

SUMMARY OF RESULTS

	<u>2007</u> <u>£m</u>	<u>2006</u> <u>£m</u>	<u>%</u> <u>Change</u>
Actual			
Operating Income	96.5	77.9	+24%
Operating Profit	15.7	12.2	+29%
Operating Profit Margin	16.3%	15.7%	
Organic ⁽¹⁾			
Operating Income	86.6	77.9	+11%
Operating Profit	13.8	12.2	+13%

(1) Excluding acquisitions in 2006 and 2007

REVIEW OF OPERATIONS

All three divisions achieved their budget and saw improvement in their key performance indicators.

Public relations continues to be our largest division being 53% of operating income (2006 – 60%), Advertising and Marketing Services was 39% (2006 – 34%) and Research 8% (2006 – 6%).

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

	<u>2007</u> <u>£m</u>	<u>2006</u> <u>£m</u>	<u>%</u> <u>Change</u>
Operating Income	51.1	46.9	+9%
Operating Profit	9.0	8.2	+9%
Operating Profit Margin	17.6%	17.5%	

Advertising and Marketing Services – VCCP Group, Fast Track, Teamspirit and TTA

	<u>2007</u> <u>£m</u>	<u>2006</u> <u>£m</u>	<u>%</u> <u>Change</u>
Operating Income	37.7	26.3	+43%
Operating Profit	5.9	3.5	+68%
Operating Profit Margin	15.7%	13.4%	

Research – The Research Group

	<u>2007</u> <u>£m</u>	<u>2006</u> <u>£m</u>	<u>%</u> <u>Change</u>
Operating Income	7.7	4.7	+64%
Operating Profit	1.4	1.0	+37%
Operating Profit Margin	18.1%	21.7%	

The Group acted for 1,379 clients in 2007 compared to 1,145 in 2006. 236 of these clients used more than one of our businesses (201 in 2006) which represented 62% of total operating income (2006 – 53%).

164 clients paid us over £100,000 in 2007, compared to 139 in 2006. Our top 30 clients represented 45% of total operating income (2006 – 45%).

Our two largest clients represented 15.6% of our operating income, 8.3% and 7.3% respectively. Both clients are high margin, long term, have normal renewal terms and have been retained since 2003. No other client represented more than 5% of our operating income.

Average fee income per client in 2007 was £70,000 compared to £68,000 in 2006. Average income per employee was £105,000 in 2007 compared to £104,000 in 2006.

Bell Pottinger retained its position as No. 1 in the “PR Week” League Table and Fast Track was No. 1 in the “Marketing” Sponsorship League Table.

HIGH PROFILE ACTIVITIES

- The next America’s Cup challenge acting for Alinghi, the holders.
- The world’s largest ever civil aviation aircraft order for Emirates.
- The \$1.9 billion acquisition of US-headquartered aircraft maintenance businesses for Dubai Aerospace Enterprise.
- McLaren’s F1 dispute with Ferrari.
- Representing Mark Warner Holidays during the Madeleine McCann crisis.
- Reviewing Camelot’s community relations strategy.
- Launch of HSBC’s title sponsorship of the 2009 British Lions tour of South Africa.
- Supporting the winning Glasgow 2014 Commonwealth Games bid team.
- Launch of the Playstation 3.
- The highly successful launch of The 02, London’s newest and most spectacular entertainment venue.
- The Prince of Wales’ May Day Business Summit on Climate Change with Business in the Community, bringing together over 1,000 chief executives and senior directors across England.
- BSkyB’s The Bigger Picture, their responsible business campaign and initiative.
- Imperial Tobacco’s contested £11 billion offer for Altadis of Spain.

New business wins of £40 million in 2007 which included:

Adobe	Legal & General
Aegon Asset Management	Levi Strauss
AOL	Thaksin Shinawatra
Barclays	The Government's account for Alcohol Awareness and Education (including anti binge drinking)
Bloomsbury Publishing	The Rocco Forte Collection
Blue Arrow	Timberland
Cisco	Tiscali
Department for Children, Schools and Families	Trafigura
DP World IPO	Unilever
Friends Provident International	
John Lewis	

CASH FLOW, BANKING ARRANGEMENTS AND DEFERRED CONSIDERATIONS

Net cash at 31st December 2007 was £0.8 million compared to £2.9 million at 31st December 2006.

The Group generated cash from trading activities in 2007 of £21.4 million representing a cash conversion on profits of 155%.

