losses of £0.8 million (2008 – £0.8 million, 2007 – £0.8 million) and $5.4 million in the US (2008 – $5.0 million, 2007 – $4.4 million) have not been recognised in deferred taxation due to insufficient certainty that there will be appropriate profits available in the future to utilise them.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £Nil (2008: £1,929,000, 2007: £1,209,000). No liability has been recognised in respect of these differences because dividends paid post 1 July 2009 should fall within the dividend exemption and the Group is in a position to control the timing of the reversal of the temporary differences. It is also probable that such differences will not reverse in the foreseeable future.

22. Work in progress

	2009 £'000	2008 £'000	2007 £'000
Amounts recoverable on customer contracts	**2,429**	2,019	1,560

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

23. Trade and other receivables

	2009 £'000	2008 £'000	2007 £'000
Amounts receivable from provision of services	**37,205**	38,813	35,691
Other debtors	**1,627**	2,185	1,390
Prepayments and accrued income	**9,307**	6,707	5,560
	48,139	47,705	42,641

The ageing of the current trade receivables based on due dates is as follows:

	2009 £'000	2008 £'000	2007 £'000
Not overdue	**17,352**	13,781	17,905
Overdue			
Less than 30 days	**10,941**	15,769	11,569
Between 30 and 60 days	**4,242**	3,396	3,070
Between 60 and 90 days	**1,770**	2,914	1,384
Between 90 and 180 days	**2,131**	2,320	1,238
Between 180 days and 360 days	**2,035**	1,270	972
More than 360 days	**1,561**	188	396
	40,032	39,638	36,534
Provision for irrecoverable trade receivables	**(2,827)**	(825)	(843)
	37,205	38,813	35,691

The average credit period taken on provision of services is 50 days (2008 – 50 days, 2007 – 55 days).
The Group's trade receivables are stated after allowances for bad and doubtful debts. This allowance has been determined by considering specific doubtful balances and by reference to past default experience, an analysis of which is as follows.

Movement in the provision for irrecoverable trade receivables:

	2009 £'000	2008 £'000	2007 £'000
At 1 January	**825**	843	583
Amounts charged to operating expenses	**1,677**	833	692
Acquisitions	**974**	–	38
Disposal of subsidiary	**(3)**	–	–
Trade receivables written off	**(646)**	(869)	(487)
Amounts recovered during the year	**–**	18	17
At 31 December	**2,827**	825	843

23. Trade and other receivables (continued)

The provision for irrecoverable trade receivables relates to debts that are past due and impaired.
The Directors consider that the carrying amount of trade and other receivables approximates their fair value.
Trade and other receivables are predominantly non-interest bearing. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large, unrelated and largely billed in advance. Due to this, the Directors believe there is no further credit risk provision required in excess of the allowance for bad and doubtful debts. For further detail on how the Group manages credit risk see note 41.

24. Cash and cash equivalents

Cash and equivalents include £58,172 (2008: £416,055) of cash held as security for cash backed loan notes. These are held at Royal Bank of Scotland and are redeemable on demand by the loan note holders.
See note 25 for further details.

25. Trade and other payables

	2009 £'000	2008 £'000	2007 £'000
Trade creditors	**17,888**	25,318	14,701
Other taxation and social security	**3,641**	3,126	3,226
Accruals and deferred income	**44,368**	38,366	37,733
Other creditors	**5,096**	2,310	2,007
Loan notes	**58**	416	907
	71,051	69,536	58,574

The average credit period taken for trade purchases is 40 days (2008 – 38 days, 2007 – 31 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

The loan notes are guaranteed against the loan note deposits of the same amount included within cash and cash equivalents. Interest accruing on the deposit is payable to the holders of the loan notes less any costs arising.

Loan notes totalling £58,172 are outstanding as part of the initial and contingent consideration on the acquisition of HHCL Group Limited and VCCP Limited.

Loan notes totalling £5.5 million were issued to senior employees of HHCL Group Limited in two instalments, the balance outstanding at 31 December 2009 being £7,000 (2008: £277,000, 2007: £292,000). The loan notes are repayable on giving 90 days notice by the loan note holder.

Loan notes totalling £8.6 million were issued to the original shareholders of Roose Holdings Limited as part of the initial and contingent consideration. The loan notes are repayable at any time after one year from the date of issue. The balance outstanding at 31 December 2009 is £nil (2008: £3,000, 2007: £21,000).

Loan notes totalling £7.7 million were issued to the original shareholders of VCCP Limited for the contingent consideration. The loan notes are repayable at any time after six months from the date of issue. The balance outstanding at 31 December 2009 is £51,000 (2008: £136,000, 2007: £nil).

Interest payable on loan notes is in the range of 1.0% to 4.5%.

The loan notes are guaranteed by Royal Bank of Scotland plc, unless otherwise stated, who hold a deposit of £0.058 million against them.

Other creditors includes provision for the £2 million consideration due on the purchase of Pelham Public Relations. The consideration was paid on 20 January 2010.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

26. Obligations under finance leases

	Minimum lease payments 2009 £'000	Present value of lease payments 2009 £'000	Minimum lease payments 2008 £'000	Present value of lease payments 2008 £'000
Amounts payable under finance leases				
Within one year	**15**	**14**	53	48
Between one and five years	**–**	**–**	16	16
	15	**14**	69	64
Less: future finance charges	**(1)**	**–**	(5)	–
Present value of finance lease obligations	**14**	**14**	64	64
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(14)**		(48)
Amount due for settlement after 12 months		**–**		16

	Minimum lease payments 2007 £'000	Present value of lease payments 2007 £'000
Amounts payable under finance leases		
Within one year	57	49
Between one and five years	54	53
	111	102
Less: future finance charges	(9)	–
Present value of finance lease obligations	102	102
Less: Amount due for settlement within 12 months (shown under current liabilities)		(49)
Amount due for settlement after 12 months		53

It is the Group's policy to lease certain of its motor vehicles, fixtures, fittings and equipment under finance leases. The lease term is three years. The finance lease bears interest at variable rate of 1.4% above base rate.

All lease obligations are denominated in euros.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

27. Bank overdrafts and loans

	2009 £'000	2008 £'000	2007 £'000
Bank loans	**400**	–	8,500
Cost of raising finance	**–**	–	(125)
	400	–	8,375
The borrowings are repayable as follows:			
On demand or within one year	**52**	–	–
In the second year	**80**	–	8,375
In the third to fifth year	**240**	–	–
After five years	**28**	–	–
	400	–	8,375
Amount due for settlement within 12 months	**52**	–	–
Amount due for settlement after 12 months	**348**	–	8,375
	400	–	8,375

All borrowings are in sterling.

Cash deposits and bank loans are held at either variable rates of interest or at rates fixed for periods of no longer than three months.

The principal features of the Group's borrowings with the Royal Bank of Scotland are as follows:

(i) The Group has a rolling overdraft facility of £2 million. The overdraft facility is repayable on demand.
(ii) The Group has a committed facility. The facility is £30 million. The term of the facility is until 30 June 2013.

(iii) The bank loan bears interest at 1.3% above LIBOR; the overdraft bears interest at 2% above base rate.

(iv) A cross-guarantee exists between each of the subsidiaries and the parent company. Royal Bank of Scotland plc holds debentures over the assets of the Company and its subsidiaries in respect of the bank loans.

(v) The weighted average interest rate applied in the period is 1.89 % (2008: 6.08%, 2007: 6.01%).

The Group also had the following borrowing facilities as a result of acquisitions during 2009:

(i) The Group has a rolling overdraft facility of £50,000 with HSBC. The overdraft facility is repayable on demand. The overdraft bears interest as 4% above base rate.

(ii) The Group has a committed facility of £400,000 with HSBC. The term of the facility is until April 2015. The loan bears interest at 3.15% above base rate.

(iii) The Group has a rolling overdraft facility of £500,000 with Allied Irish Bank. The overdraft facility is repayable on demand. The overdraft bears interest at 2% above base rate. This facility was cancelled during February 2010.

