

CHIME™

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To be filed with VCCP Digital Limited's 2013 Accounts.

Parent company accounts of
Chime Communications plc

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BUILDING MOMENTUM

Annual Report and Accounts 2013



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Pages 3 to 29 represent our strategic report. This has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed.

The strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors underlying any such forward-looking information.

Overview and Highlights

Strategy and Outlook

Performance

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Our Strategy, Values and Highlights

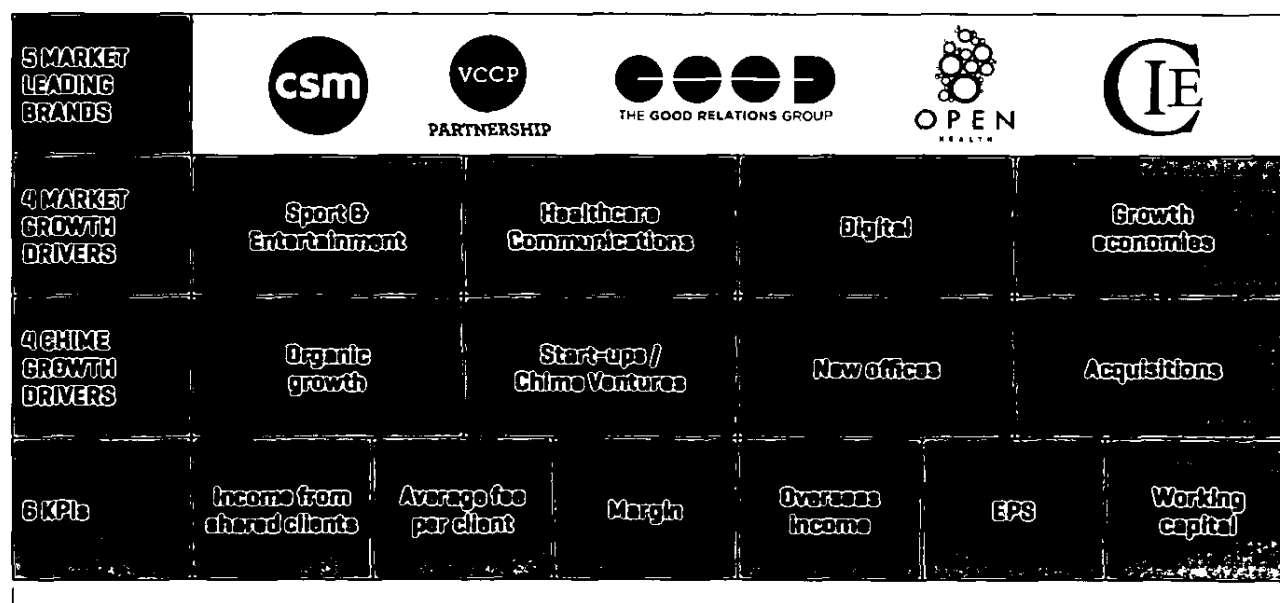
Chime is an international communications and sports marketing group, including CSM, in sport and entertainment, the VCCP Partnership in advertising, the Good Relations Group in public relations, Open Health in healthcare communications, Teamspirit a specialist in financial and professional services, and CIE, our insight and engagement agency. We are listed on the London Stock Exchange

Chime is made up of five divisions, 56 companies and over 1800 people. We have offices in the UK, France, Germany, Spain, Czech Republic, Slovakia, Russia, Abu Dhabi, Dubai, Qatar, South Africa, China, Hong Kong, Japan, Malaysia, Singapore, Australia, New Zealand, USA, Canada and Brazil. Further information on our business model can be found on page 21.

Chime has identified four market growth drivers in sport and entertainment, healthcare communications, digital, and the world's growing economies.

In recognising these areas and to enhance shareholder returns, Chime has a strategy of developing its existing businesses, supporting organic growth, investing in start-ups, and expanding its operations overseas, particularly in economies which forecast strong growth. This overseas expansion will be delivered through taking existing businesses to those markets, opening new offices and/or making acquisitions in the countries identified.

We measure our progress in delivering shareholder returns utilising six Key Performance Indicators (KPIs).



DELIVERING SHAREHOLDER RETURNS

Our Strategy, Values and Highlights continued

OUR VALUES

SOCIAL

Creating strong teams that know how to work together

CURIOUS

Curiosity leads to continuous questioning and learning

OPEN

Open minds lead to better ideas and better relationships

RESPONSIBLE

Aiming to be a force for good in the way we do business

ENTREPRENEURIAL

Everyone behaving as if it was their own business

OPERATIONAL HIGHLIGHTS

- Good performance compared to record 2012 with 8% increase in operating income
- Growing market share
- Further developed our Sport and Entertainment division
- Strong operating income and operating profit growth in Advertising and Marketing Services, Public Relations, Healthcare Communications and Insight and Engagement
- Extended international operations through the acquisitions of People Marketing in China and JMI in the USA
- Further progress in Brazilian businesses in advance of the 2014 FIFA World Cup
- Expected operating income on contracts won for the 2014 FIFA World Cup and the 2014 Commonwealth Games now exceeds the operating income achieved for the 2012 Olympics
- Improved the senior management of both Public Relations and Sport and Entertainment divisions
- Strengthened our Board with appointment of three new Non-Executive Directors

FINANCIAL HIGHLIGHTS

- Profit before tax £25 million (2012 £25.4 million)
- Operating profit margin 15.2% (2012 16.4%)
- Total dividend for the year increased by 1% to 7.34p (2012 7.24p)
- £95 million facility agreed with RBS and HSBC until September 2016

Operating income

(2012 £156.8m)

£169.5m

Earnings per share

(2012 21.27p)

19.47p

Profit before tax

(2012 £25.4m)

£25m

Operating profit margin

(2012 16.4%)

15.2%

Operating profit

(2012 £25.8m)

£25.8m

Total dividend

(2012 7.24p)

7.34p

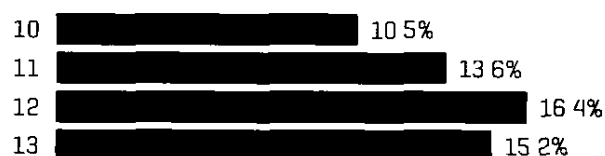
Our Progress Against our Strategic Priorities

Our Key Performance Indicators

Income from shared clients



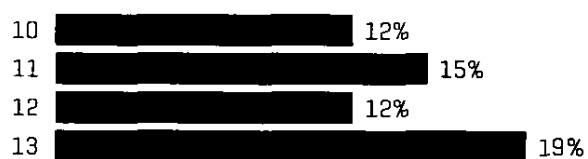
Operating profit margin



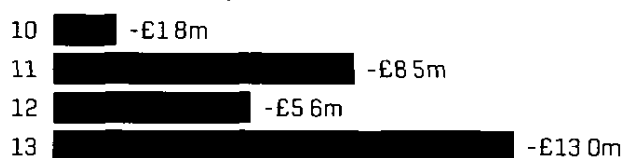
Average fee per client



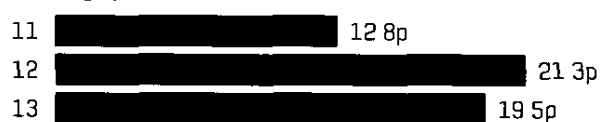
Income from overseas



Working capital (net)



Earnings per share



Note: All above are headline numbers

Chairman's Statement

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This is my second annual report as Chairman of Chime. It comes after a year in which we made significant strides towards fulfilling our potential as an international, integrated marketing services group, and in which I personally have had the opportunity to get to know our business in much greater detail

Over the last 15 months, I have been able to visit every one of the Chime companies worldwide. It has been a great experience and as I've toured our operations I have been hugely impressed by the skills, creativity and professionalism that I have encountered. This Group has extraordinarily talented people, a wonderful client base and excellent international reach. It provides a great foundation, and the developments that have taken place during the year leave us poised for what we believe is a very exciting period in our growth.

Revitalising the Group Board

2013 saw nothing short of a revitalisation of Chime's Group Board, with the introduction of three Non-Executive Directors embedding the digital, brand and entrepreneurial experience that we believe is essential to helping this business achieve what it is capable of.

As Vice President of eBay Marketplaces for the UK & Greater Europe, Clare Gilmartin led its transformation from second-hand auction hub to leading retail site. Vin Murria, named Woman of the Year in the 2012 Cisco Everywoman Technology Awards, is CEO of Advanced Software Group plc, the AIM-listed business that she founded in 2008. Martin Glenn is a leading figure in the UK's FMCG landscape, CEO of United Biscuits and previously CEO of Iglo Frozen Food and Company President for Pepsico in UK and Ireland. I would like to take this opportunity to welcome each of them to Chime and look forward to working with them closely as we move this Group forward.

Future prospects for Chime are strong. We remain one of the fastest-growing companies in our sector with healthily diverse income streams and a fascinating mix of clients across the world.

Richard Alston and Catherine Biner Bradley both left the Board during 2013. Paul Richardson, a Non-Executive Director since 1997, also resigned from the Board in March 2014. We are grateful for the contributions that all three individuals made during their time as Directors.

Performance in 2013

Chime's businesses performed well during 2013. The effects of the global sports cycle were felt in our sport marketing business, in the year following the 2012 Olympic and Paralympic Games in London and before the 2014 Winter Olympics, Commonwealth Games and FIFA World Cup in Brazil. However, there was strong growth across our marketing communications, healthcare and research divisions. Highlights from the year included:

- an excellent performance from the Chime Insight & Engagement Group, with strong growth in revenues and profitability that amounted to the most successful year in the division's history;
- a strong new business performance from the Good Relations Group, which supported the continued development of our 'Power of Good' proposition, and
- twin 'Agency of the Year' performances from VCCP and Teamspirit that powered an increase in profitability of more than 50% for the VCCP Partnership.

Acquisition of JMI

Our acquisition of the US-based, global motorsports agency JMI represented another highly significant development for Chime. We have gained a complementary presence in sports with a huge global following and powerful influence within the US marketplace, and in Zak Brown we have acquired another valuable member of our already strong executive team.

WPP shareholding

At the time of writing there remains uncertainty over WPP's intention regarding its current shareholding in Chime. We will issue updates to the market and via the Chime website once more information becomes available.

Future prospects

Future prospects for Chime are strong. We remain one of the fastest-growing companies in our sector with healthily diverse income streams and a fascinating mix of clients across the world. We have strong governance, a top-quality board and a strong executive team, and as a Group we combine the ability to handle the needs of large multinationals and small entrepreneurial clients alike. The breadth of our offering makes us nimble. However, there is still opportunity to be exploited in leveraging our strong client relationships more widely across our businesses. Over the coming year, we expect to continue to develop in strong growth areas whilst taking greater advantage of these cross-selling opportunities.

Lord Davies of Abersoch

Chairman

26 March 2014

Chief Executive's Statement

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Building broader momentum

This was another exciting year for Chime and our increasingly global communications and sports marketing offer. We have taken further significant strides towards becoming a global leader in sports marketing, whilst every other division of our business delivered strong growth during the year.

Performance in 2013

Our topline results reflect the simple fact that 2013 is an odd-numbered year, and the world's biggest sporting events take place on alternate even-numbered years. It was expected that the performance of our sports marketing division CSM Sport & Entertainment would dip between the London games and 2014, the year of the Winter Olympics in Sochi, the Commonwealth Games in Glasgow and above all, the FIFA World Cup in Brazil.

Other than CSM Sport & Entertainment, each division delivered strong growth in profits during 2013, a Group-wide performance that demonstrates growing momentum across all of the sectors in which we operate.

Divisional overview

Our advertising and marketing services division, The VCCP Partnership, included two Agency-of-the-Year performances, with VCCP Group carrying off the coveted Agency of the Year award from Campaign magazine, and our specialist financial services agency, Teamspirit, similarly acclaimed by the Financial Services Forum.

The awards recognised strong new business performance, but also consistently excellent creative output that shows how well the group is positioned to deliver the 'content-led' campaigns that clients increasingly demand. VCCP Content has been one of our most successful start-ups in Chime history. Teamspirit has delivered acclaimed campaigns for Aviva and Barclays and, VCCP's commercially astute creativity continues to deliver impressive results for easyJet, comparethemarket.com and O2, with the O2 work recognised as Campaign magazine's Campaign of the Year.

Elsewhere the re-focusing of Chime's divisions during the last few years is delivering promising returns. In only its second full year of operation, Open Health has now grown to encompass more than 200 specialists in healthcare communications and market access. Its data-driven approach and focus on science-based communication fit the demand for greater accountability from healthcare spend and have generated strong growth that is evenly spread across the UK and Europe. Chime Insight & Engagement continues to grow, with the great success of its digital arm Watermelon playing a key role in delivering strong, sustainable performance.

Meanwhile the Good Relations Group's rejuvenated offer, helping brands to develop and communicate the social purpose that consumers increasingly demand, has delivered good growth built around clients such as Unilever, TalkTalk and Barclays. We welcomed Jackie Brock-Doyle as the Group's new CEO, working alongside Kevin Murray as Chairman, and have strengthened our board with specialist expertise to lead the development of the business, as awareness of the active benefits of social responsibility enter the communications mainstream.

During the year, CSM Sport & Entertainment completed two major acquisitions that represent significant advances for our global sports marketing offer.

Strategic gains in sports marketing

During the year, CSM Sport & Entertainment completed two major acquisitions that represent significant advances for our global sports marketing offer. The arrival of JMI under its CEO Zak Brown gives us both a dominant position in motorsport and a firm foothold in the valuable US market. With its immense global and US audiences and its annual cycle, motorsport also adds an important element to the division's business model: it helps to even out the variation in performance between odd and even years, and aligns us with a sport that touches every rapid growth market in the shape of F1. We are pleased to announce that in addition to continuing as CEO of JMI, Zak will now lead Chime's global business development efforts as part of the team led by CSM Sport & Entertainment Executive Chairman, Lord Sebastian Coe.

Our acquisition of People Marketing in Shanghai brings another valuable addition to our global management team in the form of Irene Cheung, whilst providing a strong base for the growth of our sponsorship business in Asian markets.

Broadening our business in innovation

The breadth of good performances across Chime in 2013 testifies to the broad, sustainable base that our business already enjoys. The acquisitions of JMI and People Marketing will help to broaden the growth opportunities for our flagship sports marketing division. However, our commitment to building broader momentum for our business does not end here. Chime has set an internal target that 10% of our annual profits should ideally come from businesses founded within the last three years. This commitment to continual innovation is one of the best guarantees of broad-based, sustainable growth in the future. It has already delivered impressive launches such as VCCP Content, Watermelon and The EarthWorks, the new digital arm of Open Health. With the support of our start-up incubator, Chime Ventures, we expect to see similar success stories on an on-going basis. We are also committed to developing the next generation of business leaders within the Group through the activity of our youth board, Chime Innovate.

Expanding our global footprint

Alongside our commitment to business innovation, the expansion of our divisional offerings to relevant new markets remains a key theme of Chime's strategy. We have made significant progress this year with the continued growth of Open Health, the good performances delivered by VCCP's businesses in Spain and Australia, and above all, the successful expansion of CSM Sport & Entertainment to Brazil, China and the US. The increase in our international reach not only provides access to the country that will dominate the sporting calendar in 2014 and 2016, but to countries where the potential of sports marketing is enormous in any year. It is one of Chime's KPIs that 50% of our profits should come from overseas businesses within the next three years, and we are firmly on course to achieve this target.

Leveraging opportunities across the Group

Taking full advantage of our broader global reach will require Chime companies to be alive to the opportunities that inevitably emerge. We are determined to capitalise on the opportunity to be more than the sum of our parts, and we have made working with clients through more than one company a key focus. There has been notable progress in this area, particularly from Open Health, which shares more clients within the division than any other part of our Group. We expect to make further progress in this area during the coming year.

Outlook for 2014

For the reasons outlined, our prospects for 2014 are very positive. The position that we have built in the Brazilian market positions us very well for the FIFA World Cup, the major sporting event of the year. Our agencies have already conducted significant work around the Winter Olympics in Sochi and will also be involved in the Commonwealth Games in Glasgow. Yet the reasons for optimism go beyond the natural rises and falls of the sporting cycle. CSM Sport & Entertainment's strategic acquisitions have provided powerful opportunities for growth on an annual basis, and the continued strong performance of all Chime communication divisions puts the future of the group on a strong and sustainable footing.

Christopher Satterthwaite

Chief Executive
26 March 2014

By Division: Review and Outlook

CSM Sport & Entertainment

2013 was a year of consolidation and strategic development for Chime's sports marketing and entertainment division. As expected, revenues declined following the 2012 Olympic and Paralympic Games. However, we generated good performances from our brand consultancy and rights management businesses whilst building our leadership team, and making strategic acquisitions that open up important new markets

CSM Sport & Entertainment puts brands at the heart of the world's greatest experiences. It includes the brand consultancy Fast Track, the athlete representation, rights management and activation business Essentially, the branding and wayfinding business Icon and the full-service global event business iLUKA. Following acquisitions during 2013, it now also includes the world's leading motorsports sponsorship agency JMI, and Shanghai-based People Marketing. As a result of these acquisitions, the division now has operations in the US and China as well as Brazil, Qatar and Abu Dhabi.

2013 Performance

Because the world's largest sporting events take place in even-numbered years, the revenues and profits of Icon and iLUKA, our two businesses with activities most directly related to these events, tend to follow a two-year cycle. In 2013, the year following the 2012 Olympic and Paralympic Games in London and preceding the Winter Olympics in Sochi, the Commonwealth Games and the FIFA World Cup in Brazil, revenues and profits for these businesses inevitably declined. This decline was exacerbated by some aspects of preparation for the World Cup beginning later than expected, which will have the impact of increasing revenues in 2014.

Elsewhere, there were good performances from Fast Track, which took the lead role in activating HSBC's sponsorship of the successful British and Irish Lions tour to Australia. The agency delivered a growing volume of sponsorship work for Land Rover, a fellow sponsor of the Lions tour, and continued its excellent sponsorship activation activity for Lucozade Sport. Meanwhile, Essentially forged the deal that makes Waitrose the shirt sponsor for the England cricket team, just part of a solid performance that also saw the agency pick up significant activation business from PruHealth Vitality, sponsor of the International Triathlon Union.

The motorsport opportunity

The acquisition of JMI, which was completed in November 2013, brings the world's leading motorsports sponsorship agency into the CSM Sport & Entertainment stable – and expands the division's global footprint in two important ways. Through motorsport, the division has access to significant new, annualised income streams that will offset the cyclical nature of our events-related businesses going forward, and through JMI itself, it has established a firm foothold in the valuable US market.

JMI handles sponsorship, rights management and activation for three separate motorsports: through F1 it reaches a global audience of more than 2.5 billion cumulatively, through IndyCar it provides access to a highly engaged audience of TV viewers each season, and in NASCAR, it has a lead role in the second-most watched sport in the US, with an annual TV audience of over 70 million.

As the leading sponsorship agency for these three sports, JMI is a powerful, complementary addition to the division, and its strong relationships with US TV networks provide a firm foundation for leveraging expertise in other sports within the US market.

Expanding our global footprint

During the year, the division also acquired the Shanghai-based communications and event management business, People Marketing, which greatly strengthens our presence in one of the most important emerging markets for sports sponsorship. People Marketing strengthens our offer to existing clients and other international brands looking to grow their presence within China, and also provides us with access to the growing market of Chinese companies seeking international sponsorship deals to help grow their global profile.

Strengthening our board

Our first full-year under the Chairmanship of Lord Sebastian Coe has been a positive one for the long-term development of the division, and we have made further moves to strengthen our board during the year.

JMI's founder and CEO Zak Brown has taken on an additional role with the CSM Sport & Entertainment board, overseeing global business development. Ian Priest, one of the co-founders of VCCP, also joins as Chief Operating Officer. The pair will work with Lord Coe, CSM Chief Executive Jim Glover and Deputy Chairman Edward Leask.

Building a divisional identity

Over recent years, CSM Sport & Entertainment has grown to be one of the world's largest sports marketing businesses, with 21 offices in 15 countries. Developing a clear, unified visual identity for the division will enable us to take full advantage of this increasing global scale, and this was a key priority for the leadership team during the second half of 2013. We will be rolling out this new identity during 2014.

Outlook for 2014

The outlook for the division in 2014 is positive, with significant activity for our businesses around all of the year's three major sporting events. In addition, we look forward to a positive contribution from both of the companies acquired in 2013.

The VCCP Partnership

The VCCP Partnership delivered not one, but two Agency of the Year performances during 2013. The VCCP agencies were recognised as Agency of the Year by advertising industry journal Campaign and as Digital Agency of the Year by the Interactive Advertising Bureau (IAB). Meanwhile, specialist financial services agency, Teamspirit was declared Agency of the Year by the Financial Services Forum. The division delivered extremely strong growth in revenues and profitability, with VCCP currently the fastest-growing marketing and communications agency in the UK.

The VCCP Partnership includes the VCCP agencies, an integrated marketing services business that offers advertising, content, search, social and media planning and buying services. It also includes the specialist financial services agency Teamspirit.

2013 Performance

The division delivered a year of extremely strong growth, with revenues increasing substantially and profits rising by almost 50%. This performance was founded on the investments that we have made in building capabilities for the modern era. The VCCP agencies offer a unique, full-service proposition that covers the disciplines of advertising, content, search, social and media planning and buying, which resonates strongly with clients seeking seamless, integrated solutions. The investments made by Teamspirit have ensured that it is strongly positioned to meet the demands of financial services clients for an agile, continuous campaigning approach.

VCCP topped the Campaign new business performance league for the year, with a 68% pitch conversion rate and major new business wins including Asda, Zapp, The AA, Avis/Budget, Which? and Royal London. It is the fastest-growing UK agency of the last decade and among the top five agencies in the UK, ranked by billings. Our media planning and buying business, VCCP Media, is shaking up the market through a digital-focused approach that bills for time only, and ranked third in Campaign's new business rankings in its first full year of operation.

By Division: Review and Outlook continued

Delivering famously effective campaigns

The success of the division's agencies is closely linked to the performance of the campaigns that we develop for clients. We place a firm emphasis on effective delivery against measurable client objectives, and this has earned a number of awards during the year.

VCCP has established a powerful reputation for commercially astute creativity, and for maximising the effectiveness of its campaigns by executing them across multiple platforms. Our 'Be More Dog' campaign for long-standing client O2 was the most shared ad in the UK during the year and the most viewed, shared and talked about ad in O2 history, it was also awarded Campaign of the Year by Campaign magazine. The 'Compare the Meerkat' work for comparethemarket.com was voted the country's favourite ad, and continues to drive significant growth for its client, and our 'easyJet Generation' campaign has helped to make easyJet the fastest growing company in the FTSE100. The content strategy developed by Teamsprint for Aviva earned it the Marketing Society's award for best B2B campaign during the year.

Commitment to innovation

We are committed to a process of continual innovation within the VCCP Partnership, developing start-up businesses in response to new technologies and opportunities, and ensuring that we continue to offer a seamless, full-service solution. The year saw the launch of Ex Nihilo, an executional think tank in the digital space that already numbers Telefonica, The AA and SAGA among its clients.

VCCP Content has proven one of the most effective start-ups in Chime's experience, and we developed the business further this year by combining it with our social media operation to create VCCP Kin. In a similar move, we have combined our data analytics and direct marketing businesses to create VCCP Me, and streamlined our media planning and buying operation with the merging of VCCP Search with VCCP Media. Such moves help to ensure that our commitment to innovation does not result in duplication between different, emerging parts of the business.

Progress in global markets

VCCP offices in Australia, Germany and Spain performed well during the year as we continue to develop our footprint in response to demand from existing clients. The division is open to opportunities to establish a position in additional overseas markets where strong demand exists for its integrated, multi-platform offering.

Outlook for 2014

Following five years of restricted budgets, the prospects for the marketing services industry as a whole are improving in the UK and overseas. The strength of the VCCP Partnership and Teamsprint's propositions ensures that both are well positioned to continue to benefit from this trend.

The Good Relations Group

In the middle of 2012, after the departure of Bell Pottinger, we formed The Good Relations Group as a 'grown up start up'. The Group brings together the remaining Chime companies doing corporate responsibility, public relations and customer advocacy work under a single proposition to help clients build trusted brands through good actions, good relationships and good recommendations

In 2013, we continued the repositioning of the group, aligning our offers, investing in top talent, and building awareness of the brand, while also growing the top line

The Good Relations Group comprises Corporate Citizenship, Harvard, Good Relations Brands, TTA Property, and InEvidence, which work together to help clients thrive through good actions, good engagement and good recommendation

2013 Performance

The Group delivered a strong new business performance, growing revenues by just under 5% year-on-year. The arrival of new clients such as Friends Life, Royal Mail, De Beers, Qualcomm, Cisco, B&Q and HTC enabled us to grow the top line whilst funding investment in talent and brand building. We maintained our profit, year-on-year.

In addition, we have continued to renew and build client relationships in a highly competitive environment. For example, we continue to work with Unilever after re-pitching successfully for the business. We have grown our work for Fujitsu and were voted their 'Agency of the Year' for 2013. Meanwhile, TTA Property continues to grow its high-profile work for the Berkeley Group, which was voted Britain's second Most Admired Company in 2013.

Investing in talent and leadership

We welcomed Jackie Brock-Doyle OBE as the new CEO of Good Relations Group, in June 2013. Her work as Director of Communications and Public Affairs for the London 2012 Olympic and Paralympic Games and previously as Head of Media and PR for the London 2012 bid has made Jackie one of the most admired figures working in public relations and communications. She was PR Week's PR Professional of the Year in 2012 and was recently listed in the Debrett/Sunday Times top 500 most influential people in Britain. Her decision to join the Group is a powerful affirmation of our vision and strategy going forward.

Jackie works alongside the Group's chairman Kevin Murray in leading a team that has been substantially reinforced and redeveloped to support the future strategy of the business. Our investment in new talent has included new directors of corporate communications and consumer public relations at Good Relations Brands, and the appointment of Amelia Torode, previously Chime's Head of Innovation and a Partner at VCCP, as Director of Strategy. We have also invested in top creative talent, as well as digital experts. We will continue to invest in talent as we build our proposition during 2014.

The Triple G rating measuring The Power of Good

In August 2013, the Good Relations Group launched its Triple G rating, a new measure of reputation that accounts for a brand's soft capital. The Triple G rating captures whether consumers rate a brand as a force for good, think it has a good relationship with them, and whether they would give it a good recommendation.

The Triple G rating was built on proprietary research commissioned by the Group and conducted by Chime Insight and Engagement, which asked more than 3,500 consumers to score 100 well-known consumer brands on the triple measures of 'Good Actions', 'Good Engagement' and 'Good Recommendations'. At the end of the process only 20 of the 100 brands achieved a positive 'Triple G' across all three elements, ensuring the exclusivity of this rating.

The launch of the Triple G rating produced an immediate impact in the marketplace, with Marketing Week devoting its cover and a 6-page feature to the concept. It has proven an invaluable tool in focusing the agenda of brand marketers on perceptions of Good as the essential currency of reputation, opening up senior-level conversations and opportunities with current and potential clients. We will be building on this success by developing an equivalent Triple G rating for b2b brands during 2014.

Brand development

The strength of the Power of Good positioning and our continuing thought leadership are reinforced by the unified brand identity that we introduced across all of the Group companies during 2013. This embeds our central proposition whilst respecting the importance to our offer of brands such as Corporate Citizenship, Harvard, Good Relations Brands, InEvidence and TTA Property.

By Division: Review and Outlook continued

One of our most effective pieces of thought leadership was Chairman Kevin Murray's best-selling business book, *The Language of Leaders*, which helped to generate opportunities and several new clients. His new book, *Communicate to Inspire*, has just gone on sale and will form the cornerstone of several marketing events and dinners in 2014.

As part of our brand re-organisation, we have incorporated our public affairs and political business within our corporate offer. We remain firmly committed to this area and will continue to provide expert consultancy under the Good Relations Brand Communications banner.

Embedding digital at the heart of the offering

Good Relations Group is ranked as one of the UK's top six digital communications agencies, based on the proportion of its revenues represented by digital business. Digital remains absolutely fundamental to our offer in the market, and is the key driver of the consumer advocacy that the Power of Good enables and the Triple G rating helps to measure. We continue to invest significantly in digital training and talent development, including through our innovative partnerships with the likes of Google and Twitter. We specialise in optimising communications across the full range of digital platforms, and social media monitoring is core to the service we offer.

Outlook for 2014

We expect the encouraging new business performance of the Group to continue during 2014, as we complete our repositioning of the business and continue to invest in brand and talent. This year we will be focusing on improving margin, innovating and expanding our products and services while building the platform for accelerated growth in revenues and profitability during 2015.

Chime Insight & Engagement Group

Chime Insight & Engagement Group (CIE) delivered an excellent performance during 2013, with strong growth across the division's businesses, improving margins and a digital offering that has connected with client demand for real-time, actionable insight. The strong growth achieved in both revenue and profitability made this the most successful year in the division's history.

Chime Insight & Engagement consists of the research agencies Brand Democracy, Cherry Picked, Facts International, Naked Eye, Opinion Leader, and Watermelon Research. Together these offer a full range of digital, telephone-based and face-to-face techniques for qualitative, quantitative and deliberative research. Watermelon Research, a digital research solution that connects businesses to the voice of the consumer in real-time, is ideally suited to the demands of the Big Data era.

2013 Performance

Our businesses delivered robust revenue growth during the year, with a particularly strong performance from Watermelon Research in its second year of operation. Continued growth in face-to-face and telephone-based research helped to drive the most profitable year in the history of Facts International. Meanwhile, the Opinion Leader business continues its good performance, with the qualitative operation attracting significant repeat business and new clients from the public and private sectors, and its recently launched quantitative offer dovetailing with the division's in-house fieldwork capabilities to drive additional revenue.

The rapid expansion in demand for Watermelon's offering provided the dominant theme of the year. It demonstrates that the division is extremely well placed to meet the growing demand for real-time customer feedback, and the requirement for businesses to derive clear insight from Big Data. Watermelon bridges the gap between research and technology, providing its customers with instant management information through bespoke multi-platform dashboards, as well as proprietary research and consultancy services. It enables immediate responses to customer experience and has quickly established itself as an essential information tool. The business has become Chime's most successful ever start-up, and has grown to a team of 20 people in under two years.

Continuing commitment to innovation

We remain committed to innovation, and the expansion of the division's offer through start-ups. During 2013, we launched Cherry Picked, a specialist offer focused on profiling and recruitment for focus groups and depth interviews, which achieved profitability in its first year of operation. We will continue to explore the potential of new research techniques and delivery models as they emerge.

Expanding footprint in Australia

Our operation in Australia provides a strategic advantage in enabling our businesses to deliver 24-hour service to clients and turn around the rapid insight that decision-makers increasingly require. We launched Watermelon Research in Australia this year, and Watermelon, Facts International and Opinion Leader are generating increased traction from our Sydney base.

Strengthening our consultancy line-up

We continue to invest in attracting the best research talent to the CIE, with a number of additional senior-level hires during 2013. In continuing to bolster our line-up of senior directors, we are able to grow the contribution of consultancy services to the division's overall revenues, further helping to improve margins for our business.

Outlook for 2014

The capabilities that drove an excellent performance in 2013 will continue to provide strong advantages against the backdrop of an improving research market. We expect demand for Watermelon Research's innovative, digital offer and Facts International's fieldwork services to continue to grow.

OPEN Health Group

With significant growth in revenue and profitability, OPEN Health consolidated the position it has rapidly established as a leader in the European healthcare market. At the same time, it has continued to develop its marketing, communications and market access offer to touch the most important growth areas for the sector.

OPEN Health includes the advertising and brand communication practice, OPEN LEC, the medical education agency Succinct, the healthcare public relations business Reynolds-MacKenzie, the medical market research agency OPEN Plan, the digital operation The EarthWorks, and real world data experts pH Associates and Harvey Walsh. Following launches during 2013 and early 2014, it also includes the market access consulting company, OPEN Access Consulting, and the patient-focused marketing and communications agency, Engage.

This network of businesses constitutes a full-service marketing and market access offer, operating across the UK and Europe under the OPEN Health umbrella brand, and with a particular focus on the pharmaceutical sector.

2013 Performance

The Group delivered a good performance in 2013, with significant revenue growth across both of its core business areas. We have maintained margins whilst successfully incorporating the businesses acquired during the previous year, and this has ensured healthy growth in profitability. The Group now works for roughly 90% of the world's top 40 pharmaceutical companies, delivering solutions for 115 clients and 190 brands.

Growth was strongest of all for our market access businesses, pH Associates and Harvey Walsh. These address a growing demand for an evidence-based approach that can make the case for new pharmaceutical treatments on the basis of economic impact as well as health benefits. The ability to leverage scientific, economic and medical data to demonstrate cost-efficiency and return on investment is now vital for companies presenting to buying organisations such as the NHS and NICE. It therefore represents an increasing focus for pharmaceutical marketing budgets.

By Division: Review and Outlook continued

Developing our offer in growth areas

We have continued to build our offer in high-growth areas by launching and developing businesses that address the key priorities for the pharmaceutical sector

The launch of OPEN Access Consulting adds an important dimension to our market access proposition, building on the data capabilities provided by PH Associates and Harvey Walsh with a consultancy offer that delivered good growth in its first year

On the marketing and communications side, we launched Engage, a new agency focused on patient insight and engagement, and reflecting the growing influence that patients have over their own treatment as information on medicines becomes readily available online

The continued development of our digital marketing communications business, The EarthWorks addresses an area of increasing importance for marketing to healthcare professionals, buying organisations and patients alike. Whether communicating directly with patients or doctors or putting collateral into the hands of field sales teams, there is an increasing demand for multi-platform digital capabilities – and this is what The EarthWorks has been designed to provide. The business delivered strong growth in its first year, with work for Pfizer, GlaxoSmithKline and AbbVie

Building synergies across our businesses

One of the great strengths of the OPEN Health Group is our ability to add value for clients by providing services across several of our businesses. The Group currently has the largest proportion of shared clients within Chime, and connecting the different elements of our offer is a natural source of opportunity in our sector. We strengthened the connections between our businesses in 2013 when we moved our Succinct medical communications business to our offices in Marlow, where it forms part of a growing campus of Open Health operations

International footprint

Our marketing communications businesses have been able to establish a strong international footprint thanks to the position of the UK as a key hub for clients managing regional and global campaigns. It is our intention to build on this initial advantage through developing our presence in other key regional buying hubs, and we are actively exploring opportunities for increasing our share of work commissioned from North America, Asia Pacific and mainland Europe

Outlook for 2014

We expect the areas that drove growth for our businesses in 2013 to continue to do so over the coming year. Market access and patient engagement remain particular priorities for the pharmaceutical sector, as does the requirement to reach all audiences across a growing range of digital platforms. For these reasons, we expect our recent launches to continue to deliver good growth in the year ahead

HOW WE MEASURE OUR PROGRESS

Chime measures its delivery against strategic goals via six key performance indicators. These are:

- earnings per share;
- profit margin;
- income from overseas businesses;
- average fee per client;
- income from clients utilising more than one Chime group company; and
- working capital.