The Group continues to operate well within its banking covenants and has a borrowing facility of £25 million which reduces to £21 million in February 2009 and reduces further to £17 million in August 2009. The facility continues until February 2010.

As a result of their rapid growth, VCCP have achieved their full earn-out in 2007. This will result in a payment of £15.5 million in late March/early April. Under the terms of the agreement this is payable 50% in Chime shares and 50% in cash, but Chime has the option to pay a greater proportion or all in cash. Given the current level of the share price and in order to minimise dilution to shareholders, the Board is considering paying a greater proportion in cash.

Future deferred considerations (other than VCCP above) are a maximum of £33.1 million, comprising £16.6 million payable in cash and £16.5 million payable in shares or cash at Chime's option. The timing of the aggregate of these payments is £1.6 million in 2008, £0.5 million in 2009, with the balance paid between 2010 and 2013.

TAXATION

The effective tax charge for 2007 was 32% compared to 28.5% last year. The notional finance costs of deferred considerations are not subject to tax relief and if these are excluded the effective tax rate is 29.5%.

DIVIDENDS

We are increasing the dividend. The Group has for many years operated a 5 times dividend cover policy but it is believed that the Group is now in a position to be able to improve the dividend return to shareholders and will adopt a more progressive policy. The 2007 dividend is based on 4.5 times cover and subject to market conditions, we are anticipating 2008 and beyond being based on 4 times cover.

The Board is therefore proposing to pay a final dividend of 0.48p per share (2006 – 0.40p), giving a total dividend per share of 0.70p compared to 0.58p in 2006, this is an increase of 21%. The final dividend will be payable on 20th June 2008 to shareholders on the register at 30th May 2008. The expected ex-dividend date is 28th May 2008.

CORPORATE AND SOCIAL RESPONSIBILITY

The Group became carbon neutral on 1st January 2007 and reduced its carbon emissions by 37% in 2007. The Group is targeting a further reduction of 5% in 2008.

In June 2007 the Group published its second Corporate Responsibility Report, the major focus of which was the Group's response to growing concerns about climate change.

In October 2007 Chime Communications was listed on the FTSE4Good index after meeting their globally recognised corporate responsibility standards.

ACQUISITIONS

We made four acquisitions in 2007, all of which have been successfully integrated into the Group:

Facts International - 75% of this fieldwork research business was acquired in February 2007. The remaining 25% is held by the new Chairman of Facts International, Nick Lamb.

Fast Track - The acquisition of the UK's leading sports marketing agency was completed at the end of April 2007. The initial consideration was £15 million payable £10 million in cash and £5 million in Chime shares. Deferred consideration is payable on the average profits for the three years ended 31st December 2009 and the three years ended 31st December 2012. The maximum total consideration (initial and deferred) is £43 million. The transaction (initial and deferred) is based on a multiple of 7 times the average pretax profits.

The Corporate Citizenship Company - Chime has acquired this leading corporate responsibility business and merged it with its existing business, Smart, with the aim of becoming the first port of call for clients who want a full range of services across the corporate responsibility practice both in the UK and globally.

Stuart Higgins Communications - The acquisition in December 2007 of this public relations and communications consultancy run by Stuart Higgins, former editor of The Sun newspaper. This company has a strong presence in the sports sector and has been integrated into Chime's existing business, Fast Track.

BOARD CHANGES

On 1st July 2007, Rodger Hughes (formerly Managing Partner of PricewaterhouseCoopers UK) was appointed to the Board as a Non-Executive Director and on 1st October 2007 he took over the role of Senior Independent Director from Julian Seymour. Julian retired from the Board on 31st December 2007. The Board expresses its gratitude to Julian for his massive contribution since the company started.

DIGITAL

We now offer a full suite of digital services including on line reputation management, digital strategy, search relations, pay per click, website design, web mapping and digital media buying.

12% of our operating income in 2007 came from digital activities compared to 9% in 2006.

In 2006 and 2007 we invested in a new digital search business (pay per click and natural search) – VCCP Search. This business is now profitable and already well established in the top twenty search businesses in the UK.

In 2008 we have committed to start a digital research business which we expect to achieve at least break even in its first year.

Recent Digital wins include :

Capital One	School Foods Trust
Cheapflights.com	The Government's account for Alcohol
Fortnum & Mason	Awareness and Education
SAB Miller	

INTERNATIONAL OPERATIONS

All three divisions of Chime offer a comprehensive international service. This is delivered through wholly or partly owned agencies, a variety of alliances and purpose built networks. We work with more than 200 agencies across the world.