At 31 December 2009, the Group had available £30 million (2008 – £30 million, 2007 – £14.5 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The fair values of bank overdrafts and loans are determined by considering the maturity dates.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

28. Provisions

	Deferred/ Contingent consideration – shares £'000	Deferred/ Contingent consideration – cash £'000	Gross obligation under put options £'000	Vacant property £'000	Total £'000
At 1 January 2009	**8,454**	**6,181**	**2,000**	**277**	**16,912**
On acquisition of subsidiaries	**–**	**1,579**	**–**	**26**	**1,605**
Adjustment to prior year acquisitions	**80**	**194**	**–**	**–**	**274**
Discounting charge to the income statement	**530**	**382**	**–**	**–**	**912**
Change in payment method	**(468)**	**468**	**–**	**–**	**–**
Charged to the income statement	**–**	**–**	**–**	**544**	**544**
Payments made	**–**	**(208)**	**–**	**(172)**	**(380)**
At 31 December 2009	**8,596**	**8,596**	**2,000**	**675**	**19,867**
Included in current liabilities	**5,570**	**5,570**	**–**	**238**	**11,378**
Included in non-current liabilities	**3,026**	**3,026**	**2,000**	**437**	**8,489**
	8,596	**8,596**	**2,000**	**675**	**19,867**

	Deferred/ Contingent consideration – shares £'000	Deferred/ Contingent consideration – cash £'000	Gross obligation under put options £'000	Vacant property £'000	Total £'000
At 1 January 2008	15,149	12,897	–	695	28,741
On acquisition of subsidiaries	100	550	–	–	650
Adjustment to prior year acquisitions	564	654	–	–	1,218
Discounting charge to the income statement	(19)	(109)	–	–	(128)
Change in payment method	(2,058)	2,058	–	–	–
Charged to the income statement	572	449	–	–	1,021
Payments made	(5,854)	(10,318)	–	(418)	(16,590)
Written put options over minority interests	–	–	2,000	–	2,000
At 31 December 2008	8,454	6,181	2,000	277	16,912
Included in current liabilities	–	207	–	181	388
Included in non-current liabilities	8,454	5,974	2,000	96	16,524
	8,454	6,181	2,000	277	16,912

28. Provisions (continued)

	Deferred/ Contingent consideration – shares £'000	Deferred/ Contingent consideration – cash £'000	Vacant property £'000	Total £'000
At 1 January 2007	7,334	7,552	414	15,300
On acquisition of subsidiaries	7,019	4,782	–	11,801
Adjustment to prior year acquisitions	1,224	1,214	–	2,438
Discounting charge to the income statement	646	540	–	1,186
Change in payment method	(143)	143	–	–
Charged to the income statement	–	–	380	380
Payments made	(931)	(1,334)	(99)	(2,364)
At 31 December 2007	15,149	12,897	695	28,741
Included in current liabilities	7,880	8,155	300	16,335
Included in non-current liabilities	7,269	4,742	395	12,406
	15,149	12,897	695	28,741

The vacant property provision remaining at 31 December 2009 relates to three buildings, one near Heathrow, one in Central London and one in Boston, USA.

The Heathrow building is approximately 12,000 sq ft and the Group has a lease which runs to September 2016. The current rental cost is £350,000 per annum with upward only rent reviews due in September 2010 and 2015. The Group has sublet 7,000 sq ft, the remaining 5,000 sq ft is occupied by Group companies. The rental income achieved on the sub-let space is lower than the rent currently being paid under the lease. A provision of £388,000 was made in 2009. The provisions are an estimate of the difference between anticipated income and costs through to the end of the lease, considering expected movements in the rental market.

The Central London building has a lease that expires in June 2010. The space is currently sub-let and the rental income achieved is less than currently being paid under the lease. The lease was acquired on the acquisition of Pelham Public Relations. A provision of £26,000 was made in 2009.

The Boston, USA building is approximately 3,900 sq ft and the Group has a lease which runs to November 2013. The lease can be terminated in August 2011. The current rental cost is $141,000 per annum with upward only rental reviews. The Group has sub-let the space, however the rental income achieved on the sub-let space is lower than the rent currently being paid under the lease. A provision of $250,000 was made in 2009. The provisions are an estimate of the difference between anticipated income and costs through to the end of the lease. Contingent consideration relates to acquisitions made in current and previous years. The amounts payable are dependent on the future profits of the companies acquired. Further details of the deferred considerations arising from current year acquisitions are shown in note 35.

The "contingent consideration share" balance comprises shares to be issued in respect of acquisitions and has been shown as a liability in accordance with IAS 32 Financial Instruments: Presentation and Disclosure.

Details of contingent consideration shares to be issued and their basis are disclosed in note 36. The number of shares to be issued in all instances is based on the current market value prior to the issue of the shares.

Timing of payments of deferred consideration is set out in the relevant Sale and Purchase Agreements.

The Gross obligation under put option has arisen as a result of a shareholders' agreement with a minority interest. The value of the option has been estimated with regards to future profitability of the operation based on multiples of earnings.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

29. Share capital

	2009		2008	
	Number	Nominal value £'000	Number	Nominal value £'000
Authorised: at 1 January and 31 December ordinary shares at 25p each	**152,814,279**	**38,204**	152,814,279	38,204
Called up, allotted and fully paid at 1 January ordinary shares at 25p each	**57,057,900**	**14,264**	53,275,051	13,319
Issues relating to acquisition of Essentially Group Limited	**10,100,608**	**2,525**	–	–
Issues relating to contingent consideration of VCCP Limited	**–**	**–**	3,782,849	945
Issued to staff under share options	**178,460**	**45**	–	–
Called up, allotted and fully paid at 31 December	**67,336,968**	**16,834**	57,057,900	14,264

	2007	
	Number	Nominal value £'000
Authorised: at 1 January and 31 December ordinary shares at 25p each	152,814,279	38,204
Called up, allotted and fully paid at 1 January ordinary shares at 25p each	50,736,937	12,684
Issues relating to contingent consideration of De Facto Communications Limited	225,745	56
Issues relating to the acquisition of Fast Track Sales Limited	2,000,000	500
Issues relating to contingent consideration on The Smart Company.Net Limited	115,832	29
Issued to staff under share options	196,537	50
Called up, allotted and fully paid at 31 December	53,275,051	13,319

29. Share capital (continued)

The Company has one class of ordinary shares which carry no right to fixed income.

In November and December 2009 10,100,608 shares were issued in respect of for the acquisition of Essentially Group Limited. The fair value of these shares was £1.775 each.

During the year shares were issued to staff at prices between £1.37 and £1.75.

30. Share premium account

	2009 £'000	2008 £'000	2007 £'000
Balance at 1 January	**37,121**	32,217	26,594
Premium arising on issue of equity shares	**15,570**	4,904	5,623
Balance at 31 December	**52,691**	37,121	32,217

31. Own shares

	2009 £'000	2008 £'000	2007 £'000
Balance at 1 January	**(4,952)**	(4,381)	(5,968)
Disposed on exercise of options	**494**	–	2,747
Purchase of own shares	**(948)**	(571)	(1,160)
Balance at 31 December	**(5,406)**	(4,952)	(4,381)

The own shares reserve represents the cost of shares in Chime Communications Plc purchased in the market and held by the Chime Communications Employee Trust to satisfy options under the Group's share options schemes, deferred shares and co investment plan (see note 38).

The Chime Communications Employee Trust ("The Trust") was established in 1997 in Jersey. The trustee is Computershare Plan managers. The beneficiaries of the Trust are employees and former employees of the Company and the Group (including any Director) and the spouses and children or stepchildren of such employees or former employees. The purpose of the Trust is to facilitate and encourage the ownership of shares by employees. Distributions from the Trust are agreed by the trustee on recommendations from the Board of Directors of Chime Communications plc.

