

10<sup>th</sup> March 2010

**CHIME COMMUNICATIONS PLC**

**AUDITED PRELIMINARY RESULTS FOR  
THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2009**

Chime Communications PLC, the leading marketing services group, today announces its preliminary results for the year ended 31 December 2009.

**Financial Highlights**

- Operating income up 10% to £123.1 million (2008: £112.1 million)
  - Organic<sup>1</sup> growth of 8%
- Operating profit<sup>2</sup> up 10% to £20.1 million (2008: £18.2 million)
  - Organic<sup>1 and 2</sup> growth of 7%
- Operating profit margin<sup>2</sup> 16.4% (2008: 16.3%)
- Profit before tax<sup>2 and 3</sup> up 14% to £18.8 million (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<sup>2 and 3</sup> up 11% to 22.46p (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 10<sup>th</sup> March 2010
- Placing to raise £4.5 million successfully completed

*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).*

Lord Bell, Chairman of Chime Communications, said:

“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.”

For further information please contact:

Lord Bell, Chairman 020 7861 8515  
Chime Communications

Christopher Satterthwaite, Chief Executive 020 7861 8515  
Chime Communications

Alex Walters/ Victoria Geoghegan 020 7337 1546  
Pelham Bell Pottinger

## SUMMARY OF RESULTS

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>	<u>%</u> <u>Change</u>
Operating Income	123.1	112.1	+10%
Operating Profit <sup>2</sup>	20.1	18.2	+10%
Operating Profit Margin <sup>2</sup>	16.4%	16.3%	
<b><u>Organic</u><sup>1</sup></b>			
Operating Income	120.7	112.1	+8%
Operating Profit <sup>2</sup>	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.

## 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.
- 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 Parmigian 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.

## **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.

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

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>	<u>%</u> <u>Change</u>
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

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>	<u>%</u> <u>Change</u>
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

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>	<u>%</u> <u>Change</u>
Operating Income	17.2	13.6	+26%
Operating Profit <sup>2</sup>	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

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>	<u>%</u> <u>Change</u>
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.

## CASH FLOW AND BANKING ARRANGEMENTS

Net cash at 31<sup>st</sup> December 2009 was £4.8 million compared to £6.3 million at 31<sup>st</sup> 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 CONSIDERATIONS

Deferred considerations still payable total a maximum of £37.1 million, comprising £18.4 million payable in cash and £18.7 million payable in shares or cash at Chime's discretion. The timing of these payments is £11.1 million in 2010, £2.1 million in 2011, £5.5 million in 2012 with the balance payable in 2013 and 2014.

## TAXATION

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

## CORPORATE ACTIVITY

We have today completed the acquisition of Tree (London) Limited (Tree) following the announcement that we had entered into the Heads of Terms on 15<sup>th</sup> 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 by the proceeds of a cash placing made on 15<sup>th</sup> 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.

## **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 18<sup>th</sup> June 2010 to shareholders on the register at 28<sup>th</sup> May 2010. The expected ex-dividend date is 26<sup>th</sup> May 2010.

## **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.

## **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**  
**10<sup>th</sup> March 2010**

**Consolidated Income Statement**  
**Year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Note</b>		
<b>CONTINUING OPERATIONS</b>		
Revenue	300,908	277,394
Cost of sales	(177,811)	(165,304)
	<hr/>	<hr/>
<b>OPERATING INCOME</b>	<b>123,097</b>	<b>112,090</b>
Operating expenses	(103,535)	(93,980)
	<hr/>	<hr/>
<b>OPERATING PROFIT</b>	<b>19,562</b>	<b>18,110</b>
Profit on disposal of minority interest	1,385	-
Loss on disposal of subsidiary	(122)	-
Share of results of associates	(412)	186
Disposal of available for sale investments	-	-
Impairment in carrying value of investment	(188)	-
Investment income	(350)	-
Finance costs	111	456
Finance cost of deferred consideration	(521)	(1,393)
	<hr/>	<hr/>
<b>PROFIT BEFORE TAX</b>	<b>18,553</b>	<b>16,339</b>
Tax	(5,856)	(5,164)
	<hr/>	<hr/>
<b>PROFIT FOR THE YEAR</b>	<b>12,697</b>	<b>11,175</b>
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the parent	12,479	10,783
Minority interest	218	392
	<hr/>	<hr/>
	<b>12,697</b>	<b>11,175</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>EARNINGS PER SHARE</b>		
From continuing operations		
Basic	22.06p	19.87p
Diluted	21.13p	19.59p