We have Chime branded agencies in:

Middle East	-	Abu Dhabi
	-	Doha
	-	Dubai
USA	-	Washington
	-	New York
	-	Boston
Germany	-	Hamburg
	-	Munich
	-	Berlin
South East Asia	-	Singapore
Spain	-	Madrid
South Africa	-	Johannesburg

Recent international wins include:

Democratic Republic of Congo	-	Mining contract review
Latvia	-	Political campaign

Georgia	- Presidential campaign
Nigeria	- Presidential campaign
Saudi Arabia	- UK Embassy
Qatar	- Qatar Foundation
	- Qatar Investment Authority
	- Doha Debates
Bahrain	- Consultancy to HRH Crown Prince of Bahrain
Abu Dhabi	- The Executive Council
	- Mubadalah
Dubai	- Dubai Aerospace
USA	- US Government Contracts Renewed
Germany	- O ₂
Middle East	- Islamic Common Word Campaign
Sri Lanka	- International Media Relations Programme

Our international strategy is client and business opportunity led. Geography is not a key criterion as the internet and ease of travel have made location of little importance.

Our prime interest is not domestic work in other countries but multinational work in a global economy. We have been very successful in winning contracts for governments, corporations and institutions that want global reach, not dependent on geographical presence but more on strategic skills and quality implementation internationally.

THE MARKETPLACE

Our market sector is dominated by multi discipline agency groups like WPP, Omnicom and IPG. The key driver is synergy, the whole being stronger than the sum of the parts and the fame of individual brands being a key factor in clients' choices of supplier. If there is a downturn in the marcoms sector, and there is as yet no sign of one, then reflecting the client's requirements is essential. Our market is increasingly diverse and fragmented and so is our range of services. No one would be immune to a downturn but we are well positioned to remain strong.

"Diversified communications" continue to grow globally at the expense of "advertising expenditure" with diversified communications accounting for 54% of total European marcoms spend in 2007 (Source: Group M). Income from diversified communications has also overtaken traditional media and advertising revenue contribution in all the leading global marcoms groups.

Chime's strategy since 2005 has been to create a modern communications group to meet the demands of clients operating in such a rapidly diversifying communications marketplace. We are building leadership positions in sectors of diversified communications which are growing at above average rates, eg. public affairs, sports marketing and digital communications. We are bringing new solutions to the marketplace anticipating client needs, etc. in deliberative research and search relations. Most of all, in a fragmented and more complex marcoms environment we are concentrating on the single focus of 'reputation' so that the Group works together on our clients' business making sure the whole does equal more than the sum of the parts.

Our view is that the marketplace will continue to fragment and diversify. Chime will succeed by providing a range of services to meet these client requirements. Our belief is that reputation management will have equal weight with brand management.

OUTLOOK

There appears to be little connection between the turbulence in the financial markets and the real economy. The markets, as evidenced by the current low rating of our business and some of our competitors, are predicting an economic downturn. We are experiencing no sign of that and we list below 10 reasons why we are optimistic:

1. We are continuing to invest in new product development, eg. online research.
2. 196 wins across the Group in January/February 2008 versus 165 in 2007.
3. The sectoral change public relations is enjoying in the marketplace and its above average growth potential.
4. The accelerating performance of Fast Track, far and away the UK's largest sports marketing company. Already this year we have won the 2010 Commonwealth Games TV rights and the America's Cup, acting for the defender – Alinghi.
5. Bell Pottinger Public Affairs is the No. 1 public affairs business in the UK. In a more regulated business environment there is an increasing need for businesses to talk to government. We are expanding our public affairs practise into Brussels and Washington.
6. Our international work is expanding at a fast rate particularly in the Middle East which is unaffected by the Stock Market gloom.
7. Our start up VCCP Search is already in the top twenty UK search businesses.
8. We won the communications account for the London Organising Committee of the Olympic Games and Paralympic Games against all the major agencies.
9. We are the agency of choice for crisis communications, reputational damage limitation and government and institutional global campaigns. Already we have won consultancy work for the governments of the US, UK, Saudi Arabia, Bahrain, Abu Dhabi and Qatar.
10. We have successfully borne down on fixed costs and increased the proportion of personnel costs that is variable and performance related from 13% to 15% in 2007.