The Trust currently holds 2,213,380 ordinary shares which have a nominal value of £528,345 and over which options were granted in November 2000 and April 2003, deferred shares in May 2006, July 2007, May 2008, October 2008, June 2009 and December 2009 and Co Investment Plan shares in September 2006 and March 2007. 861,347 (2008 – 406,833 post consolidation, 2007 – 434,042) shares were purchased in 2009 at a nominal value of £215,337, representing 1.28% of the called up share capital at 31 December 2009. Cost associated with these shares amounted to £6,020. All costs of the Trust are borne by Chime Communications plc and expensed through the income statement. The Trust has opted to waive all dividends with the exception of those shares allocated under the deferred share scheme (see note 38). The market value of the shares in the Trust at 31 December 2009 was £4,808,568 (2008: £777,117 2007: £1,983,840).

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

32. Capital reduction reserve

	2009 £'000	2008 £'000	2007 £'000
Balance at 1 January	**32,385**	32,385	32,385
Balance at 31 December	**32,385**	32,385	32,385

The Capital reduction reserve relates to the capital reduction undertaken in October 2003. The reserve will not be treated as realised profits of the Company until any debt or claim outstanding as at 1 July 2013 has been repaid or remedied. If on 1 July 2013 there remains only liabilities outstanding in relation to property leases, the amount outstanding to the reserve may be released and the undertaking discharged or replaced by new share issues.

33. Notes to the cash flow statement

	2009 £'000	2008 £'000
Operating profit	**19,562**	18,110
Adjustments for:		
Share-based payment expense	**1,448**	1,292
Translation differences	**269**	727
Depreciation of property, plant and equipment	**1,946**	1,872
Amortisation of other intangible assets	**104**	30
Amortisation of acquired intangibles	**336**	134
Loss on disposal of property, plant and equipment	**29**	17
Impairment of other intangible assets	**317**	–
Increase/(decrease) in provisions	**398**	(418)
Operating cash flows before movements in working capital	**24,409**	21,764
Increase in work in progress	**(387)**	(459)
Decrease/(increase) in receivables	**8,522**	(4,878)
(Decrease)/increase in payables	**(15,978)**	11,274
Cash generated by operations	**16,566**	27,701
Income taxes paid	**(5,612)**	(4,961)
Interest paid	**(529)**	(1,463)
Net cash from operating activities	**10,425**	21,277

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term liquid investments with a maturity of three months or less.

Net cash and cash equivalents at the beginning of the year comprise bank balances of £6,804,000 (2008 – £10,196,000) and overdrafts of £nil (2008 – £nil).

34. Disposal of subsidiary

On 31 March 2009 the Group disposed of 29% of its interest in Naked Eye Research Limited for £29,000. The consideration was received in cash on completion. Costs associated with the disposal were £1,500. There was a resulting loss on disposal of £21,061 which has been taken to the income statement. The Group retains ownership of 26% of Naked Eye Research Limited and it has been accounted for as an associate since the date of the partial disposal. As a result £44,400 has been reallocated from goodwill to investments in associates, representing the opening cost of investment.

On 22 October 2009 the Group disposed of 35% of its interest in Ledbury Research Limited for £105,000. The consideration was received in cash on completion. Costs associated with the disposal were £3,025. There was a resulting loss on disposal of £106,470 which has been taken to the income statement. The Group retains ownership of 20% of Ledbury Research Limited and it has been accounted for as an associate since the date of the partial disposal. As a result £60,000 has been reallocated from goodwill to investments in associates, representing the opening cost of investment.

The results of both companies were previously shown as part of the Research division.

The net assets of the disposals at the date of disposal and at 31 December 2008 are as follows:

	Date of disposal	**31 December 2008**
Tangible assets	7	10
Trade and other receivables	135	138
Cash and cash equivalents	160	388
Trade and other payables	(120)	(304)
	182	232
Minority interest	(82)	(104)
	100	128
Attributable Goodwill	151	
	251	
Loss on disposal	(122)	
Total consideration	129	
Satisfied by:		
Cash	129	
Net cash outflow arising on disposal		
Net Consideration received	129	
Less: cash and cash equivalents disposed of	(160)	
	(31)	

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

34. Disposal of subsidiary (continued)

The impact of the Naked Eye Research Limited and Ledbury Research Limited results in the current and prior periods are as follows:

	2009 £'000	2008 £'000
Revenue	**676**	1,080
Cost of sales	**(235)**	(320)
Operating income	**441**	760
Expenses	**(373)**	(595)
Net profit before tax	**68**	165
Attributable tax charge	**(7)**	(46)
	61	119
Minority interest	**(26)**	(53)
Profit attributable to disposals	**35**	66
Loss on disposal	**(122)**	–
Net loss on disposal of operations	**(87)**	66

On 21 December 2009 the Group disposed of 40% of its interest in Bell Pottinger Corporate & Financial Limited for £1,400,000. This was part of the transaction whereby the Group acquired 60% of Pelham Public Relations Limited (see note 35). The consideration was received in the issue of shares in Pelham Public Relations Limited. The net assets of Bell Pottinger Corporate & Financial Limited at the date of the partial disposal was £35,000. The resulting profit on disposal of £1,385,000 was taken through the income statement.

35 Acquisition of subsidiaries

Essentially Group Limited

On 27 October 2009, the Group acquisition of Essentially Group Limited became unconditional. The fair value of the consideration given for the acquisition was £18,206,092; this was satisfied on completion by the issue of 10,100,608 new ordinary shares of 25p each at a premium of 152.5p. 156,345 new ordinary shares of 25p each at a premium of 152.5p will be issued to dissenting shareholders of Essentially Group Limited in 2010. Costs relating to the acquisition amounted to £1,034,988, of which £595,768 have been paid in the year. Listing fees of £50,554 have been taken to the share premium account.

The fair value of the net liabilities acquired by the acquisition was £9,333,357, resulting in goodwill of £28,574,955 which has been capitalised as an intangible fixed asset.

In the post acquisition period, Essentially Group Limited contributed £170,319 to profit on ordinary activities before taxation and revenue of £5,226,232. Profit on ordinary activities before taxation is stated after charging £160,132 amortisation of acquired intangible assets and £250,000 restructuring costs as a result of the acquisition.

The fair value adjustments on the acquisition of Essentially Group Limited have been determined provisionally at the balance sheet date.

Essentially Group Limited is a Sports Marketing company. 100% of the company was acquired.

35. Acquisition of subsidiaries (continued)
The goodwill calculation for the acquisition is as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Intangible asset	–	4,450	4,450
Tangible assets	453	(281)	172
Trade and other receivables	10,573	(1,337)	9,236
Cash and cash equivalents	(5,685)	–	(5,685)
Trade and other payables	(16,129)	(1,377)	(17,506)
	(10,788)	1,455	(9,333)
Goodwill			28,575
Total consideration			19,242
Satisfied by:			
Shares			18,207
Directly attributable costs			1,035
			19,242
Net cash outflow arising on acquisition:			
Cash consideration			646
Debt acquired			5,685
			6,331

Goodwill arises from anticipated profitability and future operating synergies from the combination.

If this acquisition had been completed on the first day of the financial year, group revenues for the year would have been £314.9 million and profit before tax attributable to equity holders of the parent would have been £12.6 million.

Pelham Public Relations Limited
On 21 December 2009, the Group entered into agreements relating to the merger of its existing business, Bell Pottinger Corporate & Financial Limited, with Pelham Public Relations Limited, resulting in the Group owning 60% of the newly acquired business. Completion of the transaction was linked to the vendor placing that occurred on 15 January 2010. The acquisition agreements have been reviewed to assess the date of the passing of control; this has been confirmed as 21 December 2009. The fair value of the consideration given for the acquisition was £3,400,000, this was satisfied as to £1.8 million in cash and £200,000 by the issue of 100,000 new ordinary shares and 40% of the ordinary share capital of Bell Pottinger Corporate & Financial, valued at £1,400,000. The fair value of Bell Pottinger Corporate & Financial was based on a multiple of operating income consistent with that used to value Pelham Public Relations. The consideration was satisfied on 20 January 2010. Costs relating to the acquisition amounted to £275,035, of which only £10,000 have been paid in the year.