**Consolidated Statement of Comprehensive Income**  
**Year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the year</b>	12,697	11,175
Recycling of losses/revaluation of available for sale investments	136	(113)
Exchange differences on translation of foreign subsidiaries	(722)	1,866
Other comprehensive (expense)/income for the year	(586)	1,753
<b>Total comprehensive income for the year</b>	<u>12,111</u>	<u>12,928</u>
Attributable to:		
Equity holders of the parent	11,893	12,536
Minority interest	218	392
<b>Total recognised income and expense relating to the year</b>	<u>12,111</u>	<u>12,928</u>

## Consolidated Balance Sheet as at 31 December 2009

	2009 £'000	2008 £'000
<b>Non-current assets</b>		
Goodwill	144,614	113,086
Other intangible assets	5,240	805
Property, plant and equipment	4,036	4,589
Investments in associates	645	858
Other investments	-	350
Available for sale investments	-	113
Due from deferred consideration	504	551
Deferred tax asset	1,448	829
	<u>156,487</u>	<u>121,181</u>
<b>Current assets</b>		
Work in progress	2,429	2,019
Trade and other receivables	48,139	47,705
Cash and cash equivalents	5,296	6,804
	<u>55,864</u>	<u>56,528</u>
<b>Total assets</b>	<u>212,351</u>	<u>177,709</u>
<b>Current liabilities</b>		
Trade and other payables	(71,051)	(69,536)
Current tax liabilities	(4,176)	(2,706)
Obligations under finance leases	(14)	(48)
Bank loans	(52)	-
Short-term provisions	(11,378)	(388)
	<u>(86,671)</u>	<u>(72,678)</u>
<b>Net current liabilities</b>	<u>(30,807)</u>	<u>(16,150)</u>
<b>Non-current liabilities</b>		
Bank loans	(348)	-
Long-term provisions	(8,489)	(16,524)
Obligations under finance leases	-	(16)
	<u>(8,837)</u>	<u>(16,540)</u>
<b>Total liabilities</b>	<u>(95,508)</u>	<u>(89,218)</u>
<b>Net assets</b>	<u>116,843</u>	<u>88,491</u>
<b>Equity</b>		
Share capital	16,834	14,264
Share premium account	52,691	37,121
Own shares	(5,406)	(4,952)
Equity reserve	32,385	32,385
Translation reserve	1,290	2,012
Accumulated profits	20,504	8,731
<b>Equity attributable to equity holders of the Parent</b>	<u>118,298</u>	<u>89,561</u>
Written put options over minority interests	(2,000)	(2,000)
Equity minority interest	545	930
<b>Total equity</b>	<u>116,843</u>	<u>88,491</u>

## Consolidated Statement of Changes in Equity

	Share Capital £ '000	Share premiu m account £'000	Own shares £'000	Equity reserve s £'000	Transl ation reserv es £'000	Accumula ted profit/(los s) £'000	Total £'000	Written put options over minority interests £'000	Minority interest s £'000	Total £'000
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)**

	Share Capital £ '000	Share premiu m account £'000	Own shares £'000	Equity reserve s £'000	Translat ion reserves £'000	Accumul ated profit/ (loss) £'000	Total £'000	Written put options over minority interests £'000	Minority interests £'000	Total £'000
Balance at 31 December 2008	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	<u>16,834</u>	<u>52,691</u>	<u>(5,406)</u>	<u>32,385</u>	<u>1,290</u>	<u>20,504</u>	<u>118,298</u>	<u>(2,000)</u>	<u>545</u>	<u>116,843</u>