Earnings per share, profit margin and working capital are measures of direct relevance to shareholders. The progress on shared clients, income from overseas businesses and average fee per client are indicators of our progress towards our strategic goals. We report against these KPIs for each financial period. Progress over the last four years is shown on page 3.

In addition to our performance towards achieving our financial goals we also measure our impact on the environment, levels of employee engagement and, for the first time this year, the gender diversity within our business. It is our intention to keep the levels of monitoring and disclosure under review to ensure that we give a fair and understandable view of not only our targets but our continuing performance, both financial and non-financial.

Risks and Uncertainties

The Board has considered the risks and uncertainties affecting the Group as at 31 December 2013 and these are summarised below. The Group has specific policies and processes in place to ensure risks are properly evaluated and managed at the appropriate level within the Group. These policies are set out in the Directors' Statement on Corporate Governance in the section headed Internal Control on page 51.

In addition to the general economic and competitive risks affecting businesses operating in the Group's markets, the following are considered to be the principal risks impacting the Group. These risks are regularly assessed and monitored by the senior management team in each Division and by the Executive Management Team. The Audit Committee reviews the Group's systems of risk management as part of its duties.

RISK	MITIGATION / COMMENT
INTERNAL RISKS	
Reputation and sustainability	
Damage to Chime's reputation as a result of failure, or an issue, concerning a high profile individual, project or brand	<p>Chime's business is maintaining and enhancing the reputations of brands, corporates and individuals. As such, management is aware and acknowledges the exposure it has to such issues occurring. Such exposure is expressly considered as part of the risk management process, both in terms of maintaining our own reputation and that of our individual key staff.</p> <p>Mitigated by operating Companies and their internal procedures and processes aimed at delivering excellent services. Risk assessments are also undertaken on major projects (e.g. World Cup 2014 and Olympics 2016). Crisis management and recovery protocols are in place to mitigate possible risks.</p>
Security of Data	<p>The Group works for a number of clients where we hold not only confidential data but data on our clients' customers. We work with clients to ensure that the current disciplines and secure means of storage, process and transfer are appropriate.</p> <p>Our systems are tested regularly for business interruption incidents and that security levels remain fit for purpose.</p>
<ul style="list-style-type: none"> • Data loss or breach of client confidentiality due to inadequate security of data • Failure to adequately protect data could impact the Group's reputation and create the risk of litigation and/or the loss of business 	
<ul style="list-style-type: none"> • Marketing ethics, compliance with marketing standards • Failure to comply with laws, industry codes or governing bodies could impact the Group's reputation and its relationship with clients 	<p>Chime has a set of core values (see page 26) together with a Code of Conduct applicable to all staff. Individual Divisions and/or agencies will have additional measures applied due to their market, operating discipline or culture.</p> <p>Each Division is responsible for meeting both Chime's overall values in the manner best suited to each business. Where appropriate, compliance officers and ethics committees lead the process. Overall compliance is a measure undertaken via our risk management processes.</p>

Risks and Uncertainties continued

RISK	MITIGATION / COMMENT
Reputation and sustainability	
<p>Inappropriate Use of Social Networking</p> <ul style="list-style-type: none"> Client disputes and reputational loss due to staff misconduct on social networking sites is a risk faced by all businesses 	<p>Our Group values (see page 26) underpin everything that we do</p> <p>Our induction programmes and employment standards convey the required levels of behaviour expected of our staff. The Group continues to review this area and has increased the emphasis on avoiding the improper use of social media</p>
<p>Disaster Recovery Plans</p> <ul style="list-style-type: none"> A significant loss of resources (eg property, a key individual or technical resource) 	<p>Each Company, building and IT infrastructure network has its own tailored disaster recovery plan and it is the responsibility of the local management team to continue to develop these</p> <p>A Group-wide review project will take place in 2014 ensuring that disaster recovery plans are in place for all key resources</p>
Legal and regulatory – Regulatory and statutory changes	
<p>The Group may be subject to regulations affecting its activities which could have a material adverse impact on the Group's financial position</p>	<p>The Group actively monitors any proposed regulatory and statutory changes and, under the guidance of the Audit Committee, develops a response comparable to the risks or exposures faced by our operations due to such changes</p>
<p>Changes in tax and accountancy laws or their application may also adversely affect the Group's reported results</p>	
Legal and regulatory – Bribery and corruption	
<p>All businesses are exposed to the threat of corruption</p> <p>The winning of business and logistical issues within our operations could give rise to bribery</p>	<p>Chime's stated values, Code of Conduct and the formalisation of processes to meet the risks of corruption are in place and appropriate for our business</p> <p>Our policies and procedures remain under review by the Audit Committee whilst compliance is monitored by management and our internal audit function</p>
Financial risks	
<p>Recoverability of debtors</p> <ul style="list-style-type: none"> The Group may be unable to collect balances due from clients that have filed for bankruptcy or become insolvent The Group's cash flow requirements may be adversely affected by delays in collections from clients and the slow receipt of cash 	<p>Client credit worthiness is assessed and monitored on an on-going basis. If necessary, credit insurance or payments in advance are sought</p> <p>In the current economic climate the Group has seen client pressure to extend credit terms. Whilst this is challenged where possible, cash flow impact is monitored to ensure that sufficient financial resources are available</p>

RISK	MITIGATION / COMMENT
Financial risks	
Undetected fraud and cash thefts	The financial results and forecasts of each Group Company are rigorously monitored and analysed on a monthly basis
<ul style="list-style-type: none"> Fraud taking place within the Group which remains undetected and escalates leading to a cash loss and/or reputational impact for the Group 	All Group Companies are subjected to an Internal Audit review when bank and cash controls, purchase approvals and payment authorisations are reviewed and tested
Reporting Procedures	Whilst the Group's current reporting systems and processes are fully functioning and effective, the Group is in the process of implementing a new group reporting and consolidation system which should streamline the reporting process. This will be in place by the end of 2014
<ul style="list-style-type: none"> Errors and efficiency losses as a result of not having accurate and timely reporting and consolidation 	
Acquired Goodwill and Intangible Assets	The Group has a significant amount of goodwill and other acquired intangible assets recorded on its balance sheet with respect to acquired companies that may become impaired if business performance does not meet expectations
<ul style="list-style-type: none"> Acquired goodwill and other intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired 	The Group performs due diligence on all acquisitions and this forms part of the Board's assessment of each proposed transaction. In addition, future events could cause the Group to conclude that the asset values and goodwill associated with a given operation have become impaired. Performance, both historic and forecast is measured on a monthly basis
Revenue Recognition	Revenue recognition is determined by the contract and Chime's revenue recognition policy
<ul style="list-style-type: none"> Revenue incorrectly recognised within Company financial statements Either as a result of revenue recognised in the wrong accounting period or revenue which has not yet been earned as per contract clauses 	<p>Company and Divisional finance teams are responsible for monitoring and recording revenue in the correct manner and as per client contracts</p> <p>Revenue provisions are reviewed and tested across the Group on a monthly basis by Chime Central</p> <p>All Group companies subject to an annual Internal Audit where revenue provisions are tested</p>
Currency exchange rate fluctuations	
The Group operates globally, as explained in note 3 to the financial statements. Fluctuations in exchange rates between currencies, in which the Group operates, relative to pounds sterling, may cause fluctuations in its financial results, particularly in the current economic climate within the Eurozone	An assessment has been performed of the impact of significant fluctuations in exchange rates of the main foreign currencies used by the Group, as shown in note 38 of these financial statements
The main currencies which impact the Group's operations are the Euro, Brazilian Real and US Dollar	On negotiation of contracts and where possible client commitments are made in pounds sterling to alleviate risk

Risks and Uncertainties continued

RISK	MITIGATION / COMMENT
Client dependency	
<p>The Group receives a significant proportion of its revenues from a limited number of large clients, and the loss of those clients would adversely impact the Group's prospects, business, financial condition and result of operations</p>	<p>A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. Our largest client represented 12.5% of operating income in the year ended 31 December 2013 (2012: 12.5%). Our top 30 clients represented 44% of total income compared to 49% in 2012.</p>
	<p>The Group continues to maintain strong relationships with key clients and seeks to establish reputations in the industry that will attract and retain further key clients and talent.</p>
	<p>Due to the number of services provided by the Group and the drive for cross Group working, on many occasions a shared client may be secured under a number of contracts. The loss of one contract does not necessarily mean the loss of that client.</p>
Retention of key personnel	
<p>The Group is dependent on the talent, creative abilities and technical skills of its personnel, as well as their relationships with clients.</p>	<p>The Group seeks to retain and develop personnel at all levels. The Group's future success is dependent on the continuity of services to clients and the retention of knowledge and relationships within the Group. The loss or lack of development of personnel could have a material adverse effect on the Group's business. The Group and its Divisions continue to design and implement training schemes in order to further motivate and develop staff.</p>
<p>If the Group were unable to attract and retain its key talent, or had inadequate talent management and succession planning for key management roles, the Group's performance would be adversely affected through client losses and profitability.</p>	<p>Key employees are members of incentive plans which link remuneration to Company performance. These are designed to motivate and drive both the achievement of short term objectives and retain and reward staff in the long term.</p>
	<p>Succession planning in terms of both management positions and relationships with clients is reviewed on a regular basis and is a recurring item highlighted during the Group's risk management process.</p>
	<p>Additionally, insurance is procured for key individuals at a level to reflect the fee earning potential of the individual concerned.</p>

RISK	MITIGATION / COMMENT
Mergers and acquisitions	
The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions and may be unsuccessful in integrating any acquired operations within its existing businesses	<p>Business, legal, tax and financial due diligence carried out prior to acquisition to seek to identify and evaluate material risks and plan the integration process</p> <p>Board oversight of material acquisitions and performance of recent and prior acquisitions</p> <p>Divisions are responsible for integrating and embedding their acquisitions. This will include Chime wide guidelines and processes</p> <p>All new acquisitions are subject to Internal Audit reviews</p>
Authority to commit	
Companies may exceed their power of authority and unilaterally enter into agreements which require the express approval of Chime Group	<p>Standards and authority levels have been set by the Group</p> <p>Company and Divisional Heads are aware that authority thresholds are in place limiting their power of authority. Where applicable, additional Chime authority is required</p> <p>This is subject to review by Internal Audit</p>
Contractual terms	
Financial uncertainty through loss of client or legal disputes with client	<p>Guidance on acceptable liabilities and commitments are established. Any requirement above these pre-determined limits requires Group approval. Major contract terms are verified by the Company, Divisional and Group legal departments</p> <p>Once legal commitments are established in client contracts, levels of financial commitment (either in external procurement or a commitment of resources) are controlled accordingly. This process is a subject of focus by Internal Audit as part of the regular review of the application of our control framework</p>
Management of overseas operations	
Operational control being less effective due to distant central management	We recognise that expansion internationally places demands on our management structure. Whilst Chime has a divisional structure we are developing a regional matrix which will meet the demands of expansion into new territories
Over-reliance on key individuals within an overseas office	Oversight of start-ups and smaller acquisitions in remote markets is undertaken by both Divisional and Group management and remains under constant review
Many of the overseas offices are small and contact with Chime is at times reliant on a small group of individuals	Regular contact is maintained with the overseas offices via reporting. Visits are made on an annual basis by the Internal Auditor

Risks and Uncertainties continued

RISK	MITIGATION / COMMENT
EXTERNAL RISKS	
Economic and political environment	
The Group operates in a number of territories with varied economic and political environments which could affect trading and profitability	The Group has reviewed the controls over authority levels for commitments to capital expenditure and working capital and these are deemed appropriate. Control processes are monitored and exceptions reported via the Audit Committee
Reductions in client spending, renegotiation of contract terms, or switching of client expenditure to non-traditional media may lead to reduced profitability	The Group has invested in non-traditional media and has put digital and social media at the heart of campaigns
Political Risks. Such as the effects of political uncertainty, economic disruptions (e.g. sanctions) could influence both revenue and/or cash flow streams	The Group, and in particular, CSM, is involved in the delivery of major sporting and entertainment events. An assessment of each event is undertaken to ensure that potential exposure and liabilities are reduced by advance funding by the client and/or by appropriate insurance. For global events (such as the FIFA World Cup or Olympics) it is likely that events would be delayed and rescheduled rather than cancelled
Business environment	
The Group may be exposed by changes within the wider business environment, which may adversely impact its Companies	Members of executive management within Companies and Divisions are responsible for identifying, reporting and mitigating key risks facing their business, both in the short and long term
For example, governments, government agencies and industry bodies may adopt statutes, regulations or codes of practice that directly or indirectly affect Group companies and their current business models and strategies	Changes to the business landscape are actively identified by management and where necessary, alterations are made to business models and strategies in order to suitably react to adverse market conditions and maintain growth
Increased industry competition	
The Group competes in a highly competitive industry. The competition for new clients and additional business is increasingly competitive, particularly in the current economic climate. Loss of clients and decreased business may reduce market share and decrease profits	Group Companies continue to establish reputations in their industries that attract and retain clients through the consistent delivery of quality creative services
Increased pricing pressure from existing and new customers	The Group is structured into Divisions which operate in different industries – from a Group perspective, this further mitigates the risk
Procurement of marketing and event services face increased pressure on pricing and increased deliverables. This may lead to a reduced margin	The Group has increased its legal and new business resources in order to meet the demands of client procurement processes. Profit margin remains a key performance indicator for subsidiary companies and for the Group as a whole

A Fair Review of the Business

Principal activities and business model

For management purposes, the Group is currently organised into five operating segments: Sport & Entertainment, Advertising and Marketing Services, Public Relations, Healthcare and, Insight & Engagement.

Principal activities are as follows:

Sport & Entertainment

The Sport & Entertainment division is the fastest growing Sport & Entertainment group in the world, and includes ICON, the Essentially Group, iLUKA, Fast Track and most recently JMI and People Marketing. In the UK market, Fast Track and Essentially are number one and number two respectively in the sponsorship leagues tables (Marketing Magazine, November 2012).

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, data consultancy and technical design, multimedia content, youth marketing and experiential, marketing consulting, retail and shopper marketing and specialist media planning and buying. It also specialises in the niche market of financial services.

Public Relations

The Good Relations Group is a fully integrated brand communications and CSR consultancy servicing more than 400 clients in the UK and internationally. Companies include Corporate Citizenship, a best-in-class global CSR consultancy, inEvidence, a market-leading and global business-to-business customer advocacy agency, Good Relations Brand Communications, one of the UK's leading consumer brand and B2B public relations agencies, Harvard, a renowned technology public relations business, and TTA Property, an award-winning property public relations business.

Insight & Engagement

The Insight & Engagement division brings together some of the country's leading insight specialists with the most extensive and innovative research solutions to help their clients to reach faster conclusions, make better decisions and develop more informed solutions. The Insight & Engagement division is made up of Opinion Leader Research, Facts International and Watermelon Research.

Healthcare

Open Health, a healthcare communications and market access group, was formed in 2011, and comprises organically developed and acquired businesses. The group brands are Open LEC, Open Plan, Reynolds-MacKenzie, Succinct, The Earth Works, Harvey Walsh and pH Associates.

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

- a review of the performance and development of the Group's business during the year, its position at the year end and its prospects is set out in the Chief Executive's Statement, the divisional reviews and outlook and this fair review of the business. The principal risks and uncertainties facing the Group are described on pages 15 to 26.
- details of the principal subsidiaries are set out in note 18, and
- the Group's use of financial instruments is set out in note 38 of the financial statements.

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

On 5 March 2014 the Group acquired 100% of The Blaze Agency Pty Ltd, a company incorporated in Australia, for initial consideration of AUD\$2,000,000 (£1,073,000). Additional consideration is payable contingent on the results of the business, capped at the maximum of AUD\$4,000,000 (£2,146,000).

Headline and statutory results

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

A Fair Review of the Business continued

Key Performance Indicators ('KPIs')

The Group manages its internal operational performance using a number of KPIs. The most important of these are as follows

	2013	2012
Headline operating profit ¹	£25.8m	£25.8m
Reported operating profit	-	£4.9m
Headline operating profit margin ¹	15.2%	16.4%
Reported operating profit margin	-	3.1%
Diluted headline EPS ¹	19.5p	21.3p
Diluted reported EPS	(12.6p)	(4.5p)
Headline profit before tax ¹	£25m	£25.4m
Reported (loss)/profit before tax	£4.7m	£2.5m
Average fee income per client	£99,000	£91,000
% of operating income from clients shared by more than one business in the Group	68%	68%
% of operating income from overseas offices	19%	12%

¹ The appendix to this report includes a reconciliation of these headline numbers to the reported numbers. The headline numbers adjust for the following

All numbers and comments shown in this section are headline unless otherwise stated. The appendix to this announcement shows a reconciliation of these headline numbers to the reported numbers. The headline numbers adjust for the following

- Deemed remuneration charge add back in respect of the change in accounting policy for earn-out payments including LLP capital based payments
- Add back of charges to the income statement in respect of amortisation of intangible assets, impairment of goodwill (see note 8) and costs relating to acquisition and restructuring
- Discontinued business that does not meet the definition of discontinued operations under the accounting standard. This related to the geopolitical business within Bell Pottinger and our disposal of MMK

Operating profit, profit before tax and earnings per share

Headline operating profit¹ in line with 2012 to £25.8 million (2012: £25.8 million) and headline profit before tax¹ decreased by 2% to £25 million (2012: £25.4 million). Headline diluted earnings per share¹ decreased from 21.3p in 2012 to 19.5p in 2013.

Reported operating profit decreased to £19,000 (2012: £4.9 million) and reported loss before tax increased to £4.7 million (2012: Profit of £2.5 million). Reported loss per share increased to (12.6p) from (4.5p) in 2012.

Financial Position	Assets £'000	Liabilities £'000	Net assets £'000
Property, plant and equipment	9,837	-	9,837
Goodwill and intangible assets	234,636	-	234,636
Investments	6,603	-	6,603
Current assets and liabilities	88,455	(93,810)	(5,355)
Deferred tax	2,833	-	2,833
Other financial assets	382	-	382
Long term provisions	-	(652)	(652)
Deferred consideration and deemed remuneration	-	(23,884)	(23,884)
Total before net debt	342,746	(119,003)	224,632
Net debt	-	(40,585)	(40,585)
Total as at 31 December 2013	342,746	(159,588)	184,047
Total as at 31 December 2012	260,223	(103,627)	156,596

Deferred consideration and deemed remuneration

The estimated earn-outs (which include consideration treated as deemed remuneration) payable in 2014 total £8.6 million and are payable £5.2 million in cash or loan notes and £3.4 million in shares.

Details of the maximum amounts payable are included in notes 28 and 29 to the financial statements.

Cash flow and banking arrangements

Net debt at 31 December 2013 was £40.6 million compared to £4.2 million cash at 31 December 2012. Net bank debt at 31 December was £39.8 million compared to £4.2 million cash at 31 December 2012.

On August 2012 the Company entered into a £45m multi-currency revolving credit facility with RBS and on 13 June 2013 HSBC was joined to the facility as an additional lender. On 24 October 2013, HSBC's commitment under the facility extended to £45m, increasing the total commitment under the facility to £95m. This runs until September 2016, with an interest rate of between 1.75% and 2.75%, depending on use of facility compared to EBITDA.

Capital expenditure and investment

Total capital expenditure for 2013 was £6.1 million (2012: £3.1 million). The main categories of investment was fixtures, fittings and computers (£3.3 million).

A Fair Review of the Business continued

The bi-annual sports cycle

A significant proportion of our business is now in sports marketing and major events such as the Olympics and the FIFA World Cup take place in 'even' numbered years. This results in an increased variance in the level of income opportunities. Our other businesses in advertising and marketing services, public relations, healthcare and insight and engagement partially moderate this effect.

In 2013, Chime acquired JMI, the leading motorsports marketing specialist with a foundation in the USA and worldwide operations centred additionally in London and Hong Kong. Formula 1, NASCAR and IndyCar have annual seasons which will further help smooth any disparity between even and odd numbered years. JMI also gives CSM a major foothold in North America, the world's largest sports market.

Procurement

The Group operates a divisional procurement function which is co-ordinated from the Group centre. This utilises 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 2013 was 26% compared to 28% for 2012.

The effective tax rate excludes amortisation of intangibles, impairment of goodwill, write down of investments, costs of acquisitions and deemed remuneration, none of which are tax deductible.

The rate is expected to continue to reduce in future years particularly as the Group pays the majority of its tax in the UK where the rate of corporation tax continues to fall.

Finance costs

Finance costs net of interest receivable were £1.6 million. In addition there was a charge of £0.7 million in relation to the finance cost of deferred consideration and deemed remuneration.

Treasury policy

The Group's treasury policy is detailed in note 38 to the financial statements.

Capital structure

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

Going concern basis

The Group meets its day to day working capital requirements through a £95 million rolling overdraft facility and a committed facility which matures in September 2016.

In preparing forecasts the Directors have taken into account the following key factors:

- the rate of growth of the UK and global economy on the Group's business during the economic recovery,
- key client account renewals,
- planned acquisitions and disposals,
- anticipated payments under deemed remuneration and deferred and contingent consideration,
- the level of committed and variable costs, and
- current new business targets compared to levels achieved in previous years.

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

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

More detail on the Group's cash position and facilities at 31 December 2013 as well as maturities of the financial liabilities, can be found in note 38 to the financial statements. The principal risks and uncertainties faced by the Group are included in the Directors' Report on pages 30 to 32. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 34.

Approval

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

Robert Davison

Group Secretary
26 March 2014

A Fair Review of the Business continued

RECONCILIATION OF HEADLINE TO REPORTED NUMBERS

Reconciliation of Income Statement to headline results for the year ended 31 December 2013

The reconciliation below sets out the headline results of the group and the related adjustments to the reported Income Statement that the Directors consider necessary in order to provide an indication of the underlying trading performance

	Headline		Adjustments		Statutory Income Statement	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Continuing operations						
Revenue	298 485	329 681	701	14,553	299 186	344 234
Cost of sales	(128 971)	(172 838)	(86)	(11 606)	(129,057)	(184 444)
Operating income	169,514	156,843	615	2,947	170,129	159,790
Operating expenses	(143,674)	(131,051)	(26,436)	(23,846)	(170,110)	(154,897)
Deemed remuneration			7 800	11 273		
Loss/(profit) on business being discontinued			253	1,077		
Amortisation of acquired intangibles and goodwill impairment			5 281	2,944		
Costs of acquisitions and restructuring			12,487	5 605		
Operating profit	25,840	25,792	(25,821)	(20,899)	19	4,893
Other gains and losses	-	-	(3 225)	(1,677)	(3,225)	(1 677)
Share of results of associates	1 053	611	(361)	(51)	692	560
Investment income	66	27	-	-	66	27
Finance costs	(1,637)	(664)	-	-	(1 637)	(664)
Finance cost of deferred consideration	(309)	(325)	-	-	(309)	(325)
Finance cost of deemed remuneration	-	-	(345)	(270)	(345)	(270)
Profit before tax	25,013	25,441	(29,752)	(22,897)	(4,739)	2,544
Tax	(6,501)	(7 090)	2,072	1,890	(4 429)	(5 200)
Profit for the period from continuing operations	18,512	18,351	(27,680)	(21,007)	(9,168)	(2,656)
Discontinued operations						
Profit/(loss) from discontinued operations	(3 428)	938	3 428	1,852	-	2 790
Profit for the period	15,084	19,289	(24,252)	(19,155)	(9,168)	134
<i>Attributable to</i>						
Equity holders of the parent	13,421	17 879	(24 252)	(19,155)	(10,831)	(1 276)
Minority interest	1 663	1,410	-	-	1 663	1,410
	15,084	19,289	(24 252)	(19,155)	(9,168)	134
Earnings per share						
<i>From continuing and discontinued operations</i>						
Basic	15 65p	22 25p			(12 63p)	(1 59p)
Diluted	15 50p	21 86p			(12 63p)	(1 59p)
<i>From continuing operations</i>						
Basic	19 65p	21 65p			(12 63p)	(4 47p)
Diluted	19 47p	21 27p			(12 63p)	(4 47p)

Headline figures are presented with the exit of the MMK – Good Relations Group GmbH and Conduit Marketing Limited businesses classed as discontinued operations

Reconciliation of business segments to adjusted results for the year ended 31 December 2013

	Headline Operating Income		Adjustments		Reported Segmental Operating Income	
	2013	2012	2013	2012	2013	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Sport & Entertainment	55,576	65,942	-	-	55,576	65,942
Advertising and Marketing Services	65,601	54,255	206	58	65,807	54,313
Public Relations	20,819	18,186	409	2,889	21,228	21,075
Healthcare	18,451	10,852	-	-	18,451	10,852
Insight & Engagement	9,067	7,608	-	-	9,067	7,608
	169,514	156,843	615	2,947	170,129	159,790

	Headline Operating Profit		Adjustments		Operating Profit	
	2013	2012	2013	2012	2013	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Sport & Entertainment	10,036	15,759	(19,537)	(15,320)	(9,501)	439
Advertising and Marketing Services	8,019	4,486	(3,782)	(516)	4,237	3,970
Public Relations	2,087	1,887	(728)	(1,085)	1,359	802
Healthcare	3,866	2,259	(1,267)	(826)	2,599	1,433
Insight & Engagement	2,826	2,193	(159)	(68)	2,667	2,125
	26,834	26,584	(25,473)	(17,815)	1,361	8,769
Unallocated corporate expenses	[994]	[792]	[348]	[3,084]	[1,342]	[3,876]
Operating profit	25,840	25,792	(25,821)	(20,899)	19	4,893
Other gains and losses	-	-	(3,225)	(1,677)	(3,225)	(1,677)
Share of results of associates	1,053	611	(361)	(51)	692	560
Investment income	66	27	-	-	66	27
Finance costs	[1,637]	[664]	-	-	[1,637]	[664]
Finance cost of deferred consideration	[309]	[325]	-	-	[309]	[325]
Finance cost of deemed remuneration	-	-	(345)	(270)	(345)	(270)
Profit before tax	25,013	25,441	(29,752)	(22,897)	(4,739)	2,544

	Headline Operating Profit Margin		Operating Profit Margin	
	2013	2012	2013	2012
	%	%	%	%
Sport & Entertainment	18.1%	23.9%	[17.1%]	0.7%
Advertising and Marketing Services	12.2%	8.3%	6.4%	7.3%
Public Relations	10.0%	10.4%	6.4%	3.8%
Healthcare	21.0%	20.8%	14.1%	13.2%
Insight & Engagement	31.2%	28.8%	29.4%	27.9%
	15.8%	16.9%	0.8%	5.5%
Unallocated corporate expenses	-	-	-	-
	15.2%	16.4%	0.0%	3.1%

Headline figures are presented with the exit of the MMK – Good Relations Group GmbH and Conduit Marketing Limited businesses classed as discontinued operations

Our Performance as a Responsible and Sustainable Business

ETHICS AND INTEGRITY

Our values

Chime is a group of companies with a diverse range of cultures across its subsidiary businesses. The Group sets standards of behaviour which it expects the companies to meet irrespective of their market, their communication discipline, or their culture. Our core values are the foundation of our standards.

Our values are expressed and find meaning through the way we behave and the responsibilities we accept towards our shareholders, customers, colleagues, and the communities we serve.

We have adopted a new description of our values **SCORE**

- **Social** – Reinforcing our view that groups work where collaboration is second nature, where there is a mutual understanding, respect and trust
- **Curious** – Curiosity leads to continuous questioning, learning and understanding. Innovation drives our development into new markets, and via new ideas and new technologies
- **Open** – Open minds lead to better ideas and better relationships. An awareness of others and our operating environments will enhance our business, keep it agile and flexible to meet a diverse range of challenges
- **Responsible** – We should be a force for good in the way we do business. It is right to act ethically, responsibly and with consideration to all our stakeholders. It is also good business
- **Entrepreneurial** – A 'can do' approach that encourages innovation, high standards and drives new ventures

Ethics

Chime companies manage reputations of brands, individuals, commercial and governing organisations. We recognise that reputations are made on how you act, not just what you say, but what you do, and how you do it. The Group sets standards of behaviour for companies to meet but does not prescribe the process of compliance allowing processes to be embedded within the many cultures found in the Group.

This ensures we meet all relevant laws, regulations and codes of practice issued by any government or appropriate regulator in the markets in which we operate. In addition, we recognise that integrity is essential to the maintenance of our own reputation in the marketplace. As part of our regular review process, issues of conduct are identified, reviewed and the Board is alerted as appropriate.

Our Code of Conduct (see below) formalises the values, behaviour and ethical standards expected of Chime employees.

Anti-corruption

Our Code of Conduct covers honest business practice and prohibits the offering, payment or solicitation of bribes or inducements.

The Group reviewed and developed additional formal anti-corruption measures following the enactment of the Bribery Act 2010 in the UK. Whilst we are a UK business our operations are international and our aim is to derive more of our income from outside of the UK. Our standards of anti-corruption measures apply to all of our businesses irrespective of where they are based or operate.

The Board acknowledges its responsibility for maintaining appropriate and clear procedures within Chime's operations to prevent corruption. We shall continue to use the Bribery Act as a minimum benchmark for ethical trading with, and on behalf of, our clients and partners.

Where additional measures are required, by virtue of working in new markets, for clients who have specific requirements or, due to our operations engaging in new disciplines, the Group will adapt the chosen procedures to meet those needs as they arise.

The divisional and subsidiary management teams will continue to promote our standards and make staff aware of the consequences of non-compliance.

Code of Conduct

Chime's Code of Conduct applies to all staff covering

- client and company confidentiality,
- equal opportunities and the promotion of a meritocracy,
- a safe and civilised workplace,
- proper consideration of the sensitivities of potential audiences when publishing materials,
- honest business practice and integrity, and
- compliance with all laws and regulations

The Code of Conduct remains under review in order that it may be adapted as market forces and legal requirements demand or as additional risks are identified. Whilst it is broad it is designed along with our guiding values to be embedded within our diverse range of operating cultures across our divisions and subsidiaries. Our risk management processes include testing of these areas and ensures that the Code of Conduct is communicated on the induction of new staff.

Health and safety

We are a people business and, due to the nature of our work, the majority of our staff are office based. However, our businesses Icon and McKenzie Clark include operations with a relatively small amount of manufacturing activity. We also now have a higher proportion of man days spent at events on location which brings an additional level and a variance in our health and safety risk profile. These developments have been acknowledged and addressed in our updated procedures. Our aim is to maximise the wellbeing of our people and those we interact with. As such, the risk, and historical incidence of accidents is low.

This is an on-going process and the risk assessment of new developments or increases in activities with a higher level of risk, is embedded into our review process.

We take our duty of care seriously and have retained consultants, Safety Exchange Ltd, who provide not only guidance on identification and assessment of hazards but also practical support such as carrying out risk assessments for events and other activities.

Whistleblowing

The Group has a clear, written whistleblowing policy and procedure available to all staff regarding concerns of employees about ethical behaviour and noncompliance with our own standards, regulatory requirements and/or the law. The Group has a confidential helpline, run by an external third party, EXPOLINK, in order that staff can report any concerns or perceived shortcomings within our operations to an unbiased third party.

Conflicts of interest

The Group has a process for identifying potential conflicts of interests which may exist for executives, staff, clients and suppliers. We believe that this is an important part of our ethical stance and acting in a transparent manner.

Corporate responsibility

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

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

We have a continuing and embedded programme to induct, brief and train our staff to ensure our efforts permeate throughout our Group. Our process design will always include assessment of our impacts but also our opportunities in socially responsible operations.

The Board and Audit Committee receive regular updates on our corporate responsibility initiatives and performance. The Chief Executive, Christopher Satterthwaite, personally oversees our continuing efforts in this important area of our business. Regular consideration is given to the significance of social, environmental and ethical (SEE) issues (as defined by the Association of British Insurers), and as part of our wider operational risk framework, identifies significant risks arising from these areas to short-term and long-term value.

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

Measurement of performance

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

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

The standards are designed to be stretching and, as such, encourage continual improvement in these important areas. The minimum standards continue to be developed to ensure consistent improvement.

Performance against the standards is measured annually and the results are communicated to each operating business unit. Areas of potential improvement are addressed and successful best practice is identified and communicated across the Group.

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

External recognition

The Company continues to be listed on the FTSE4Good Index, which evaluates companies' performance on a number of corporate responsibility and governance criteria (including anti-corruption measures, environmental impact, business ethics, board governance and risk identification). Chime is also a Carbon Trust Standard Bearer. The Standard recognises companies with a continuing commitment to improving environmental performance. Chime was the 400th company, and the first marketing communications group, to receive this important accreditation. Chime also holds a Big Tick award from Business in the Community (our fourth) for our environmental performance.

Our Performance as a Responsible and Sustainable Business continued

The environment

We do acknowledge that our customers, staff and other stakeholders have an interest in our impact on the environment and as such we have committed to monitor and improve our environmental performance where possible. The Group has continually reduced its carbon footprint since becoming Carbon Neutral in 2007. Our emissions data is shown below. We continue to consider and enhance the environmental impact of our businesses and are working closely with our major suppliers to ensure best practice is embedded in our wider operations. We regularly incorporate our environmental performance in business presentations as we believe this is an important consideration when evaluating reputation both for our companies and our clients alike.

Whilst Chime has expanded to a number of international locations, our operations remain predominantly in the UK. We deliver services to clients based on image, ideas, research, content and event execution. As such, our direct and indirect impact on the environment is minimal and considered relatively low-risk. Our international expansion has increased our use of air travel and we continue to monitor this. Our deployment of additional video conferencing facilities and improved collaboration tools will help to keep this to a minimum. Our revised travel policy and our consolidation to one travel management partner will also help us better understand and control our travel pattern and the resulting environmental impact from our continued growth.

Carbon neutral

We have been carbon neutral since 2006, buying carbon offsets for those emissions that we could not avoid. However, we now have an embedded programme of carbon emission reductions, per full time employee, in a period of growth. We believe the investment in carbon offsets would be better made in further improving our carbon reductions, our work in the community and with young people. We intend to report to shareholders on this on the levels, type and projects assisted in our CSR Report in 2014.

Methodology for footprint calculation

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated statement.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014.

The emissions reported here for 2010 and 2011 have been verified by the Carbon Trust resulting in Chime holding the Carbon Trust Standard. We will undergo the same verification process for years 2012 and 2013 in the coming months.

Since 2010 Chime has reported performance using the previous year as a rolling baseline.