2007 was another terrific year and there is no sign of any slowdown in the first quarter of 2008 nor for that matter the rest of the year.

Lord Bell
Chairman
11th March 2008

Consolidated Income Statement
Year ended 31 December 2007

	2007	2006
	£'000	£'000
Note		
CONTINUING OPERATIONS		
Revenue	206,589	164,143
Cost of sales	(110,080)	(86,222)
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OPERATING INCOME	96,509	77,921
Operating expenses	(80,605)	(65,686)
Amortisation of intangible	(159)	-
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OPERATING PROFIT	15,745	12,235
Share of results of associates	(73)	(280)
Investment income	214	93
Finance costs	(938)	(402)
Finance cost of deferred consideration	(1,186)	(612)
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PROFIT BEFORE TAX	13,762	11,034
Tax	(4,409)	(3,147)
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PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	9,353	7,887
DISCONTINUED OPERATIONS		
(Loss)/profit for the year from discontinued operations	(61)	20
Loss for the year from sale of associate	(140)	-
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PROFIT FOR THE YEAR	9,152	7,907
	<hr/>	<hr/>
Attributable to:		
Equity holders of the parent	8,617	7,647
Minority interest	535	260
	<hr/>	<hr/>
	9,152	7,907
	<hr/>	<hr/>
EARNINGS PER SHARE		
From continuing operations		
Basic	3.43p	3.08p
Diluted	3.32p	3.02p
From continuing and discontinued operations		
Basic	3.35p	3.08p
Diluted	3.24p	3.03p

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**Consolidated Statement of Recognised Income and Expense
Year ended 31 December 2007**

	2007	2006
	£'000	£'000
Gain on revaluation of available for sale investments	(23)	-
Exchange differences on translation of foreign subsidiaries	391	(106)
Net expense recognised directly in equity	368	(106)
Profit for the year	9,152	7,907
Total recognised income and expense for the year	9,520	7,801
Attributable to:		
Equity holders of the parent	8,985	7,541
Minority interest	535	260
Total recognised income and expense relating to the year	9,520	7,801

Consolidated Balance Sheet as at 31 December 2007

	2007	2006
	£'000	£'000
Non-current assets		
Goodwill	109,909	74,730
Other intangible assets	762	10
Property, plant and equipment	4,425	2,972
Investments in associates	488	582
Other investments	350	-
Due from deferred consideration	568	950
Available for sale investments	227	-
Deferred tax asset	1,191	1,747
	<u>117,920</u>	<u>80,991</u>
Current assets		
Work in progress	1,560	686
Trade and other receivables	42,641	30,813
Cash and cash equivalents	10,196	6,652
	<u>54,397</u>	<u>38,151</u>
Total assets	<u>172,317</u>	<u>119,142</u>
Current liabilities		
Trade and other payables	(58,574)	(37,996)
Current tax liabilities	(2,548)	(2,475)
Obligations under finance leases	(49)	(109)
Short-term provisions	(16,335)	(2,133)
	<u>(77,506)</u>	<u>(42,713)</u>
Net current liabilities	<u>(23,109)</u>	<u>(4,562)</u>
Non-current liabilities		
Bank loans	(8,375)	(2,928)
Long-term provisions	(12,406)	(13,167)
Obligations under finance leases	(53)	(49)
	<u>(20,834)</u>	<u>(16,144)</u>
Total liabilities	<u>(98,340)</u>	<u>(58,857)</u>
Net assets	<u>73,977</u>	<u>60,285</u>
Equity		
Share capital	13,319	12,684
Share premium account	32,217	26,594
Own shares	(4,381)	(5,968)
Equity reserve	32,385	32,385
Translation reserve	146	(245)
Accumulated losses	(612)	(5,592)
Equity attributable to equity holders of the parent	<u>73,074</u>	<u>59,858</u>
Equity minority interest	903	427
Total equity	<u>73,977</u>	<u>60,285</u>