**Consolidated Cash Flow Statement**  
**Year ended 31 December 2009**

	2009 £'000	2008 £'000	
<b>Note</b>			
<b>Net cash inflow from operating activities</b>	6	10,425	21,277
<b>Investing activities</b>			
Interest received	63	330	
Dividend received from investment	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 an investment in an associate	-	(117)	
Loans granted to associates	(30)	(59)	
Acquisition of subsidiaries	(6,849)	(10,728)	
Disposal of subsidiary	(31)	-	
Deferred consideration received	47	17	
<b>Net cash outflow from returns on investment and servicing of finance</b>	<u>(8,143)</u>	<u>(12,620)</u>	
<b>Financing activities</b>			
Dividend paid	(2,666)	(2,219)	
Dividends paid to minorities	(244)	(366)	
Increase in/(repayments of) borrowing	400	(8,375)	
Repayment of loan notes	(358)	(480)	
Repayments of obligations under finance leases	(51)	(38)	
Proceeds on issue of ordinary share capital	284	-	
Purchases of own shares	(934)	(571)	
<b>Net cash used in financing activities</b>	<u>(3,569)</u>	<u>(12,049)</u>	
<b>Net decrease in cash and cash equivalents</b>	(1,287)	(3,392)	
<b>Cash and cash equivalents at beginning of year</b>	6,804	10,196	
<b>Effect of foreign exchange rate changes</b>	(221)	-	
<b>Cash and cash equivalents at end of year</b>	<u><u>5,296</u></u>	<u><u>6,804</u></u>	

Cash and cash equivalents comprise cash at bank and loan note deposits less overdrafts.		
Net cash comprises:		
Cash and cash equivalents at end of year	5,296	6,804
Bank loans	(400)	-
Finance leases	(14)	(64)
Loan notes outstanding	(58)	(416)
<b>Overall net cash</b>	<u><u>4,824</u></u>	<u><u>6,324</u></u>

## Notes:

### 1. Business Segments

For management purposes, the group is organised into four operating divisions – Public Relations, Advertising and Marketing Services, Sports Marketing and Research and Engagement. These divisions are the basis on which the group reports its primary segment information.

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 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 and includes Fast Track and Essentially Group.

#### *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.

The group's operations are located in the United Kingdom, Germany, Spain, the Middle East, USA, South Africa, Australia, New Zealand and India .

## 1. Business segments (continued)

Class of business	Revenue		Operating Income	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Public Relations: Continuing operations	196,477	178,955	66,857	61,352
Advertising and Marketing Services: Continuing operations	64,982	58,156	33,288	30,164
Sports Marketing: Continuing operations	25,500	28,164	14,824	13,614
Acquisitions	5,226	-	2,352	-
	<u>30,726</u>	<u>28,164</u>	<u>17,176</u>	<u>13,614</u>
Research: Continuing operations	8,723	12,119	5,776	6,960
	<u>300,908</u>	<u>277,394</u>	<u>123,097</u>	<u>112,090</u>
Class of business	Adjusted Operating Profit		Adjusted Operating Profit Margin	
	2009 £'000	2008 £'000	2009 %	2008 %
Public Relations: Continuing operations	13,923	12,115	20.8%	19.7%
Advertising and Marketing Services: Continuing operations	4,003	3,512	12.0%	11.6%
Sports Marketing: Continuing operations <sup>1</sup>	2,899	2,788	19.6%	20.5%
Acquisitions <sup>2</sup>	644	-	27.4%	-
	<u>3,543</u>	<u>2,788</u>	<u>20.6%</u>	<u>20.5%</u>
Research: Continuing operations	(212)	376	(3.7%)	5.4%
	<u>21,257</u>	<u>18,791</u>	<u>17.3%</u>	<u>16.8%</u>
Chime Central Costs	(1,109)	(547)		
	<u>20,148</u>	<u>18,244</u>	<u>16.4%</u>	<u>16.3%</u>
Share of results of associate	23	225		
Investment income	111	456		
Finance costs	(521)	(1,393)		
Finance cost of deferred consideration	(912)	(1,020)		
Profit before tax <sup>1, 2 and 3</sup>	<u>18,849</u>	<u>16,512</u>		