The fair value of the net assets acquired by the acquisition was £489,474 resulting in goodwill of £3,185,561 which has been capitalised as an intangible fixed asset.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

35. Acquisition of subsidiaries (continued)

The fair value adjustments on the acquisition of Pelham Public Relations Limited have been determined provisionally at the balance sheet date.

Pelham Public Relations is a financial public relations company. 60% of the company was acquired. The goodwill calculation for the acquisition is as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Intangible asset	1,146	(624)	522
Tangible assets	36	–	36
Trade and other receivables	594	–	594
Cash and cash equivalents	(151)	–	(151)
Trade and other payables	(607)	(198)	(805)
	1,018	(822)	196
Minority interest			293
			489
Goodwill			3,186
Total consideration			3,675
Satisfied by:			
Cash			1,800
Shares			200
Directly attributable costs			275
Shares in Bell Pottinger Corporate & Financial			1,400
			3,675
Net cash outflow arising on acquisition:			
Cash consideration			10
Debt acquired			151
			161

Goodwill arises from anticipated profitability and future operating synergies from the combination.
If this acquisition had been completed on the first day of the financial year, group revenues for the year would have been £306.2 million and profit before tax attributable to equity holders of the parent would have been £18.7 million.

Other acquisitions

The Group made other acquisitions that are not considered individually material. The fair value of the net assets acquired was £20,646 and the fair value of the consideration £95,648, all of which was settled on completion. Costs relating to these acquisitions amounted to £19,950 all of which has been paid in the year, resulting in goodwill of £94,952.

Goodwill arises from anticipated profitability and future operating synergies from the combination.

Cash flow on acquisitions

Other deferred consideration of £222,294 was settled during the year in respect of acquisitions made in previous years by cash. £17,667 of cash paid in the year relates to costs in respect of prior year acquisitions. The total payment in respect of the purchase of subsidiary undertakings was therefore £1,011,881. Debt acquired on acquisition amounted to £5,836,988, therefore the net cash effect in respect of subsidiary undertakings was £6,848,869.

36. Contingent liabilities and commitments

In addition to the potential deferred and contingent consideration as disclosed in note 28 of £17,192,000 at 31 December 2009 there was a maximum financial commitment of £18,826,033 in respect of unprovided deferred contingent consideration payable in respect of acquisitions of subsidiary undertakings. This relates to the acquisition of Fast Track Sales Limited (£12,245,000), The Corporate Citizenship Company Limited (£1,706,034) and Stuart Higgins Communications Limited (£525,000) in 2007, MC Bio Communications Limited (£2,249,999) and Bankbrae Holdings Limited (£2,100,000) in 2008.

Fast Track Sales Limited – the maximum contingent consideration payable is £25,000,000, however provision has only been made of £12,755,000 in the accounts to date (before discounting). The contingent consideration is a multiple of seven times earnings before interest and tax the average profits for the following periods: average of the three years 2007 to 2009 inclusive, and average of the three years 2010 to 2012 inclusive. The contingent consideration would be satisfied by the issue of new shares until the amount of total consideration paid has been satisfied as to by 50% in cash and 50% in new shares. Thereafter, the contingent consideration would be satisfied 50% in loan notes and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

The Corporate Citizenship Company Limited – the maximum contingent consideration payable is £4,206,034, however provision has only been made for £2,500,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.75 times the average earnings before interest and tax for the following periods: average of the three years 2007 to 2009 inclusive, and average of the two years 2010 to 2011 inclusive. The contingent consideration would be satisfied entirely in loan notes or cash.

Stuart Higgins Communications Limited – the maximum contingent consideration payable is £1,750,000, however provision has only been made for £1,225,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.5 times the average earnings before interest and tax for the three years 2008 to 2010 inclusive. The contingent consideration would be satisfied 50% in cash and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

MC Bio Communications Limited – the maximum contingent consideration payable is £2,249,999, however no provision has been made in the accounts to date (before discounting). The contingent consideration is a multiple of four times the average profits before tax for the following periods: average of the three years 2008 to 2010 inclusive, and average of the three years 2011 to 2013 inclusive. The contingent consideration would be satisfied entirely in loan notes.

Bankbrae Holdings Limited – the maximum contingent consideration payable is £2,300,000, however provision has only been made for £200,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.5 times the average profits before tax for the following periods: average of the two years 2008 to 2009 inclusive, and average of the two years 2010 to 2011 inclusive. The contingent consideration would be satisfied 50% in cash and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

For further detail on the calculation of deferred consideration provided see note 28.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

37. Operating lease arrangements

The Group as lessee

	2009 £'000	2008 £'000
Minimum lease payments under operating leases recognised as an expense for the year	**6,236**	6,305

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 £'000	2008 £'000
Within one year	**6,002**	6,511
In the second to fifth years inclusive	**17,516**	20,642
After five years	**5,445**	9,672
	28,963	36,825

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of 13 years and rentals are fixed for an average of 5 years at the prevailing market rate.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2009 £'000	2008 £'000
Within one year	**874**	1,171
In the second to fifth years inclusive	**3,473**	4,289
After five years	**842**	1,691

Property rental income earned from subtenants during the year was £948,269 (2008 – £999,000).

38. Share-based payments

Equity-settled share option plan

The Group operates five share plans; an executive share option scheme, an employee savings related scheme, a deferred share scheme, a Co-Investment Plan and the VCCP Partners Scheme.

The exercise price of the options granted under the executive share option scheme is equal to the market value of the Group's shares at the time when the options are granted. The vesting period is generally three years but if they are special options it is five years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest. All executive options granted from November 1997 (other than special executive options) are subject to performance criteria as set out in the report to the shareholders on Directors' remuneration.

The exercise price of the options granted under the employee savings related scheme is 80% of the market value at the date of offer. The vesting period is five years, if the options remain unexercised six months after this date, the options expire. Furthermore, the options are forfeited if the employee leaves the Group before the options vest.

Under the deferred share scheme, restricted shares are awarded to employees at no cost to the employee. The vesting period is fixed at the grant date by the Remuneration Committee. Currently there are grants over vesting periods of two, three and fours years from the date of award. If the employee leaves the Group before vesting then the restricted shares are forfeited. The employee receives the dividend on the shares during the vesting period.

Under the VCCP Incentive Scheme, restricted shares are awarded to employees at no cost to the employee. The vesting period is fixed at the grant date by the Remuneration Committee. Currently there are grants over a vesting period of fours years from the date of award. If the employee leaves the Group within the first two years of grant then the restricted shares are forfeited.

The matching shares awarded under the Co-Investment Plan are awarded to employees at no cost. The vesting period is either 3.5 years or 4 years depending on when the award was made. If the employee leaves the Group before vesting then the matching shares are forfeited. If the employee disposes of any of their committed shares then the matching shares awarded would be reduced accordingly retrospectively.

The matching shares awarded are subject to performance criteria as set out in the report to the shareholders on Directors' remuneration.

Share Options

	2009		2008	
	Options	**Weighted average exercise price (in £)**	**Options**	**Weighted average exercise price (in £)**
Outstanding at beginning of year	**2,091,942**	**£2.320**	1,999,008	£2.468
Granted during the year	**770,964**	**£0.675**	290,311	£1.125
Lapsed during the year	**(300,108)**	**£1.466**	(186,377)	£2.048
Surrendered in the year	**(66,664)**	**£3.873**	(11,000)	£2.218
Exercised during the year	**(196,461)**	**£1.428**	–	–
Outstanding at the end of the year	**2,299,673**	**£1.911**	2,091,942	£2.320
Exercisable at the end of the year	**1,219,269**		1,202,534	

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

38. Share-based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the year was £2.091 (2008 – N/A). The options outstanding at 31 December 2009 had a weighted average exercise price of £1.911 (2008 – £ 2.320), and a weighted average remaining contractual life of 1,456 days (2008 – 1,543 days). In 2009 options were granted on 22 May, the aggregate of the estimated fair values of the options granted on that date is £73,368. In 2008 options were granted on 18 May, the aggregate of the estimated fair values of the options granted on that date is £67,483.