Consolidated Cash Flow Statement
Year ended 31 December 2007

	2007 £'000	2006 £'000
Note		
Net cash from operating Activities	5 15,200	7,694
Investing activities		
Interest received	152	93
Dividend received from investment	63	-
Proceeds on disposal of property, plant and equipment	60	69
Purchases of property, plant and equipment	(1,784)	(1,703)
Purchases of other intangible assets	(66)	-
Disposal of investment in associate	-	2,862
Loans (granted to)/repaid by associates	(178)	13
Acquisition of subsidiaries	(11,536)	(359)
Disposal of subsidiary	-	(74)
Net cash (outflow)/inflow from returns on investment and servicing of finance	<u>(13,289)</u>	<u>901</u>
Financing activities		
Dividend paid	(1,624)	(1,243)
Dividends paid to minorities	(113)	(92)
Increase in/(repayments of) borrowing	5,447	(5,557)
Repayment of loan notes	(1,333)	(878)
Repayments of obligations under finance leases	(112)	(156)
Proceeds on issue of ordinary share capital	328	-
Buy back of warrants	-	(800)
Purchases of own shares	(960)	(214)
Net cash from/(used in) financing Activities	<u>1,633</u>	<u>(8,940)</u>
Net increase/(decrease) in cash and cash Equivalents	3,544	(345)
Cash and cash equivalents at beginning of year	6,652	6,997
Cash and cash equivalents at end of year	<u>10,196</u>	<u>6,652</u>

Cash and cash equivalents comprise cash at bank, loan note deposits less overdrafts and Taking into account the following borrowings net cash was:

Bank loans	(8,375)	(2,928)
Finance leases	(102)	(158)
Loan notes outstanding	(907)	(642)
Overall net cash	<u>812</u>	<u>2,924</u>

Notes:

1. Business Segments

For management purposes, the group is organised into three operating divisions – Public Relations, Advertising and Marketing Services and Research. 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, De Facto and Corporate Citizenship. It is the ranked number 1 PR Group in the UK in the PR Week public relations consultancy league table for 2006. It serves more than 600 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, Fast Track, Teamspirit and TTA. It possesses specialist skills in advertising and marketing services – direct marketing, digital communication, sponsorship exploitation, point of sale, sales promotion and specialist media planning and buying. It also specialises in the niche markets of sport, property and financial services.

Research

The Research division is made up of Opinion Leader Research, Ledbury Research and Facts International. Opinion Leader Research is one of the UK's leading research consultancies and Ledbury Research provides research and advice to brands who market and sell to high net worth consumers.

The group's operations are located in the United Kingdom, Germany, Spain, the Middle East and USA.

1. Business segments (continued)

Class of business	Operating Income		Operating Profit	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Public Relations:				
Continuing operations	50,316	46,952	8,856	8,233
Acquisitions	813	-	124	-
	<u>51,129</u>	<u>46,952</u>	<u>8,980</u>	<u>8,233</u>
Advertising and Marketing Services:				
Continuing operations	30,236	26,264	4,257	3,519
Acquisitions	7,433	-	1,658	-
	<u>37,669</u>	<u>26,264</u>	<u>5,915</u>	<u>3,519</u>
Research:				
Continuing operations	6,069	4,705	1,270	1,021
Acquisitions	1,642	-	125	-
	<u>7,711</u>	<u>4,705</u>	<u>1,395</u>	<u>1,021</u>
	<u>96,509</u>	<u>77,921</u>	<u>16,290</u>	<u>12,773</u>
Chime Central Costs	-	-	(545)	(538)
	<u>96,509</u>	<u>77,921</u>	<u>15,745</u>	<u>12,235</u>

Class of business	Operating Margin	
	2007 %	2006 %
Public Relations:		
Continuing operations	17.6%	17.5%
Acquisitions	15.3%	-
	<u>17.6%</u>	<u>17.5%</u>
Advertising and Marketing Services:		
Continuing operations	14.1%	13.4%
Acquisitions	22.3%	-
	<u>15.7%</u>	<u>13.4%</u>
Research:		
Continuing operations	20.9%	21.7%
Acquisitions	7.6%	-
	<u>18.1%</u>	<u>21.7%</u>
	<u>16.9%</u>	<u>16.4%</u>
Chime Central Costs	-	-
Other operating income	16.3%	15.7%
	<u>16.3%</u>	<u>15.7%</u>

2. Basis of preparation

The financial information set out in the announcement does not constitute the group's statutory accounts for the years ended 31 December 2007 or 2006 but is derived from those accounts. The financial information for the year ended 31 December 2006 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on the accounts to 31 December 2007 and 31 December 2006; their reports were unqualified and did not contain a statement under s.237 (2) or (3) Companies Act 1985. Copies of the full accounts for 2007 will be circulated to shareholders and after approval at the Annual General Meeting will be delivered to the Registrar of Companies. 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 expect to publish full financial statements that comply with IFRSs in March 2008.

The information in this preliminary announcement was approved by the board on 10th March 2008.