Environmental performance

Summary greenhouse gas emissions data for 2013

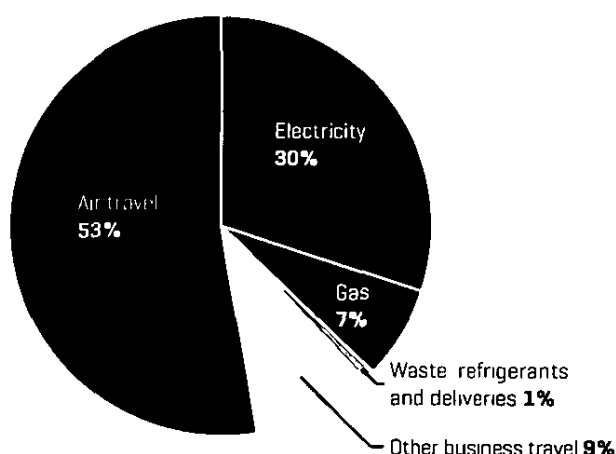
		Global tonnes of CO ₂ e			
Emissions data for period 1 January 2013 to 31 December 2013		2010	2011	2012	2013
Scope 1	Gas	180	186	226	255
	Fleet vehicles and refrigerant gas losses	33	60	48	35
Scope 2	Electricity	1,143	1,420	1,706	1,144
Scope 3	Air travel	1,953	1,621	1,476	2,040
	Other business related travel	277	185	277	335
	Waste and deliveries	25	44	43	36
Total emissions		3,611	3,524	3,779	3,844
Reductions year on year per full time employee		6%	12.2%	10.2%	4.6%

Performance

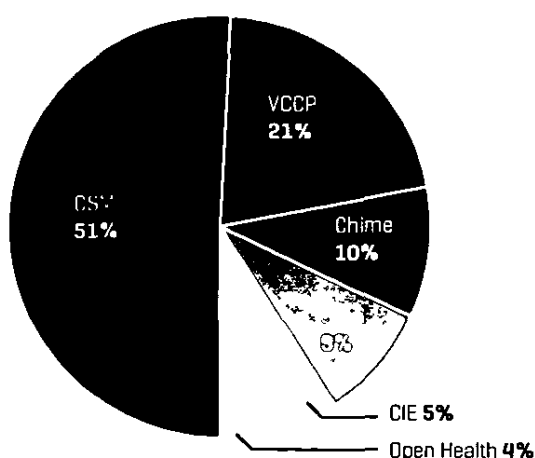
Our emissions have risen by 0.02% from 2012 but have fallen by 4.6% per full time employee

The slowing of our progress in 2013 can be attributed to the growth in our business travel (which in turn is driven by our international expansion) and energy consumption through the cold winter of 2012/13 affecting our energy use. However, our data collection process has improved, and this will enable a more detailed analysis of the source of emissions. In turn, this will help target reductions through 2014 and beyond. Together with the high level of employee engagement we are confident of a further reduction in our emissions in the future. For 2014 we have set a target of a further 5% emissions per full time employee.

GHG emissions by indicator



GHG emissions by division



Human rights

Our policies and Code of Conduct set out clear standards of behaviour we expect from all our staff. Our values underpin our attitude to appropriate responsible and ethical interaction with all our stakeholders. Including our clients, suppliers and employees.

We adhere to the principles of the United Nations (UN) Global Compact which encourages companies to make human rights, labour standards, environmental responsibility and anti-corruption part of their business agenda.

We continue to engage with the communities in which we operate and where possible, contribute to their well-being.

We support the rights of all people as set out in the Universal Declaration of Human Rights and the International Labour Organisation's Fundamental Conventions on Core Standards.

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

Robert Davison

Group Secretary

26 March 2014

Director's Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013. The Corporate Governance Statement set out on pages 38 to 52 forms part of this report.

Results and dividends

The Group's income statement is set out on page 80 and shows a loss before tax for 2013 of £4,739,000 (2012: profit before tax of £2,544,000). The Directors recommend the payment of a final dividend of 5.14p per ordinary share to be paid on 13 June 2014 to those shareholders on the register at 23 May which together with the interim dividend paid on 11 October 2013 of 2.20p per share makes a total of 7.34p per share for the year (2012: 7.24p per share).

Dividends are recognised in the accounts in the year they are paid, or in the case of a final dividend when approved by shareholders, such that the amount recognised in the 2013 accounts comprises 2012's final dividend and 2013's interim dividend.

Dividends and other payments

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

Directors and their interests

The names of the Directors are set out on pages 33 to 34, which include brief biographical details. There were a number of changes to the Board during 2013. See page 39.

The Directors' interests in the shares of Chime Communications plc together with details relating to Directors' remuneration, share options, long-term incentives are given as part of the Report on Directors' Remuneration.

Other than described in the Report on Directors' Remuneration no Director of the Company has, or had during the year, any interests in the shares of other Group companies or in any transactions which were unusual in their nature or were significant to the Company's business.

Directors' indemnities

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

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

Donations

During the year the Group donated £27,562 (2012: £49,436) for charitable purposes.

The Group's policy is not to make direct donations to support political parties. However, the nature of the Group's work is such that to support its commercial activities, certain companies within the Group may need to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made. In addition, the Group may invite clients and prospective clients to attend events which fall within the meaning of the Companies Act 2006 provisions. The Companies Act 2006 defines 'political party', 'political organisations', 'political donation' and 'political expenditure' widely and as a result, it is possible that political organisations may include bodies concerned with matters such as policy review and law reform, or the representation of the business community or sections of it, or the representation of other communities or special interest groups.

During the year and adopting this wider definition, the Group did not make any donations deemed to be political donations (2012: £5,500). The political donations in 2012 were made by the Bell Pottinger Businesses in the 6 months prior to the disposal on 30 June 2012.

In line with recommendations made by the Association of British Insurers, the Board intends to seek an annual authority to make donations or incur expenditure of a political nature.

Creditor payment terms

The Group's policy on suppliers is that they will be paid in accordance with agreed terms and conditions of trade on a regular basis.

The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year-end as a proportion of the amounts invoiced by suppliers during the year, is disclosed in note 25.

Additional information for shareholders

The following information, which summarises certain provisions of the current articles and association of Chime Communications plc ('the Articles') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together 'the Companies Acts'), is required to be provided to shareholders as a result of the implementation of the European Directive on Takeover bids (2004/25/EC) into English Law. The current Articles were adopted by the Company at the Annual General Meeting.

on 12 May 2010. This is a summary only and the relevant provisions of the Articles and the Companies Acts should be consulted if further information is required.

Share capital

As at 31 December 2013 the Company's issued share capital comprised 98,116,120 ordinary shares with a nominal value of 25 pence each. As at 25 March 2014, the Company's issued share capital comprised 98,350,178 ordinary shares. Details of the issued share capital, together with movements in the issued share capital during the year, are shown in note 31 of the accounts on page 122.

Rights and obligations attaching to shares

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

Voting rights

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company. On a show of hands every holder of ordinary shares who is present in person shall have one vote. On a poll every holder of ordinary shares present in person shall have one vote for every share of which he is the holder. Votes may be exercised in person or by proxy. Every notice of general meeting of the Company shall specify the deadlines in relation to the exercise of voting rights in respect of each resolution proposed at such meeting. Electronic and paper proxy appointments must be received no later than 48 hours before the general meeting, provided that at an adjournment of a meeting the proxy form must be received not later than 24 hours before the date of the adjourned meeting.

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

Variation of rights

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

Restriction on transfer of shares

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

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

Significant direct or indirect holdings of securities and special rights

The holdings of shares of the Company by the Directors are notified on page 71. Significant holdings in the shares of the Company are notified on page 32. Under the subscription agreement between the Company and WPP of 1997, WPP has the right to appoint two non-executive directors of the Company provided it holds not less than 20% of the shares of the Company and the right to appoint one non-executive director provided it holds not less than 12.5% of the shares of the Company. There are no other holdings of shares of the Company in which there are special rights.

Acquisition of the Company's own shares

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

At the end of the year, the Directors had authority, under the shareholders' resolution issued on 15 May 2013, to purchase through the market 8,514,329 of the Company's own ordinary shares at prices not less than 25p per ordinary share and not more than five per cent above the average of the middle market quotations as derived from the London Stock Exchange Daily Official List. This authority will last until the conclusion of the next AGM. Please refer to note 31 for all such purchases of shares during the year.

Director's Report continued

Employee share trust

The Company operates a number of schemes in order to incentivise the employees of the Company

Shares are held by a trustee in order to satisfy the entitlements of employees under the Group's share schemes other than those that are satisfied by the issue of new shares. The shares held by the trustee do not have any special rights with regard to the control of the Company. The rights attaching to the shares held by the trustee are generally not exercisable by the relevant employees except where the interest is held beneficially by them. Further details on the share schemes may be found on pages 126 and 129.

Amendment to the Articles

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

Powers of the Directors

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

Substantial interests

At 31 December 2013 the following interests in 3% or more of the issued share capital had been notified to the Company

	Number of ordinary shares	% of ordinary share capital
WPP Group plc	17,330,000	17.66
Fidelity	12,233,691	12.47
JPMorgan Asset Management	6,067,828	6.18
Aberforth Partners	5,531,708	5.64
Brandes Investment Partners	5,332,050	5.43
Legal & General Investment Management	3,952,718	4.03
F&C Asset Management	3,634,731	3.70

Significant agreements

The Company has a £90m multi-currency revolving credit facility with RBS and HSBC. The Directors confirm there are no other contractual or other arrangements between the Group and any person which are essential to the business of the company.

Employee engagement

We recognise that having a diverse, motivated and organised workforce that is engaged with the overall strategy of the Group enhances the delivery of our goals.

We therefore place considerable value on the involvement of our employees and continue to keep them informed and, where appropriate, consult with them on matters affecting them as employees and on factors affecting the performance of the Group. This is achieved principally via the Group's collaborative platform, 'Bounce', by e-mail and via formal and informal functions. In addition, our personal development programmes, the Saving Related Share Option Scheme and other incentive schemes encourage employees at all levels to contribute to the achievement of the Group's short and long-term goals.

Diversity

Our Diversity Policy and related disclosures can be found on page 42 of the Corporate Governance Report.

Greenhouse Gas Emissions reporting

We have followed the UK Government's guidance, published by Defra in September 2009, on how to measure and report greenhouse gas emissions. Information about greenhouse gas emissions by the Group and our wider impact on the environment can be found on page 28.

Auditors

Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

Robert Davison
Group Secretary
26 March 2014

Board of Directors

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

Lord Davies of Abersoch, CBE, aged 61 – Chairman

Lord Davies is a Partner and Vice Chairman of Corsair Capital, a private equity firm specialising in financial services. He is a Director of Diageo plc and Chairman of Jack Wills Ltd. He has a wide range of interests, including being Chairman of the Royal Academy of Arts Trustees, and Chairman of the Garden Bridge Trust. He was Minister for Trade, Investment, Small Business and Infrastructure from January 2009 until May 2010.

Prior to that, he was Chairman and previously CEO, and served on the Board of Standard Chartered for over 12 years.

He was awarded a CBE for his services to the financial sector and the community in Hong Kong in June 2002 where he served as a member of the HK Exchange fund for seven years. Lord Davies is also a JP in Hong Kong.

Lord Davies is married with two children and is a fluent Welsh speaker.

Christopher Satterthwaite, aged 57 – Chief Executive

Christopher began his commercial career as a graduate trainee at H J Heinz. Since then, he has been part of three different kinds of marketing communication agencies: IMP (1981-1993), then the UK's largest Sales Promotion Business, HHCL & Partners (1993-2000) – Campaign's Advertising Agency of the Decade and, Bell Pottinger (2000-2002) – the UK's leading Public Relations agency. He became Chief Executive of Chime in 2003.

He is Senior Independent Director of Centaur Media, Chairman of The Roundhouse, a Director of Business in the Community and a member of the Government's Professional and Business Services Group.

Mark Smith, aged 58 – Chief Operating Officer and Finance Director

Mark has been Finance Director of Chime since it was formed in 1989 and has been responsible for all corporate transactions and the financial control of the Company since that time. This included the flotation through a reverse takeover in 1994. He was appointed Chief Operating Officer in addition to Finance Director in January 2011.

Mark has been a Chartered Accountant since 1978, having qualified with Touche Ross & Co (now Deloitte LLP). Following two years as European Finance Director at RCA Records, he joined Good Relations Group plc in 1984 and became its Group Finance Director in 1985. In 1986 he became Finance Director of Lowe Bell Communications (now the Bell Pottinger) which formed the original base for Chime Communications.

Rodger Hughes, aged 65 – Senior Non-Executive Director

Rodger is a Chartered Accountant who was a partner in PricewaterhouseCoopers for 25 years, including four years as Managing Partner and seven years as Head of the Assurance Practice. He has had extensive experience advising a wide range of clients on business issues and was for some years the firm's advertising industry leader. He was, until 2007, Auditor to the Duchy of Cornwall. Rodger is a non-executive member of the board of Simmons and Simmons, the international law firm and a Non-Executive Director of National Counties Building Society. He was a member of the Steering Board of Companies House until 31 December 2010 and a Non-Executive Director of Friends Provident plc until its takeover in late 2009.

Clare Gilmartin, aged 38 – Non-Executive Director

Clare was appointed as a Director of Chime on 18 September 2013.

Clare spent 10 years growing eBay in Europe, most recently responsible for the general management for eBay UK and Greater Europe. Her time in that role saw a period of exceptional growth for the brand and included the successful move to its mobile platforms. Prior to her ten years at eBay her career was in consultancy focused on consumer goods and retail.

Board of Directors continued

Martin Glenn, aged 53 – Non-Executive Director

Martin was appointed as a Director of Chime on 22 August 2013

Martin is CEO of United Biscuits, a UK based business with a wide international presence

Martin was CEO of Iglo Frozen Food between 2006 and 2013 and between 1992 and 2006 worked for Pepsico UK and Ireland where he was Company President. He was a Non-Executive Director of Leicester City Football Club between 2002 and 2006

Vin Murria, aged 51 – Non-Executive Director

Vin was appointed as a Director of Chime on 22 August 2013

Vin has 25 years' experience of working with private equity-backed and publicly listed companies focusing on the software sector. She is CEO of Advanced Computer Software Group Plc a £600m market capitalised company which she founded in August 2008. She was formerly Chief Executive Officer of Computer Software Group Plc, which she took private in April 2007, and subsequently undertook a merger and exit for £500m. Vin was named Cisco Technology Woman of the Year in 2012, and Quoted Company Entrepreneur of the Year in 2014. Her belief that education is the key to the future drives her charitable work in the PSFoundation which supports education for underprivileged children in remote areas of India. Vin is married with one child.

Christopher Sweetland, aged 59 – Non-Executive Director

Christopher began his career at KPMG in London where he qualified as an ACA in 1980 before moving to PepsiCo Inc where he worked overseas for 10 years, latterly as Regional CFO for Central Europe, based in Frankfurt.

He joined WPP at the Group HQ in 1989 at the time of the Ogilvy & Mather acquisition, with responsibility for Finance for WPP's European operations. After working as CFO at one of the operating divisions, he returned to WPP HQ in his current role as Deputy Group CFO in 2000. He works on investor relations, capital expenditure as well as managing the Group property portfolio.

Robert Davison, aged 56 – Group Secretary

Robert joined the Group in 1987 as Group Services Manager. He became Director of Administration in 1998 and Group Secretary in 2004. Prior to joining Chime he worked in the music industry for ten years, initially for PolyGram, including working on the launch of the CD format in Europe, and later with RCA Records establishing a pan-European manufacturing capability for 12 national trading companies.

In his role as Secretary, Robert has been part of the team delivering the corporate transactions over the last ten years. He is additionally responsible for the management and compliance of the Group's standards of governance and risk management, together with the coordination of resources such as legal, IT, property and people management.

Robert is a Fellow of the Institute of Chartered Secretaries and Administrators.

During the year Catherine Biner Bradley (resigned 30 April 2013), Richard Alston (resigned 31 December 2013) and Paul Richardson (resigned 26 March 2014) were also Directors.

Executive Management Team

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

Christopher Satterthwaite, aged 57

(For biographical details see page 33)

Mark Smith, aged 58

(For biographical details see page 33)

Crispin Beale, aged 41

Chief Executive, Chime Insight & Engagement

Crispin is one of the UK's leading market research industry figures with a reputation for insightful and strategic vision, coupled with an entrepreneurial and dynamic approach to business. He has a proven track record of leveraging expertise from across a business to deliver best practice to clients, which is demonstrated in his consistent delivery of positive annual results. Crispin was promoted to CEO of Chime's Insight & Engagement Group in 2010, having produced a record turnover for Facts International in his previous position as Chief Executive of that company.

Prior to working for Chime, Crispin held a number of influential and senior roles including Director of Marketing Services at Post Office Limited, Director of Insight, Intelligence and Analysis across Royal Mail Group, Head of Customer Satisfaction for BT plc and, heading Research and Intelligence at Dixons Stores Group (now DSGi plc).

Crispin is the UK representative for ESOMAR and is also serving his third term as an elected Board Member of the UK's Market Research Society (MRS). Crispin has also become a member of the Civil Aviation Authorities (CAA) Consumer Panel, acting as a 'critical friend' to champion consumer's interests.

Jackie Brock Doyle, OBE, aged 49

CEO, The Good Relations Group

Jackie is the former Director of Communications and Public Affairs, London 2012 Olympic and Paralympic Games. With more than 25 years in Communications and Marketing, she brings phenomenal expertise, energy and international experience and is recognised as one of the world's leading communications practitioners. Jackie has designed and directed marketing, communication, media and sponsorship programmes for some of the world's biggest brands and events, including Visa International, the Sydney 2000 Olympic Games, the 2002 Manchester Commonwealth Games, Coca Cola, Samsung, Mars and most recently the London 2012 Olympic and Paralympic Games.

In 2012 she was voted PR Week's 'PR Professional of the Year' for her work in delivering the London 2012 Olympic and Paralympic Games and together with her team, was awarded the 'PR Week Campaign of the Year 2012'. In 2011 she was voted Corporate Communications Professional of the year and she is also named in the Holmes Report's 'Influence 100', a list of the world's most powerful and influential communications professionals.

In 2014 Jackie was recognised by Debrett's, in association with the Sunday Times, as one of Britain's 500 most influential people.

Lord Coe CH, KBE, aged 57

Executive Chairman, CSM Sport & Entertainment

Sebastian Coe was recently elected Chairman of the British Olympic Association. He was Chairman of the London Organising Committee for the Olympic Games and Paralympic Games, having previously been Chairman of the London 2012 bid company.

As an athlete Seb set 12 world records during his athletic career. At the Olympic Games in Moscow in 1980 he won Gold in the 1500m and Silver in the 800m, a feat which he repeated in Los Angeles in 1984.

He retired from competitive athletics in 1990 and became a Conservative MP and was Private Secretary to William Hague. In 2002 he was made a Peer. He received a Knighthood in the 2006 New Year's Honours List. Seb is global advisor to Nike and also works with Chelsea Football Club as well as being a columnist for The Daily Telegraph.

Seb is Vice-President of the International Association of Athletic Federations (IAAF) and Chairman of the Sports Honours Committee. He received a Companion of Honour in the 2013 New Year's Honours List.

Executive Management Team continued

Adrian Coleman, aged 49

Group CEO, VCCP Partnership

Adrian started out as a client with Esso Petroleum before moving to the agency side. His strengths lie not only in cohesive and hard-hitting campaigns but also in client focus and business understanding – experience that means he understands the marketing mix. In 1986 Adrian began work at IMP, a below-the-line agency, and moved to HHCL in 1993. During his seven-year stint the agency was named 'Agency of the Decade'. In 2000 he became Chief Executive for AMD.

VCCP is now 12 years old and has grown from an agency of 4 to over 600 people. Its head office is in London, and it also has offices in Berlin, Prague, Madrid and Sydney. VCCP was named agency of the year in 2013.

Sue Farr, aged 57

Director, Strategic and Business Development

Sue leads Chime's strategic & business development programme.

Prior to Chime she was European Managing Director of Golin/Harris, the IPG owned PR group where she was responsible for their European network of offices and affiliates.

Much of Sue's client career has been spent in broadcasting. Firstly as Director of Corporate Communications for Thames Television plc (1990-3) which saw her launch UK Gold, and subsequently as Director of Marketing and Communications for the BBC (1993-2000). She was responsible for marketing strategy, planning and implementation across all the BBC's public service brands. She also created and launched Proms in the Park.

Sue is a Non-Executive Director of Millennium and Copthorne Hotels plc, Motivcom plc and Dairy Crest plc. Sue was voted Advertising Woman of the Year in 1997, a WACL Woman of Achievement in 1998 and awarded The Marketing Society's 'Grand Prix' in 1998. She was awarded an Honorary Doctorate by the University of Bedfordshire in 2010 in recognition of her services to Marketing and Communications.

Jim Glover, aged 48

Chief Executive, CSM Sport & Entertainment

Jim began his career in the sports industry at IMG working in the golf client division.

In 1994 he set up Lighthouse Communications, one of the first independent agencies to offer the corporate world independent, impartial advice on sponsorship, which he built up over the next ten years to become one of the leading independent consulting agencies in Europe, responsible for creating successful sponsorship programmes for Heineken International, GlaxoSmithKline, and Land Rover.

In December 2005, he oversaw the successful acquisition of Lighthouse by Fast Track which in turn was acquired by Chime in 2007. Jim is now the Group CEO of the Sport & Entertainment division, CSM, with responsibility for 575 people in 13 countries. He played reasonable rugby in the last century and is married with 4 children.

Nick Lamb, aged 54

Chairman, Chime Insight & Engagement

Nick has spent over 30 years in the UK Communications industry working for four different types of marketing communication agencies.

He joined Saatchi and Saatchi in 1979 as a trainee Account Executive and was present during the period in which it grew from relative obscurity to become the largest advertising agency in the world.

From there he was appointed a Director of one of the UK's foremost Sales Promotion and Direct Marketing agencies MCB, before joining Crown Business Communications as Managing Director initially to lead Crown's successful MBO. He oversaw the rapid expansion of Crown before becoming Chairman following its trade sale to Ferrovial.

In 2007 he joined forces with Chime leading to the joint acquisition of the market research company Facts International. In 2010 he was appointed Chairman of Chime's Insight & Engagement Group, and in 2012 he orchestrated the highly successful launch of Watermelon Research, Chime's digital research business.

Edward Leask, aged 66

Deputy Chairman of CSM Sport & Entertainment

Edward is a Chartered Accountant, who has concentrated on the sports and entertainment industry for many years, including involvement with the formation of Major League Soccer in the USA and more recently the development of Chime's investment in sports marketing in China, South America and the USA.

Edward's passion is sailing and still races competitively. He has represented Great Britain in the Soling Class in two Olympics and previously achieved a Silver medal in the Flying Dutchman World Championships.

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Kevin Murray, aged 59

Chairman, The Good Relations Group

Kevin specialises in the field of strategic communications, brand building and reputation management. He has years of experience advising and coaching chairmen and chief executives, and working with leadership teams. Kevin is also the author of two books on leadership communication, 'The Language of Leaders' and 'Communicate to Inspire – a guide for leaders'.

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

Jo Parker, aged 48

Chief Executive, Teamspirit

Teamspirit is the specialist financial services agency which has been part of Chime for 14 years. As a founding partner of Teamspirit, Jo has always believed that specialist agencies best serve clients that work in complex markets. She is a passionate advocate of integrated marketing and has developed Teamspirit's offering on this basis. Its services span marketing consultancy, brand development, advertising, marketing communications, and digital. Six years ago she set up Teamspirit Public Relations of which she is Chairman, which was the 2nd largest financial services PR agency in the UK, 2013. Teamspirit was also voted 'Agency of the Year' by the Financial Services Forum, 2013. Jo also chairs Chime's Youth Board, Chime Innovate.

Ian Priest, aged 50

Group Chief Operating Officer, CSM Sport & Entertainment

Ian began his career at the leading below-the-line agency IMP, reaching board level before leaving to join HHCL and Partners in 1993, and becoming Managing Director in 2000. In January 2002, alongside his three partners, he founded VCCP which joined the Chime Group in 2005.

Ian moved into the central team at Chime in 2010, heading up Chime Ventures before becoming Group COO of CSM in September 2013. He is President of the IPA, the industry body for advertising agencies. He is also a Non-Executive Director of a number of start-up businesses. He is married and has three children.

David Rowley, aged 51

Chief Executive, OPEN Health

David has spent his entire career in healthcare marketing and communications, dividing roles evenly between global pharmaceutical companies (GD Searle, Wyeth laboratories and Sandoz) and communications agencies serving the healthcare sector.

While David's specific expertise lies in strategic brand planning, communication strategy and international brand development, it is his entrepreneurial flair that has defined the last 15 years of his career.

In 1995, having left Sandoz pharma as Cardiovascular Business Unit Director, David set up The Pharmaceutical Brand Consultancy – a boutique practice specialising in pan EU brand planning. Six years later, the practice had grown to a significant size and was acquired by the fledgling Huntsworth Group. Over the following eight years as CEO of Huntsworth Health, David led the growth of the healthcare practice to a size of approximately 500 staff, \$100M revenue, and 16 offices around the world.

In 2010, David left Huntsworth to pursue his ambitions of starting a new practice. In January 2011, David joined forces with Chime to create OPEN Health, the first channel and discipline neutral communications business in the healthcare space. As CEO, David has led the successful start up of the company, which through both acquisition and organic growth, has grown to a team of over 190 people in its first three years.

Nick Taylor, aged 61

Group Commercial Director

Nick began his commercial career as a graduate trainee in the aerospace and medical divisions of Smiths Industries plc. In 1979 he founded Harvard Public Relations, which went on to become one of Europe's leading TMT consultancies with offices in London, Paris and Munich. Following Harvard's acquisition by Chime in 2000, Nick joined the Executive Management Team and is involved in a number of Chime's overseas businesses, Chime Ventures (investments and start ups) and Chime's M&A activity. Nick is a Non-Executive Director of Mentyre Specialists.

Directors' Statement on Corporate Governance

The Directors' Statement on Corporate Governance is prepared in order to give guidance to both investors and our wider stakeholders on how Chime is managed. The Board is committed to providing investors with a clear picture of the steps we take to operate appropriately and effectively. In this report we attempt to convey our attitude to the provisions of the UK Corporate Governance Code 2012 ('The Code') in addition to our application of good management using the Code as our minimum standard.

CHAIRMAN'S INTRODUCTION

On joining Chime as Chairman at the end of 2012 I found Chime a well run business with a strong executive team. However, the Group had gone through a major change and the Board took the opportunity to establish a revised strategy with new key objectives.

Firstly, the Board itself was restructured aligning both existing and new expertise with the stated aims of the Group. We took direction from comments from some of our shareholders on the membership of our Committees and revised the membership in December. In doing so we applied the principles of the Code on the role and effectiveness of the Board.

We have further formalised some of our processes and revised the workload of the Committees and the Executive Directors. We have made the changes to our priorities in our Board meetings and this has provided an additional focus. We have therefore re-tuned the Board, concentrating on strategy, performance and governance. Our new Directors have already made great contributions in the setting out of our future vision.

As a Group our approach to high standards of creative work, of ethical behaviour and the applied flexible attitude to our operating environments positions us well as a business to manage the reputations of others.

I believe we have further improved the strategic management of the business and have the right team at its head. The Board continues to provide strong guidance to the Company with the interests of our shareholders as our overriding goal.

The following report is constructed to inform both existing and potential stakeholders of our robust approach to matters of governance. We will continue to monitor and report on performance against best practice and as always welcome comments from shareholders on our current or additional disclosures.

Lord Davies of Abersoch

Chairman
26 March 2014

The Company is committed to the principles of Corporate Governance contained in the 2012 UK Corporate Governance Code issued by the Financial Reporting Council (the 'Code' available at www.frc.org.uk) for which the Board is accountable to shareholders.

DIRECTORS AND THE BOARD

The role of the Board

The Board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables the identification and management of risk. The Board is responsible for overall strategy and the use of resources (financial, human and technical) in the pursuit of its set goals.

The Board considers significant commitments and liabilities such as banking arrangements, property leases and the appointment of key staff etc.

Where appropriate and necessary the Board delegates detailed oversight of certain matters to one of its three standing committees, Audit, Remuneration and Nominations.

The Board receives regular updates from the Executive Directors on shareholder views on issues faced by the Company. Updates issued by brokers, research agencies and fund managers referencing Chime are circulated in order that Directors gain an understanding of shareholder views.

The Board has agreed levels of delegated decision making to the Executive Directors. Limits are set by the Board in terms of financial commitments, acceptable liability and risk levels, the remuneration of staff and for smaller acquisitions. The Executive Directors report to the Board on progress against targets together with issues, initiatives and opportunities faced by the Group.

Board composition

The Board is of a size and has an appropriate level of experience and independence to discharge its duties and responsibilities on behalf of shareholders.

The Board comprises two Executive Directors and six Non-Executive Directors (including the Non-Executive Chairman). The respective periods of appointment are shown in the following table.

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Director	First appointed	Last elected by shareholders	Length of service at next AGM
Executive Directors			
Chris Satterthwaite	December 2002	May 2013	11 years 5 months
Mark Smith	June 1994	May 2013	19 years 11 months
Non-Executive Directors			
Lord Davies ⁽¹⁾	December 2012	May 2013	1 year 5 months
Rodger Hughes ⁽²⁾	July 2007	May 2013	6 years 10 months
Clare Gilmartin	September 2013	N/A	8 months
Martin Glenn	August 2013	N/A	9 months
Vin Murria	August 2013	N/A	9 months
Christopher Sweetland	July 2012	May 2013	1 year 10 months

⁽¹⁾ Non-Executive Chairman
⁽²⁾ Senior Independent Director

Board restructuring

During 2013 the Board was restructured, resulting in the departure of two directors and the arrival of three new individuals. Prior to the recruitment process Lord Davies and Rodger Hughes, the Senior Independent Director, undertook an evaluation of the skills and expertise required for the new appointments. Executive search consultancy, Zygus, was engaged to match candidates to the requirement, taking into account the needs of the Board diversity. Once appointed the new Directors received a full induction to the Company and the Board.

Additionally, Lord Davies, with the agreement of the Board, has restructured the meetings in order to increase and use time more efficiently. This has refocused the Board on the priorities of strategy, performance and governance, set information requirements for management and, given clarity to the processes for feedback, monitoring and enquiry. Communications between the Directors outside formal meetings has increased as a result.

The Board receives further regular updates from divisional heads who attend Board meetings to discuss progress, issues or corporate events.

The Board has reviewed and formalised the work to be delegated to the standing committees. Committee reports are given at each Board meeting.

As a result of this re-setting process the individual Directors have a closer relationship with the Chairman, improved communication with their fellow Board members, Executive management and, when support is required, the Group Secretary.

The changes for the Board are seen as beneficial by both the executive and non-executive groups. No issues of concern, failure or incapacity to perform the Board's required duties were identified. As a result the Board believes it is constituted in a form that is fit for purpose and appropriately governed on behalf of shareholders.

Retirement and proposed re-election of Directors

In accordance with recognised best practice, the Board has a policy of presenting all Directors for re-election at each AGM. This is in line with the Code provisions for FTSE350 companies and the Board believes governance is best served by doing so.

As Clare Gilmartin, Martin Glenn and Vin Murria were appointed by the Board as shown above, each will stand for election by shareholders at the forthcoming AGM.

The biographies of each Director are shown on pages 33 to 34.

Additionally, during the year, Catherine Biner Bradley served as a Director and as a member of the Audit Committee until her resignation on 30 April 2013. The Hon. Richard Alston served as a Director throughout 2013 and as a member of the Remuneration Committee until 5 December 2013. Richard resigned from the Board on 31 December 2013. Paul Richardson served as a Director for the full year, resigning on 26 March 2014 having previously resigned as a member of the Remuneration Committee on 5 December 2013.

Directors' Statement on Corporate Governance continued

Board balance

The Board restructuring was undertaken to realign the membership with the needs and development of Chime's revised strategy. We recognise that a Board of diverse skills, experience and gender will benefit the stewardship of the Company undertaken on behalf of shareholders. Our new Directors bring international, entrepreneurial and financial expertise, proven knowledge of the transfer of services from traditional to digital means and, most importantly, strong leadership. For further details see the Board evaluation section on pages 41 to 42.

Board effectiveness

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

The Board is run as with an open and discussive culture and the involvement of all members is encouraged and facilitated. It is acknowledged by the Board that the independent views of our Non-Executive Directors enhance a balanced debate of agenda items.

Directors, meetings and attendance in 2013

Meetings scheduled	4
Meetings held	9
	Attendance
Christopher Satterthwaite	9 of 9
Mark Smith	9 of 9
Lord Davies	9 of 9
Rodger Hughes	9 of 9
Clare Gilmartin [appointed 18/09/2013]	4 of 4
Martin Glenn [appointed 22/08/2013]	3 of 5
Vin Murria [appointed 22/08/2013]	5 of 5
Christopher Sweetland	8 of 9
Hon. Richard Alston [resigned 31/12/2013]	5 of 9
Catherine Biner Bradley [resigned 30/4/2013]	0 of 1
Paul Richardson [resigned 26/3/2013]	8 of 9

During the year a number of meetings in addition to those scheduled took place. These were required mainly to discuss the fundraising, the acquisition of JMI and the revised banking facility.

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

Chairman, Chief Executive and Senior Independent Director

The Chairman, Lord Davies, ensures that all Directors receive sufficient, accurate and timely information on financial, business and corporate issues prior to meetings. He also ensures that his fellow Non-Executive Directors have access to any further supplementary information they require should they request it. Lord Davies is Chairman of the Nominations Committee.

The Chief Executive's (Christopher Satterthwaite) responsibilities focus on co-ordinating the Group's business and implementing its strategy. He is a member of the Executive Management Team which oversees the implementation of the strategy through the divisions, the allocation of resources, the maintenance and compliance with standards and, progress towards targets.

Rodger Hughes is the Senior Independent Director and is also Chairman of the Audit and Remuneration Committees.

Information and support for Directors

New Directors receive a full, formal and tailored induction on joining the Board in order to further inform them of the Group's activities and structure. All Directors are able to take independent professional advice at the Group's expense in the furtherance of their duties, if necessary. The Company also makes appropriate training available to all existing Directors.

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

The Company purchases appropriate insurance in respect of legal action against its Directors and Officers.

Group Secretary

The Group Secretary (Robert Davison) is responsible for ensuring that Board procedures are complied with. Under the guidance of the Chairman, the Secretary ensures that information flows between the Board, the Committees and to/from the Executive Directors. He facilitates inductions for new Directors and the provision of additional information where required and appropriate.

The Secretary is responsible for advising the Board on governance matters and is available to all Directors for advice and support as required.

Non-Executive Directors

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

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

Independence of Non-Executive Directors

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

In applying the Code, the Board has considered a number of factors in determining the independence of each Non-Executive Director and sets out the outcomes below.

Lord Davies

Chairman of the Board and the Nominations Committee
Lord Davies owns shares in Chime, 35,685 at 31 December 2013. His holding originates from an obligation to purchase Chime shares to the value of £100,000 each year and to build a target investment of £300,000 by December 2016. This obligation forms part of his service contract.

Rodger Hughes

Senior Independent Director and Chairman of the Audit and Remuneration Committees
Rodger owns shares in Chime, 27,053 at 31 December 2013. This holding is not seen as significant.

Non-Executive Directors' shareholdings

The Board has assessed that the holdings of these Directors are not significant and believes such levels of investment should not raise questions regarding their independence. The Board considers that Directors owning shares in the Company directly aligns them with the interests of the shareholders.