The fair value was calculated using the Black-Scholes model (2008 – Black-Scholes).

In valuing the options, the following assumptions were used:

	2009	2008
Weighted average share price	**£0.843**	£1.400
Weighted average exercise price	**£0.675**	£1.125
Expected volatility	**33.58%**	33.58%
Expected life – savings related scheme	**5 years**	5 years
Risk-free rate	**0.5%**	5.0%
Dividend yield	**4.1%**	2.50%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Deferred Shares

	2009 Deferred Shares	2008 Deferred Shares
Outstanding at beginning of year	**704,857**	406,732
Awarded during the year	**755,895**	348,575
Lapsed during the year	**(23,304)**	(50,450)
Release of shares during the year	**(139,560)**	–
Outstanding at the end of the year	**1,297,888**	704,857

The weighted average share price at the date of release of shares during the year was £1.364 (2008 – £Nil). The restricted shares were awarded on 30 June 2009, the share price at the date of award was £0.92 (2008 – £1.257). The remaining contractual life is 671 days (2008 – 579 days). The estimated fair values of the restricted shares awarded is £660,621 (2008 – £346,644).

The fair value was calculated with reference to the share price at the date of award.

38. Share-based payments (continued)

VCCP Partners Scheme

	2009 Deferred Shares	2008 Deferred Shares
Outstanding at beginning of year	–	–
Awarded during the year	91,429	–
Outstanding at the end of the year	91,429	–

The restricted shares were awarded on 30 June 2009, the share price at the date of award was £0.92 (2008 – £nil). The remaining contractual life is 1,277 days (2008 – nil days). The estimated fair values of the restricted shares awarded is £77,585 (2008 – £nil).

The fair value was calculated with reference to the share price at the date of award.

Co-Investment Plan

	2009 Matching Shares	2008 Matching Shares
Outstanding at beginning of year	**2,429,585**	2,923,000
Surrendered in the year	**–**	(493,415)
Granted during the year	**–**	–
Outstanding at the end of the year	**2,429,585**	2,429,585

There were no matching shares awarded in the year. The remaining contractual life is 70 days (2008 – 626 days). The fair value of the matching shares allocated to the market based performance criteria was calculated using the Monte Carlo model.

The fair value of the matching shares allocated to the non market based performance criteria was made with reference to the share price at the date of award discounted for expected dividends.

The Group recognised total expenses of £1,448,000 and £1,292,000 related to equity-settled share-based payment transactions in 2009 and 2008 respectively.

39. Retirement benefit schemes

The Group operates a defined contribution pension scheme for the benefit of the majority of employees. This is an independently administered fund, the assets of which are held separately from those of the Company. The amounts charged in this year and the prior year are disclosed in note 7.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

40. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note (details of subsidiaries are included in note 16). Transactions between the Group and its associates are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group.

	Sale of services 2009 £'000	Purchase of services 2009 £'000	Amounts owed by related parties 2009 £'000	Amounts owed to related parties 2009 £'000	Sale of services 2008 £'000	Purchase of services 2008 £'000	Amounts owed by related parties 2008 £'000	Amounts owed to related parties 2008 £'000
Associates								
Colour TV Limited	**–**	**–**	**–**	**–**	30	–	16	–
Meropa Communications (Pty) Limited	**–**	**–**	**–**	**–**	–	–	335	–
Rare Corporate Design Limited	**166**	**442**	**68**	**21**	171	315	11	31
Rare Publishing Limited	**–**	**–**	**–**	**–**	2	6	–	–
Naked Eye Research Limited	**18**	**–**	**3**	**–**	–	–	–	–
Ledbury Research Limited	**36**	**–**	**26**	**–**	–	–	–	–
The Agency of Someone Limited	**2**	**2**	**2**	**93**	225	27	2	–
X & Y Communications Limited	**2**	**–**	**42**	**–**	35	53	112	35
Other								
Sportech Group plc	**837**	**–**	**45**	**–**	2,419	–	443	–
Holiday Extras Holdings Limited	**2**	**–**	**–**	**–**	241	–	16	–

The Group provided public relation services, media buying, digital advertising and brand and marketing consultancy services to Sportech Group plc. Piers Pottinger is a Director of Sportech Group plc.

Search Marketing Activities were provided by the Group to Holiday Extras Holdings Limited. Mark Smith is a Director of this company.

Sales of goods to related parties were made on an arm's length basis.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2009 £'000	2008 £'000
Short-term employee benefits	**3,117**	2,989
Share-based payment	**590**	442
	3,707	3,431

41. Financial Instruments

The Group's principal financial instruments comprise bank loans, bank overdrafts, finance leases, cash and short-term deposits. The main purpose of the financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations. During the year the Group has financed its business through an overdraft facility and revolving committed facility arranged with the Royal Bank of Scotland plc (note 27).

The Group uses financial instruments to manage its bank borrowings: this is done by the use of foreign exchange rate swaps. The Group does not hold or issue derivative financial instruments for financial trading purposes but derivatives that qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognised immediately to the income statement.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policy for managing these risks is reviewed and agreed with the Board.

Interest rate risk: The Group manages its interest rate risk by the use of fixed rate and variable rate financial debt. Fixed interest rates are for periods of up to three months at a time. The interest rate margins paid by the Group on financial debt are disclosed in notes 25 and 27. Surplus cash deposits earn interest based on LIBID. The Group monitors interest rates and assess the risks through sensitivity analysis.

If interest rates had been 1% higher during the period under review the impact to profit before tax would have been a decrease of £57,690 (2008 – £120,770), conversely if interest rates had been 1% lower during the period under review, the impact to profit before tax would have been an increase of £57,092 (2008 – £119,645). The impact on shareholders' equity would have been £41,537 (2008 – £ 116,025) if interest rates had been worse by 1%, and £41,106 (2008 – £82,155) if interest rates had been better by 1%.

Liquidity risk: The Group has an agreed committed facility of £30 million with the Royal Bank of Scotland as set out in note 27. The facility matures in June 2013. There is also an uncommitted facility available of £2 million, which is reviewed on a rolling basis. The Group had an overdraft facility of £500,000 as at 31 December 2009 with Allied Irish Bank, this was acquired on the acquisition of the Essentially Group Ltd. This was cancelled during February 2010. The Group also has through its acquisition of Pelham Public Relations an overdraft facility of £50,000 and a committed facility of £400,000 until April 2015 with HSBC. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2009 the Group had net cash of £4,824,000.

Maturity of borrowings: The maturity profile for the anticipated cash flows including interest in relation to the Group's borrowings on an undiscounted basis is as follows:

	£'000
The borrowings are repayable as follows:	
On demand or within one year	**66**
In the second year	**80**
In the third to fifth year	**240**
After five years	**28**
	414

All other financial liabilities are considered current except the financial liability relating to the put option.

Externally imposed capital requirement: Under the terms of the Group's banking covenants the Group must meet certain criteria based on interest and dividend cover and net debt to EBITDA. There have been no breaches of the banking covenants in the current or prior year.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

41. Financial Instruments (continued)

Foreign currency risk:

The Group has sixteen overseas subsidiaries which trade in Europe, America, South Africa, Australia, New Zealand, India and the Middle East. At 31 December 2009 the net foreign currency monetary assets were £1,316,933 (2008 – £984,352) in America, the net foreign currency monetary liabilities were £2,612,824 (2008 – £2,351,575) in Europe. The Group has one overseas associate, Meropa Communications (Pty) Limited, which trades in South Africa. The Group does not hedge this translation exposure to its earnings.