The consolidated income statement, balance sheet, statement of recognised income and expense and cash flow statement have been prepared on a basis consistent with the financial statements for the year ended 31 December 2006.

The prior year comparatives have been restated to reflect the discontinued operations of Rare Corporate Design. The effect of this change is as follows: Reduction in operating income £895,000; Reduction in operating profit £29,000.

3. Earnings per share

From continuing and discontinued operations

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

	2007 £'000	2006 £'000
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to the equity holders of the parent	8,617	7,647
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	257,024,547	247,920,453
Effect of dilutive potential ordinary shares:		
Share options and deferred shares	8,600,383	4,390,908
Weighted average number of ordinary shares for the purposes of diluted earnings per share	265,624,930	252,311,361

From continuing operations

	2007 £'000	2006 £'000
Earnings		
Net profit attributable to equity holders of the parent	8,617	7,647
Adjustments to exclude loss/(profit) for the year from discontinued operations	61	(20)
Adjustment to exclude loss for the year from the sale of associate	140	-
Earnings from continuing operations for the purposes of basic earnings per share excluding discontinued operations	8,818	7,627

The denominators used are the same as those detailed above for both the basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

	2007	2006
Basic	-	-
Diluted	-	0.01p

The denominators used are the same as those detailed above for both the basic and diluted earnings per share from continuing and discontinued operations.

4. Dividends

	2007 £'000	2006 £'000
Amounts recognised as distributions to equity holders in the year (approved):		
Interim dividend for the year ended 31 December 2007 of 0.22p (2006: 0.18p) per share	581	450
Final dividend for the year ended 31 December 2006 of 0.40p (2005:0.32p) per share	1,043	793
	<u>1,624</u>	<u>1,243</u>
Amounts not recognised as distributions to equity holders in the year (declared):		
Proposed final dividend for the year ended 31 December 2007 of 0.48p (2006 – 0.40p) per share	1,262	1,001
	<u>1,262</u>	<u>1,001</u>

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 2007. The dividend will be paid on 20 June 2008 to those shareholders on the register at 30 June 2008. The expected ex-dividend date is 28 May 2008.

Under an arrangement dated 3 April 1996, The Chime Communications Employee Trust which holds 5,510,667 ordinary shares representing 2.07% of the company's called-up share capital, has agreed to waive dividends on 3,477,007, the difference being those shares held under the deferred share scheme.

From 1 April 2008 the Corporation tax rate changes from 30% to 28%.

5. Notes to the consolidated cash flow statement

	2007	2006
	£'000	£'000
Operating profit	15,745	12,235
Adjustments for:		
(Loss)/profit from discontinued operation	(86)	29
Share based payment expense	968	371
Translation differences	119	(76)
Depreciation of property, plant and equipment	1,403	1,026
Amortisation of other intangible assets	19	130
Amortisation of acquired intangibles	159	-
Gain/(loss) on disposal of property, plant and Equipment	29	(1)
Increase/(decrease) in provisions	281	(328)
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Operating cash flows before movements in working capital	18,637	13,386
Increase in work in progress	(840)	(121)
Increase in receivables	(8,027)	(6,499)
Increase in payables	10,169	3,692
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Cash generated by operations	19,939	10,458
Income taxes paid	(3,869)	(2,306)
Interest paid	(870)	(458)
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Net cash from operating activities	15,200	7,694

6. Reconciliation of equity attributable to equity holders of parent

	2007	2006
	£'000	£'000
Balance at 1 January	59,858	53,471
Dividends paid	(1,624)	(1,243)
Buy back of warrants	-	(800)
Deferred tax benefit in respect of share based payments	-	-
Credit in relation to share based payments	557	947
Purchase of own shares	(1,160)	(541)
Own shares disposed of on exercise of options	200	334
Net profit for the year attributable to equity holders of the parent	8,985	7,541
Increase in share capital	6,258	149
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Balance at 31 December	73,074	59,858

7. Events after balance sheet date

As a result of their rapid growth, VCCP have achieved their full earn-out in 2007. This will result in a payment of £15.5 million in late March/early April 2008. Under the terms of the agreement this is payable 50% in Chime shares and 50% in cash, but Chime has the option to pay a greater proportion or all in cash. Given the current level of the share price and in order to minimise dilution to shareholders, the Board is considering paying a greater proportion in cash.

From 1 April 2008 the Corporation tax rate changes from 30% to 28%.