Chris Sweetland

Non-Executive Director

Chris is the WPP representative on the Board. He is Deputy Finance Director of WPP and a qualified ACA and, therefore, has relevant and current skills and experience which contribute to the Board forum. Following concerns of Code compliance from shareholders, Chris stepped down from his membership of the Audit Committee in December 2013.

WPP shareholding

The Board is conscious and attuned to the potential concerns of shareholders of WPP Board representation.

Under the Subscription Agreement of 1997 and whilst WPP hold 20% or more of Chime's share capital WPP may nominate two directors to the Board. On holding above 12.5% they may nominate one director. Chris Sweetland has shown impartiality and independence in carrying out his duties on behalf of Chime shareholders.

Board assessment

In the past, annual appraisals by external investor research analysts have recommended that shareholders vote against, or abstain from, any proposed re-election of Non-Executive Directors due to a perceived non-compliance with the Code regarding the criteria quoted above. The Code requires companies to 'Comply or Explain'. We have continually and consistently met this requirement.

Our restructuring of the Board and the membership of the standing Committees took into account the views expressed by our shareholders together with issues of independence, diversity and, the requisite skills to deliver our new strategy.

We believe the holding of shares (within certain limits) or representation of a substantial shareholder by a Non-Executive Director, does not evidence that a Director's belief and commitment to the business is compromised. We believe that in the cases quoted above it aligns them directly with the interests of our shareholders. Following assessment the Board considers each of our Non-Executive Directors to be independent in both character and judgement. We believe there are no circumstances that give rise to question their respective judgements when considering matters put before the Board in 2013 or in the future.

Performance evaluation

The Board has a process of formal evaluation for individual Directors, the Committees and the processes utilised by the Board itself. This is undertaken by our internal audit resource and is monitored by the Chairman and the Audit Committee. The Board areas evaluated include:

- Board organisation, structure and membership,
- the conduct of meetings,
- the responsibilities of the Board,
- the performance of the Board and its processes,
- the information provided to Non-Executives, and
- the effectiveness of the management process from the Board to lower levels of management.

Directors' Statement on Corporate Governance continued

The Remuneration Committee evaluated the 2013 performance of the Executive Directors in early 2014. This evaluation is described on pages 68 to 70 of the Remuneration Committee Report.

The performance evaluations of the individual Executive Directors for 2013 did not identify any areas of concern.

Non-Executive Directors – performance evaluation

The Executive Directors, in consultation with the Chairman, are responsible for the assessment of the performance of the Non-Executive Directors. The Senior Independent Non-Executive Director is also consulted during this process except for evaluation of his own performance.

The process of performance evaluation is designed to consider all elements of performance including any perceived shortcomings, training or development needs and unforeseen tasks and responsibilities that have arisen during the year.

Whilst no KPIs are set for individual Non-Executive Directors, the time, effort and application applied in the performance of their duties for the Board and, where applicable, Committees is taken into account.

The Board, the Committees and the management process – performance evaluation

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

This evaluation addresses such issues as

- the frequency of meetings and the business transacted,
- the workload of each forum,
- the timing, level of detail and appropriateness of information put before meetings,
- the reporting process from Committees to the Board and delegation process itself,
- the levels of expertise available within the membership of the Committees and the need for, selection of and the use of external consultants, and
- the effectiveness of internal controls following the review and report of the Audit Committee.

Diversity report

Policy statement

The Board believes that diversity is the soul of creativity. It aids our operations and delivers innovative and relevant solutions to our business offer. We are in a creative industry. We originate and develop ideas, campaigns and events on behalf of our clients who in turn must meet the challenge of a diverse customer base.

We acknowledge that diversity within our staff population is important, not only by gender, but nationality, ethnic origin and culture, age, marital status, sexual orientation and other criteria. Our equal opportunities policy reflects that belief.

We have not to date measured such categories within our workforce, preferring to promote an open and inclusive environment. However, we will keep the option to monitor under review.

Regulation and legislation has brought requirements on gender reporting. Our own Chairman, Lord Davies, via his work 'Women on Boards' on behalf of the UK government, has successfully raised the profile and driven the development of best practice for increased gender diversity at senior levels within business. We have adopted the recommendations he set out for FTSE250 and FTSE350 companies as these embody best practice.

We have therefore reported the composition of our executive forums by gender below, including for context, our overall staff population and our Executive Management Team. We shall report this annually going forward together with developments and reasons for any change. We shall publish targets and report on our progress.

The Nominations Committee is charged with selecting appropriate candidates for senior posts and makes due regard to the need for diversity within our executive teams. We shall draw up recruitment criteria which will include Lord Davies' recommendations.

Gender diversity – executive forums

At the beginning of 2012 we had a single female Non-Executive Director on a Board totalling nine members. Lord Davies was appointed Chairman in December 2012 and the Board was restructured during 2013.

During the year both Catherine Biner Bradley and Richard Aston left the Board and Clare Gilmartin, Martin Glenn and Vin Murria were appointed.

Women on our executive forums

	1 January 2012	31 December 2013
Board Directors	1 of 9	2 of 9
Non-Executive Directors	1 of 4	2 of 7
Audit Committee	1 of 3	1 of 3
Remuneration Committee	0 of 3	1 of 3
Nominations Committee	0 of 5	2 of 5
Executive Management Team	2 of 15	3 of 14

We have used January 2012 as our comparator in order to reflect the major change in the structure of the Group that took place during that year, with the sale of the Bell Pottinger businesses and the departure of our then Executive Chairman and Deputy Chairman

Our target for women on our Board by 2015 is 25%, in line with Lord Davies' recommendation for FTSE250 companies. We shall mirror that target in our Executive Management Team.

On 31 December 2013 our total number of permanent employees was 1,848 (2012: 1,732). This included 969 female staff (2012: 899). The increase in headcount was therefore 40% male and 60% female.

Chime continues to promote participation and encourage the aspirations of our female staff. In 2013 we set up 'Grapevine', a women's group that meets regularly to share business ideas, encourage networking and personal development. This will help empower our female staff at all levels.

We have a Youth Board called 'Chime Innovate', a group of young members of staff tasked with innovation, addressing business issues. Membership is open to all applicants under the age of 28. Chime Innovate is facilitated by Jo Parker and Amelia Torode, two of our top female executives. The membership is 50% female.

Our Graduate Scheme in 2013/4 has 16 members (2012/3: 13) of which 12 are female (2012/3: 9). Of our graduate intake in 2012/3, 9 were offered permanent posts within Chime and/or our associates. Five of those were female.

We also have an open networking group called 'Curious' for our younger staff who meet for regular networking events. These events often include guest speakers and we extend invitations to our clients.

Employment of disabled persons

The Group gives full and fair consideration to all applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Opportunities for training, career development and promotion do not disadvantage these employees or any members of staff who become disabled during their time with us.

Directors' Statement on Corporate Governance continued

AUDIT COMMITTEE REPORT

Audit Committee Chairman's Statement

This is the first formal Audit Committee Report to shareholders and I hope that you will find it helpful in understanding what we do

Our role, on behalf of the Board, involves providing assurance that the stewardship of the Company and the standards of governance adhered to are appropriate and that our financial statements provide a fair and balanced view of the Company's financial position

The membership of the Committee was refreshed towards the end of 2013 with Vin Murna and Martin Glenn joining us and they are already bringing different and helpful perspectives to our deliberations. Catherine Biner Bradley and Chris Sweetland served on the Committee up to April and December respectively. Both made a full and valuable contribution and I am personally very grateful to them for their efforts.

Chime has been changing and that has been reflected in the activities of the Committee. As set out by the Chairman and Chief Executive in their introductions, the Group has been growing both organically and through acquisition, in particular to build the sports marketing business internationally. This presents new risks and control challenges as the spread of the Group widens both geographically and by nature of business.

The Committee has responded by ensuring that

- proper due diligence is conducted on acquisitions,
- the Internal Audit work programme covers all group companies at least once a year and focuses on areas of higher risk,
- the risk management framework and processes continue to be developed,
- significant management attention is being paid to operations in Brazil, given the revenues anticipated from the FIFA World Cup this year and the Olympics in 2016,
- the external audit is effective (see below),
- accounting policies for revenue recognition on longer term contracts are appropriate,
- the Group continues to comply with local laws and regulations, and
- finance function resources are adequate

Headline earnings

We are conscious of the major difference between headline profits and the IFRS loss this year. While IFRS have brought about greater consistency in reporting by companies internationally (although still not in the USA) they have become increasingly technical and complex. The fact that the vast majority of UK listed companies now additionally publish headline earnings figures and the general acceptance of these by the analyst community demonstrates that IFRS profit numbers alone often do not provide sufficient information on trading performance. I also draw your attention to the comments on deemed remuneration, one of our adjusting items, in the Significant Issues section of this report.

The Committee has scrutinised the adjustments made by management and discussed them with the auditors and is satisfied that they are legitimate and helpful to shareholders' understanding of the underlying trading performance.

We have set out below how the Committee has discharged its responsibilities during the year, explained the more significant accounting issues we considered and expanded on how we satisfied ourselves that the Group audit is effective.

If shareholders have further questions on the Audit Committee's work then I shall be pleased to answer them at the AGM.

Rodger Hughes

Chairman of the Audit Committee
26 March 2014

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Membership, meetings and attendance in 2013

Meetings scheduled	4
Meetings held	4
Attendance	
Rodger Hughes ⁽¹⁾	4 of 4
Martin Glenn [appointed 05/12/2013]	1 of 1
Vin Murria [appointed 05/12/2013]	1 of 1
Christopher Sweetland [resigned 05/12/2013]	3 of 3
Catherine Biner Bradley ⁽²⁾	0 of 1

⁽¹⁾ Chairman of Committee

⁽²⁾ Catherine Biner Bradley resigned as a Director on 30 April 2013

The external auditors were present at each of the meetings and may request a meeting without management present if necessary

Membership of the Committee

Membership of the Committee is reviewed by the Chairman of the Committee and the Group Chairman (who is not a member of the Committee) at regular intervals and where appropriate they recommend new appointments to the Nominations Committee for assessment and onward recommendation to the Board

The Committee is comprised of three independent Non-Executive Directors. Two members constitute a quorum. The Audit Committee is required to include one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently the Audit Committee Chairman, Rodger Hughes, meets that requirement.

The role of the Audit Committee

The powers, duties and responsibilities delegated to the Committee by the Board are formalised in the Committee's Terms of Reference which are available at www.chimeplc.com, and include all matters indicated by Disclosure and Transparency Rule 7.1 and the Code.

The report below sets out the work of the Committee during 2013.

The Audit Committee in 2013

In 2013 the Committee met on four occasions during the year discharging its responsibilities through the following activities:

- reviewed the Group's draft preliminary and interim results statements prior to Board approval and reviewed and discussed the external auditors' detailed reports,
- reviewed the Group's interim management statements and pre-close period updates prior to their release,
- scrutinised future financial projections and challenged the assumptions made, reporting to the Board that the going concern basis remains fully justified and that gearing was being prudently managed,
- considered the response to new and revised legislation and regulatory requirements,
- considered the appropriateness of the Group's accounting policies,
- reviewed regularly the impact on the Group's financial statements of matters such as the adoption of new International Financial Reporting Standards,
- considered the rotation of the audit partner and additionally following a formal review, recommended to the full Board, which adopted the recommendation, the reappointment of Deloitte LLP as the Group's external auditors,
- assessed the effectiveness of the external audit process (see below) focussing on key risks, decisions on materiality and the proposed scope of work,
- discussed with the external auditors' their plan for the audit of the Group's accounts, including key risks, materiality and the scope of work,
- confirmed auditor independence and the proposed audit fee and approved the terms of engagement for the audit,
- reviewed the Group's internal financial controls and risk management system and reported to the Board on the effectiveness of both,
- approved the internal audit plan and the results of their work,
- gave oversight to the Group whistleblowing policy and the use of the confidential helpline,
- assessed the Group's progress on corporate responsibility issues, and
- evaluated the Committee's own performance and concluded that it remained effective.

The Committee has reviewed this Annual Report and reported to the Board that it considers it to be fair, balanced and understandable. In doing so it considered whether:

- the overall impression given is consistent with the events of the year and the financial consequences thereof,
- the linkage between philosophy, strategy, key performance indicators and executive remuneration is clear, and
- the information given enables shareholders to assess the Company's business model, strategy and performance.

Directors' Statement on Corporate Governance continued

Significant financial statement reporting issues

The more significant issues considered by the Committee and how they were addressed are as follows

ISSUE	HOW ADDRESSED
Goodwill impairment	
Because the Group has expanded through a series of acquisitions of businesses with few tangible assets, goodwill at £228m is the largest number in the Group's accounts. The potential impairment of its component parts needs to be carefully considered each year	An analysis of the balance sheet goodwill by entity was compared with the current assessment of the value of goodwill based on future projections. The assumptions used in management's projections were challenged and the conclusions reached by management and the auditors were discussed. Particular attention was paid to those entities (cash generating units) where there is lower headroom in the impairment test calculations. As a result the Committee was satisfied with the carrying value of goodwill in the Group balance sheet and the charge for impairment in the income statement
Revenue recognition	
As the Group has expanded the mix of revenues has changed, with greater judgement being required in accounting for revenues under longer term commercial arrangements	Questioned management on the basis of accounting for longer term contracts, ensured that the scope of the auditor's work adequately covered this area and discussed their work, and conclusions with them. Obtained satisfaction that judgements made were reasonable
Accounting for acquisitions	
Given the size of the acquisitions made during the year, it is particularly important that they have been correctly accounted for in accordance with IFRS3	Questioned management on their approach to accounting for acquisitions and the consequent accounting entries. Discussed with the auditors their work in this area, in particular as regards the identification of intangible assets, accounting for deferred consideration or deemed remuneration and expensing of costs
Deemed remuneration	
In order to comply with the IFRS Interpretations Committee's agenda decision (published in January 2013) on the interpretation of paragraph B55 of IFRS3, regarding contingent payments to selling shareholders who continue as employees, the Group changed its accounting policy for the 2012 accounts. However, members of the Committee remain concerned that this results in capital payments for the acquisitions of a business being charged as an operating expense, which does not properly reflect the underlying economic substance. It might therefore be seen to conflict with a true and fair view	<p>The Committee debated this matter at some length and concluded</p> <ul style="list-style-type: none"> the financial statements as a whole may still be regarded as giving a true and fair view, being compliant with IFRS and consistent with general practice, to assess their understanding the attention of readers of the financial statements should be drawn to this item by separate disclosure within operating expenses and a note of the Board's view in the accounting policy note, the Chairman of the Committee should write on behalf of the Board to the IASB as part of their recent request for comments on IFRS3, setting out our concerns and seeking a change to the Standard

Assessing the effectiveness of the external audit process

The Committee satisfied itself as to the effectiveness of the external audit process as follows

The audit firm

The FRC overall report on the results of the Annual Audit Quality Reviews of Audit Firms and the separate report on the results for our auditors, Deloitte, were reviewed to ensure that no issues of concern arose that might have a bearing on the audit appointment. No such issues arose. Subsequently Deloitte demonstrated how areas identified for particular attention in the AQR report had been addressed in their audit

The audit partner

As part of the normal rotation process a new audit partner was proposed for the 2013 audit. The new partner was invited to formally re-pitch to the Audit Committee for the work, enabling it to satisfy itself that he has the appropriate experience and understanding for the role. Following completion of the audit the Committee assessed the partner's performance against expectations.

The audit team

Continuity of personnel was reviewed and found satisfactory. This was considered particularly important this year because of the discontinuity of audit partner. To supplement the Committee's necessarily limited exposure to junior members of the audit team feedback was sought from Group Finance Managers on the performance of the external audit team, in particular as regards their understanding of the business, technical competence and attitude. In providing this feedback, Group Finance in turn obtained input from the divisional Finance Directors.

The audit plan

The scope of the audit, including coverage by individual company, was reviewed and debated by the Committee with the auditors prior to work being commenced. This was done in the light of both the auditors' and the Committee's assessment of the key risks. The auditors explained the materiality thresholds used in determining their audit scope and the Committee confirmed that these were in accordance with normal audit practice.

The generality of the Audit Plan document was assessed and found satisfactory. Arrangements to identify, report and manage conflicts of interest were satisfactory.

The Committee also considered whether it wished to commission further audit work to be conducted beyond that which the auditors considered necessary for the expression of their opinions on the group and subsidiary accounts and concluded that, in the light of the Group Internal Audit Plan, it did not.

The audit work

The Committee requested and received feedback from Financial management on the conduct of the audit at Group, divisional or subsidiary levels. No matters arose requiring attention by the Committee.

Matters arising from the audit

These were promptly and effectively communicated and addressed as appropriate. The robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements were seen as appropriate. The detailed report received from the auditors following completion of their work gave comfort as to the diligence of execution of that work.

Added value

In appraising the overall performance of the auditors the Committee considered whether they had provided useful feedback arising from their work additional to their statutory responsibilities.

Independence

In addition to receiving the auditors' formal confirmation of their independence the Committee considered whether this was demonstrated through their general approach and attitude and were satisfied that this was the case.

Non-audit services

It was debated and confirmed that Group policy on non-audit services provided by the audit firm (and set out below) remains appropriate and was complied with. Fees additional to those for the statutory audit were particularly high this year due to the work required on a major acquisition, being due diligence investigations and work on the Circular to shareholders. The Committee considered the auditors to be in the best position to conduct this work, given the timescales and knowledge required. In the view of the Committee it did not compromise the independence of the audit of the financial statements.

Audit fees

The level of audit fees was reviewed to ensure that it was sufficient for the work necessary but not excessive. In particular, changes in fees from the previous year were considered in relation to changes in the group and in risk assessments.

Directors' Statement on Corporate Governance continued

Audit tendering

The Committee considered whether the audit appointment should be put out to tender, in particular having regard to the proposed rotation of audit partner. In doing so it considered both the performance of the current auditors and the likely costs and potential benefits of change.

It was decided to follow a process whereby Deloitte was invited to re-pitch for the work on a sole basis on the understanding that if the Committee was not satisfied, other firms would then also be invited to tender. In the event the Committee was satisfied by Deloitte's proposal and did not proceed to the open tender stage.

Going forward the Committee will continue to keep the audit appointment under review, having regard to the new UK and EU requirements for audit tendering.

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

Group policy on the provision of non-audit services by the Auditor

The Committee has an established policy for the commissioning of non-audit work from the Group's auditors.

The external auditor is excluded from providing non-audit services to Chime where the objectives of such assignments are inconsistent with the objectives of the audit. Additionally, no work is awarded to the auditors which would result in an element of self-review either during the work or via the audit itself.

The Committee has agreed fee limits (both by assignment and aggregated for the year) with management where work may be awarded without reference to the Committee. Assignments in excess of the agreed limits require prior approval of the Committee.

The Committee receives an update on non-audit work awarded and fee levels regularly.

Internal audit

The Committee has oversight over the Group's internal audit function. It agrees an annual audit plan and receives updates directly from the internal audit manager at each meeting. The Committee monitors the level of resources required to meet the demands of the growth in the Group.

The Audit Committee report is approved on behalf of the Audit Committee.

Rodger Hughes

Chairman of the Audit Committee
26 March 2014

REMUNERATION COMMITTEE REPORT

The Chairman of the Remuneration Committee's Statement can be found on page 54. This section forms part of the Directors' Remuneration Report.

Membership, meetings and attendance in 2013

Meetings scheduled	4
Meetings held	4
Attendance	
Rodger Hughes ⁽¹⁾	4 of 4
Lord Davies [appointed 05/12/2013]	1 of 1
Clare Gilmartin [appointed 05/12/2013]	1 of 1
Hon. Richard Alston [resigned 05/12/2013] ⁽²⁾	3 of 3
Paul Richardson [resigned 26/03/2014] ⁽³⁾	2 of 3

⁽¹⁾ Chairman of Committee

⁽²⁾ Resigned as a Director on 31 December 2013

⁽³⁾ Resigned as a Director on 26 March 2014

When required the Chief Executive, Christopher Satterthwaite, and the Chief Operating Officer and Finance Director, Mark Smith, attend meetings but are not members. During the year Lord Davies attended two meetings as an advisor prior to being appointed to the Committee. No Director is in attendance when their own personal remuneration is discussed.

Membership of the Committee

Membership of the Committee is reviewed by the Chairman of the Committee and the Group Chairman at regular intervals and where appropriate they recommend new appointments to the Nominations Committee for assessment and onward recommendation to the Board. The Committee is comprised of three independent Non-Executive Directors, which is the minimum membership required under the Terms of Reference. Two members constitute a quorum.

Summary of the role of the Remuneration Committee

Rodger Hughes is Chairman of the Remuneration Committee.

The Committee measures the performance of the Executive Directors and of other key members of the senior management as a prelude to recommending their annual remuneration. Performance is measured against key performance indicators set by the Committee at the beginning of the year (for further details see page 68).

The Committee is also responsible for overseeing the operation and use of the Company's share based incentive schemes. The remuneration of the Non-Executive Directors is recommended by the Chairman and Chief Executive and takes account of the time spent on Board and Committee matters. Final decisions are made by the Board but no Director takes part in any discussion regarding his or her own remuneration.

The powers, role and responsibilities delegated to the Committee by the Board are formalised in the Committee terms of reference (available at www.chimepic.com).

The Remuneration Committee in 2013

The Committee met on four occasions during the year, discharging its responsibilities through the following activities:

- undertook a review of executive remuneration including consulting with shareholders and drafting of proposals to be put before the 2013 AGM
- agreed the level of bonus awards to the Executive Directors and Company Secretary for 2012,
- reviewed and approved the maturity of the 2010 grant of the Deferred Share Plan,
- agreed the maturity of the 2008 grant of the Savings Related Share Option Scheme,
- agreed the 2013 grant of options under the Savings Related Share Option Scheme,
- considered and agreed the levels of participation and performance targets of a grant of award under the 2010 Co-Investment Plan,
- considered and agreed the key performance indicators for each of the Executive Directors and Company Secretary for 2013,
- agreed Executive Directors' and Company Secretary's salary levels for 2013,
- considered appropriate salary levels for new appointees to the Board and made recommendations to the Nominations Committee,
- considered proposals for incentive schemes for senior management of the Company,
- reviewed details of the remuneration of higher paid employees seeking justification for any significant changes, and
- reappointed Towers Watson as executive remuneration consultants to the Company.

During the year the Committee took additional objective and independent advice on the Remuneration Review and the proposals put to the shareholders at the 2013 AGM from Deloitte.

Directors' Statement on Corporate Governance continued

NOMINATIONS COMMITTEE REPORT

Membership, meetings and attendance in 2013

Meetings scheduled	1
Meetings held ⁽¹⁾	2
Attendance	
Lord Davies ⁽²⁾	2 of 2
Rodger Hughes ⁽³⁾	2 of 2
Clare Gilmartin [appointed 05/12/2013]	0 of 2
Martin Glenn [appointed 05/12/2013]	0 of 2
Vin Murria [appointed 05/12/2013]	0 of 2
Hon Richard Alston ⁽⁴⁾ [resigned 05/12/2013]	2 of 2
Paul Richardson [resigned 05/12/2013] ⁽⁵⁾	2 of 2

⁽¹⁾ The additional meeting was required as the Committee considered the requirement, selection recommended appointment and contractual terms for new Non-Executive Directors to the Board

⁽²⁾ Chairman from 5 December 2013

⁽³⁾ Chairman 1 January to 5 December 2013

⁽⁴⁾ Resigned as a Director 31 December 2013

⁽⁵⁾ Resigned as a Director 26 March 2014

Summary of the Role of the Nominations Committee

The Committee is responsible for the formal and transparent procedure for the appointment of Directors to the Board. It leads the process of selection for both new Board appointments and membership of Committees.

The Committee reviews the structure, composition and size of the Board. It gives consideration to the appropriate level and mix of skills and expertise and applies other criteria such as independence, diversity and level of commitment to its recommendations.

The Committee considers any executive vacancies and appointments with due consideration to succession planning and evaluates terms of applicable service contracts. Where appropriate it consults the Remuneration Committee members and our external remuneration consultants, Towers Watson on appropriate levels of pay.

The powers, role and responsibilities delegated to the Committee by the Board are formalised in the Committee's Terms of Reference (available at www.chimeplc.com).

Appointment process

The Board has a process for Board and senior staff appointments. It takes into account the reason for any appointment, the personal attributes, underlying competencies and relevant skills required together with governance issues such as diversity and independence.

The Board does not believe that the mandated use of executive search and selection consultants is necessarily appropriate. Although use on occasion (see below) may be beneficial.

The Board was restructured in 2013. Catherine Biner Bradley resigned in April and the Committee undertook a review of the appropriate size, structure and composition of the Board. The review took into account the revised Group strategy – the challenges of international expansion, the customer shift to digital platforms and, the needs of a more diverse Group with a larger number of operating units outside of the UK.

Following the assessment, The Zygos Partnership was engaged as executive search consultants and tasked with finding suitable candidates. 19 potential candidates were considered (of which 11 were women), 7 shortlisted and interviewed (of which 5 were women).

The Nominations Committee recommended three candidates to the Board in August and the Board considered and approved their appointment. Martin Glenn and Vin Murria were appointed to the Board on 22 August and Clare Gilmartin on 18 September.

In November 2013 the Committee reviewed the composition and requirements of the three Standing Committees. In the case of the Nominations Committee itself this was undertaken by Lord Davies and Rodger Hughes. The aim of the review was to deal with a number of issues.

The Audit Committee had a reduced membership of two Directors following the resignation of Catherine Biner Bradley in April. The Remuneration Committee would be reduced to two by the end of the year on the departure of Richard Alston. The composition of the Audit and Remuneration Committees had been criticised by a number of shareholders due to WPP nominated Directors being members.

The outcome of the review resulted in the three new Non-Executive Directors taking up memberships in the standing Committees and the two WPP nominated Directors stepping down. The memberships of each Committee can be found in the Committee Reports earlier in this section.

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GENERAL INFORMATION

Relations with shareholders

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

In addition to direct communications with its shareholders the Company publishes copies of all announcements and circulars etc. on the Group website, www.chimepic.com. Shareholders are given at least 21 days' notice of the Annual General Meeting at which all Directors are generally present and at which questions are both invited and encouraged.

The Board reviews presentations to be given to analysts and shareholders and receives updates on direct contact with shareholders.

Electronic communications

Shareholders have the option to receive shareholder communications by electronic means or to continue receiving paper copies. The Company believes this equates with the advice it gives to its clients regarding utilising all channels of communication and also further illustrates our commitment to the environment by reducing the carbon emissions associated with the production and delivery of printed matter. Currently 66% of our shareholders opt for delivery electronically. This represents 75% of our issued share capital.

Accountability

Financial reporting

A review of the businesses in the Group is included in the Chief Executive's Statement. The Board uses this, together with the Chairman's Statement and the Directors' Report on pages 4 to 5 and 30 to 32 respectively, to present a balanced and understandable assessment of the Company's position and prospects. The Directors' responsibilities for the financial statements are described on page 53 of the Report and Financial Statements.

Internal control

The Board has an established process for identifying, evaluating and managing significant risks faced by the Group. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance).

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness.

The control and risk management procedures are designed to highlight any weaknesses and/or failures in the systems to the Board at the earliest opportunity together with action taken and/or proposed. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Information on the Group's significant risks, together with the relevant control and monitoring procedures, is reviewed on a monthly basis by the heads of the business units under the guidance of a nominated Executive Director and/or the Company Secretary. This information is presented to the Executive Directors to assess any identified risks and the overall effectiveness of the system of internal control. An update on all significant risk management issues is made to the Board at each quarterly meeting.

Additionally, companies annually complete a review of specified risk areas and their local risk management processes under the supervision of divisional management, the Group Internal Auditor and the Company Secretary. The Audit Committee monitors and investigates potential areas of risk raised by the trading companies, internal audit and by the Group's centralised administrative functions such as legal services, human resources and IT at each meeting.

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

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

The Group is now a worldwide business and the Executive Directors continue to review new international opportunities. The Audit Committee has broadened the scope of work of both the internal audit functions and the systems of risk management in order to ensure standards of control are maintained throughout the enlarged Group. Control of the overseas businesses is currently effected by designated senior executives reporting directly to the Board.

Directors' Statement on Corporate Governance continued

Given the nature of the Group's activities, the Board recognises the risks associated with its ability to attract, motivate and retain talented employees. Accordingly, a significant part of the Group's risk management processes are focused in this area and the Group continues to utilise employee benefits schemes shown on pages 126 and 129 to help meet this requirement

The risk management process

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

Financial control

The financial control procedures are described under the following five headings

1 *Financial reporting* – The Group has a comprehensive system for reporting financial results to the Board, each trading company prepares monthly results with a comparison against budget. The Board reviews these for the Group as a whole and by operating segment and determines appropriate action. Towards the end of each financial year the operating units prepare detailed budgets for the following year. Budgets and plans are reviewed and necessary changes made by the Board before being adopted formally

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

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

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

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

Additional information

Further information regarding the contents of this report is available on the Group website www.chimeplc.com, or from the Company Secretary on request

Fair, balanced and understandable

The Board believes the disclosures set out on pages 21 and 25 of the annual report provide the information necessary for shareholders to assess the Company's performance, business and strategy

Application of the principles of the Code

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

Statement of compliance with the Code

Throughout the year ended 31 December 2013, the Company has been in compliance with the Code provisions set out in the 2012 UK Corporate Governance Code, except for provision D 1.2 – Executive Directors' remuneration for external non-executive directorships is not stated, as this information is available in the financial statements of the companies concerned. (Also see the Director's Remuneration Report on page 54.)

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

Robert Davison

Group Secretary
26 March 2014

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business and strategy.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern.

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge

- 1 the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole,
- 2 the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and
- 3 the annual report, fair review of the business and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Christopher Satterthwaite

Chief Executive
26 March 2014

Mark Smith

Chief Operating Officer and Finance Director
26 March 2014

Introduction to the Directors' Remuneration Report

Directors' Remuneration Report

This report sets out the Group's remuneration policies for Directors for the year ended 31 December 2013

REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

2013 saw the membership of the Committee change with our Chairman, Lord Davies, and Clare Gilmartin joining as members in December. Richard Alston and Paul Richardson stepped down at that time and I would like to personally thank them for their valuable contributions during their time on the Committee.

Like many companies we have worked to develop our remuneration policies during 2013 in preparation for new reporting requirements. We have built on the remuneration review undertaken last year, the results of which were put to shareholders at last year's AGM. To summarise our work:

Policy

Following the change of leadership we sought to put in place remuneration policies for Executive Directors aligned to strategy whilst retaining the link to the creation of shareholder value. The resulting changes included a move to a greater proportion of variable pay, the deferral of 50% of bonuses in restricted shares and the setting of shareholding requirements for each of the Directors.

Shareholders have different views and we have attempted to reflect the position of the majority. Our proposals last year were modified in the light of the views expressed in our consultations with shareholders. The policy being put forward for approval at the forthcoming AGM does not contain any major changes from the 2013 review but some of the details have been modified further to reflect the comments received and to provide additional clarity.

2013

Last year we set challenging targets for the Executive Directors and the profit target was not met, despite four of the five divisions outperforming. Based on performance against the other KPI targets we awarded 33.3% of the maximum bonus having regard to the broader context, including unanticipated events such as the successful acquisition of JMI.

2014

As set out in the report which follows, the Executive Directors' salaries, pension contributions and general level of benefits will remain unchanged from 2013, and bonus performance targets have been set, 50% relating to profits and 50% based on KPIs.

The 2011 Co-Investment Plan award will vest on 1 September 2014, at 34.3% of the maximum. We shall make awards under the Performance Share Plan in 2014 of 200% of salary for Christopher Satterthwaite and 175% to Mark Smith with stretching EPS and TSR targets weighted equally.

The future

Going forward we hope the structure we have put in place will stand the test of time but we shall keep it under review, monitoring developments in the marketplace (with the assistance of Towers Watson). We value the views of shareholders and I would welcome comments and/or questions at the forthcoming AGM or at any time.

Rodger Hughes

Chairman of the Remuneration Committee
26 March 2014

The Remuneration Committee

The Committee Report for 2013, together with details of membership of the Committee can be found in the Directors' Statement on Corporate Governance on page 38. That section forms part of the Directors' Remuneration Report to be put to shareholders for approval at the forthcoming AGM.

The Committee is responsible for ensuring there is a formal, rigorous and transparent procedure for the development and implementation of policy on executive remuneration. It takes its lead from the Board in linking remuneration to the achievement of strategic goals.

The full Terms of Reference of the Committee are available on the Company website www.chimeplc.com.

The Committee retains the services of Towers Watson to provide specialist and third party advice. Towers Watson provide insight to best practice, incentive plan design and implementation and, formulaic calculations of performance against our TSR comparator groups. The Committee deems Towers Watson's advice to be objective and independent.

Aims of remuneration

The aim of our remuneration arrangements is to attract, motivate, reward and retain executive talent. In doing so the Committee takes into account market trends and best practice.

There are six main elements of the remuneration packages for Executive Directors:

- basic annual salary,
- pension arrangements,
- benefits (other than pension),
- annual bonus payments,
- deferred share incentives, and
- long-term incentive plans.

Remuneration policy For Executive Directors

Executive remuneration was the subject of a formal review by the Remuneration Committee in early 2013 following the development of a revised Group strategy and changes to the Board. The main outcomes of the review approved by shareholders at the 2013 AGM were:

- there is an increased emphasis on variable pay linked to the achievement of the strategy with base salaries frozen until no earlier than January 2016,
- there is an increase in the maximum bonus opportunity from 50% to 100% of salary subject to stretching PBT targets and achievement of strategic KPIs
- at least 50% of any bonus earned is deferred into shares for a period of three years to further align Executive Directors' interests with those of shareholders,
- long-term incentive awards shall be made under a new Performance Share Plan with a longer performance period of at least four years and a delay to full vesting of five years, and
- formal shareholding requirements for Executive Directors were introduced.

Proposed policy

At the AGM on 15 May 2014 we are seeking shareholders' approval of our Directors' Remuneration Policy, as set out in the next section of this report. The main substance of our policy is as approved by shareholders at the 2013 AGM.

Remuneration Policy

The table below summarises our proposed Remuneration Policy to be put before shareholders at our AGM in May 2014. If approved the Policy will apply for three years from the AGM in 2014. Any changes required during the life of the policy will be put before shareholders in general meeting.