The Group does on occasion agree to bill clients in a currency other than the local currency; it also makes some purchases overseas where the supplier bills in their local currency. The Group does not hedge the translation exposure on the fees due to the Company. The Group converts any fees received in foreign currency on receipt on funds. In some instances where it is viewed appropriate, the proceeds from the client are kept in currency so as to minimise the foreign exchange exposure on the transaction if there are third party costs to be paid out of the funds in that currency. In this instance the Group uses short-term foreign exchange swaps to manage the Group's borrowings. The fair value of the swaps entered into at 31 December 2009 is estimated at £6,010 (2008 – £29,973). There were two swaps open over the year end. This amount is based on the market values of equivalent instruments at the balance sheet date.

The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar and Euro exchange rates on the net foreign currency monetary assets, with all other variables held constant, on the Group's profit before tax.

		Effect on profit before tax		
	Strengthening/(weakening) of sterling	**2009 £'000**	**2008 £'000**	**2007 £'000**
US Dollar	+10%	**146**	109	31
Euro	+10%	**(290)**	(261)	(324)
US Dollar	–10%	**(120)**	(89)	(25)
Euro	–10%	**238**	214	265

Capital risk management: The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings discussed in note 27, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 29 to 32 and the Consolidated Statement of Movement in Equity.

	2009 £'000	**2008 £'000**	**2007 £'000**
Cash and cash equivalents	**5,296**	6,804	10,196
Bank loans	**(400)**	–	(8,375)
Finance leases	**(14)**	(64)	(102)
Loan notes outstanding	**(58)**	(416)	(907)
Equity attributable to equity holders of the parent	**(118,298)**	(89,561)	(73,074)
	(113,474)	(83,237)	(72,262)

41. Financial Instruments (continued)

Market price risk: the Group's exposure to market price risk comprises interest rate risk and currency rate risk. The Group regularly monitors these exposures which, setting aside the interrelationships between such rates and their wider impact on the economy, are not considered to have a significant impact on the Group.

Fair values of financial assets and financial liabilities: Fair value is the amount at which a financial instrument can be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale.

The following table provides a comparison of the book values and the fair value of the Group's financial liabilities and assets as at 31 December 2009:

Financial liabilities	**Book Value £'000**	**Fair Value £'000**
Bank loans	**(400)**	**(400)**
Obligations under finance leases	**(14)**	**(14)**
Trade and other payables	**(71,051)**	**(71,051)**
Deferred consideration – cash or shares	**(17,192)**	**(17,192)**
Gross obligations under put options	**(2,000)**	**(2,000)**
	(90,657)	**(90,657)**

Financial assets		
Cash and bank balances	**5,296**	**5,296**
Trade and other receivables	**48,139**	**48,139**
	53,435	**53,435**

The following table provides a comparison of the book values and the fair value of the Group's financial liabilities and assets as at 31 December 2008:

Financial liabilities	**Book value £'000**	**Fair value £'000**
Bank loans	–	–
Obligations under finance leases	(64)	(64)
Trade and other payables	(69,536)	(69,536)
Deferred consideration – cash or shares	(14,635)	(14,635)
Gross obligations under put options	(2,000)	(2,000)
	(86,235)	(86,235)

Financial assets		
Cash and bank balances	6,804	6,804
Trade and other receivables	47,705	47,705
	54,509	54,509

Notes to the consolidated financial statements (continued)

Year ended 31 December 2009

41. Financial Instruments (continued)

The following table provides a comparison of the book values and the fair value of the Group's financial liabilities and assets as at 31 December 2007:

Financial liabilities	Fair value £'000	Book value £'000
Bank loans	(8,375)	(8,375)
Obligations under finance leases	(102)	(102)
Trade and other payables	(58,574)	(58,574)
Deferred consideration – cash or shares	(28,046)	(28,046)
	(95,097)	(95,097)

Financial assets		
Cash and bank balances	10,196	10,196
Trade and other receivables	42,641	42,641
	52,837	52,837

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2009, 2008 and 2007 based on contractual undiscounted payments.

As at 31 December 2009	Within 1 year £'000	1 – 2 years £'000	2 – 3 years £'000	3 – 4 years £'000	4 – 5 years £'000	5 + years £'000	Total £'000
Bank loans	**(52)**	**(80)**	**(80)**	**(80)**	**(80)**	**(28)**	**(400)**
Obligations under finance leases	**(14)**	**–**	**–**	**–**	**–**	**–**	**(14)**
Trade and other payables	**(71,051)**	**–**	**–**	**–**	**–**	**–**	**(71,051)**
Deferred consideration – cash and shares	**(11,140)**	**(1,126)**	**(503)**	**(4,423)**	**–**	**–**	**(17,192)**
Gross obligations under put options	**–**	**(2,000)**	**–**	**–**	**–**	**–**	**(2,000)**
	(82,257)	**(3,206)**	**(583)**	**(4,503)**	**(80)**	**(28)**	**(90,657)**

As at 31 December 2008	Within 1 year £'000	1 – 2 years £'000	2 – 3 years £'000	3 – 4 years £'000	4 – 5 years £'000	5 + years £'000	Total £'000
Obligations under finance leases	(48)	(16)	–	–	–	–	(64)
Trade and other payables	(69,536)	–	–	–	–	–	(69,536)
Deferred consideration – cash and shares	(207)	(9,766)	(1,165)	(706)	(2,721)	(70)	(14,635)
Gross obligations under put options	–	–	(2,000)	–	–	–	(2,000)
	(69,791)	(9,782)	(3,165)	(706)	(2,721)	(70)	(86,235)

As at 31 December 2007	Within 1 year £'000	1 – 2 years £'000	2 – 3 years £'000	3 – 4 years £'000	4 – 5 years £'000	5 + years £'000	Total £'000
Bank loans	–	(8,375)	–	–	–	–	(8,375)
Obligations under finance leases	(49)	(42)	(11)	–	–	–	(102)
Trade and other payables	(58,574)	–	–	–	–	–	(58,574)
Deferred consideration – cash and shares	(16,035)	(172)	(6,177)	(122)	(545)	(4,995)	(28,046)
	(74,658)	(8,589)	(6,188)	(122)	(545)	(4,995)	(95,097)

41. Financial Instruments (continued)

Credit risk: the Group considers its maximum exposure to credit risk to be as follows:

	2009 £'000	2008 £'000
Trade receivables	**37,205**	38,813
Deferred consideration receivable	**504**	551
	37,709	39,364

Further details of the ageing of trade receivables can be found in note 23 to the financial statements.

The Group trades only with recognised, creditworthy third parties. Customers who wish to trade on credit terms are generally subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated.

With respect to credit risk arising from other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum amount of exposure equal to the carrying amount of these instruments.

Gross obligations under put options

The Gross obligation under put option has arisen as a result of a shareholders' agreement with a minority interest. The fair value of the option is a level 3 fair value measurement, and has been estimated with regards to future profitability of the operation based on multiples of earnings. If growth rates used are sensitised by + 10% the impact on the Group's profit before tax would be a decrease of £159,000 (2008: N/A), conversely if growth rates used are sensitised by –10% the impact on the Group's profit before tax would be an increase of £235,000 (2008: N/A).

There were no transfers between fair value levels during 2009 or 2008.

42. Post balance sheet events

On 15 January 2010 the Group successfully completed a placing of 2,250,000 new ordinary shares of 25p each at a premium of 175p.The placing was fully underwritten by Numis Securities Limited.

On 20 January 2010 the Group paid the consideration due on the purchase of Pelham Public Relations Limited. The fair value of the consideration given for the acquisition was £3,400,000; this was satisfied as to £1.8 million in cash and £200,000 by the issue of 100,000 new ordinary shares of 25p each at a premium of 175p and 40% of the ordinary share capital of Bell Pottinger Corporate & Financial, valued at £1,400,000.

On 10 March 2010 the Group completed its acquisition of Tree (London) Limited from Cagney Plc. The fair value of the consideration given for the acquisition was £2,000,000, this was satisfied in cash. A full fair value exercise in respect of this acquisition has yet to be completed and full details will be provided in the interim report for the period ended 30 June 2010.