<sup>1</sup> Before taking account of amortisation of acquired intangible assets (£0.2million, 2008:£0.1million)

<sup>2</sup> Before taking account of amortisation of acquired intangible assets (£0.1 million, 2008:£nil) and costs relating to acquisitions (£0.2million, 2008:£nil)

<sup>3</sup> Before taking account of profit on disposal of profit of a minority interest of a subsidiary (£1.3million, 2008:£nil) and write off of investments (£0.6million, 2008:£nil)

## 1. Business segments (continued)

Class of business	Operating Profit		Operating Profit Margin	
	2009 £'000	2008 £'000	2009 %	2008 %
Public Relations: Continuing operations	13,923	12,115	20.8%	19.7%
Advertising and Marketing Services: Continuing operations	4,003	3,512	12.0%	11.6%
Sports Marketing: Continuing operations	2,723	2,654	18.4%	19.5%
Acquisitions	234	-	9.9%	-
	<hr/> 2,957	<hr/> 2,654	<hr/> 17.2%	<hr/> 19.5%
Research: Continuing operations	(212)	376	(3.7%)	5.4%
	<hr/> 20,671	<hr/> 18,657	<hr/> 16.8%	<hr/> 16.6%
Chime Central Costs	(1,109)	(547)		
	<hr/> 19,562	<hr/> 18,110	<hr/> 15.9%	<hr/> 16.2%
Profit on disposal of Minority interest	1,385	-		
Loss on disposal of subsidiary	(122)	-		
Share of results of associate	(412)	186		
Disposal of assets held for sale	(188)	-		
Impairment in carrying value of investment	(350)	-		
Investment income	111	456		
Finance costs	(521)	(1,393)		
Finance cost of deferred consideration	(912)	(1,020)		
Profit before tax	<hr/> 18,553	<hr/> 16,339		

## **2. Basis of preparation**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditor's reports on both the 2008 and 2009 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of Companies Act 2006 or equivalent preceding legislation. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs) this announcement does not in itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in April 2010.

The information in this preliminary announcement was approved by the board on 10th March 2010.

The consolidated income statement, consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement have been prepared on a basis consistent with the financial statements for the year ended 31 December 2009.

### **Going Concern Basis**

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 the financial instruments note in the annual report .

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.

**3. Adjusted results**  
**Year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of operating profit to adjusted operating profit</b>		
Operating profit	19,562	18,110
Adjusting operating profit items:		
Costs relating to acquisitions	250	-
Acquired intangible asset amortisation	336	134
Adjusting operating profit items	<u>586</u>	<u>134</u>
Adjusted operating profit	<u>20,148</u>	<u>18,244</u>
<b>Reconciliation of statutory profit to adjusted profit before tax</b>		
Profit before tax	18,553	16,339
Adjusting operating profit items:		
Profit on disposal of minority interest	(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	<u>296</u>	<u>173</u>
Adjusted profit before tax	<u>18,849</u>	<u>16,512</u>

**3. Adjusted results (continued)**  
**Year ended 31 December 2009**

	2009 £'000	2008 £'000
<b>Reconciliation of profit for the year to adjusted profit for the year</b>		
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
<b>Reconciliation of profit attributable to equity holder for the year to adjusted profit attributable to equity holders for the year</b>		
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
	226	173
Adjusted profit attributable to equity holders of the parent	12,705	10,956
<b>Adjusted EPS</b>		
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 (note 4)	56,573,800	54,279,428
Adjusted basic EPS	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 (note 4)	59,065,404	55,033,747
Adjusted diluted EPS	21.51	19.91