Salary

Recognises and rewards the status, skills and experience of the individual and their criticality to the success of the Group

Link to Group strategy	Policy and operation	Maximum opportunity
Facilitates the recruitment and retention of the right people for senior roles	<p>Base salaries should be competitive relative to market peer groups and the salaries of Group Divisional Heads</p> <p>In setting salary levels, the Committee considers</p> <ul style="list-style-type: none"> • the experience and responsibility of the Executive Directors, • their personal performance during the previous year, • salary levels within companies of a similar size and nature, • the rates of increases for other employees in the Group, • specific retention or recruitment issues and • in the case of Christopher Satterthwaite, the proportion of his time spent on fee earning client work and the management of key clients <p>The Committee reviews salaries with effect from January each year</p>	<p>In normal circumstances increases to Executive Directors will be similar to those awarded to the broader employee population</p> <p>The current salaries payable to the Executive Directors are frozen until at least January 2016. (The last increases were awarded in July 2012)</p> <p>Only in exceptional circumstances such as a significant change in responsibilities, significant growth within the Group or periods of sustained inflation increases in excess of those awarded to the broader employee population may be considered by the Committee</p>

Discretion

The Committee retains discretion to grant salary increases but only within the confines of the circumstances detailed above

Pension

Provides market-competitive funding for retirement

Link to Group strategy	Policy and operation	Maximum opportunity
Facilitates the recruitment and retention of the right people for senior roles	<p>Executive Directors are entitled to an employer pension contribution of up to 20% of salary. Only basic salary is pensionable</p> <p>Employer pension contributions can be paid into a Group Money Purchase or Group Personal Pension Plan. However, depending on Executives' personal circumstances the Committee may agree that the employer pension contributions are paid into the individual's chosen pension vehicle or as a cash allowance in lieu of a pension contribution</p>	20% of basic salary

Discretion

The Committee retains discretion to grant pension contributions up to 20% of salary

Benefits (excluding pension)

Protects against risks and provides other benefits as part of a market-competitive remuneration package

Link to Group strategy	Policy and operation	Maximum opportunity
Facilitates the recruitment and retention of the right people for senior roles	<p>Benefits provision for Executive Directors can include</p> <ul style="list-style-type: none"> • medical benefits, including cover for spouse & children subject to scheme restrictions⁽¹⁾ • life assurance⁽¹⁾, • permanent health insurance⁽¹⁾ • transport-related benefits including parking space and access to car and driver when required for business purposes, • such other benefits as the Committee deems to be appropriate, subject to the value of such benefits not exceeding 15% of salary when totalled all other benefits provided excluding relocation and repatriation expenses and • reimbursement of reasonably incurred business expenses (including those linked to relocation and repatriation) where approved by the Committee 	<p>In the regular course of events the total value of benefits provided (excluding pension) will be no more than 15% of salary, although this may be increased in the event of a material change to the costs of provision</p> <p>In exceptional circumstances such as relocation, the value of benefits provision may exceed the stated percentage of salary</p>

Discretion

The Committee retains discretion to provide benefits to the Executive Directors within the 15% cap. Flexibility is required in order to meet plan and underwriting costs/requirements. Additionally but only in exceptional circumstances (e.g. due to the costs of insurance premiums, or policy design) the cap of 15% may be exceeded.

Notes

⁽¹⁾ These classes of benefits are available to the general staff population of the Group

Remuneration Policy continued

Annual bonus plan

Focuses on the achievement of the Company's short-term business objectives and the performance of Executive Directors in achieving those targets

Link to Group strategy	Policy and operation	Maximum opportunity
Rewards the achievement of annual Group performance against targets that are linked to Group strategy and financial performance	The annual bonus allocation for Executive Directors is capped at 100% of salary. At least 50% of the maximum bonus will be based on financial metrics for the financial year with the remaining half assessed against KPIs. These may be common or individual to the Directors concerned.	Up to 100% of basic salary with half paid in cash and half deferred in shares under the Deferred Share Plan.
The deferral of 50% of any bonus earned by Executive Directors into shares for a period of three years encourages retention and further aligns the interests of Directors with those of shareholders.	<p>Each year the Committee will determine the performance targets for the payment of the bonus. Financial targets will be set, taking into account relevant factors such as market expectations, previous performance and the internal budget. Adjustments required for acquisitions and disposals may be taken into account at the time of the relevant event but only where such adjustments are required in order that the targets retain their original purpose and the resulting adjusted targets are not materially less difficult to achieve.</p> <p>The Committee will set at least four KPIs for each Executive Director linked to the Company's strategic targets. KPIs may change each year depending on strategic priorities and whilst most targets will be financial, behavioural targets may also be set.</p> <p>In assessing performance against KPIs the Remuneration Committee will have regard to their relative importance in performance during the year in question, but will not weight any one KPI more than 30% of the total.</p> <p>A maximum award will only be made for overachievement. If the performance targets are achieved, approximately 60% of the maximum possible bonus will be paid.</p> <p>For threshold levels of financial performance approximately 30% of the maximum may be payable.</p> <p>The Committee reserves the right to make adjustments to the bonus payable in respect of achievement of performance targets taking into account events during the year and the overall shareholder experience.</p> <p>50% of any bonus earned is payable in cash, with the remaining 50% payable in deferred Company shares under the Deferred Share Plan, for three years from the date of grant. Vesting of the shares is subject to continued employment. Where beneficial ownership is transferred to the participant during the deferred period as provided under the rules of the Plan, dividends are payable.</p>	

Discretion

The Committee retains discretion within the limits described above on the nature and weighting of targets, the level awarded against performance and, adjustments made to performance targets due to acquisitions and/or disposals (e.g. affecting profit performance). The Committee may increase the proportion of bonus to be paid in deferred shares. The Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the Bonus Plan where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.

The Committee will apply judgement in assessing an individual's performance against the KPIs agreed for the year when the nature of the targets means they are not quantifiable.

Clawback and malus provisions

The Committee has the discretion to require the Executive Directors to repay some or all of any net bonus amount paid (the 'Clawback') should new facts come to light after the payment of the bonus which result either in the adverse restating of Company results or which materially and adversely change the factual data by which the Committee has measured the Executive's performance. In each case of adjustment the Committee will act proportionately to the relevant correction in good faith towards the Executive and within two years from the end of the performance year in question. The Clawback provisions on awards made under the Deferred Share Plan apply only to awards made to Executive Directors after 2013.

Long-term incentive plan – the performance share plan 2013 ('PSP')

Ensures a direct link between executive reward and shareholder returns

Link to Group strategy	Policy and operation	Maximum opportunity
Rewards growth in shareholder value over a multi-year period	The PSP shall be operated in accordance with the Plan rules as approved by shareholders on 15 May 2013. Awards to Executive Directors can be released split over four and five years (see below)	The maximum award of shares to a participant in a year is set by the Remuneration Committee but will be no more than 200% of basic salary
Long-term performance conditions, deferred vesting and the malus conditions discourage excessive risk-taking and align the interests of Directors with those of shareholders	<p>Awards are subject to the satisfaction of performance conditions which will determine the proportion (if any) of the Award to vest</p> <p>Awards are subject to a minimum of a four year performance period with 50% vesting as soon as practicable after the announcement of the preliminary annual results for the final year. The remaining 50% is subject to an additional retention period of a further 12 months before vesting as soon as practicable after the preliminary announcement of results for the following year</p> <p>Awards made from 2013 to 2017 will be subject to targets relating to headline EPS and to TSR taking analysts' expectations into account. Weighting between the two targets will be between 40% – 60%. A broad index deemed most appropriate by the Committee for comparative TSR purposes will be set at the time of each award cycle. Thresholds at which awards will vest will be set by the Committee each year and may differ from year to year. Threshold performance will result in vesting at 25% of the maximum award</p> <p>For and on each award the Committee may agree that dividends will accrue during the period to vesting and be payable to the participants</p>	

Discretion

The Committee may amend or substitute performance targets if one or more events occur which cause the Committee to consider that it would be appropriate. Any amended or substituted performance condition should not be materially less difficult to satisfy.

The Committee has limited discretion over the methodology used in assessing EPS and TSR performance. In accordance with the PSP rules and this may affect the formulaic outcome. Such discretion will only be used in order that targets retain their original purpose and are not materially less difficult to achieve.

The Committee retains the right to use its judgement in assessing performance against targets in order to ensure a fair outcome in relation to overall shareholder experience.

At any point before the issue or transfer of Award Shares, the Remuneration Committee may decide to pay a participant a cash amount equal to the value of the Shares he would otherwise have received following vesting.

Clawback and malus provisions

Additionally, the Committee may, at its discretion prior to the vesting of an Award made under the PSP, reduce the number of Award shares, cancel an Award or impose further condition on an Award. The circumstances in which the Remuneration Committee may exercise this discretion include a material misstatement of the Company's audited results, a material failure of risk management by the Company or by a member or business unit of the Company's group, or serious reputational damage to the Company or by a member or business unit of the Company's Group.

Remuneration Policy continued

Long-term incentive plan – co-investment plan 2010 ('CIP')

Ensures a direct link between executive reward and shareholder returns

Link to Group strategy	Policy and operation	Maximum opportunity
Rewards growth in shareholder value and aligns interests of Directors with those of shareholders	The CIP 2010 is an annual 'rolling' plan with discretionary share awards made to senior employees (including but not limited to Executive Directors). Participants receive an award of shares which vest after a three-year performance period subject to the achievement of demanding performance conditions set by the Committee for each award. Participants are required to maintain an investment in the Company throughout the vesting period. For Executive Directors this investment is 25% of each award under the Plan.	The maximum award of shares to a participant in a year is set by the Remuneration Committee but will normally be no more than 100% of basic salary.
For Executive Directors the Performance Share Plan has replaced the Co-Investment Plan for LTIP awards from 2013	Awards made in 2011 and 2012 were subject to a target of EPS growth in excess of CPI. For the achievement of between CPI +5% to CPI +12% payout would be in the range of 30-100% of the award. There will be no payout for below CPI +5%.	For the remaining awards the EPS Target for 100% payout are
	For TSR, maximum payout will result from the achievement of the Company being placed at or above the 75 th percentile of the Comparator Group. 30-100% of payout pro rata from achieving median to 75 th percentile and, nil for below median placement.	EPS Growth of CPI plus 12% and achieving TSR Performance at or above the 75 th percentile of the Comparator Group.

Discretion

The Committee may change the performance targets or measures in the event it is deemed fair and reasonable to do so, on the basis that the conditions are not materially easier or more difficult to achieve.

Notes

This is no longer an active plan for Executive Directors. Awards made in 2011 mature in 2014 and awards made in 2012 mature in 2015. The original Comparator Group included Bloomsbury Publishing, Centaur Media, Creston, Future, Huntsworth, ITE Group, Tarsus Group, Wilmington Group, Cello Group, M&C Saatchi, Next Fifteen, Chrysalis Group and Media Squared. Both Chrysalis and Media Squared delisted in 2011.

Savings Related Share Option Scheme

Offers all UK-based employees who meet service and tax qualifications the opportunity to build a shareholding in a tax-efficient way.

Link to Group strategy	Policy and operation	Maximum opportunity
Encourages investment in Company shares	UK based Executive Directors are eligible to participate in the Company's Save As You Earn (SAYE) scheme on the same basis as all other UK based employees.	The current Company saving maximum in practice is £1,200 per year, although this could be increased to the scheme maximum of £6,000 per year in line with HMRC SAYE limits.
	The option price is usually discounted by 20%.	
	The Committee may decide to make invitations following either of the preliminary announcement of annual results or the interim announcement. The Committee may decide not to make an invitation in any given year.	

Discretion

The Committee has the discretion to decide the limit of shares available for any given invitation to staff, to amend the qualifying period of employment for participation, and to set the maximum savings amount per individual participant.

Notes

The scheme is open to all UK based staff meeting tax criteria and a qualifying period of employment.

Use of discretion and judgement

The Committee, in line with market practice, and through the operation of the previously agreed the various Plan rules retains discretion over a number of factors within the operation and administration of the Plans noted above. This may result in the override of the formulaic outcome of both short and long term incentives.

The Committee shall only exercise such discretion provided within the previously approved Plan rules and this Policy where it is in the interests of shareholders to do so. Such discretion shall not be exercised to reward failure but to address changes in circumstances unforeseen by the Committee. Any use of such discretion shall be reported to shareholders in the Directors' Remuneration Report for the appropriate year.

Executive remuneration in relation to the broader employee population

The Committee has regard for increases to employee salary levels and employee bonus arrangements in reaching decisions about Executive Directors' remuneration. No specific comparison metrics are used. We operate a people business in which the knowledge and relationships held by key individuals are frequently vitally important to the success of the business. Therefore, within the general employee population, individual salaries are set mainly by taking into account market levels, changes in responsibility, and importance to client relationships etc. Similar factors are taken into account in setting Executive pay.

The rate for Executive Directors' employer pension contributions is higher than that of the broader employee population – this reflects market practice for senior executives.

Similar insurance-related benefits are available to a large proportion of Group employees.

Employees are not consulted on the remuneration of the Executive Directors.

Shareholding requirements

Ensures a direct link between individuals' capital investments and that of shareholders.

Link to Group strategy	Policy and operation	Maximum opportunity
Share ownership aligns the Directors interests with those of shareholders and provides an incentive for capital growth and the avoidance of risks.	<p>The Committee has set shareholding guidelines for the Non-Executive Chairman and for Executive Directors.</p> <p>These provide a target investment as a percentage of salary and a period to achieve the target.</p> <p>For the Non-Executive Chairman, £50,000 of his annual fee must be invested in Chime shares and he must make a matching investment in each year until the requirement is met.</p>	<p>Chairman £100,000 per annum investment in Chime shares to a target of £300,000 by December 2015 and to be held at that level thereafter.</p> <p>Chief Executive To 300% of salary by December 2017 and to be held thereafter.</p> <p>Chief Operating Officer and Finance Director To 250% of salary by December 2017 and to be held thereafter.</p>

Discretion

For the Executive Directors they must achieve the target investment by the target date but may divest from their current holdings with the prior permission of the Board and Committee Chairman.

Notes

The current shareholdings of the directors are shown on page 71.

Remuneration Policy continued

External Directorships

Provides executives with broader experience of business operations and assists personal development

Link to Group strategy	Policy and operation	Maximum opportunity
Exposure to other organisations provides insight into a balanced view of Chime's business and assists in the personal development of Chime's executives	Positions in other organisations must have the prior approval of the Chairman of the Board. Where fees are payable by the external organisation the Board shall agree whether these may be retained by the executive concerned	<p>Positions held may have different levels of fees</p> <p>Currently Christopher Satterthwaite is Non-Executive Chair of the Roundhouse Trust, a Director of Business in the Community (both of which are unremunerated) and the Senior Independent Director of Centaur Media plc</p> <p>Mark Smith is the Non-Executive Chair of Holiday Extras Investments Ltd</p> <p>The fees, where paid, receivable for those appointments are available in the financial statements of those organisations</p>

Discretion

The Chairman may not approve appointments if, following assessment, there is a conflict of interest, a time commitment which if met would distract from the applicable Chime role, or for any other reason.

Remuneration of Non-Executive Directors

Facilitates the recruitment and retention of suitable calibre Non-Executives to the Board

Link to Group strategy	Policy and operation	Maximum opportunity
To provide a qualified, well balanced independent Board of sufficient calibre and experience to deliver strategic leadership to the Group	<p>Non-Executive Directors are paid a fee for their directorship and additionally for membership of the Audit and/or the Remuneration Committees and as Senior Independent Director. The Nominations Committee does not attract an additional fee.</p> <p>The Chairman is not paid supplementary fees for Committee memberships.</p> <p>WPP nominated directors are unremunerated.</p> <p>Non-Executive Directors may not participate in incentive or pension schemes.</p> <p>Non-Executive Director fees are reviewed every two years in the light of market levels (the last review took place in August 2013).</p>	There is no opportunity beyond the agreed fees and the overall limit set out in the Articles of Association.

Discretion

The Board may agree that a Director sit on one or more Committee. The Committee may agree additional fees where additional work or time commitment is required; such additional fees shall be disclosed together with a description of the work undertaken in the applicable financial report.

Recruitment policy

The table below outlines the Company's policy on the remuneration arrangements for new Executive Directors. The Committee considers the current 12 month notice period that applies to each of the current Executive Directors to be adequate to recruit new Directors.

Remuneration element	Policy on recruitment
Salary	The Committee will offer a market-related salary as necessary to attract high calibre individuals, taking into account the skills and experience of the individuals and in line with the factors considered when evaluating the salaries of existing Executive Directors.
Benefits	A benefits package in line with its policy for existing Executive Directors will be offered, although where individuals are not based in the UK adjustments may be made to reflect local market practices. Additionally the Committee may approve a relocation package including paying for family flights, accommodation allowance, removal costs and visa assistance etc.
Pension	The maximum contribution will be in line with the Company's policy for existing Executive Directors.
Incentive pay	The Committee will offer the ability to earn a bonus in line with the policy for existing Executive Directors and they will be eligible to participate in the PSP. To attract the best candidate, the Committee may offer bonus or PSP awards in excess of the maximums permitted for existing Executive Directors subject to the maximum variable annual remuneration opportunity for new recruits totalling no more than 300% of salary.
Honouring existing commitments	Where the new Executive Director is relinquishing existing incentives granted by a previous employer the Committee may consider a compensation arrangement on a case-by-case basis. The resulting payment will endeavour to equal the value foregone by the executive and may use a mixture of cash and shares and, where possible, awards will be performance-related. For internal promotions to the Board we will respect prior contractual arrangements. Any commitments made prior to appointment and not relating to appointment will be allowed to pay out according to the terms under which they were made, subject to applicable incentive plan rules.

Remuneration Policy continued

Exit payments

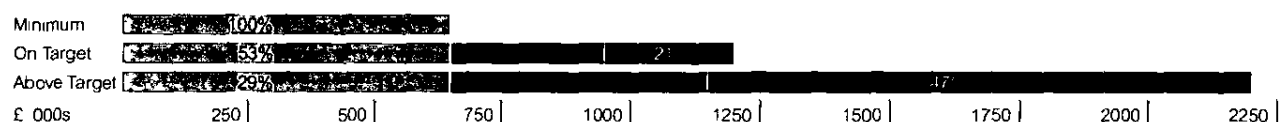
This table sets out our policy on exit payments in relation to each remuneration element for Executive Directors. Any payments on early termination of service contracts for the Executive Directors and of any employee, would be in line with contractual and statutory requirements. The terms of the service contracts of the Executive Directors and the letters of appointment of the Non-Executive Directors' provide for termination by giving of notice, but do not include compensation for loss of office or employment. In the event of termination by the Company, Executive Directors may be entitled to compensation in respect of their statutory rights under employment protection legislation in addition to their contractual rights.

The Remuneration Committee considers that the 12 month notice period that applies to Executive Directors gives a Director an appropriate degree of protection in the event of a termination by the Company and is consistent with market practice.

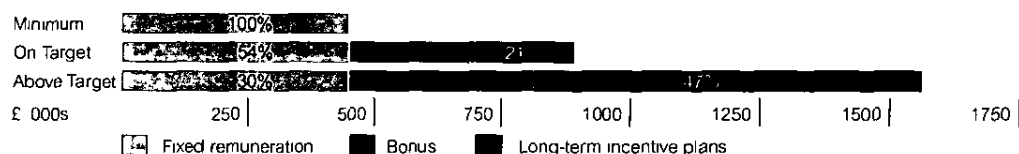
Type of remuneration	Treatment on exit
Salary, Benefits and Pension/ Pension Allowance	Salary, benefits and pension contribution/pension allowance will be paid over the notice period. The Group has the discretion to make a lump sum payment in lieu of notice to an equivalent value. The Group may seek to mitigate the payment due.
Annual Bonus including Deferred Shares	<p>Subject to assessment of performance against targets by the Committee, Executive Directors are eligible to receive the Annual Bonus if they are employed on the last date of the financial year. If the Group operates its right to make a payment in lieu of notice prior to the end of the annual performance period, an assessment of performance against targets will be made by the Committee and any bonus determined to be payable will be paid pro rata to period of service.</p> <p>Any bonus amounts previously awarded and deferred in shares will be released in accordance with the rules of the Deferred Share Plan.</p> <p>For permitted reasons (e.g. death, retirement, ill-health, injury or disability or redundancy) the Committee may determine the end of the deferral period for a given award to be the date of the termination of contract. The Committee has the discretion to reduce the number of Award Shares pro-rata to the period of service during the deferral period.</p> <p>In the event of a change of control or liquidation, the Deferral Period will be deemed to have come to an end on that date and the Award Shares will be released. The Committee may decide that the number of Shares subject to the award will be reduced pro rata to the actual performance period.</p>
LTIP – Co-Investment Plan	<p>If a participant ceases to be employed within the Group for any reason other than one justifying summary dismissal, he will be entitled to retain any award that has already matured. If a participant ceases to be employed within the Group before an award has matured, his award will lapse unless he leaves for a permitted reason. Examples of permitted reasons are death, ill-health, injury, disability, redundancy. Where a participant leaves for a permitted reason, his award will be reduced on a pro rata basis by his service during the performance period unless the Committee decides to make a smaller or larger reduction (including no reduction at all) having regard to such factors as it considers relevant.</p> <p>The participant's award will vest according to the performance targets measured over the normal performance period unless the Committee decides that the performance targets will be measured to another date as the Committee may decide is more appropriate.</p> <p>In the event of a change of control of the Group the number of shares to vest may be reduced pro rata to the Director's service during the performance period. The performance period shall be shortened to the period of the Director's service within the performance period on a pro rata basis unless the Committee decides that the award will vest to a greater or lesser extent having regard to such factors as it considers relevant.</p> <p>Participants may, with the agreement of the acquiring company, surrender their awards in return for substitute awards over shares in the acquiring company. If, immediately following the change of control, not less than 75% of the shareholders of the acquiring company are the same as the shareholders in the Group immediately before the change of control and participants are offered or granted substitute awards, the Committee may decide that unvested awards will not vest.</p>
LTIP – Performance Share Plan	<p>If the Executive Director ceases to be an officer or employee of the Group by reason of injury, ill-health, disability or for any other reason at the Committee's discretion (except where a participant is dismissed lawfully without notice), he will be a 'Good Leaver'. In these circumstances the Executive's unvested awards will normally continue until the normal vesting date, although the Remuneration has the discretion to determine that the Awards will vest as soon as reasonably practicable within a year of the termination date. The Committee will decide the extent to which an unvested Award vests taking into account the extent to which the performance conditions are satisfied. Unless the Committee exercises its discretion to decide otherwise, the proportion of the original Performance Period that has elapsed on the termination date will also be taken into account in determining the extent to which an unvested Award vests. Vested nil-cost options will be subject to a six month period where the participant may exercise the option.</p>

Executive Director total remuneration at different levels of performance

Christopher Satterthwaite – Chief Executive Officer



Mark Smith – Chief Operating Officer and Financial Director



Service contracts

The following table summarises the dates and notice periods for each Director's contract

	Date of Board appointment	Contract date	Company notice period	Executive notice period
Executive Directors				
Christopher Satterthwaite	December 2002	5 September 2013	12 months	12 months
Mark Smith	June 1994	5 September 2013	12 months	12 months
Non-Executive Directors				
Lord Davies (Chairman)	December 2012	8 December 2012	3 months	3 months
Rodger Hughes	July 2007	1 July 2007	3 months	3 months
Claire Gilmartin	September 2013	15 September 2013	3 months	3 months
Martin Glenn	August 2013	8 August 2013	3 months	3 months
Vin Murria	August 2013	8 August 2013	3 months	3 months
Christopher Sweetland	July 2012	Linked to WPP shareholding		

Director appointments are subject to Board approval and election by shareholders at the Annual General Meeting following appointment and, thereafter, by annual re-election

Directors' Remuneration in 2013

	Salary & Fees £		Benefits £		Bonus £	
	2013	2012	2013	2012	2013	2012
Executive Directors						
Christopher Satterthwaite	525,000	512,500	22,103	23,786	174,825 ⁽⁵⁾	393,750 ⁽⁶⁾
Mark Smith ⁽⁹⁾	375,000	350,000	28,759	29,022	124,875 ⁽⁵⁾	281,250 ⁽⁶⁾
Non-Executive Directors⁽¹⁾						
Lord Davies (Chairman)	250,000 ⁽²⁾	63,077 ⁽²⁾	-	-	-	-
Rodger Hughes (Senior Independent Director)	53,750 ⁽³⁾	146,000 ⁽⁴⁾	-	-	-	-
Clare Gilmartin (appointed 18 09 2013)	11,801 ⁽³⁾	-	-	-	-	-
Martin Glenn (appointed 22 08 2013)	14,827 ⁽³⁾	-	-	-	-	-
Vin Murria (appointed 22 08 2013)	14,827 ⁽³⁾	-	-	-	-	-
Paul Richardson (resigned 26 03 2014)	-	-	-	-	-	-
Christopher Sweetland	-	-	-	-	-	-
Hon. Richard Alston (resigned 31 12 2013)	30,000	30,000	-	-	-	-
Catherine Biner Bradley (resigned 30 04 2013)	11,250	30,000	-	-	-	-

⁽¹⁾ Changes to the membership of Committees were made on 5 December 2013

⁽²⁾ The remuneration of Lord Davies includes a commitment by the Company to pay £50,000 of his fees in shares. There are no direct restrictions on sale of these shares. However, Lord Davies' contract includes commitment by him to make a matching investment each year and for his investment in the Company to be £300,000 by the end of April 2015 for 2013. The shares will be purchased in the market after the preliminary announcement of the 2013 results.

⁽³⁾ Changes to the level of fees payable to Directors were effective from August 2013.

⁽⁴⁾ Payments to Rodger Hughes in 2012 were in respect of his duties as the Senior Independent Director, as Chairman of the Special and Standing Committees and as Interim Group Chairman (1 July to 6 December 2012).

⁽⁵⁾ Awarded in shares deferred for three years.

⁽⁶⁾ At the 2013 AGM shareholders approved payment of a discretionary bonus to the Executive Directors. Of the totals shown £196,875 was paid to Christopher Satterthwaite in deferred shares. Mark Smith was paid £140,625 in deferred shares.

⁽⁷⁾ Christopher Satterthwaite received £105,000 in cash as a pension allowance. Mark Smith received £25,000 in cash as a pension allowance and an additional £50,000 paid into his pension vehicle. Where payments to pension schemes were made those retirement schemes are money purchase schemes.

⁽⁸⁾ 34.3% of maximum approved for release resulting in 97,153 shares vesting for Christopher Satterthwaite and 63,158 for Mark Smith. The value of the vesting shares is based on average share price 1 October – 31 December 2013: £3.17. The shares do not vest until September 2014. The actual value on vesting will be reported in the 2014 Annual Report.

⁽⁹⁾ Mark Smith is currently a participant in the Savings-Related Share Option Scheme from the grant in 2009 with 8,995 shares under option. This is not included above as the exercise period falls in 2014.

Emoluments excl Pension £		Pension Contributions and Allowances £		Long Term Incentives £		Total 31 December £	Total 31 December £
2013	2012	2013	2012	2013	2012	2013	2012
721 928	930,036	105,000 ⁽⁷⁾	90 000	308,247 ⁽⁸⁾	737 363	1,135 175	1,020,036
528 634	660 272	75 000 ⁽⁷⁾	70 000	200,387 ⁽⁸⁾	456 798	804 021	730 272
	63,077	-	-	-	-		
53,750	146,000	-	-	-	-	53 750	146 000
11,801	-	-	-	-	-	11,801	-
14 827	-	-	-	-	-	14,827	-
14,827	-	-	-	-	-	14,827	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30 000	30 000	-	-	-	-	30 000	30,000
11 250	30 000	-	-	-	-	11 250	30 000

Directors' Remuneration in 2013 continued

Salary and fees

Increases were last made to Christopher Satterthwaite and Mark Smith in July 2012. In 2013 changes were made to variable pay elements and, as part of these arrangements, no salary increases will be made until 2016. The Executive Director's salaries are shown on page 66.

During 2013 the Board membership changed with three new Non-Executive Directors joining in August and September and two Directors retiring during the year. On recruiting the new directors, the Nominations and Remuneration Committees considered the market rate for the calibre of candidates considered and the time commitment required from the appointees. This assessment resulted in an amendment to the fees payable to our Non-Executive Directors as follows:

	£
Non-Executive Chairman	250,000
Senior Independent Director	55,000
Non-Executive Director	40,000
Committee membership	5,000

WPP nominated Directors are unremunerated. The Chairman does not receive supplementary fees for Committee membership. Committee fees are not payable for the membership of the Nominations Committee.

Pension

Christopher Satterthwaite received a pension allowance paid in cash of £105,000. Mark Smith received a payment of £50,000 into his pension scheme and a pension allowance of £25,000 in cash.

Benefits

The benefits provided by the Group to the Executive Directors consisted primarily of vehicle-related benefits such as a car or car allowance and private medical insurance.

Annual bonus

The Executive Directors' annual bonus arrangements are focused on the achievement of the Group's short term objectives.

Half of the bonus payable is on the achievement of the Group profit target. The remaining 50% is payable after the assessment of performance against key performance indicators (KPIs).

The expectation is that if all targets are met a bonus of not less than 60% would be payable with the final amount being agreed after an assessment 'in the round' of performance of the individual concerned and events occurring during the period.

In 2013 the budget profit target was not met therefore that element is not payable.

Key Performance Indicators and performance

The KPIs for the year were weighted equally.

1 Increase profit margin

Shareholder return measure. Margin declined from 16.4% in 2012 to 15.2%. Outcome: missed.

2 Return on equity

Shareholder return measure. The return on equity target included the need to make adjustments for the number and timing of contributions from acquisitions. Outcome: missed.

3 Income from and number of shared clients

Strategic objective. Level of income was maintained at 68% and the number slightly increased to 1725 (2012: 1720). Outcome: achieved.

4 Average fee per client

Strategic objective. Increased by 8.8% from £91,000 to £99,000. The number of clients paying Group companies over £100,000 during the year increased from 211 in 2012 to 249. Outcome: achieved.

5 Income from overseas businesses

Strategic objective. Increased by 65% during the period. Of total income 19% was derived from overseas businesses (2012: 12%). Outcome: achieved.

6 Assessment of individual performances

Management performance measure. An assessment of individual performance of each Executive Director. This KPI takes into account the operating environment and unforeseen events during the year (e.g. acquisitions and the management of issues). Outcome: achieved.

Commercial sensitivity

Where our disclosures allow we have provided the detail of targets against actual performance. Certain targets are considered by the Board to be commercially sensitive both in the original targets set and in the detail of any adjustments necessary to accommodate for the timing and profit contributions of acquisitions and disposals. We have therefore not disclosed the profit before tax or the return on equity target.

Assessing individual performances

The Committee acknowledges that whilst targets are set for the year in order to motivate specific performance, factors not foreseen during target setting should also be considered when assessing an individual's performance. Unforeseen corporate events in 2013 included the acquisition of JMI, the placing and extended banking facility.

Performance and award

The Committee considered the performance of the Group, the Directors' individual performances and bonus payments to the wider staff population. The original profit target had been missed and therefore no award would be made for that element. The Committee considered the KPIs. The Committee will not reward failure. Three of the five formulaic targets had been achieved and the Committee agreed that whilst the achievement against the original objectives had fallen short, the overall performance, including the three acquisitions, the refinancing, the success in building a strong business in Brazil and the reorganisation under the revised strategy was important context.

The assessment resulted in an award of 33.3% of the maximum (100% of salary) to be paid entirely in shares deferred for three years rather than as 50% cash/50% deferred shares which would be our normal practice. The cash equivalent values to be awarded in shares are to Christopher Satterthwaite, £174,825 and to Mark Smith, £124,875.

Long-term incentive plans

Co-Investment Plan Award 2011

An award under the Co-Investment Plan was made to the Executive Directors in September 2011. The award had a performance period of 1 January 2011 to 31 December 2013. Vesting, subject to the achievement of performance targets, will take place on 1 September 2014. There are two performance targets each equally weighted.

EPS target

The EPS Target is based on Chime achieving annual average earnings per share (EPS) growth over the three-year Performance Period in excess of the Consumer Prices Index (CPI).

EPS Growth in excess of CPI	% of EPS portion of Award Shares that will vest
5% or less	0
5%	30
Between 5% and 12%	30 to 100 pro rata
12%	100

TSR target

The TSR Target is based on achieving total shareholder return over the three year Performance Period compared to a comparator group of other media businesses.

Position in Comparator Group	% of TSR portion of Award Shares that will vest
Below median	0%
At median	30%
Between median and 75 th percentile	30% to 100% pro rata
At or above 75 th percentile	100%

The Comparator Group includes the following 14 companies: Bloomsbury Publishing, Centaur Media, Chrysalis Group, Creston, Future, Huntsworth, ITE Group, Media Squared, STV, Tarsus Group, Wilmington Group, Cello Group, M&C Saatchi and Next Fifteen.

Performance and vesting

The EPS Target was not met therefore that element of the award did not vest. EPS for the period was negative.

The Committee reviewed the TSR performance and agreed that only 34.3% of the maximum (i.e. 68.6% of the maximum for the TSR element) would vest.

In assessing performance the Committee reviewed the treatment of the two companies from the comparator group which delisted during the performance period. Chrysalis delisted within 30 days of the start of the three year performance period and Media Squared within 11 months. As provided by the Plan rules, the Committee agreed that a methodology where the proceeds of the theoretical investment were re-invested in the remaining comparator group of 12 companies. This reflected a consistent investment approach in terms of the companies originally selected.

The vesting that will take place as soon as practicable after 1 September 2014 will result in Christopher Satterthwaite receiving 97,153 shares and Mark Smith receiving 63,158 shares.

Directors' Remuneration in 2013 continued

Long-term interests awarded during 2013

On 15 May 2013, awards were made to the Executive Directors under the Performance Share Plan as follows

	Award level [% of salary]	Face value of Award	Number of Shares subject to Award
Christopher Satterthwaite	200%	£1 050,000	410,958
Mark Smith	175%	£656,347	256 849

The share price used to determine the number of shares under Award was £2 555 this being the average middle-market quotation of a share (as derived from the Daily Official List) over the five dealing days immediately prior to the Award Date

Form and operation of award

The performance period is 1 January 2013 – 31 December 2016. A first tranche of 50% of any award will vest as soon as practicable after the preliminary announcement of financial results for 2016 with the second remaining tranche vesting after the results announcement for 2017.

The awards were granted as nil-cost options and will be exercisable, subject to the rules of the Plan, during the period from the vesting dates above until the tenth anniversary of the original award.

Performance conditions

The Performance Conditions shall apply equally to both tranches. 60% of each tranche (rounded down to the nearest whole share) shall be subject to the TSR Performance Condition and the remaining 40% of each tranche shall be subject to the EPS Performance Condition.

60% of the 2013 Awards are subject to a performance condition measuring the Company's Total Shareholder Return ('TSR') over a Performance Period of four financial years of the Company starting with the year ending 31 December 2013 compared to the constituent members of the FTSE250 index (excluding investment trusts). The FTSE 250 was considered to be the most appropriate comparator group given the growth ambitions of the Company.