Independent auditors' report to the members of Chime Communications plc

We have audited the parent company financial statements of Chime Communications plc for the year ended 31 December 2009 which comprise the Company balance sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the parent company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters
We have reported separately on the group financial statements of Chime Communications plc for the year ended 31 December 2009.

Sarah Shillingford (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
10th March 2010

Company balance sheet

Year ended 31 December 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Fixed assets					
Investment in subsidiaries and associates	4	**149,939**		122,664	
Other investments	5	**–**		350	
			149,939		123,014
Current assets					
Debtors	7	**4,451**		825	
Short term investments	8	**58**		416	
		4,509		1,241	
Creditors: amounts falling due within one year	9	**(17,253)**		(5,990)	
Net current liabilities			**(12,744)**		(4,749)
Total assets less current liabilities			**137,195**		118,265
Creditors: amounts falling due after more than one year	10		**(6,052)**		(14,428)
Net assets			**131,143**		103,837
Capital and reserves					
Share capital	12,14		**16,834**		14,264
Share premium account	12,14		**52,691**		37,121
Share-based payment reserve	13,14		**5,367**		3,063
Merger reserve	13,14		**3,780**		3,780
Capital reduction reserve	13,14		**32,385**		32,385
ESOP reserve	13,14,16		**(5,406)**		(4,952)
Retained earnings	13,14		**25,492**		18,176
Shareholders' funds			**131,143**		103,837

The financial statements were approved by the board of Directors and authorised for issue on 10th March 2010. They were signed on its behalf by:

Mark Smith
Director

Notes to the Company financial statements

Year ended 31 December 2009

1. Accounting policies

Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 1985 and United Kingdom generally accepted accounting principles ("UK GAAP"). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the prior year.

The financial statements are prepared on a going concern basis as explained in the Directors' Report.

Cash flow

The Company has taken advantage of the exemption contained in FRS 1 "Cash flow statements" and has not produced a cash flow statement.

Financial instruments

The Company has taken advantage of the exemption contained in FRS 29 "Financial Instruments: Disclosures" and has not produced any disclosures required by that standard, as full FRS 29 disclosures are available in Chime Communications Plc Annual Report for the year ended 31 December 2009.

Related parties

The Company has taken advantage of the exemption contained in FRS 8 "Related party disclosures" and has not reported transactions with fellow Group undertakings.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

In the Company's accounts, investments in subsidiary and associate undertakings are stated at cost less provision for any impairment in value.

Deferred consideration

When earnouts are to be settled in cash or shares with a fixed monetary value, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future. The resulting interest charge is included within finance costs of deferred consideration.

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payments

The Group operates a number of equity settled share based compensation plans for the employees of subsidiary undertakings, using the Company's equity instruments. The fair value of the compensation given in respect of these share-based compensation plans is recognised as a capital contribution to the Company's subsidiary undertakings, over the vesting period. The capital contribution is reduced by any payments received from subsidiary undertakings in respect of these share-based payments.

Dividends paid or received

Dividends paid and received are included in the financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

Going concern

The Group's business activities, which include these of the Company, together with the factors likely to affect its future development, performance and position are set out in The Chairman's Statement on pages 2 to 5. The financial position of the Group, its cash flows and borrowing facilities are described in the Finance Director's Report on pages 8 and 9.
In addition, notes 41 of the consolidated financial statements include the Group's objectives, policies

and processes for managing its capital; its financial risk management objectives and details of its financial instruments; and its exposure to credit risk and liquidity risk.

As highlighted in note 41 to the consolidated financial statements, the Group meets its day to day working capital requirements through an overdraft facility that is due for renewal in June 2010 and a committed facility which matures in June 2013. These facilities are subject to banking covenants as disclosed in note 41 to the consolidated financial statements.

In preparing 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; and
- current new business targets compared to levels achieved in previous years.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility and banking covenants.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

More detail on the Group's cash position and facilities at 31 December 2009, as well as maturities of the financial liabilities, can be found in note 27 to the consolidated financial statements. The principal risks and uncertainties faced by the Group are included in the Directors Report. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 36 to the consolidated financial statements.

2. Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the income statement of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £9,982,000 (2008 – £6,318,000).

3. Equity dividends

The equity dividends paid by the Company are disclosed in note 11 of the consolidated financial statements.

4. Investments

The Company	Investments in and loans to associated undertakings £'000	Equity interest in subsidiaries £'000	Total £'000
Cost			
At 1 January 2009	**376**	**122,288**	**122,664**
Additions	**104**	**25,016**	**25,120**
Disposals	**–**	**(323)**	**(323)**
Adjustment to prior year acquisitions	**–**	**314**	**314**
Transfer of investment from subsidiary	**117**	**72**	**189**
Loans to associated undertakings	**(16)**	**–**	**(16)**
Shared based payment	**–**	**2,304**	**2,304**
Reduction of carrying value	**(313)**	**–**	**(313)**
Foreign exchange	**–**	**–**	**–**
At 31 December 2009	**268**	**149,671**	**149,939**

Notes to the Company financial statements (continued)
Year ended 31 December 2009

4. Investments (continued)

The Company	Investments in and loans to associated undertakings £'000	Equity interest in subsidiaries £'000	Total £'000
Cost			
At 1 January 2008	348	119,945	120,293
Additions	–	921	921
Adjustment to prior year acquisitions	–	1,218	1,218
Transfer of investment to subsidiary	–	(13)	(13)
Loans to associated undertakings	59	–	59
Shared based payment	–	1,292	1,292
Reduction of carrying value	(29)	(1,075)	(1,104)
Foreign exchange	(2)	–	(2)
At 31 December 2008	376	122,288	122,664

5. Other investments
Other investments comprise unlisted equity investment in PSP Holdings Ltd. This has been recorded at cost, less any provision for impairment, as its fair value cannot be reliably measured as there is no active market.

In 2009 this investment was written down, resulting in a charge to the income statement of £350,000.

6. Subsidiaries, associates and joint ventures
The Company's principal trading subsidiaries and associated undertakings, which are all incorporated in Great Britain (except where noted) are listed in note 16 of the consolidated financial statements.

7. Debtors

	2009 £'000	2008 £'000
Amounts owed by Group undertakings	**4,300**	772
Other debtors	**151**	53
	4,451	825
Due within one year	**4,451**	825
	4,451	825

8. Short-term investments

	2009 £'000	2008 £'000
Loan note cash deposit	**58**	416

The loan note cash deposit of £0.058 million (2008 – £0.4 million) relates to a cash deposit held on three months notice at Royal Bank of Scotland plc. The deposit guarantees £0.058 million (2008 – £0.4 million) of the loan note creditors of £0.058 million (2008 – £0.4 million). Interest accruing on the deposit is payable to the holders of the loan notes less any costs arising (see note 24 of the consolidated financial statements).

9. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft	**4,002**	3,661
Deferred/contingent consideration	**9,561**	207
Amounts owed to Group undertakings	**83**	1,158
Loan notes	**58**	416
Current taxation	**93**	80
Other taxation and social security costs	**4**	4
Other creditors	**2,283**	–
Accruals and deferred income	**1,169**	464
	17,253	5,990

10. Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Deferred/contingent consideration	**6,052**	14,428
Bank loans	**–**	–
	6,052	14,428
Due in more than one year but not more than two years	**1,126**	9,766
Due in more than two years but not more than five years	**503**	4,591
Due in more than five years	**4,423**	71
	6,052	14,428

No interest attaches to the deferred consideration, which is payable in sterling and euros.

11. Borrowings

	2009 £'000	2008 £'000
Bank loans	**–**	–
Loan notes	**58**	416
	58	416
Due within one year or on demand	**58**	416
Due in more than one year but not more than two years	**–**	–
Due in three to five years	**–**	–
	58	416
Maturity analysis		
Bank overdraft/loans		
Within one year or on demand	**–**	–
Between one and two years	**–**	–
Between two and five years	**–**	–
Loan notes		
Within one year or on demand	**58**	416
	58	416

12. Share capital and share premium account

The movements on these items are disclosed in notes 29 and 30 to the consolidated financial statements.

