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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 (%)

07	62.0
08	66.0
09	70.0

International income (%)

07	34.0
08	37.0
09	46.0

Debtors days (No. of days)

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