The TSR performance targets for the 2013 Awards are as follows

Rank of the Company's TSR within the Comparator Group	Extent to which the TSR Performance Condition has been satisfied
Upper quintile or above	100%
Between median and upper quintile	Pro rata between 25% and 100% on a ranking basis
Median	25%
Below median	0%

The remaining 40% of the 2013 Award is subject to a performance condition measuring the Company's cumulative earnings per share over the same Performance Period. The EPS performance targets for the 2013 Awards have been set based on the achievement of the following annualised growth rates

Annual compound growth in EPS over the Performance Period	Extent to which the EPS Performance Condition has been satisfied
15% p a or more	100%
Between 7% p a and 15% p a	On a straight-line basis between 25% and 100%
7% p a	25%
Less than 7% p a	0%

For the 2013 Award, this results in cumulative targets of 101p and 122p for threshold and maximum performance respectively, based on the 2012 headline results earnings per share (21.2p).

Dividends payable on the unvested award will not be accrued for the benefit of the participants.

Implementation of Remuneration Policy in 2014

Implementation of policy in 2014

As set out in our policy, the salaries and pension payments for the two Executive Directors are frozen until January 2016. The value of benefits may change but only in respect of the cost of the insurance policies. There is no intention to widen the list of benefits provided.

With regards to annual bonus for 2014, 50% will be paid on the achievement of a stretching headline profit target and 50% measured against a set of KPIs linked to our strategic aims. At this stage the disclosure of any further detail on the measures is deemed to be commercially sensitive. Additional detail, to the extent the Committee deems it possible, will be set out in our next report.

It is our intention to make an award under the Performance Share Plan of 200% of salary to Christopher Satterthwaite and of 175% to Mark Smith. We shall retain EPS and total shareholder return as the performance measures. The targets will continue to be stretching over the four year performance period. For the 2014 Award, these will be weighted equally. At the time of this report being approved, the targets had not yet been finalised with the Board.

Directors' interests in shares of Chime Communications plc

The interests of those Directors of the Company who held shares in the Company during 2013 are detailed below. All were Directors for the whole year. The remaining Directors of the Company did not have interests in the Company during 2013 with the exception of Catherine Biner Bradley who held 16,762 shares on 1 January 2013 and on 30 April 2014, the date of her resignation from the Board.

	Christopher Satterthwaite	Mark Smith	Lord Davies	Rodger Hughes
Shareholding - beneficial holdings				
1 January 2013	338,328	300,080	-	27,053
Acquired	-	-	19,018	-
Deferred Share Award	75,214	53,724	-	-
Placing	16,667	8,333	16,667	-
31 December 2013	430,209 ⁽¹⁾	362,137 ⁽¹⁾	35,685	27,053
Deferred Shares (beneficially owned)				
1 January 2013	-	-	-	-
Awarded ⁽²⁾	75,214	53,724	-	-
Released	-	-	-	-
Lapsed	-	-	-	-
31 December 2013	75,214 ⁽¹⁾	53,724 ⁽¹⁾	-	-
Co-Investment Plan⁽²⁾				
1 January 2013	737,363	456,798	-	-
Awarded	-	-	-	-
Released	-	-	-	-
Lapsed	238,095	132,275	-	-
31 December 2013	499,268	324,523	-	-
Performance Share Plan⁽²⁾				
1 January 2013	-	-	-	-
Awarded ⁽⁴⁾	410,958	256,849	-	-
Released	-	-	-	-

Mark Smith also has options over 8,995 shares under the Savings-Related Share Option Scheme and held these throughout the year without further grant, exercise or lapses.

⁽¹⁾ The total shareholding figure includes shares awarded under the Deferred Share Plan and beneficially owned by participants during the deferral period. The deferred shares are subject to retention conditions but not further performance conditions.

⁽²⁾ Co-Investment Plan and Performance Share Plan Awards are subject to performance conditions over a specified Performance Period.

⁽³⁾ Details relating to this award are on page 128.

⁽⁴⁾ Performance conditions related to this award are detailed on page 69. The awards made in 2013 were as nil-cost options.

Implementation of Remuneration Policy in 2014 continued

Shareholding guidelines for Executive Directors were introduced in 2013. By 31 December 2017, Christopher Satterthwaite is required to have acquired and thereafter to hold shares in Chime Communications to the value of 300% of basic salary and Mark Smith to have acquired and thereafter to hold shares in Chime Communications to the value of 250% of basic salary.

Past Directors and loss of office payments

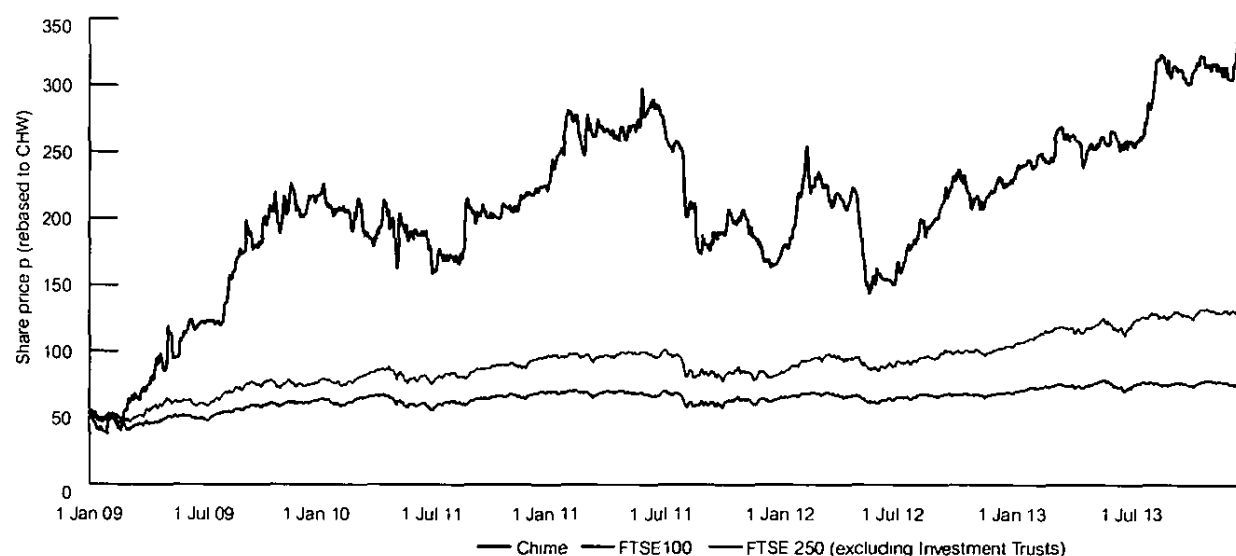
During 2013 no payments were made to past Directors and no loss of office payments were made.

Payments to Catherine Biner Bradley and the Hon Richard Alston, who both resigned from the Board during the year, for the periods as Directors are shown in the table on page 66. All payments were in respect of directors' fees.

TSR performance graph

The following graph compares Chime's TSR performance to that of the same investment in the FTSE250 (excluding Investment Trusts). This comparison has been chosen because the FTSE 250 (excluding Investment Trusts) is the comparator group for the current long term incentive plan (The Performance Share Plan).

TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends. Data is averaged over 30 days at the end of each financial year.



CEO pay table

		2009	2010	2011	2012	2013
Total CEO Remuneration inc Vesting LTIP Awards		£924,094 ⁽¹⁾	£1,529,134	£622,873	£1,020,036	£1,135,175 ⁽²⁾
Total CEO Remuneration exc Vesting LTIP Awards		£924,094 ⁽¹⁾	£873,903	£622,873	£1,020,036	£826,928
Annual Variable Pay £	Maximum	£250,000	£250,000	£250,000	£393,750	£525,000
	Actual					
Bonus		£250,000	£250,000	0	£393,750	£174,825
	Actual as % of maximum	100%	100%	0%	100%	33.3%
Long-term Variable Pay	Maximum	No LTIP with performance period ending in year	449,400	No LTIP with performance period ending in year	238,095	283,286
	Actual		336,016		0	97,153
No of Shares	Actual as % of maximum		74.77%		0%	34.3%

⁽¹⁾ Includes taxable gain of £46,116 in respect of Deferred Share release

⁽²⁾ Includes an estimated gain of £308,247 based on the vesting of 97,153 shares in September 2014. The estimated value of Chime shares is based on the 90 days prior to 31 December 2013.

Percentage increase in CEO remuneration

The following table sets out the percentage change in (2013 over 2012) in Chief Executive Remuneration against staff in two comparator groups

	Chief Executive	Executive Management Team	Chime Central Staff
Salary	+2.5%	+7.2%	+1.9%
Benefits	-7.1%	+9.8%	+7.1%
Annual Bonus	-55.6%	-21.4%	-43.6%
Total Remuneration	-22.4%	+0.2%	-6%

Staff comparator groups

We have shown the percentage change against two comparator groups

Executive Management Team

The Executive Management Team are responsible for the implementation of strategy, the allocation of resources and other commercial aspects of the Group. The membership is mainly drawn from the senior management teams within the divisions. Most of these individuals work directly with clients

Therefore those members are remunerated on the performance of the individual divisions they represent. Christopher Satterthwaite spends a significant proportion of his time with Group clients and therefore the comparison is relevant.

Chime Central

The Chime Central team are those staff who work directly for the Company in managing the Group. Their bonuses and incentives are paid on Company performance and therefore there is a direct correlation between the Chief Executive and this group of staff.

Relative importance of spend on pay

Chime is a group of people businesses. Therefore our ability to attract and retain and motivate our staff is an important factor in our success. The following table sets out the change in profit, dividends and remuneration expenditure for 2013 over 2012.

	2013 £000	2012 £000	Year on Year Change £000	%
Dividends	6,289	5,349	940	18
Staff pay	113,900	117,763	-3,863	-3

SHAREHOLDER VOTING

In early 2013 the Committee undertook a review of executive remuneration. The Group had restructured and adopted a revised strategy. It was therefore prudent to ensure that the policies used remained fit for purpose.

The initial outcome of the review resulted in:

- an increase in base salaries for the two remaining Executive Directors to reflect the additional responsibilities of their roles and the growth of the Group,
- salaries to be frozen until 2016,
- an increased maximum bonus award to 100% to reward the achievement of short term goals including,
- the deferral of at least 50% of any bonus award into shares for three years,
- the establishment of a new Long Term Incentive Scheme, The Performance Share Plan, and
- shareholding guidelines for Executive Directors.

The Remuneration Committee also proposed paying the Executive Directors a bonus of 37.5% of salary in deferred shares (deferral: two years).

This was in addition to the cash bonus paid of 37.5% of salary. As the total of 75% was above the previously disclosed maximum of 50%, the Committee felt that the payment should be put before shareholders for approval. Unfortunately, a number of shareholders saw this additional bonus as discretionary and did not feel able to support the resolution.

During the review the Committee Chairman, Rodger Hughes, consulted with a number of major shareholders together with the ABI and RREV in order to gain a market view of desirable structure and to gauge market attitudes to our proposals. We would like to thank those individuals that took part. The consultation was productive and as a result we amended our original policy design in the following areas:

- the type and weighting of the performance measures for bonus payments,
- the size and 'build period' for the shareholding requirement,
- the maximum award limits under the Performance Share Plan (PSP),
- the performance target metrics for the PSP,
- the periods to vesting for the PSP, and
- overall use of possible discretion available to the Committee.

In addition, a number of shareholders saw the additional bonus as discretionary and indicated opposition to its payment.

Shareholder voting

At the AGM on 15 May 2013 three resolutions regarding Executive Remuneration were put before shareholders with the following outcome:

To approve the Director's Remuneration Report for year ended 31 December 2012

	For	Against	Withheld	Did not vote
	36,129,830	16,030,584	17,652,926	15,341,456
Of votes cast	69.27%	30.73%	-	-
Of issued share capital	42.43%	18.82%	20.73%	18.02%

To approve the Bonus Payment to Executive Directors in respect of 2012

	For	Against	Withheld	Did not vote
	29,803,946	18,998,219	21,011,175	15,341,456
Of votes cast	61.07%	38.93%	-	-
Of issued share capital	35%	22.31%	24.67%	18.02%

To Approve the Establishment and Rules of the Performance Share Plan

	For	Against	Withheld	Did not Vote
	34 494 666	17 960 644	17 358 030	15 341 456
Of votes cast	65.76%	34.24%	-	-
Of issued share capital	40.51%	21.09%	20.38%	18.02%

The issued share capital (ISC) of the Company on 15 May 2013 was 85,154,796

Comment on shareholder voting

Whilst each of the resolutions was approved by shareholders it is unfortunate that the Committee was unable to convince all our members of the merits of the proposals in 2013. Two areas are particularly worth noting

WPP position

Our largest shareholder WPP abstained (withheld) its vote on the three resolutions as part of a general WPP policy. At the time of the AGM vote WPP held 17,330,000 shares representing 20.35% of the voting rights of the Company. The WPP representatives on the Board supported the proposals.

Bonus payment

We were aware that a number of shareholders and governance agencies viewed the bonus as discretionary and ex-gratia. However we believe good governance practice was followed. We paid below our previously agreed maximum in cash, retaining a mix of 50/50 cash and shares and put the balancing payment of deferred shares before shareholders. However, analysis of votes cast and discussion with a number of parties suggests that shareholders registered votes against both the Remuneration Report and the bonus payment as a result.

Policy development

In further developing our Remuneration Policy the Committee have taken note of the events surrounding the review of 2013. The Committee has built on this in the policy to be put before shareholders at the forthcoming AGM and as set out on pages 56 to 64. We have documented the caps and limits applicable to each of our schemes, described the limits, potential reasons for use of Committee discretion and most importantly, linked our remuneration to a continued and improved return to shareholders. We believe the design of our policy is fit for purpose and in line with our stated business strategy.

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

Rodger Hughes

Chairman of the Remuneration Committee
26 March 2014

Independent Auditor's report to the Members of Chime Communications plc

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 38. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 21 that the group is a going concern. We confirm that

- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern, and
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team

Risk	How the scope of our audit responded to the risk
Carrying value of goodwill and intangible assets The Group's assessment of impairment of goodwill and intangible assets and the Company's assessment of impairment of investments are judgmental processes which require estimates concerning the forecast cash flows and the associated discount rates and growth rates based on management's view of business prospects and taking in to account the odd versus even year fluctuation	We recalculated the discount rates applied to future cash flows and worked with our internal valuation specialists to assess the appropriateness of the underlying calculations and benchmarked the resulting discount rates against other companies operating in the media sector. We have compared the assumed growth rates and forecast cash flows against historic trends achieved in the business and analysed actual performance against forecast performance to assess the reliability of the management forecast. We compared management sensitivity analysis against recent trading activity, historic trends and our understanding of the future prospects of the business to identify whether these scenarios could give rise to further impairment.
Acquisition accounting The Group's assessment of the recognition and measurement of goodwill and other intangible assets on acquisitions is dependent on whether to recognise contingent consideration as either deferred consideration or deemed remuneration. This involves significant judgements in relation to link to employment conditions in relation to contingent consideration payments and valuation of customer contracts, relationships, brand names and proprietary technologies.	We audited all current year acquisitions including assessing compliance with IFRS 3 Business Combinations, testing of the share purchase agreements and considering whether all components of consideration and/or remuneration had been correctly identified. We tested the balance sheet of the acquired businesses at the date of acquisition and acquisition adjustments to supporting evidence. For the identified intangible assets we assessed the underlying calculations and judgements by testing the mathematical accuracy of the calculations and testing the inputs, such as future contracted revenue, costs and customer relationships and other factors making up the intangible assets to signed contracts referencing the future contracted revenue forecast cost base for the entity and historic revenue trends with customers.
Revenue recognition The recognition of revenue on a gross and net basis and accounting for long term projects represent significant areas of judgement. In terms of whether to recognise revenue on a gross or net basis, the judgements relate to whether the group is acting as an agent. For long-term projects the judgments relate to the amount of revenue to be deferred as fees received in advance and the allowance that should be made for future recoverability of receivables, work in progress and accrued income recognised for on-going projects.	<p>In order to assess the judgements over revenue recognition on either a gross or net basis, we performed a review of the contracts to confirm whether it was appropriate to recognise the gross revenue and performed detailed testing of the underlying costs recharged to supporting evidence.</p> <p>We assessed the significant judgements made by management in relation to project based revenue recognition by agreeing the revenue recognise to contract terms and conditions, and tested margins on the projects to historic financial performance. We also tested the judgements in the forecasts to completion to historic margins and cost requirements to contracts.</p> <p>We tested the recoverability of receivables, work in progress and accrued income by sample testing receivables, work in progress and accrued income to cash receipts post year end and/or customer acceptances for invoices raised.</p>

Independent Auditor's report to the Members of Chime Communications plc continued

The Audit Committee's consideration of these risks is set out on page 77

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work

We determined materiality for the group to be £1 275 million, which is 5% of headline profit before tax, and below 1% of equity. Headline profit before tax is defined as group loss before tax excluding amortisation of acquisition intangible, deemed remuneration charges including finance charges, cost of acquisitions and restructuring and impairment of goodwill. These adjustments are made consistently by the Group in their earnings communications with the market and, in the opinion of the Directors, provide a more comparable measure with similar organisations and are consistent with the profit measures that are most relevant to analysts and investors

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £25,500, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 14 locations. 11 of these were subject to a full audit, whilst the remaining 3 were subject to an audit of specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at those locations. These 14 locations represent the principal business units and account for 91% of the group's net assets, 75% of the group's operating income and 72% of the group's loss before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our analytical procedures at the 14 locations were executed

at levels of materiality applicable to each individual entity which were lower than group materiality

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances

The group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the group audit team visits each of the locations where the group audit scope was focused at least once every two years and the most significant of them at least once a year. In years when we do not visit a significant component we will include the component audit partner in our team briefing, discuss their risk assessment, and review documentation of the findings from their work

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit, or
- otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Anthony Morris, FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 March 2014

Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Continuing operations			
Revenue	3	299,186	344,234
Cost of sales		(129,057)	(184,444)
Operating income	3	170,129	159,790
Operating expenses (including deemed remuneration)	5	(170,110)	(154,897)
Operating profit	5	19	4,893
Other gains and losses	7	(3,225)	(1,677)
Share of results of associates	19	692	560
Investment income	8	66	27
Finance costs	9	(1,637)	(664)
Finance cost of deferred consideration	9	(309)	(325)
Finance cost of deemed remuneration	9	(345)	(270)
(Loss)/profit before tax		(4,739)	2,544
Tax	10	(4,429)	(5,200)
Loss for the year from continuing operations		(9,168)	(2,656)
Discontinued operations			
Profit from discontinued operations	4	-	2,790
(Loss)/profit for the year		(9,168)	134
<i>Attributable to</i>			
Equity holders of the parent		(10,831)	(1,276)
Non-controlling interest		1,663	1,410
		(9,168)	134
Earnings per share (pence)			
From continuing and discontinued operations			
Basic	13	(12.63p)	(1.59p)
Diluted	13	(12.63p)	(1.59p)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 £'000	2012 £'000
[Loss]/profit for the year	(9,168)	134
Items that may be reclassified subsequently to profit or loss		
Profit on revaluation of available for sale investments	160	4
Exchange differences on translation of foreign operations	(298)	(560)
Total comprehensive income for the year	(9,306)	(422)
Attributable to		
Equity holders of the parent	(11,003)	(1,821)
Non-controlling interest	1,697	1,399
	(9,306)	(422)

Consolidated Balance Sheet

Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Goodwill	14	227,810	178,109
Other intangible assets	16	7,038	3,234
Property, plant and equipment	17	9,837	6,865
Investments in associates	19	6,089	5,719
Other investments	20	514	354
Deferred consideration receivable	21	282	307
Other financial assets	22	100	300
Deferred tax asset	11	3,510	2,084
		255,180	196,972
Current assets			
Work in progress		8,196	2,783
Trade and other receivables	23	80,259	59,403
Deferred consideration receivable	21	-	1,000
Current tax receivable		-	65
Cash and cash equivalents		18,267	17,892
		106,722	81,143
Total assets		361,902	278,115
Current liabilities			
Trade and other payables	25	(91,019)	(70,714)
Current tax liabilities		(2,180)	(3,850)
Obligations under finance leases	26	(20)	(107)
Bank loans and overdrafts	27	(171)	(144)
Deferred consideration	28	(5,725)	(3,966)
Deemed remuneration	29	(1,671)	(13,815)
Short-term provisions	30	(1,420)	(1,208)
		(102,206)	(93,804)
Net current assets/(liabilities)		4,516	(12,661)
Non-current liabilities			
Bank loans payable after more than one year	27	(57,852)	(13,385)
Deferred consideration	28	(11,608)	(11,984)
Deemed remuneration	29	(4,880)	(864)
Deferred tax liabilities	11	(657)	-
Long-term provisions	30	(652)	(1,462)
Obligations under finance leases	26	-	(20)
		(75,649)	(27,715)
Total liabilities		(177,855)	(121,519)
Net assets		184,047	156,596

Consolidated Balance Sheet continued

Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Equity			
Share capital	31	24,529	20,522
Share premium account	32	122,939	81,943
Own shares	32	(1,718)	(2,554)
Capital reduction reserve	32	-	32,385
Translation reserve	32	(156)	176
Accumulated profit	32	36,319	22,772
Equity attributable to equity holders of the parent		181,913	155,244
Non-controlling interest		2,134	1,352
Total equity		184,047	156,596

The financial statements were approved by the board of Directors and authorised for issue on 26 March 2014. They were signed on its behalf by

Mark Smith
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Share capital £'000	Share premium £'000	Own shares £'000	Capital reduction reserve £'000	Translation reserves £'000	Accum- ulated profit/ (loss) £'000	Total £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2012	20,237	79,986	(4,191)	32,385	668	29,303	158,388	973	159,361
Total comprehensive income for the year	-	-	-	-	(549)	(1 272)	(1,821)	1,399	(422)
Transactions with owners									
Acquisition of subsidiaries	226	1,739	-	-	-	-	1,965	196	2,161
Issued to staff under options	59	238	-	-	-	-	297	-	297
Share issue costs	-	(20)	-	-	-	-	(20)	-	(20)
Disposed on exercise of options	-	-	2,144	-	-	(2 067)	77	-	77
Purchase of own shares	-	-	(507)	-	-	-	(507)	-	(507)
Purchase of non-controlling interest	-	-	-	-	-	(1 781)	(1,781)	(22)	(1,803)
Equity dividends	-	-	-	-	-	(5,349)	(5,349)	-	(5,349)
Credit in relation to share based payments	-	-	-	-	-	1 933	1,933	-	1,933
Tax on share based payment exercises	-	-	-	-	-	283	283	-	283
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1 322)	(1,322)
Recycle purchase of non- controlling interest on disposal	-	-	-	-	9	1 770	1,779	128	1,907
Disposal of subsidiary	-	-	-	-	48	(48)	-	-	-
Balance at 31 December 2012	20,522	81,943	(2,554)	32,385	176	22,772	155,244	1,352	156,596

	Share capital £'000	Share premium £'000	Own shares £'000	Capital reduction reserve £'000	Translation reserves £'000	Accum- ulated profit/ [loss] £'000	Total £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2013	20,522	81,943	(2,554)	32,385	176	22,772	155,244	1,352	156,596
Total comprehensive income for the year	-	-	-	-	(332)	(10,671)	(11,003)	1,697	(9,306)
Transactions with owners									
Acquisition of subsidiaries	1,824	19,037	-	-	-	-	20,861	63	20,924
Share placing	2,133	23,467	-	-	-	-	25,600	-	25,600
Issued to staff under options	50	227	-	-	-	-	277	-	277
Share issue costs	-	(1,735)	-	-	-	-	(1,735)	-	(1,735)
Disposed on exercise of options	-	-	(164)	-	-	-	(164)	-	(164)
Purchase of own shares	-	-	1,000	-	-	(1,000)	-	-	-
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-
Equity dividends	-	-	-	-	-	(6,289)	(6,289)	(998)	(7,287)
Credit in relation to share based payments	-	-	-	-	-	(128)	(128)	-	(128)
Tax on share based payment exercises	-	-	-	-	-	388	388	-	388
Recycle purchase of non- controlling interest on disposal	-	-	-	-	-	(1,138)	(1,138)	(7)	(1,145)
LLP partnership share	-	-	-	-	-	-	-	27	27
Release of capital reduction reserve	-	-	-	(32,385)	-	32,385	-	-	-
Balance at 31 December 2013	24,529	122,939	(1,718)	-	(156)	36,319	181,913	2,134	184,047

Consolidated Cash Flow Statement

Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Net cash from operating activities	33	3,146	11,984
Investing activities			
Interest received		56	26
Dividends received from investments and associates		320	116
Proceeds on disposal of property plant and equipment		19	87
Purchases of property plant and equipment		(5,746)	(3,105)
Purchases of other intangible assets		(379)	(27)
Loans granted to investments and associates		-	(106)
Acquisition of subsidiaries (net of cash acquired)		(58,156)	(10,829)
Acquisition of option		-	(300)
Acquisition of available for sale investment		-	(100)
Disposal of subsidiary/associate		(134)	11,358
Deferred consideration received		1,025	450
Net cash used in investing activities		(62,995)	(2,430)
Financing activities			
Dividend paid		(6,289)	(5,349)
Dividends paid to minorities		(998)	(1,322)
Increase in borrowings		57,977	14,073
Repayment of borrowings		(13,565)	(8,313)
Repayment of obligations under finance leases		(117)	(168)
Proceeds on issue of ordinary share capital		24,142	278
Purchase of own shares		(164)	(430)
Investment by non-controlling shareholder		-	-
Purchase of non-controlling interests		(884)	(1,889)
Net cash used in financing activities		60,092	(3,120)
Net increase in cash and cash equivalents		243	6,434
Cash and cash equivalents at beginning of year		17,892	11,320
Effect of foreign exchange rate changes		132	138
Cash and cash equivalents at end of year		18,267	17,892

Cash and cash equivalents comprise cash at bank and loan note deposits less overdrafts

<i>Net cash comprises</i>			
Cash and cash equivalents		18,267	17,892
Bank loans	27	(58,023)	(13,529)
Finance leases	26	(20)	(127)
Loan notes outstanding	25	(809)	(58)
Overall net cash		(40,585)	4,178

Notes to the Consolidated Financial Statements

Year ended 31 December 2013

1 General information

Chime Communications plc is a Company incorporated in United Kingdom under the Companies Act 2006. The address of the registered office is Southside, 6th Floor, 105 Victoria Street, London SW1E 6QT. The nature of the Group's operations consist principally of sports marketing, public relations, advertising, market research, direct marketing, design and event management consultancy.

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

Currency	Closing rate as at 31 December 2013	Average rate 2013	Closing rate as at 31 December 2012	Average rate 2012
US Dollar	1.6488	1.5643	1.61530	1.58496
Euro	1.976	1.1777	1.22200	1.23310
Brazilian Real	3.8720	3.3731	3.30660	3.09664

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have also been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The group has adopted all applicable standards effective for the current financial year with no material impact to the account, with the exception of the additional disclosures required by IFRS 13.

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

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 2012.

Critical accounting judgments and key sources of estimation uncertainty

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below.

Valuation and asset lives of separately identifiable intangible assets

In order to determine the value of the separately identifiable assets on the acquisition of a business combination, management are required to make estimates when utilising the Group's valuation methodologies. These methodologies include the use of discounted cash flows, revenue and profit before tax multiples. Asset lives are estimated based on the nature of the intangible asset acquired and range between 1 and 5 years and indefinite lives.

Impairment of goodwill and other intangible assets

There are a number of assumptions the Directors have considered in performing impairment reviews of goodwill and intangible assets, as determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires Directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate net present value. Note 14 details the assumptions that have been applied.

Contingent consideration

Contingent consideration relating to acquisitions has been included based on the fair value of the Directors' estimates of the most likely outcome (notes 28, 29 & 34).

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

2 Significant accounting policies (continued)

Deemed remuneration

Deemed remuneration represents payments made for the acquisition of businesses that are dependent on continuing employment, in accordance with the IFRS Interpretations Committee's interpretation of paragraph B55 of IFRS3 that this dependency means that they should be treated as remuneration regardless of other factors. Last year the accounting policy was changed to reflect this decision and the impact disclosed. However the Board remain concerned that this results in capital payments for the acquisitions of a business being charged as an operating expense, which does not properly reflect the underlying economic substance. The charge for the year for deemed remuneration has therefore been separately disclosed to assist the understanding of the readers of the financial statements.

Revenue and cost recognition on long-term contracts

Revenue and costs are recognised on long term contracts by reference to the stage of completion of activity under that contract as at the balance sheet date. Management has considered the stage of completion of each contract and made a number of assumptions in order to estimate the relevant revenues and costs to recognise under these contracts. Management are satisfied that the amounts recognised in 2013 are appropriate and consistent with the terms of the contracts and the stage of work completed.

Vacant property provisions

Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of each of the provisions is determined based on the Directors' best estimate and is dependent on the Group's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where occupied, to the termination of the leases in question.

Basis of consolidation

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Following the adoption of IAS 27 in 2011, transactions to acquire non-controlling shareholders' interests in a subsidiary are recorded in equity.

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

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

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Corporate Governance Report on page 38.

Investments in associates

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

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

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

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

Other investments

Other investments represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where market value is not available, the Group estimates relevant fair values on the basis of publicly available information from outside sources. Where this is not possible, investments are held at cost and are reviewed for impairment.

Other investments are designated as 'available for sale' and are shown at fair value with any movements in fair value taken to equity.

On disposal the cumulative gain or loss previously recognised in equity is included within the profit or loss for the year. Impairment losses recognised in profit or loss for equity investments classified as 'available for sale' are not subsequently reversed through profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised in the income statement and is not subsequently reversed.

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

For acquisitions accounted for under IFRS 3 the consideration used in the calculation of goodwill includes third party costs incurred to effect the acquisition. Following the adoption of IFRS 3 (revised) (acquisitions from 1 January 2010) these costs are expensed through the income statement and included in costs of acquisitions.

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

For acquisitions accounted for under IFRS 3, future anticipated payments to vendors in respect of earnouts are based on the Directors' best estimates of the fair value of future obligations, which are dependent on future performance of the interests acquired and assume the operating companies improve profits in line with Directors' estimates and are included in liabilities greater or less than one year as appropriate.

Following the adoption of IFRS 3 (revised), changes to earnouts are recorded in the income statement through costs of acquisitions. In this instance, when earnouts are to be settled in cash or share consideration, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future. The resulting interest charge is included within finance costs of deferred consideration.

When a business is acquired from former shareholders who become employees of the Group, should their earn out payments be dependent on continuing employment then all payments are treated as remuneration for post acquisition services. This is a change to the previously adopted policy of the Group and is as a result of the publication in January 2013 of the IFRS IC Update of the Committee's agenda decision on IFRS 3 Business Combinations—Continuing employment.

The charge to the income statement is included in deemed remuneration and the fair value of the liability is included as deemed remuneration in the balance sheet, classified as current or non-current liabilities as appropriate.

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

2 Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and comprises the gross amounts billed to clients in respect of fees earned, expenses recharged and commission-based income. Revenue is recognised in the income statement when the economic benefits arising from an arrangement are probable.

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

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

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

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

Long-term contracts

Where the outcome of a long-term contract for services or goods can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

The stage of completion is determined through an assessment of the proportion of services that have been delivered compared to the total services required to complete the contract, except where this would not be representative of the stage of completion.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leasing

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

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

Rental costs under operating leases are charged to the income statement in equal annual amounts over the periods of the leases.

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

Foreign currencies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Finance costs

Finance costs, which include interest and bank charges, are recognised in the income statement in the year in which they are incurred

Operating profit

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

Retirement benefit costs

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

Long-term incentive schemes

The group operates a number of long term incentive schemes to remunerate certain employees. Benefits accruing under these schemes are recognised in the income statement at fair value as they are accrued

Taxation

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

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

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

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

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

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

Other intangible assets

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

Computer software	4 years
Customer contracts and relationships	1 – 5 years
Brand names	Indefinite life

Property, plant and equipment

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

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

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

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

2 Significant accounting policies (continued)

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense in the income statement.

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

Work in progress

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

Provisions

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

Financial instruments

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

Cash and cash equivalents

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

Trade receivables

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

Investments

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

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

Bank borrowings

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

Trade payables

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

Equity instruments

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

Share-based payments

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

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured for all schemes with market-based conditions by use of the Monte Carlo model. For all other schemes, fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

The Group also provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value. The Group records an expense, based on its estimate of the 20% discount related to shares expected to vest on a straight-line basis over the vesting period. Further details are included in note 36 to the accounts.

Standards not affecting the reported results nor the financial position

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

Standard

IFRS 1 (amended)	Government Loans
IFRS 9	Financial Instruments
IAS 27 (revised)	Separate Financial Statements
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

3 Business and geographical segments

Business segments

Segmental reporting

For management purposes, the Group is currently organised into five operating segments: Sport & Entertainment, Advertising and Marketing Services, Public Relations, Healthcare, and Insight and Engagement.

Principal activities are as follows:

Sport & Entertainment

The Sport & Entertainment division is the fastest growing Sport & Entertainment group in the world, and includes ICON, the Essentially Group, iLUKA, Fast Track and most recently JMI. In the UK market, Fast Track and Essentially are number one and number two respectively in the sponsorship leagues tables (Marketing Magazine, November 2012).

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, data consultancy and technical design, multimedia content, youth marketing and experiential, marketing consulting, retail and shopper marketing and specialist media planning and buying. It also specialises in the niche market of financial services.

Public Relations

The Good Relations Group is a fully integrated brand communications and CSR consultancy servicing more than 400 clients in the UK and internationally. Companies include Corporate Citizenship, a best-in-class global CSR consultancy, inEvidence, a market-leading and global business-to-business customer advocacy agency, Good Relations Brand Communications, one of the UK's leading consumer brand and B2B public relations agencies, Harvard, a renowned technology public relations business and TTA Property, an award-winning property public relations business.

Healthcare

Open Health, a healthcare communications and market access group, was formed in 2011, and comprises organically developed and acquired businesses. The group brands are Open LEC, Open Plan, Reynolds-MacKenzie, Succinct, The Earth Works, Harvey Walsh and pH Associates.

Insight & Engagement

The Insight & Engagement division brings together some of the country's leading insight specialists with the most extensive and innovative research solutions to help their clients to reach faster conclusions, make better decisions and develop more informed solutions. The Insight and Engagement division is made up of Opinion Leader Research, Facts International and Watermelon Research.