#### 4. Earnings per share

##### From continuing operations

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

	<b>2009</b>	<b>2008</b>
Basic	22.06p	19.87p
Diluted	21.13p	19.59p
	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share being net profit attributable to the equity holders of the parent	12,479	10,783
	<hr/>	<hr/>
<b>Number of shares</b>		
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:		
Share options and deferred shares	2,467,019	754,319
Deferred shares	24,585	-
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	59,065,404	55,033,747
	<hr/>	<hr/>

#### 5. Dividends

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts recognised as distributions to equity holders in the year (approved):		
Interim dividend for the year ended 31 December 2009 of 1.60p (2008: 1.54p) per share	900	867
Final dividend for the year ended 31 December 2008 of 3.18p (2007:2.40p) per share	1,766	1,352
	<hr/>	<hr/>
	2,666	2,219
Amounts not recognised as distributions to equity holders in the year (declared):		
Proposed final dividend for the year ended 31 December 2009 of 3.50p (2008 – 3.18p) per share	2,325	1,789
	<hr/>	<hr/>
	2,325	1,789

The proposed final dividend is subject to shareholder approval at the Annual General Meeting and has not been included as a liability as at 31 December 2009. The dividend will be paid on 18 June 2010 to those shareholders on the register at 28 May 2010. The expected ex-dividend date 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 on 915,492, the difference being those shares held under the deferred share scheme.

## 6. Notes to the consolidated cash flow statement

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating profit</b>	19,562	18,110
Adjustments for:		
Loss from discontinued operation	-	-
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
Impairment of other intangibles	317	-
Loss on disposal of property, plant and equipment	29	17
Increase/(decrease) in provisions	398	(418)
	<hr/>	<hr/>
<b>Operating cash flows before movements in working capital</b>	<b>24,409</b>	<b>21,764</b>
Increase in work in progress	(387)	(459)
Decrease/(increase) in receivables	8,522	(4,878)
(Decrease)/increase in payables	(15,978)	11,274
	<hr/>	<hr/>
<b>Cash generated by operations</b>	<b>16,566</b>	<b>27,701</b>
Income taxes paid	(5,612)	(4,961)
Interest paid	(529)	(1,463)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>10,425</b>	<b>21,277</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. Acquisitions

### 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 costs relating to 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.

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)
	<u>(10,788)</u>	<u>1,455</u>	<u>(9,333)</u>
Goodwill			<u>28,575</u>
Total consideration			<u>19,242</u>
Satisfied by:			
Shares			18,207
Directly attributable costs			1,035
			<u>19,242</u>
Net cash outflow arising on acquisition:			
Cash consideration			646
Debt acquired			5,685
			<u>6,331</u>

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

## 7. Acquisitions (continued)

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 for the year 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.

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:

	<b>Book value £'000</b>	<b>Fair value adjustments £'000</b>	<b>Fair value £'000</b>
Net assets acquired:			
Intangible asset	1,146	(624)	522
Tangible assets	36	-	36
Trade and other receivables	594	-	594
Cash and cash equivalents	(152)	-	(152)
Trade and other payables	(606)	(198)	(804)
	<u>1,018</u>	<u>(822)</u>	<u>196</u>
Minority interest			<u>293</u>
Goodwill			<u>489</u> <u>3,186</u>
Total consideration			<u><u>3,675</u></u>
Satisfied by:			
Cash			1,800
Shares			200
Directly attributable costs			275
Shares in Bell Pottinger Corporate & Financial			<u>1,400</u>
			<u><u>3,675</u></u>

## 7. Acquisitions (continued)

Net cash outflow arising on acquisition:

Cash consideration	10
Debt acquired	151
	<hr/>
	161
	<hr/> <hr/>

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 for the year 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.

## 8. 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. There were no significant transactions between the Group and its associates.

## 9. 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 announced 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.

**Forward looking statements**

The preliminary announcement contains certain forward looking statements in respect of Chime Communications plc and the operation of its subsidiaries. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.