

## 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 to date 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
<b>Executive Directors</b>				
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
<b>Non-Executive Directors</b>				
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

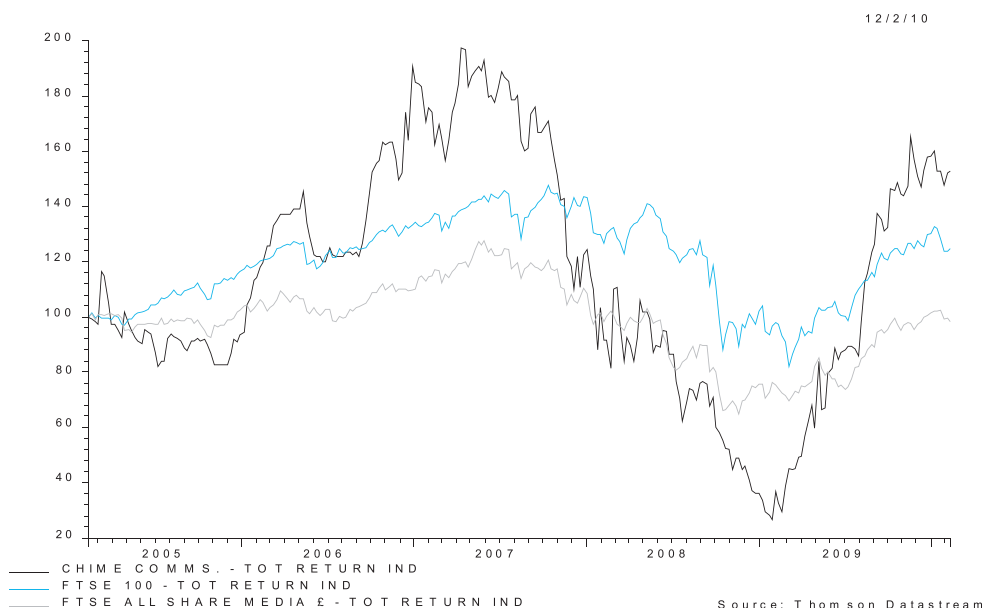
Director appointments are subject to Board approval and election by shareholders at the Annual General Meeting following appointment and, thereafter, re-election by rotation every three years.

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 £
<b>Executive Directors</b>							
Lord Bell*	615,000	102,508	276,750	994,258	123,000	<b>1,117,258</b>	1,154,964
Piers Pottinger	401,000	29,878	80,200	511,078	80,200	<b>591,278</b>	611,642
Christopher Satterthwaite	500,000	21,978	250,000	771,978	106,000	<b>877,978</b>	691,017
Mark Smith	250,000	28,450	112,500	390,950	50,000	<b>440,950</b>	453,418
<b>Non-executive Directors</b>							
Rodger Hughes	40,000	–	–	40,000	–	<b>40,000</b>	40,000
Hon. Richard Alston	25,000	–	–	25,000	–	<b>25,000</b>	12,500
Catherine Biner Bradley	25,000	–	–	25,000	–	<b>25,000</b>	25,000
Paul Richardson	–	–	–	–	–	<b>–</b>	–
Totals	1,856,000	182,814	719,450	2,758,264	359,200	<b>3,117,464</b>	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:

<b>Directors</b>	<b>1 January 2009 (or on appointment)</b>	<b>Released</b>	<b>31 December 2009 (or on resignation)</b>	<b>Award date</b>	<b>Vesting date</b>
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:

<b>Directors</b>	<b>1 January 2009 (or on appointment)</b>	<b>Awarded</b>	<b>31 December 2009 (or on resignation)</b>	<b>Award date</b>	<b>Earlier Optional Vesting date</b>
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