Segment information about these businesses is presented below

2013	Sport & Entertainment £'000	Advertising and Marketing Services £'000	Public Relations £'000	Healthcare £'000	Insight & Engagement £'000	Elimination £'000	Consolidated £'000
Revenue							
External sales	109,028	122,037	35,390	21,661	11,070	-	299,186
Inter-segment sales	7,901	15,280	1,897	534	7,429	(33,041)	-
Total revenue	116,929	137,317	37,287	22,195	18,499	(33,041)	299,186
Segment result							
Operating income	55,576	65,807	21,228	18,451	9,067	-	170,129
Operating profit/(loss) by segment	(9,502)	4,237	1,359	2,599	2,667	-	1,360
Central administration costs							(1,341)
Operating profit							19
Other gains and losses							(3,225)
Share of results of associates							692
Investment income							66
Finance costs							(1,637)
Finance cost of deferred consideration							(309)
Finance cost of deemed remuneration							(345)
Loss before tax							(4,739)
Tax							(4,429)
Loss for the year							(9,168)
Profit for the year from discontinued operations							-
Loss after tax and discontinued operations							(9,168)
Other segment information							
Capital additions	2,480	2,493	575	440	136	-	6,124
Depreciation and amortisation	3,583	1,708	405	1,125	67	-	6,888
Goodwill	130,277	50,827	14,681	24,360	7,665	-	227,810
Balance sheet							
Segment assets (including goodwill)	181,713	87,187	25,538	35,652	11,933		342,023
Investments in associates and other investments							6,603
Deferred consideration receivable							282
Unallocated corporate assets							12,994
Consolidated total assets							361,902
Liabilities							
Segment liabilities	44,888	31,014	8,976	18,247	3,623		106,748
Unallocated corporate liabilities							13,370
Draw-down under Group facility							57,737
Consolidated total liabilities							177,855

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

3 Business and geographical segments (continued)

2012	Sport & Entertainment £'000	Advertising and Marketing Services £'000	Public Relations £'000	Healthcare £'000	Insight & Engagement £'000	Elimination £'000	Consolidated £'000
Revenue							
External sales	171,380	104,995	40,931	13,315	13,613	-	344,234
Inter-segment sales	4,000	9,887	2,092	473	4,133	(20,585)	-
Total revenue	175,380	114,882	43,023	13,788	17,746	(20,585)	344,234
Segment result							
Operating income	65,942	54,313	21,075	10,852	7,608	-	159,790
Operating profit by segment	439	3,970	802	1,433	2,125	-	8,769
Central administration costs							(3,876)
Operating profit							4,893
Other gains and losses							(1,677)
Share of results of associates							560
Investment income							27
Finance costs							(664)
Finance cost of deferred consideration							(325)
Finance cost of deemed remuneration							(270)
Profit before tax							2,544
Tax							(5,200)
Loss for the year							(2,656)
Profit for the year from discontinued operations							2,790
Profit after tax and discontinued operations							134
Other segment information							
Capital additions	1,646	776	465	147	71	-	3,105
Depreciation and amortisation	3,798	1,031	712	563	49	-	6,153
Goodwill	77,971	49,895	18,218	24,360	7,665	-	178,109
Balance sheet							
Segment assets (including goodwill)	121,335	67,032	46,088	27,211	7,561		269,227
Investments in associates and other investments							6,073
Deferred consideration receivable							1,307
Unallocated corporate assets							1,508
Consolidated total assets							278,115
Liabilities							
Segment liabilities	49,081	25,844	9,880	17,972	3,730		106,507
Unallocated corporate liabilities							13,281
Draw-down under Group facility							1,731
Consolidated total liabilities							121,519

Geographical segments

The Group's operations are located in the United Kingdom, Europe, the Middle East, the Far East, the USA, South America, Africa and Australasia. The Sport & Entertainment division is located in the United Kingdom, the Middle East, The Far East, South America, Europe, Africa and Australasia. The Group's Advertising and Marketing Services division is located in the United Kingdom, Continental Europe and Australasia. Public relations is carried out in the United Kingdom, Europe, Africa, the Middle East, the Far East and the USA. The Insight & Engagement and Healthcare divisions are located solely in the United Kingdom.

During the year our largest customer represented 10.45% of revenue. Management believe that operating income is a more meaningful measure. Our largest client represented 12% of total operating income (2012: 12%).

This was a client of the Advertising and Marketing Service division.

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

Revenue from continuing operations by geographical segment	2013 £'000	2012 £'000
United Kingdom	189,482	250,071
Europe and Africa	68,877	58,663
Middle East	4,786	7,395
USA	13,245	10,734
South America	8,544	8,479
Rest of the World	14,242	8,892
	299,186	344,234

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

Carrying amount of non-current assets	2013 £'000	2012 £'000
United Kingdom	199,215	181,824
Europe, Middle East and Africa	5,069	7,951
USA, South America and Rest of the World	50,896	7,197
	255,180	196,972

Capital additions	2013 £'000	2012 £'000
United Kingdom	4,816	2,427
Europe, Middle East and Africa	469	448
USA, South America and Rest of the World	460	203
	5,745	3,078

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

4 Discontinued operations

On 18 June 2012, the Group entered into a sale agreement to dispose of the Bell Pottinger businesses to BPP Communications Limited, ('BPP Communications'). The businesses sold to BPP Communications included the entities Bell Pottinger Public Relations Limited, Pelham Bell Pottinger Limited (60%), Bell Pottinger Public Affairs Limited, Pelham Bell Pottinger Asia Pte Limited, Bell Pottinger Middle East FZ-LLC and Bell Pottinger Bahrain S PC and the trade and assets of Bell Pottinger Sans Frontieres, Bell Pottinger USA Inc and Bell Pottinger Central. These companies carried out part of the Group's public relations operations.

Lord Bell and Piers Pottinger were Chairman and Deputy-chairman of Chime Communications plc, and are shareholders of BPP Communications, and as such the disposal is noted as a related party transaction.

The disposal was completed on 30 June 2012, on which date the control of the Bell Pottinger Businesses passed to the acquirer.

The total consideration was £19.6m, settled in £13.9m cash, shares representing a 25% holding in BPP Communications Limited valued at £4.1m, an amount of £1.0m which was deferred for a period up to 30 June 2013 and £0.6m of deferred consideration liability transferred. The £1.0m was received during June 2013. BPP Communications Limited has been recognised as an associate at the balance sheet date.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	12 months to 31 December 2012 £'000
Revenue	29,319
Operating income	14,763
Operating (loss)/profit	(54)
(Loss)/profit before tax	(54)
Profit on disposal of discontinued operations	2,967
Attributable tax expense	(123)
Net profit attributable to discontinued operations	2,790
<i>Attributable to</i>	
Equity holders of the parent	2,306
Non-controlling interests	484

In the period to 30 June 2012 the Bell Pottinger businesses contributed £0.5m to the Group's net operating cash flows, paid £0.1m in respect of investing activities and paid £0.9m in respect of financing activities.

A profit of £3.0m arose on the disposal of the Bell Pottinger Business, being the proceeds of disposal less the carrying amount of the subsidiaries net assets and attributable goodwill.

5 Operating profit

Profit has been arrived at after charging

	Continuing operations £'000	Discontinued operations £'000	Total £'000
2013			
Depreciation of owned property, plant and equipment	3,214	-	3,214
Depreciation of assets held under finance leases	66	-	66
Amortisation of other intangible assets - computer software	106	-	106
Amortisation of other intangible assets - customer relationships	3,568	-	3,568
Impairment of goodwill	1,712	-	1,712
Rentals under operating leases - property	4,458	-	4,458
Loss on disposal of property, plant and equipment	123	-	123
Staff costs (see note 6)	121,699	-	121,699
- Deemed Remuneration (see note 6)	7,800	-	7,800
Net foreign exchange losses	445	-	445

	Continuing operations £'000	Discontinued operations £'000	Total £'000
2012			
Depreciation of owned property, plant and equipment	2,961	79	3,040
Depreciation of assets held under finance leases	88	-	88
Amortisation of other intangible assets - computer software	81	-	81
Amortisation of other intangible assets - customer relationships	2,944	-	2,944
Rentals under operating leases - property	5,174	38	5,212
Loss on disposal of property, plant and equipment	434	-	434
Staff costs (see note 6)	119,538	9,499	129,037
Net foreign exchange losses	262	42	304

An analysis of auditors' remuneration is provided below

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	101	101
Fees payable to the Company's auditor and their associates for other services		
- Audit related assurance services	30	30
- the audit of the Company's subsidiaries pursuant to legislation	332	290
Total audit fees	463	421
Taxation compliance services	70	78
Other taxation advisory services	105	108
Corporate finance services	-	38
Other services	49	39
Fees in relation to prospectus	750	-
Total non-audit fees	974	263
Total fees paid to Company's auditors	1,437	684

Fees in relation to prospectus of £750,000 included services for due diligence working capital reporting, accountants report on historical financial information, report on taxation and pro forma combined financial information in relation to the acquisition of Just Marketing Inc

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

6 Staff costs

Average number of staff	2013 Number	2012 Number
Sport and Entertainment	647	700
Advertising and Marketing Services	662	527
Public Relations	285	322
Healthcare	176	113
Insight and Engagement	78	70
	1,848	1,732

Staff costs	2013 £'000	2012 £'000
Wages and Salaries	101,407	101,255
Social Security costs	10,229	11,809
Pension costs	2,391	2,679
Share-based payment awards granted to Directors and employees	(128)	2,020
Deemed Remuneration	7,800	11,274
	121,699	129,037

The Group operates a defined contribution pension scheme for the benefit of the majority of employees. This is an independently administered fund, the assets of which are held separately from those of the Company. As at December 2013, contributions of £260,000 (2012: £233,000) due in respect of the current reporting period had not been paid over to the schemes.

7 Other losses

	2013 £'000	2012 £'000
Loss on disposal of trade	-	(895)
Impairment in carrying value of other investments	-	(668)
Loss on disposal of subsidiary	(3,225)	(114)
	(3,225)	(1,677)

The Group disposed of a business in the Public Relations division during 2013 resulting in a loss of £3,224,578.

8 Investment income from continuing operations

	2013 £'000	2012 £'000
Dividend received	10	-
Interest on bank deposits	52	15
Other interest receivable	4	12
	66	27

9 Finance costs from continuing operations

	2013 £'000	2012 £'000
Interest on bank overdrafts and loans	(1,510)	(577)
Interest on unsecured loan notes	(16)	-
Interest on obligations under finance leases	(11)	(21)
Other interest payable	(100)	(66)
	(1,637)	(664)
Finance cost of deferred consideration	(309)	(325)
Finance cost of deemed remuneration	(345)	(270)
	(2,291)	(1,259)

10 Tax

	2013 £'000	2012 £'000
Current tax		
UK corporation tax at 23.25% (2012: 24.5%)	4,253	5,148
Adjustment in respect of prior years	(675)	(436)
	3,578	4,712
Foreign tax	1,337	1,610
Adjustment in respect of prior years	(14)	157
	4,901	6,479
Deferred tax		
Current year originating temporary differences	(911)	(1,223)
Adjustment in respect of prior years	439	(56)
	(472)	(1,279)
Tax charge for the year	4,429	5,200

UK Corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

10 Tax (continued)

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

	2013		2012	
	£'000	%	£'000	%
[Loss]/profit before tax	(4,749)		2,544	
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	(1,104)	23.3%	623	24.5%
Expenses that are not deductible in determining taxable profits	2,609	-54.9%	1,118	7.9%
Remuneration expense on business combinations	1,896	-39.9%	2,899	114.0%
Loss/(profit) on disposal/write-off of investments	1,104	-23.3%	243	1.7%
Unrecognised tax losses carried forward/(utilised)	258	-5.4%	127	0.9%
Prior year corporation tax adjustment	(689)	14.5%	(279)	(2.0%)
Prior year deferred tax adjustment	439	-9.3%	(56)	(0.4%)
Unrelieved overseas withholding tax	5	-0.1%	289	2.0%
Recognition of previously unrecognised deferred tax assets	(305)	6.4%	-	-
Effect of reduction of tax rate on deferred tax	229	-4.8%	124	0.9%
Effect of differences in tax rates of subsidiaries operating in other jurisdictions	(13)	-0.3%	112	0.8%
Tax expense and effective tax rate for the year	4,429	-93.2%	5,200	204.5%
Tax on discontinued operations	-	-	94	3.7%
	4,429	-93.2%	5,294	208.2%

11 Deferred tax

	2013 £'000	2012 £'000
Deferred tax asset movement		
At 1 January	2,084	1,032
Disposals	-	(3)
Acquisition of subsidiaries	109	(322)
Credit/(charge) to equity	242	98
Credit/(charge) to the profit and loss account	472	1,279
Exchange adjustments	(54)	-
At 31 December	2,853	2,084
Analysis of deferred tax asset		
Depreciation in excess of capital allowances	740	816
Short term temporary differences	316	787
Share based payments	1,069	999
Losses	721	233
Intangibles	7	(751)
	2,853	2,084

Deferred tax assets of £0.5 million in the UK (2012: £0.5 million) and \$14.3 million in the US (2012: \$3.6 million) have not been recognised in deferred taxation due to insufficient certainty that there will be appropriate profits available in the future to utilise them.

In the UK, the Finance Act 2012 included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. This gives an effective tax rate of 23.25% for current tax for the year ended 31 December 2013. The Finance Act 2013 included legislation to further reduce the main rate of UK corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. Deferred tax has been provided at the rate prevailing when the temporary differences are expected to reverse.

	Accelerated tax depreciation £'000	Share based payment £'000	Losses £'000	Short term timing differences £'000	Intangibles £'000	Total £'000
Balance at 1 January 2012	685	763	254	196	(866)	1,032
Acquisitions	1	-	389	-	(712)	(322)
Disposals	(63)	(28)	-	-	88	(3)
Charge/(credit) to profit and loss account	193	166	(410)	591	739	1,279
Credit to equity	-	98	-	-	-	98
Balance at 1 January 2013	816	999	233	787	(751)	2,084
Acquisitions	(23)	-	-	351	(219)	109
Disposals	-	-	-	-	-	-
Charge/(credit) to profit and loss account	(53)	(172)	527	(819)	1,011	494
Charge to equity	-	242	-	-	-	242
Other	-	-	(12)	-	-	(12)
Exchange adjustments	-	-	(27)	(3)	(34)	(64)
	740	1,069	721	316	7	2,853

No deferred tax liability is recognised on temporary differences of £1,060,000 (2012: £399,000) relating to the unremitted earnings of overseas subsidiaries as the group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The temporary differences at 31 December 2013 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas jurisdictions in which these subsidiaries operate.

12 Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2012 of 5.14p per share (2011: 4.50p)	4,402	3,645
Interim dividend for the year ended 31 December 2013 of 2.20p per share (2012: 2.10p per share)	1,887	1,704
	6,289	5,349
Proposed final dividend for the year ended 31 December 2013 of 5.14p per share (2012: 5.14p per share)	5,043	4,381

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 13 June 2014 to those shareholders on the register at 23 May 2014. The ex-dividend date is 21 May 2014.

Under an arrangement dated 3 April 1996, The Chime Communications Employee Trust which holds 910,704 ordinary shares representing 0.9% of the Company's called-up share capital, has agreed to waive dividends over 427,124 shares (0.4% of the company's called up share capital), the difference being those shares held under the deferred share scheme.

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

13 Earnings per share

	2013 pence	2012 pence
Earnings from continuing and discontinued operations		
Basic	(12 63p)	(1 59p)
Diluted	(12 63p)	(1 59p)

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

	2013 £'000	2012 £'000
Earnings for the purposes of basic and diluted earnings per share being net (loss)/profit attributable to equity holders of the parent	(10,831)	(1,276)

	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	85,742,203	80,203,311
Effect of dilutive potential ordinary shares		
Deferred shares	295,494	840,598
Share options	522,342	603,570
Weighted average number of ordinary shares for the purposes of diluted earnings per share	86,560,039	81 647 479

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

Some share options that had a higher purchase price than the average market price of the shares for the year ended 31 December 2013 were outstanding. These options have been excluded from the calculation of diluted earnings per share as they would have been antidilutive

	2013 pence	2012 pence
Earnings from continuing operations		
Earnings per share		
Basic	(12 63p)	(4 47p)
Diluted	(12 63p)	(4 47p)
	£'000	£'000
Earnings		
Net loss attributable to equity holder of the parent	(10,831)	(1,276)
Adjustment to exclude (profit) from discontinued operations	-	(2 790)
Adjustment to exclude non-controlling interest of discontinued operations	-	484
Earnings from continuing operations for the purpose of basic earnings per share being net profit attributable to the equity holders of the parent	(10,831)	(3,582)

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

	2013 pence	2012 pence
Earnings from discontinued operations		
Basic	-	2 88p
Diluted	-	2 83p

14 Goodwill

	2013 £'000	2012 £'000
Carrying amount at 1 January	178,109	168 220
Impairment of goodwill	(1,712)	-
Exchange differences	(483)	[738]
Recognised on acquisition of subsidiaries	54,881	26,170
Other changes in respect of prior year acquisitions	58	[3 024]
Disposal of subsidiaries	(3,043)	(12,519)
At 31 December	227,810	178,109

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired

The impairment of goodwill of £1,712,000 relates to goodwill on previous acquisitions that are undergoing strategic restructuring following the deterioration in the results of the business. The impairments arose in Sport and Entertainment, Advertising and Marketing Services and Public Relations divisions

The carrying value of goodwill and other intangible assets at the reporting date for the significant CGUs is as follows

	2013 £'000	2012 £'000
Sport & Entertainment		
Essentially – Goodwill	29,065	29,065
Essentially – Intangibles	486	486
	29,551	29 551
 Fast Track	 25,679	 25,985
 Just Marketing Inc	 44,002	 -
 Advertising and Marketing Services		
VCCP	34,917	33,176

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

14 Goodwill (continued)

Significant CGUs are those whose carrying value of goodwill exceeds 10% of the total goodwill balance

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and has taken into consideration the risks specific to each CGU.

The Group prepared cashflow forecasts based on the 2014 budgets and the five year plan approved by the Directors. The budgets and the five year plan were prepared by local management taking into account revenues from existing clients and the resources required to service the clients. They also used their industry knowledge with regards to the marketplace and pricing when formulating the budget.

After the initial five year forecast period, a long term growth rate of 2% (2012: 2%) has been applied to the cash flow forecasts into perpetuity. This rate does not exceed the long-term growth rate for the relevant markets, and is applicable to all of the CGUs.

The pre-tax rate used to discount the forecast cashflows from all CGUs in the Advertising and Marketing, Public Relations, Healthcare and Insight and Engagement sectors is 10.6% (2012: 11%). A pre-tax rate of 10.6% (2012: 11%) has been used for the Sport and Entertainment CGUs, other than one CGU located in Brazil, where a rate of 13.1% (2012: 13%) has been assumed in order to take account of the risk profile.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. If discount rates were increased by 1% and operating income reduced by 10% in each period, goodwill allocated to one CGU would be impaired by £632,000. The CGU operates within the Public Relation segments. For the same CGU, if the sensitivities were taken in isolation only the increase in the discount rate has an impact. The discount rate would need to increase by 0.9% before any impairment would be recorded.

The cumulative goodwill impairment as at the brought forward balance sheet date was £39,311,000.

In 2013 other changes in respect of prior year acquisitions predominantly include:

- Revisions to the estimate of deferred consideration payable relating to acquisitions completed prior to the implementation of IFRS 3 (revised 2008)

15 Acquisition of subsidiaries

In 2013, the Group made a number of acquisitions in order to grow the business

The Sport and Entertainment division made 3 main acquisitions as follows

- Complete Leisure Group which owns the rights to all Lord Coe's income streams over the next fifteen years. Primarily, these income streams constitute commissions, royalties and consulting income. Lord Coe is one of the most high profile figures in world sport and the proposed acquisition of CLG will assist CSM Sport & Entertainment ('CSM') in its ambition to become one of the top three sports and entertainment businesses in the world, and
- People Marketing is a sports marketing and communications agency based in Shanghai. It will significantly enhance the geographical spread of CSM's activities and provide access to the Chinese and South East Asia markets
- Just Marketing Inc ('JMI') a global marketing firm focused on motorsports, operating primarily in Formula 1, NASCAR (the National Association for Stock Car Auto Racing) and IndyCar. JMI has offices in Indianapolis, London and Hong Kong. The acquisition will help CSM's fulfil its aspiration of becoming a leading sports marketer. In particular it provides
 - a leading position in motorsports, a sport in which it currently has limited presence,
 - gives a foothold into the United States, one of the world's largest sports marketing markets,
 - reduces CSM's revenue volatility through JMI's multi-year contracts, longstanding relationships and strong revenue visibility

The VCCP Partnership made 1 main acquisition as follows

- WARL Group Limited which brings specialist retail and shopper skills to the VCCP Partnership

Complete Leisure Group

On 30 January 2013 the group exercised its option to acquire Lord Coe's 93% interest in The Complete Leisure Group Limited ('CLG'), a company incorporated in the United Kingdom, for initial consideration of £1,965,000 in cash. This was in addition to the payment in November 2012 of £300,000 for acquiring the option bringing total consideration to £2,265,000. A further 6% was acquired from minority shareholders for £110,000 bringing the total share acquired to 99%.

Additional amounts are payable to Lord Coe contingent on the results of the business, capped at the maximum of £10,200,000 (undiscounted). As at 31 December 2013, £1,795,855 (discounted for finance costs) has been provided for as deemed remuneration. The deemed remuneration is expected to be paid in 2015 and 2017. The total maximum consideration and deemed remuneration payable for CLG is £12,600,000.

CLG was acquired by Chime's Sport and Entertainment division

The fair value of the net assets acquired is detailed below

	Provisional book value £'000	Fair value adjustments £'000	Provisional fair values £'000
Intangible fixed assets	-	1,895	1,895
Other investments	79	[79]	-
Debtors and other current assets	103	-	103
Cash at bank	636	-	636
Creditors	(228)	[394]	[622]
Net assets	590	1,422	2,012
Goodwill			391
Minority Interest			[138]
Fair value of consideration			2,265
Cash consideration			2,265
Cash acquired			[636]
Cash outflow arising on acquisition			1,629

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

15 Acquisition of subsidiaries (continued)

The adjustment to investments is to de-recognise investments in non-core businesses. The adjustment to intangible fixed assets is to recognise £1,895,558 of intangibles relating to customer contracts and relationships. The adjustments to creditors relate to the recognition of deferred tax on intangible fixed assets.

Costs amounting to £87,954 have been expensed during the year and are included in operating expenses.

Goodwill represents the rights held by CLG to Lord Coe's income streams for the next 15 years. Lord Coe is one of the most high profile figures in world sport and the proposed acquisition of CLG will assist CSM Sport & Entertainment in its ambition to become one of the top three sports and entertainment businesses in the world. CLG contributed revenue of £1,490,949 and an operating loss of £1,667,222 (after a deemed remuneration charge of £1,795,855 million) to the results of the Group since acquisition. If the acquisition had been completed at the beginning of the year, the Group revenue for the period would also have been £1,490,949 and group operating profit would have been £1,667,222.

WARL Group

On 15 May 2013 the group acquired 100% of The WARL Group Limited ('WARL'), a company incorporated in the United Kingdom, for initial consideration of £5,046,000 of which £1,331,000 was paid in shares and £3,715,000 was paid in cash.

Additional amounts are payable contingent on the results of the business, capped at the maximum of £8,300,000 (undiscounted). As at 31 December 2013, £776,000 (discounted for finance costs) has been provided for as deemed remuneration. The deemed remuneration is expected to be paid in 2016 and 2019. The total maximum consideration and deemed remuneration payable for WARL is £13,400,000.

WARL was acquired by Chime's Advertising and Marketing Services division.

The fair value of the net assets acquired is detailed below.

	Provisional book value £'000	Fair value adjustments £'000	Provisional fair values £'000
Intangible fixed assets	88	2,609	2,697
Property, plant and equipment	109	-	109
Debtors and other current assets	3,905	(6)	3,899
Cash at bank	381	-	381
Creditors	(3,049)	(695)	(3,744)
Net assets	1,434	1,908	3,342
Goodwill			1,704
Fair value of consideration			5,046
Cash consideration			3,715
Cash acquired			(381)
Cash outflow arising on acquisition			3,334

The adjustment to intangible fixed assets is to de-recognise £88,231 that was recognised on an internally generated basis and to recognise £2,697,046 of intangibles relating to customer contracts and relationships.

The adjustments to creditors relate to additional accruals identified by management and to recognise deferred tax on intangible fixed assets.

Costs amounting to £253,657 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist retail and shopper marketing skills held by WARL, which adds significant capacity to VCCP's existing offering for integrated communications

WARL contributed revenue of £5,280,631 and operating loss of £699,429 (after a deemed remuneration charge of £776,316) to the results of the Group since acquisition. If the acquisition had been completed at the beginning of the year, management estimate that Group revenue for the period would have been £8,646,734 and Group operating loss would have been £102,704

People Marketing

On 15 May 2013 the group acquired 100% of People Marketing Limited ('PM'), a company incorporated in the United Kingdom, for initial consideration of Hong Kong \$128,000,000 (£10,974,644). This consideration was payable over 2 tranches, one of Hong Kong \$25,600,000 (£2,168,646) in cash and a second tranche of Hong Kong \$102,400,000 (£8,805,998) payable via cash Hong Kong \$89,600,000 (£7,522,487) and shares Hong Kong \$12,800,000 (£1,283,511)

Additional amounts are payable contingent on the results of the business, capped at the maximum of Hong Kong \$97.0 million (approximately £7.6 million undiscounted). As at 31 December 2013 no provision has been made for deemed remuneration in accordance with the expected profile of payment. The deemed remuneration is expected to be paid in 2015 and 2016. The total maximum consideration and deemed remuneration payable for PM is Hong Kong \$225.0 million (approximately £18.6 million)

PM was acquired by Chime's Sport and Entertainment division

The fair value of the net assets acquired is detailed below

	Provisional book value £'000	Fair value adjustments £'000	Provisional fair values £'000
Intangible fixed assets	-	2,538	2,538
Debtors and other current assets	246	-	246
Creditors	(62)	(533)	(595)
Net assets	184	2,005	2,189
Goodwill			8,786
Fair value of consideration			10,975
Cash consideration			9,691
Cash acquired			-
Cash outflow arising on acquisition			9,691

The adjustment to intangible fixed assets is to recognise £2,537,580 of intangibles relating to customer contracts and relationships. The adjustments to creditors relates to the recognition of deferred tax on intangible fixed assets

Costs amounting to £808,030 have been expensed during the year and are included in operating expenses

Goodwill represents the specialist skills held by PM which will significantly enhance the geographical spread of CSM Sport and Entertainment's activities and provide access to the Chinese and South East Asia markets

PM contributed revenue of £3,319,609 and operating profit of £458,186 to the results of the Group since acquisition. If the acquisition had been completed at the beginning of the year, management estimate that Group revenue for the period would have been £7,576,609 and Group operating profit would have been £2,765,186

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

15 Acquisition of subsidiaries (continued)

Just Marketing Inc

On 20 November 2013 the group acquired 100% of Just Marketing Inc ('JMI'), a company incorporated in the United States, for initial consideration of USD\$68,039,703 (£42,296,296) of which USD\$51,359,945 (£31,939,414) was paid in cash, USD\$2,795,508 (£1,735,801) was paid in shares and USD\$13,884,250 (£8,621,081) was paid via issue of Escrow Consideration Shares to an escrow agent. This comprised of Claims Escrow Consideration shares (USD\$5,018,402 (£3,116,052)) and Revenue Escrow Consideration Shares (USD\$8,865,848 (£5,505,028)).

The claims escrow consideration shares will be released on 20 November 2014 should there be no claims and the warranty provision in the sale and purchase agreement. The revenue escrow consideration shares will be released based on revenues due to be received by JMI during the period 1 January 2015 to 31 December 2017 pursuant to new contracts entered into following 31 August 2013.

Additional deferred consideration shares will be issued up to a maximum of 685,865 shares (approx. USD\$3.5m (£2.2m)). This comprises 247,903 Claims Escrow Deferred shares (approx. USD\$1.3m (£0.8m)) and 437,962 Revenue Escrow deferred shares (approx. USD\$2.2m (£1.4m)). Deferred consideration shares have been provided for of £2,160,475.

JMI was acquired by Chime's Sport and Entertainment division.

The fair value of the net assets acquired is detailed below:

	Provisional Book Value £'000	Fair value adjustments £'000	Provisional fair values £'000
Intangible assets	13,499	(13,499)	-
Goodwill	10,441	(10,441)	-
Property, Plant and Equipment	577	(33)	544
Debtors and other current assets	8,042	3,776	11,818
Creditors	(11,552)	(79)	(11,631)
Cash at bank	484	-	484
Long-term liabilities	(760)	-	(760)
Net assets	20,731	(20,276)	455
Goodwill			44,002
Fair value of consideration			44,457
Fair value of initial consideration			42,297
Fair value of deferred consideration			2,160
Cash consideration			31,940
Cash acquired			(484)
Cash outflow arising on acquisition			31,456

Due to the proximity of the transaction to the issue of these financial statements the information required to prepare the intangible valuation for the business combination is as yet unavailable.

The adjustment to intangible fixed assets is to derecognise £13,498,732 that was recognised on an internally generated basis. The adjustment to goodwill is to derecognise the goodwill held by JMI from previous acquisitions.

The adjustment to property, plant and equipment is to bring the JMI depreciation in line with the Chime depreciation policy.

The adjustment to other current assets is the recognition of deferred tax asset on intangible fixed assets.

Costs amounting to £3,589,459 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist skills held by JMI which will significantly enhance the geographical spread of CSM Sport and Entertainment's activities and provide a foothold to the United States and global markets

JMI contributed revenue of £5,068,293 and operating loss of £697,577 to the results of the Group since acquisition. If the acquisition had been completed at the beginning of the year, management estimate that Group revenue for the period would have been £31,391,164 and Group operating loss would have been £257,718

16 Other intangible assets

	Brand names £'000	Customer contracts and relationships £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2012	486	6 757	1,188	8,431
Additions	-	-	27	27
Acquisition of subsidiaries	-	3 006	-	3,006
Disposal	-	(359)	(19)	(378)
Reclassify from Property, Plant and Equipment	-	-	378	378
Exchange differences	-	(45)	-	(45)
At 1 January 2013	486	9,359	1,574	11,419
Additions	-	-	379	379
Acquisition of subsidiaries	-	7,130	18	7,148
Disposal	-	-	(101)	(101)
Reclassify from Property, Plant and Equipment	-	-	10	10
Exchange differences	-	(46)	(4)	(50)
At 31 December 2013	486	16,443	1,876	18,805
Accumulated amortisation				
At 1 January 2012	-	3 811	1 149	4,960
Charge for the year	-	2 944	81	3,025
Disposal	-	-	(13)	(13)
Reclassify from Property, Plant and Equipment	-	-	213	213
At 1 January 2013	-	6,755	1,430	8,185
Charge for the year	-	3,568	106	3,674
Disposal	-	-	(95)	(95)
Reclassify from Property, Plant and Equipment	-	-	3	3
At 31 December 2013	-	10,323	1,444	11,767
Net book amount				
31 December 2013	486	6,120	432	7,038
31 December 2012	486	2,604	144	3 234
1 January 2012	486	2 946	39	3 471

Corporate brands are considered to have indefinite economic life because of their proven market position and the Group's commitment to develop and enhance their value. On this basis, it is reasonable to assign an infinite life to these intangible assets and review them on an annual basis in order to assess whether there has been any degradation of a Company's brand name.

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

17 Property, plant and equipment

	Short-term leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
Cost				
At 1 January 2012	5,477	289	10,455	16,221
Additions	312	41	2,725	3,078
Acquisition of subsidiary	22	20	705	747
Disposal of subsidiary	-	-	(825)	(825)
Exchange differences	(1)	-	(57)	(58)
Transfers	(7)	-	7	-
Reclassify to Other Intangibles	-	-	(378)	(378)
Disposals	(1,523)	(181)	(1,530)	(3,234)
At 31 December 2012	4,280	169	11,102	15,551
Additions	2,432	23	3,290	5,745
Acquisition of subsidiary	82	248	305	635
Disposal of subsidiary	-	-	(167)	(167)
Exchange differences	(7)	(18)	(39)	(64)
Transfers	-	-	-	-
Reclassify to Other Intangibles	1	-	(11)	(10)
Disposals	(418)	(10)	(967)	(1,534)
At 31 December 2013	6,370	412	13,513	20,156
Accumulated depreciation				
At 1 January 2012	3,230	83	5,581	8,894
Charge for the year	730	57	2,341	3,128
Disposal of subsidiary	(101)	(101)	(512)	(714)
Transfers	(3)	-	3	-
Reclassify to Other Intangibles	-	-	(213)	(213)
Exchange differences	(1)	-	(28)	(29)
Eliminated on disposal	(1,078)	-	(1,302)	(2,380)
At 31 December 2012	2,777	39	5,870	8,686
Charge for the year	728	61	2,425	3,214
Disposal of subsidiary	-	-	(153)	(153)
Transfers	-	-	-	-
Reclassify to Other Intangibles	-	-	(3)	(3)
Exchange differences	(3)	(13)	(11)	(27)
Eliminated on disposal	(393)	-	(866)	(1,398)
At 31 December 2013	3,109	87	7,262	10,319
Net book amount				
31 December 2013	3,261	325	6,251	9,837
1 December 2012	1,503	130	5,232	6,865
1 January 2012	2,247	206	4,874	7,327

The carrying amount of the Group's motor vehicles includes an amount of £nil (2012: £34,375) in respect of assets held under finance leases. As stated in note 26, the Group's obligations under finance leases are secured by the lessor's charges over the leased assets.