Notes to the Company financial statements (continued)

Year ended 31 December 2009

13. Statements of movements on reserves

	Share-based payment reserve £'000	Merger reserve £'000	Capital reduction reserve £'000	ESOP reserve £'000	Profit and loss account £'000
Balance at 1 January 2009	**3,063**	**3,780**	**32,385**	**(4,952)**	**18,176**
Retained profit for the year	**–**	**–**	**–**	**–**	**9,982**
Dividends payable	**–**	**–**	**–**	**–**	**(2,666)**
Capital contribution given relating to share based payments	**2,304**	**–**	**–**	**–**	**–**
Disposal on exercise of options	**–**	**–**	**–**	**494**	
Purchase of own equity shares held in treasury	**–**	**–**	**–**	**(948)**	**–**
Balance at 31 December 2009	**5,367**	**3,780**	**32,385**	**(5,406)**	**25,492**

	Share-based payment reserve £'000	Merger reserve £'000	Capital reduction reserve £'000	ESOP reserve £'000	Profit and loss account £'000
Balance at 1 January 2008	1,771	3,780	32,385	(4,381)	14,077
Retained profit for the year	–	–	–	–	6,318
Dividends payable	–	–	–	–	(2,219)
Capital contribution given relating to share based payments	1,292	–	–	–	–
Purchase of own equity shares held in treasury	–	–	–	(571)	–
Balance at 31 December 2008	3,063	3,780	32,385	(4,952)	18,176

14. Reconciliation of movement in shareholders' funds

	£'000
Balance at 1 January 2008	93,168
Dividends paid	(2,219)
Profit for the financial year	6,318
Capital contributions given relating to share based payments	1,292
Purchase of own equity shares held in treasury	(571)
	97,988
Increase in share capital	5,849
Balance at 1 January 2009	**103,837**
Dividends paid	**(2,666)**
Profit for the financial year	**9,982**
Capital contributions given relating to share based payments	**2,304**
Shares disposed on exercise of options	**494**
Purchase of own equity shares held in treasury	**(948)**
	113,003
Increase in share capital	**18,140**
	131,143

15. Contingent liabilities and commitments

In addition to the potential deferred consideration as shown in note 9 and 10 of £15,613,000 at 31 December 2009 there was a maximum financial commitment of £18,826,033 in respect of unprovided deferred contingent consideration payable in respect of acquisitions of subsidiary undertakings. This relates to the acquisition of Fast Track Sales Limited (£12,245,000), The Corporate Citizenship Company Limited (£1,706,034) and Stuart Higgins Communications Limited (£525,000) in 2007, MC Bio Communications Limited (£2,249,999) and Bankbrae Holdings Limited (£2,100,000) in 2008.

Fast Track Sales Limited – The maximum contingent consideration payable is £25,000,000, however provision has only been made of £12,755,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 7 times earnings before interest and tax the average profits for the following periods: average of the three years 2007 to 2009 inclusive, and average of the three years 2010 to 2012 inclusive. The contingent consideration would be satisfied by the issue of new shares until the amount of total consideration paid has been satisfied as to 50% in cash and 50% in new shares. Thereafter, the contingent consideration would be satisfied 50% in loan notes and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

The Corporate Citizenship Company Limited – The maximum contingent consideration payable is £4,206,034, however provision has only been made for £2,500,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.75 times the average earnings before interest and tax for the following periods: average of the three years 2007 to 2009 inclusive, and average of the two years 2010 to 2011 inclusive. The contingent consideration would be satisfied entirely in loan notes or cash.

Stuart Higgins Communications Limited – The maximum contingent consideration payable is £1,750,000, however provision has only been made for £1,225,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.5 times the average earnings before interest and tax for the three years 2008 to 2010 inclusive. The contingent consideration would be satisfied 50% in cash and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

MC Bio Communications Limited – the maximum contingent consideration payable is £2,249,999, however provision has only been made for £400,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4 times the average profits before tax for the following periods: average of the three years 2008 to 2010 inclusive, and average of the three years 2011 to 2013 inclusive. The contingent consideration would be satisfied entirely in loan notes.

Bankbrae Holdings Limited – the maximum contingent consideration payable is £2,300,000, however provision has only been made for £200,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.5 times the average profits before tax for the following periods: average of the two years 2008 to 2009 inclusive, and average of the two years 2010 to 2011 inclusive. The contingent consideration would be satisfied entirely in loan notes. The contingent consideration would be satisfied 50% in cash and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

16. Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to the Directors and employees of its subsidiary undertakings. As at 31 December 2009, the Company had 2,299,673 ordinary share options outstanding (2008: 2,091,942 as restated).

The Company has made a capital contribution to its subsidiary undertakings in relation to share-based payments. At 31 December 2009, the cumulative capital contribution net of payments received from subsidiary undertakings was £4.5 million (31 December 2008: £3.1 million). During the year ended 31 December 2009, the capital contribution arising from share-based payments was £1.4 million (2008: 1.3 million). The Company does not incur an income statement charge in relation to share-based payments.

Full details of share-based payments, share option schemes and share plans are disclosed in note 38 to the Consolidated Financial Statements of Chime Communication plc.

Notes to the Company financial statements (continued)

Year ended 31 December 2009

17. Own shares

The own shares reserve represents the cost of shares in Chime Communications plc purchased in the market and held by The Chime Communications Employee Trust to satisfy options under the Group's share options schemes, deferred shares and the co investment plan. Further details are disclosed in note 31 of the Group accounts.

18. Post balance sheet events

On 15 January 2010 the Group successfully completed a placing of 2,250,000 new ordinary shares of 25p each at a premium of 175p. The placing was fully underwritten by Numis Securities Limited.

On 20 January 2010 the Group paid the consideration due on the purchase of Pelham Public Relations Limited. The fair value of the consideration given for the acquisition was £3,400,000; this was satisfied as to £1.8 million in cash and £200,000 by the issue of 100,000 new ordinary shares of 25p each at a premium of 175p and 40% of the ordinary share capital of Bell Pottinger Corporate & Financial, valued at £1,400,000.

On 10 March 2010 the Group completed its acquisition of Tree (London) Limited from Cagney plc. The fair value of the consideration given for the acquisition was £2,000,000, this was satisfied in cash. A full fair value exercise in respect of this acquisition has yet to be completed and full details will be provided in the interim report for the period ended 30 June 2010.

Information for shareholders

Financial Calendar

Wednesday 12 May 2010	Annual General Meeting 12 noon, 14 Curzon Street, London W1J 5HN
Wednesday 26 May 2010	Ex-Dividend date 2009 Final Dividend
Friday 28 May 2010	Record date 2009 Final Dividend
Friday 18 June 2010	Payment of 2009 Final Dividend
Wednesday 25 August 2010	Announcement of 2010 Interim Results
Wednesday 22 September 2010	Ex-Dividend Date 2010 Interim Dividend
Friday 24 September 2010	Record Date 2010 Interim Dividend
Wednesday 15 October 2010	Payment of 2010 Interim Dividend

Share Price

Share price at 31 December 2009	217.25p
High during the year (19 November 2009)	226.75p
Low during the year (29 January 2009)	37.75p

Balance Analysis Summary

Range	Number of holdings individuals	Number of holdings Corporate bodies	Balance as at 28 February 2010	%
1 – 1,000	362	101	186,649	0.27
1,001 – 10,000	227	107	1,151,957	1.65
10,001 – 100,000	64	106	6,015,869	8.61
100.001 – 1,000,000	28	60	23,007,268	32.94
1,000,001 – 10,000,000	1	13	28,444,896	40.73
10,000,001 – to highest	0	1	11,036,718	15.80
Total	682	388	69,843,357	100.00

Information for shareholders

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