18 Subsidiaries and associates

The Group's principal trading subsidiaries and associated undertakings in 2012 are listed below

Company	Nature of business	Country of incorporation	Proportion of ordinary shares held and voting rights
<i>Subsidiaries</i>			
Big Eyes Communications Limited +	Advertising and marketing	United Kingdom	100%
Brand Democracy Limited ***	Research	United Kingdom	100%
Bullnose Limited ***	Design consultancy	United Kingdom	100%
Convivas Brasil Gestao de Eventos Esportivos Ltda	Sports marketing consultancy	Brazil	53%
Corporate Citizenship Limited +	Corporate & social responsibility consultancy	United Kingdom	100%
The Corporate Citizenship Inc	Corporate & social responsibility	USA	100%
CSM Projetos Organizacao de Eventos SPE Ltda (FIFA SPV)	Sports marketing consultancy	Brazil	100%
CSM Sport and Entertainment Australia Pty Ltd	Athletes management and sports marketing	Australia	100%
CSM Sport and Entertainment Espana S L	Sports marketing consultancy	Spain	81%
CSM Sports and Entertainment France Limited (formerly Essentially France Limited) +	Athletes management and sports consultancy	United Kingdom	85%
CSM Sport and Entertainment New Zealand Limited	Athletes management and sports consultancy	New Zealand	100%
CSM Sport and Entertainment South Africa (Pty) Limited	Athletes management and sports marketing	South Africa	100%
GR-1 Limited ***	Public Relations	United Kingdom	100%
Good Relations Consultants Limited ***	Public Relations	United Kingdom	100%
Earth Works Digital Limited	Digital healthcare initiatives	United Kingdom	60%
Essentially Athlete Management Limited *	Athletes management	United Kingdom	100%
Executive Drive Events LLC	Sports marketing and sponsorship	USA	100%
Essentially Sports Marketing Limited *	Sports marketing consultancy	United Kingdom	100%
Facts International Limited +	Research	United Kingdom	100%
Fast Track Agency Limited *	Marketing consultancy and event management	United Kingdom	100%
Fast Track Agency Scotland Limited	Sports marketing consultancy	United Kingdom	100%
Fast Track Events Limited *	Event management	United Kingdom	100%
Fast Track Hong Kong Limited	Sports marketing consultancy	Hong Kong	100%
Fast Track Middle East FZ LLC	Sports marketing consultancy	Abu Dhabi	100%
Fast Track Sailing Limited *	Sports marketing consultancy	United Kingdom	100%
FIL Market Research Limited +	Research	United Kingdom	100%
Golden Goal Sports Ventures Gestao Esportiva Ltd	Sports marketing consultancy	Brazil	60%
Good Relations Limited	Public relations	United Kingdom	100%
Good Relations Group USA Inc	Public relations	USA	100%
Gulhford Consulting Limited ***	Strategic planning	United Kingdom	100%
Harvard - Good Relations Group GmbH	Public relations	Germany	100%
Harvard Public Relations Limited +	Public relations	United Kingdom	100%
Harvey Walsh Limited	Healthcare data analytics	United Kingdom	51%

Notes to the Consolidated Financial Statements continued

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18 Subsidiaries and associates (continued)

Company	Nature of business	Country of incorporation	Proportion of ordinary shares held and voting rights
<i>Subsidiaries (continued)</i>			
Hooper Galton Limited **	Advertising and marketing	United Kingdom	100%
Icon Display Limited *	Sports marketing consultancy	United Kingdom	100%
Icon Middle East LLC	Sports marketing consultancy	Qatar	100%
ICON Marketing em Display Ltda	Sports marketing consultancy	Brazil	92%
Icon Prolab Events Organising LLC	Sports marketing consultancy	Dubai	50%
iLUKA Limited *	Sports marketing and sponsorship consultancy	United Kingdom	100%
iLUKA LLC	Sports marketing and sponsorship consultancy	Russia	100%
Insight Marketing & Communications Limited	Public relations	United Kingdom	100%
JMI Motorsport Limited	Sports marketing and sponsorship	United Kingdom	100%
Just Marketing Inc	Sports marketing and sponsorship	USA	100%
McKenzie Clark Limited *	Branding for live events	United Kingdom	100%
Open LEC Limited	Healthcare public relations	United Kingdom	100%
Opinion Leader Research Limited	Market research	United Kingdom	100%
People Marketing Sport and Entertainment (Shanghai) Co Ltd	Sports marketing consultancy	China	100%
PH Associates Limited	Healthcare public relations	United Kingdom	100%
PMP Legacy Limited *	Sports marketing consultancy	United Kingdom	100%
Pure Media Group Limited	Media buying	United Kingdom	100%
Resonate Communications Limited ***	Consumer public relations	United Kingdom	100%
Reynolds-MacKenzie Limited	Healthcare public relations	United Kingdom	100%
Rough Hill Limited	Youth marketing and experiential	United Kingdom	60%
Sportseen Limited *	Sports marketing and media sales	United Kingdom	100%
Stuart Higgins Communications Limited *	Sports marketing consultancy	United Kingdom	100%
Succinct Communications Limited	Healthcare education	United Kingdom	100%
Teamspirit Brand Limited ***	Financial services advertising and marketing	United Kingdom	100%
Teamspirit Business and Corporate Limited	Financial services advertising and marketing	United Kingdom	53%
Teamspirit Limited +	Financial services advertising and marketing	United Kingdom	100%
The Complete Leisure Group Limited	Sports marketing consultancy	United Kingdom	98%
Traffic - Good Relations Group GmbH	Public relations	Germany	100%
Tree (London) Limited **	Strategy and Research	United Kingdom	100%
TTA Public Relations Limited +	Property marketing	United Kingdom	100%
VCCP Blue Limited ***	Advertising and marketing	United Kingdom	100%
VCCP Bratislava	Advertising and marketing	Slovakia	100%
VCCP Kin Limited **	Advertising and marketing	United Kingdom	80%
VCCP Digital Limited ***	Digital advertising and marketing	United Kingdom	100%

Company	Nature of business	Country of incorporation	Proportion of ordinary shares held and voting rights
<i>Subsidiaries (continued)</i>			
VCCP GmbH	Advertising and marketing	Germany	100%
VCCP Health Limited	Advertising and marketing	United Kingdom	80%
VCCP Limited **	Advertising and marketing	United Kingdom	100%
VCCP Live Limited	Advertising and marketing	United Kingdom	60%
VCCP Me Limited **	Direct marketing	United Kingdom	100%
VCCP Pty Ltd	Advertising and marketing	Australia	100%
VCCP s r o	Advertising and marketing	Czech Republic	100%
VCCP Search Limited ***	Search engine marketing	United Kingdom	100%
VCCP Share Limited **	Advertising and marketing	United Kingdom	90%
Watermelon Research Limited	Digital Research	United Kingdom	60%
<i>Associates</i>			
Bell Pottinger Private Limited +	Public relations	United Kingdom	25%
Colour TV Limited +	Television production	United Kingdom	45%
Naked Eye Research Limited +	Research	United Kingdom	26%
Rare Corporate Design Limited +	Corporate design	United Kingdom	40%
StratAgile Limited	Data analytics	Singapore	40%
The Agency of Someone Limited	Branding and design	United Kingdom	40%
The Brand Marketing Team Limited (formerly Branded Moments Of Truth Limited)	Consumer marketing	United Kingdom	40%
X & Y Communications Limited +	Public relations	United Kingdom	29%
			Capital investment
<i>Limited Liability Partnerships</i>			
CSM Sport and Entertainment LLP	Sports marketing consultancy	United Kingdom	100%
Open Healthcare Communications LLP	Healthcare public relations	United Kingdom	51%
VCCP Group LLP	Advertising and marketing	United Kingdom	100%

+ Direct subsidiary/associate of Chime Communications plc

* Companies that transferred their business and assets to CSM Sport and Entertainment LLP

** Companies that transferred their business and assets to VCCP Group LLP

*** This company has taken advantage of the S479a exemption from audit

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

19 Investments in associates

	2013 £'000	2012 £'000
Aggregate amounts relating to associates		
Total assets	20,650	40,853
Total liabilities	(957)	(22,215)
Net assets	19,693	18,638
Revenue	30,076	46,264
Profit for the year	1,248	1,868
Group's share of profit of associates	692	560

Included in the above liabilities owed by the associates are loans from the Group of £40,000 (2012 £40,000). The unrecognised share of profit of associates is £31,000 (2012 loss of £12,000) for the year ending 31 December 2013 and £86,000 cumulatively losses to 31 December 2013.

A list of the significant investments in associates, including the name, country of incorporation, proportion of ownership interest is given in note 18.

20 Other investments

	2013 £'000	2012 £'000
At 1 January	354	1,014
Additions	160	104
Impairment of Investment	-	(764)
At 31 December	514	354

Additions to other investments consist of a £160,000 uplift to the quoted market prices as at 31 December 2013.

21 Due from deferred consideration

Amounts shown are due from the disposals of Smithfield Financial Limited and Celerity Professional Services Limited being the deferred consideration due. Management have assessed the credit risk associated with the balances and are satisfied that the balances are recoverable. £25,000 (2012 £450,000) was received in the year towards the deferred consideration. Management believe the carrying value is a reasonable approximation of the value of the asset.

22 Other financial assets

Amounts shown relate to the purchase of an option in 2012 whereby on exercise the Group would acquire Lord Coe's 93% interest in Complete Leisure Group Limited. This option was exercised on 30 January 2013 and further information is noted in the acquisition of subsidiaries note 15.

23 Trade and other receivables

	2013 £'000	2012 £'000
Amounts receivable from provision of services	57,475	47,841
Other debtors	5,177	3,558
Prepayments and accrued income	17,607	8,004
	80,259	59,403

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

	2013 £'000	2012 £'000
Not overdue	33,358	26,417
Overdue		
Less than 30 days	11,473	12,682
Between 30 and 60 days	7,357	3,991
Between 60 and 90 days	2,410	2,735
Between 90 and 180 days	1,846	1,317
Between 180 and 360 days	995	1,282
More than 360 days	702	241
	58,141	48,665
Provision for irrecoverable trade receivables	(666)	(824)
	57,475	47,841

The average credit period at year end 64 days (2012: 57 days). The Group's trade receivables are stated after allowances for bad and doubtful debts. This allowance has been determined by considering specific doubtful balances and by reference to past default experience, an analysis of which is as follows:

Movement in the provision for irrecoverable trade receivables

	2013 £'000	2012 £'000
At 1 January	824	2,390
Amounts charged to operating expenses	53	624
Acquisitions	69	10
Disposal of subsidiary	(1)	(1,380)
Trade receivables written off	(261)	(758)
Amounts recovered during the year	(13)	(54)
Foreign exchange	(5)	(8)
At 31 December	666	824

The provision for irrecoverable trade receivables relates to debts that are past due and impaired.

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

24 Cash and cash equivalents

Cash and equivalents include £58,000 (2012 £58,000) of cash held for cash backed loan notes. These are held at Royal Bank of Scotland and are redeemable on demand by the loan note holders.

25 Trade and other payables

	2013 £'000	2012 £'000
Trade creditors	41,048	34,983
Other taxation and social security	7,218	8,260
Accruals and deferred income	36,883	23,757
Other creditors	5,061	3,656
Loan notes	809	58
	91,019	70,714

The average credit period taken for trade purchases at year end is 76 days (2012 46 days). The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The loan notes held in the loan note deposits of the same amount included within cash and cash equivalents. Loan notes totalling £58,000 are outstanding as part of the initial and contingent consideration on the acquisition of HHCL Group Limited and VCCP Limited. The loan notes are held by Royal Bank of Scotland plc on a deposit of £58,000. Unsecured Loan notes are outstanding as part of the Fast Track Limited and Icon Limited contingent consideration on the acquisitions. Fast Track outstanding loan notes of £558,000 are redeemable at the option of the Noteholders on 90 days written notice after the repayment date. This is twelve months from the issue date of 8 April 2013. Icon outstanding loan notes of £193,000 present are redeemable at the option of the Noteholders on 90 days written notice after the repayment date. This is six months from the issue date of 8 September 2013.

26 Obligations under finance leases

	Year ended 31 December 2013		Year ended 31 December 2012	
	Minimum lease payments £'000	Present value of lease payments £'000	Minimum lease payments £'000	Present value of lease payments £'000
Amounts payable under finance leases				
Within one year	20	20	107	107
Between one and five years	-	-	20	20
	20	20	127	127
Less future finance charges	-	-	-	-
Present value of finance lease obligations	20	20	127	127

The Group leases certain of its motor vehicles, fixtures, fittings and equipment under finance leases.

The lease terms are up to 4 years. The finance leases bear interest at rates between 9% and 12%. The fair value of the Group's lease obligations approximates their carrying amount. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

27 Bank overdrafts and loans

	2013 £'000	2012 £'000
Bank loans and overdrafts	58,023	13,529
The borrowings are repayable as follows		
On demand or within one year	171	144
Between one and two years	-	-
Between three and five years	57,852	13,385
After five years	-	-
Bank loans	58,023	13,529
Amount due for settlement within 12 months	171	144
Amount due for settlement after 12 months	57,852	13,385
	58,023	13,529

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

The principal features of the Group's borrowings with the Royal Bank of Scotland and HSBC Bank plc (as additional lender) are as follows

- (i) The Group has a rolling overdraft facility of £5 million. The overdraft facility is repayable on demand
- (ii) The Group has a committed facility of £90 million. The term of the facility is until 30 September 2016
- (iii) The bank loan incurred interest at 1.75% and 2.25% above LIBOR until October 2013 when this increased to 2.00% and 2.75% above LIBOR, depending on use of the facility compared to EBITDA, the overdraft bears interest at 1.75% above base rate
- (iv) A cross-guarantee exists between the majority of wholly-owned subsidiaries and the parent company Royal Bank of Scotland plc and HSBC Bank plc hold debentures over the assets of the Company and the subsidiaries in respect of the bank loans
- (v) The weighted average interest rate applied in the year is 2.30% (2012: 2.08%)

At 31 December 2013 the Group had drawn down £59 million (2012: £14 million) (gross of capitalised facility costs of £1.3 million (2012: £0.7 million)) of the borrowing facility and had available £27.8 million (2012: £27.8 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group had utilised £648,000 of the overdraft facility at year end.

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

28 Deferred consideration

Contingent consideration relates to acquisitions made in current and previous years. The amounts payable are dependent on the future profits of the companies acquired. Further details of the deferred considerations arising from current year acquisitions are shown in note 34. Timing of payments of deferred consideration is set out in the relevant Sale and Purchase Agreements.

At 31 December 2013 approximately £12,632,000 (2012: £13,131,000) of the deferred consideration is expected to be settled in cash and £4,701,000 (2012: £2,814,000) in shares before discounting. The number of shares to be issued in all instances is based on the market value prior to the issue of the shares. Chime retains the right to satisfy a higher proportion in cash.

	Deferred/ Contingent consideration £'000
At 1 January 2013	15,950
On acquisition of subsidiaries	2,373
Adjustment to prior year acquisitions	3,287
Discounting charge to the income statement	309
Payments made	(3,865)
Foreign exchange	(721)
At 31 December 2013	17,333
Included in current liabilities	5,725
Included in non-current liabilities	11,608
	17,333

	Deferred/ Contingent consideration £'000
At 1 January 2012	13,048
On acquisition of subsidiaries	11,114
Adjustment to prior year acquisitions	(2,387)
Discounting charge to the income statement	325
Disposed of as part of sale	(801)
Payments made	(5,067)
Foreign exchange	(282)
At 31 December 2012	15,950
Included in current liabilities	3,966
Included in non-current liabilities	11,984
	15,950

29 Deemed remuneration

Deemed remuneration relates to acquisitions made in current and previous years. The amounts payable are dependent on the future profits of the companies acquired. Further details of the deemed remuneration arising from current year acquisitions are shown in note 34. Timing of payments of deferred consideration is set out in the relevant Sale and Purchase Agreements.

	Deemed remuneration £'000
At 1 January 2013	14,679
Discounting charge to the income statement	6,770
Payments made	(16,274)
Deemed Remuneration charge on acquisition of subsidiaries	-
Deemed Remuneration charge LLP capital contribution	1,376
At 31 December 2013	6,551
Included in current liabilities	1,671
Included in non-current liabilities	4,880
	6,551

	Deemed remuneration £'000
At 1 January 2012	3,136
Discounting charge to the income statement	270
Deemed Remuneration charge on acquisition of subsidiaries	11,273
Deemed Remuneration charge LLP capital contribution	-
At 31 December 2012	14,679
Included in current liabilities	13,815
Included in non-current liabilities	864
	14,679

30 Provisions

Vacant property

The vacant property provision at 31 December 2013 relates to seven buildings: one near Heathrow, three in Central London, two in South London and one in Glasgow. Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of each of the provisions has been determined based on management's best estimate and is dependent on the Group's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where occupied, to the termination of the leases in question. During the year the group made provisions of £791,000. It is expected that this provision will be utilised over the period to 2017.

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

30 Provisions (continued)

	Vacant property £'000	Other provisions £'000	Total £'000
At 1 January 2013	2,653	17	2,670
Charged to the income statement	791	-	791
Payments made	(1,372)	(17)	(1,389)
Foreign exchange	-	-	-
At 31 December 2013	2,072	-	2,072
Included in current liabilities	1,420	-	1,420
Included in non-current liabilities	652	-	652
	2,072	-	2,072

	Gross obligations under put options £'000	Vacant property £'000	Total £'000
At 1 January 2012	302	-	302
Charged to the income statement	2,491	17	2,508
Payments made	(137)	-	(137)
Foreign exchange	(3)	-	(3)
At 31 December 2012	2,653	17	2,670
Included in current liabilities	1,191	17	1,208
Included in non-current liabilities	1,462	-	1,462
	2,653	17	2,670

31 Share capital

	2013		2012	
	Number	Nominal value £'000	Number	Nominal value £'000
Called up, allotted and fully paid at 1 January				
Ordinary shares at 25p each	82,089,801	20,522	80,948,500	20,237
Issues relating to acquisitions	7,253,232	1,813	903,313	226
Issues relating to deferred consideration	42,228	11	-	-
Issues relating to placing of shares	8,533,334	2,133	-	-
Issued to staff under share options	197,525	50	237,988	59
Called up, allotted and fully paid at 31 December	98,116,120	24,529	82,089,801	20,522

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

1,494,501 shares with a fair value of £3,735,057 were issued on 3 April 2013 in relation to the acquisition of ICON Display Limited
 1,530,322 shares with a fair value of £4,046,171 were issued on 3 April 2013 in relation to the acquisition of iLUKA Limited
 521,062 shares with a fair value of £1,330,792 were issued on 30 May 2013 in relation to the acquisition of WARL Group Limited
 42,228 shares with a fair value of £109,487 were issued on 8 August 2013 in relation to the acquisition of McKenzie Clark Limited
 419,448 shares with a fair value of £1,071,270 were issued on 8 August 2013 in relation to the acquisition of People Marketing
 8,533,334 shares with a fair value of £25,600,002 were issued on 30 October 2013 in relation to the placing of shares on the acquisition of JMI

3,287,899 shares with a fair value of £9,863,697 were issued on 20 November 2013 in relation to the acquisition of JMI
 197,525 shares were issued to staff in relation to share schemes at prices between £0.675 and £2.975

32 Share premium and other reserves

Share premium

Share premium arises from capital raised in an issue of shares, net of costs, to the extent that exceeds the nominal value of the shares

Own shares

The own shares reserve represents the cost of shares in Chime Communications Plc purchased in the market and held by the Chime Communications Employee Trust to satisfy options under the Group's share options schemes, deferred shares and Co-Investment plans (see note 36)

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

The Trust currently holds 910,704 (2012: 1,261,702) ordinary shares which have a nominal value of £228,000 (2012: £315,000) and over which deferred shares were granted December 2010, May 2011, June 2011, June 2012, September 2012, April, May and December 2013 and Co Investment Plan shares in September 2011 and October 2012 and Performance Share Plan shares in May 2013. 85,383 (2013: 313,269) shares were purchased in 2013 at a nominal value of £21,346, representing 0.09% (2012: 0.38%) of the called up share capital at 31 December 2013. All costs of the Trust are borne by Chime Communications plc and expensed through the income statement.

The Trust has opted to waive all dividends with the exception of those shares allocated under the deferred share scheme (see note 36). The market value of the shares in the Trust at 31 December 2013 was £3,069,000 (2012: £2,911,000).

During the year 436,381 shares were released from the trust under the various group share schemes resulting in a charge directly to reserves of £1,000,000.

Capital reduction reserve

The Capital reduction reserve relates to the capital reduction undertaken in October 2003. The reserve was not to be treated as realised profits of the Company until any debt or claim outstanding as at 1 July 2003 has been repaid or remedied. If on 1 July 2013 there remained only liabilities outstanding in relation to property leases, the amount outstanding to the reserve could be released and the undertaking discharged or replaced by new share issues. During 2013 these conditions were satisfied and the reserves have now been released to the distributable reserves of the Company.

Translation reserve

The translation reserve relates to exchange differences arising on consolidation of overseas operations.

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

32 Share premium and other reserves (continued)

Accumulated profit

	£'000
Balance at 1 January 2013	22,772
Dividends paid	(6,289)
Net loss for the year	(10,671)
Disposal of subsidiary	-
Disposed of on exercise of options	(1,000)
Recycle purchase of non-controlling interest on disposal	(1,138)
Credit to equity for equity settled share based payments	260
Release of capital reduction reserve	32,385
Adjustment arising from change on non-controlling interest	-
Balance at 31 December 2013	36,319

	£'000
Balance at 1 January 2012	32,328
Effect of change in accounting policy (see note 2)	(3,025)
Restated balance at 1 January 2012	29,303
Dividends paid	(5,349)
Net loss for the year	(1,272)
Disposal of subsidiary	(48)
Disposed of on exercise of options	(2,067)
Recycle purchase of non-controlling interest on disposal	1,770
Credit to equity for equity settled share based payments	2,216
Adjustment arising from change on non-controlling interest	(1,781)
Balance at 31 December 2012	22,772

33 Notes to the cash flow statement

	2013 £'000	2012 £'000
Operating profit	19	4 893
<i>Adjustments for</i>		
Loss on discontinued operations before tax	-	[54]
Share-based payment expense	[128]	1 933
Deemed remuneration	7,800	11,274
Changes to deferred consideration	3,229	-
Translation differences	[553]	[268]
Depreciation of property, plant and equipment	3,320	3,209
Amortisation of intangible fixed assets	5,280	2 944
Loss on disposal of property, plant and equipment	117	434
Increase/(decrease) in provisions	[598]	2 371
Operating cash flows before movements in working capital	18,486	26 736
Increase in work in progress	[4,052]	1,124
[(Increase)/decrease] in receivables	[8,141]	10 736
Increase/(decrease) in payables	4,573	[19 099]
Cash generated from operations	10,866	19 497
Income taxes paid	[6,395]	[6,926]
Interest paid	[1,325]	[587]
Net cash from operating activities	3,146	11 984

34 Contingent liabilities and commitments

Deferred and contingent consideration

In addition to the potential deferred and contingent consideration provided as disclosed in note 28 of £17,333,000 at 31 December 2013 there was a maximum financial commitment of £24,981,000 undiscounted (2012 £28,033,000) in respect of unprovided deferred contingent consideration payable in respect of acquisitions of subsidiary undertakings. The calculation of the deferred consideration liability requires estimates to be made regarding the forecast future performance of these businesses for the earnout period. The unprovided deferred contingent consideration would become payable over periods from 2013 to 2018 and would be payable in cash/loan notes or cash/loan notes and new shares.

Deemed remuneration

In addition to the deemed remuneration provision as disclosed in note 29 of £6,551,000 currently provided at 31 December 2013, £16,555,000 (2012 £12,615,000) will be expensed over the period of the service based on the current fair value. In addition an amount of £35,313,000 (2012 £10,035,000) (undiscounted) would be charged under the earn-out agreements should maximum performance targets be met. The calculation of the deemed remuneration liability requires estimates to be made regarding the forecast future performance of these businesses for the period of service. The unprovided deemed remuneration would become payable over periods from 2013 to 2018 and would be payable in cash/loan notes or cash/loan notes and new shares.

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

35 Operating lease arrangements

The Group as lessee

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

	2013 £'000	2012 £'000
Within one year	7,874	6 837
Between one and two years	6,752	6 055
Between three and five years	16,519	14,243
Greater than five years	13,364	12,667
	44,509	39,802

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

The Group as lessor

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

	2013 £'000	2012 £'000
Within one year	854	1,412
Between one and two years	64	1 475
Greater than five years	-	234
	918	3 121

Property rental income earned from subtenants during the year was £2,381,000 (2012 £2,043,000)

36 Share-based payments

The Group operates various share plans relating to shares in the parent company including an executive share option scheme, an employee savings related share option scheme (SAYE), a deferred share scheme, the VCCP Partners Scheme, a Co-Investment Plan and a Performance Share Plan.

The Group recognised total revenue in 2013 of £128,000 (2012 expenses of £1,932,000) related to equity-settled share-based payment transactions.

Share Options (executive options and SAYE)

The exercise price of the options granted under the executive share option scheme is equal to the market value of the Group's shares at the time when the options are granted. The vesting period is generally three years but if they are special options it is five years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

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

The following information relates to these share option schemes

	2013		2012	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	1,016,631	1 270	1 384 679	1 203
Granted during the year	199,099	2 056	171,947	1 830
Lapsed during the year	(108,537)	1 461	(218,708)	1 491
Exercised during the year	(226,981)	1 269	(321 287)	1 128
Outstanding at the end of the year	880,212	1 425	1 016,631	1 270
Exercisable at the end of the year	98,799		221 098	
Weighted average remaining contractual life	912 days		877 days	
Weighted average share price for options exercised at date of exercise	£2 739		£2 228	

New options were granted on 10 May 2013. The aggregate of the estimated fair values of the options granted on that date is £87,500. In 2012 options were granted on 26 October 2012, the aggregate of the estimated fair values of the options granted on that date is £64,000.

The fair value was calculated using the Monte Carlo and Binomial models. In valuing the options, the following assumptions were used:

	2013	2012
Weighted average share price	£2 54	£2 067
Weighted average exercise price	£2 056	£1 830
Expected volatility	50.9%	55.0%
Expected life-savings related scheme	5.7 years	5.7 years
Risk-free rate	0.5%	0.50%
Dividend yield	2.85%	3.18%

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

35 Share-based payments (continued)

Deferred shares

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

	2013 Deferred shares	2012 Deferred shares
Outstanding at beginning of year	364,649	809,600
Granted during the year	546,194	195,867
Forfeited in the year	-	-
Lapsed	(1,597)	(168)
Released during the year	(100,199)	(640,650)
Outstanding at the end of the year	809,047	364,649
Weighted average remaining contractual life	714 days	550 days
Weighted average share price for deferred shares released at date of release	£2.463	£1.642

The restricted shares were awarded on 15 April 2013, 21 May 2013 and 2 December 2013. The share price at the date of each award was £2.560, £2.618 and £3.073 respectively. The estimated fair value of the restricted shares awarded is £1,581,000 (2012: £251,000).

The fair value was calculated with reference to the share price pertaining to the shares awarded.

VCCP partners scheme

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

Additional restricted shares were not awarded during the year. The estimated fair value of the restricted shares awarded in 2013 is nil (2012: £354,000).

The fair value was calculated with reference to the share price pertaining to the award

	2013 Deferred shares	2012 Deferred shares
Outstanding at beginning of year	305,646	200,845
Granted during the year	-	174,045
Lapsed	(2,461)	-
Released during the year	(303,185)	(69,244)
Outstanding at the end of the year	-	305,646
Weighted average remaining contractual life	-	132 days
Weighted average share price for deferred shares released at date of release	£2,575	£1,741

Co-Investment Plan 2010

The award shares awarded under the 2010 Co-Investment Plan are awarded at nil cost. The award shares awarded are subject to performance criteria as set out in the report to the shareholders on Directors' remuneration.

	2013 Award shares	2012 Award shares
Outstanding at beginning of year	2,186,820	3,005,208
Granted in the year	-	356,370
Lapsed during the year	(853,116)	(1,140,175)
Released during the year	-	(34,583)
Outstanding at the end of the year	1,333,704	2,186,820

Award shares were awarded on 1 October 2012 and vest over three years. The total fair value of the awards granted in 2012 is £415,977.

The weighted average remaining contractual life is 351 days (2012: 514 days).

Performance Share Plan 2013

The award shares awarded under the 2013 Performance Share Plan are awarded at nil cost. The award shares awarded are subject to performance criteria as set out in the report to the shareholders on Directors' remuneration.

	2013 Award shares	2012 Award shares
Outstanding at beginning of year	-	-
Granted in the year	667,807	-
Released during the year	-	-
Outstanding at the end of the year	667,807	-

Award shares were awarded on 2 December 2013 and vest over a period up to three years. The total fair value of the awards granted in 2013 is £1,070,618.

The weighted average remaining contractual life is 1,186 days.

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

37 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note (details of subsidiaries are included in note 18). Transactions between the Group and its associates are disclosed below.

Trading transactions

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

	2013			
	Sale of services £'000	Purchase of services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Associates				
Bell Pottinger Private Limited	2,898	178	34	273
Bell Pottinger Public Affairs Limited	25	-	-	3
Bell Pottinger Public Relations Limited	68	35	-	24
Bell Pottinger Sans Frontiers	34	-	-	8
Pelham Bell Pottinger	53	-	-	18
Pelham Singapore	-	-	-	-
Bell Pottinger Middle-East	-	-	-	-
The Brand Marketing Team Limited	198	466	68	44
Colour TV Limited	30	-	-	5
Ledbury Research Limited	-	-	-	-
Naked Eye Research Limited	8	-	-	1
Rare Corporate Design Limited	53	85	-	4
Rare Publishing Limited	-	-	-	-
StratAgile Limited	5	155	5	5
The Agency of Someone Limited	6	2	-	-
X&Y Communications Limited	41	-	-	-
Bell Pottinger Communications USA	-	-	-	-
Icon Display South Africa (pty) Ltd	1	-	-	-
Bell Pottinger LLP	-	88	62	-

	2012			
	Sale of services £'000	Purchase of services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Associates				
Bell Pottinger Private Limited	542	202	10	-
Bell Pottinger Public Affairs Limited	53	54	24	-
Bell Pottinger Public Relations Limited	863	197	605	21
Bell Pottinger Sans Frontiers	166	31	75	5
Pelham Bell Pottinger	240	130	72	17
Pelham Singapore	17	-	-	-
Bell Pottinger Middle-East	5	1	-	-
The Brand Marketing Team Limited	91	3	3	-
Colour TV Limited	20	-	12	-
Ledbury Research Limited	51	4	18	-
Naked Eye Research Limited	48	1	-	-
Rare Corporate Design Limited	85	187	35	9
Rare Publishing Limited	-	70	-	-
StratAgile Limited	-	5	5	-
The Agency of Someone Limited	3	268	-	53
X&Y Communications Limited	19	-	-	-
Bell Pottinger Communications USA	10	-	-	432

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

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

Remuneration of key management personnel

The remuneration of the executive directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 54 to 75.

	2013 £'000	2012 £'000
Short-term employee benefits	1,251	1,852
Post-employment benefits	180	255
Share Based Payments	(35)	498
	1,396	2,605

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

38 Financial instruments

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

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

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

Interest rate risk

The Group holds variable rate financial debt. Fixed interest rates are for periods of up to three months at a time. The interest rate margins paid by the Group on financial debt are disclosed in note 27. The Group assesses its borrowing requirements, monitors interest rates and assesses the risks through sensitivity analysis.

If interest rates had been 1% higher/lower during the year the impact to profit before tax would have been an increase/decrease of £344,000 (2012: increase/decrease of £152,000). The impact on shareholders' equity would have been a decrease/increase of £254,000 (2012: decrease/increase of £109,000).

Liquidity risk

The Group has an agreed committed facility of £90 million with the Royal Bank of Scotland and HSBC Bank plc. The facility matures in September 2016. There is also an uncommitted facility available of £5 million, which is reviewed on a rolling basis. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2013 the Group had net cash of £4,179,000 (2012: £3,343,000), which is after deducting an amount drawn down against the facility of £59,000,000 (2012: £14,000,000). The undrawn committed facility was therefore £27,800,000 (2012: £27,800,000).

Externally imposed capital requirement

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

Foreign currency risk

The Group has 24 overseas operations (branches and subsidiaries) which trade in Europe, the USA, the Far East, the Middle East, South America, Australasia and Africa. The sterling value of the net monetary assets held in the principal foreign currencies held by the group are as follows:

	2013 £'000	2012 £'000
Net monetary assets/liabilities		
US Dollars	(5,989)	(355)
Euros	(2,137)	(1,480)
Brazilian Real	(674)	(777)

The Group does on occasion agree to bill clients in a currency other than the local currency, it also makes some purchases overseas where the supplier bills in their local currency. The Group does not hedge the translation exposure on the fees due. The Group converts any fees received in foreign currency on receipt on funds. In some instances where it is viewed appropriate, the proceeds from the client are kept in currency so as to minimise the foreign exchange exposure on the transaction if there are third party costs to be paid out of the funds in that currency. In this instance the Group uses short-term foreign exchange swaps to manage the Group's borrowings. The fair value of the swaps entered into at 31 December 2013 is estimated as a liability of £35,000 (2012: asset of £9,000). There was one swap open over the year end. This amount is based on the market values of equivalent instruments at the balance sheet date. The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar and Euro exchange rates, with all other variables held constant, of the group's equity.

The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar, Euro and the Brazilian Real exchange rates, with all other variables held constant, of the group's equity.

	2013		2012	
Strengthening/(weakening) of sterling	+10%	-10%	+10%	-10%
	£'000	£'000	£'000	£'000
US Dollar	(554)	609	25	(27)
Euro	(313)	345	55	(60)
Brazilian Real	14	(15)	77	226

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed the Consolidated Statement of Changes in Equity.

	2013 £'000	2012 £'000
Cash and cash equivalents	18,267	17,892
Bank loans	(58,023)	(13,529)
Finance leases	(20)	(127)
Loan notes outstanding	(809)	(58)
Net assets attributable to equity holders of the parent	(181,519)	(155,244)
	(222,104)	(151,066)

Market price risk

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

Fair values of financial assets and financial liabilities

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

Notes to the Consolidated Financial Statements continued

Year ended 31 December 2013

38 Financial instruments (continued)

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

	2013		2012	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Financial liabilities				
Bank loans	(58,023)	(58,023)	[13 529]	[13 529]
Obligations under finance leases	[20]	[20]	[127]	[127]
Trade and other payables	(91,019)	(91,019)	[70 714]	[70,714]
Deferred consideration – cash or shares	(17,333)	(17,333)	[15 950]	[15,950]
Deemed remuneration – cash or shares	(6,551)	(6,551)	[14 679]	[14,679]
	(172,946)	(172,946)	[114 999]	[114 999]
Financial assets				
Other investments	514	514	354	354
Other financial assets	100	100	300	300
Cash and bank balances	18,267	18,267	17,892	17 892
Trade and other receivables	80,259	80,259	59 403	59,403
	99,140	99,140	77,949	77 949

Other investments The Other Investments represent equity securities acquired by the Group and are classified as Available for Sale. The fair values of the listed securities (£514,000) are derived from quoted market prices and thus are considered to be a Level 1 fair value measurement.

There were no transfers between fair value levels during 2013 or 2012.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2013 and 2012 based on contractual undiscounted payments.

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	5+ years £'000	Total £'000
Maturity profile							
2013							
Bank loans	-	-	(58,023)	-	-	-	(58,023)
Obligations under finance leases	[20]	-	-	-	-	-	[20]
Trade and other payables	(91,019)	-	-	-	-	-	(91,019)
Deferred consideration	(5,725)	(2,165)	(2,866)	(3,035)	(3,542)	-	(17,333)
Deemed remuneration	(1,671)	(4,069)	(811)	-	-	-	(6,551)
Maturity profile							
2012							
Bank loans	-	-	-	[13 529]	-	-	[13,529]
Obligations under finance leases	[107]	[20]	-	-	-	-	[127]
Trade and other payables	[70 714]	-	-	-	-	-	[70 714]
Deferred consideration	[3 966]	[3 465]	[75]	[2,773]	[1,212]	[4 459]	[15 950]
Deemed remuneration	[13 815]	(864)	-	-	-	-	[14,679]

Credit risk

The Group considers its maximum exposure to credit risk to be as follows

	2013 £'000	2012 £'000
Trade receivables	57,475	47,841
Deferred consideration receivable	282	1,307

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

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

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

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liabilities	Fair value 2013 £'000	Fair value 2012 £'000	Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair value
Contingent consideration in a business combination	24,981	28,033	Level 3	Discounted cash flow	Discount rate of 10.6 per cent	The higher the discount rate, the lower the fair value

39 Subsequent events

Subsequent to the year end, the Group has made the following acquisition:

The Blaze Agency Pty Ltd ('Blaze')

On 5 March 2014 the Group acquired 100% of Blaze, a company incorporated in Australia, for initial consideration of AUD\$2,000,000 (£1,073,000). Additional consideration is payable contingent on the results of the business, capped at the maximum of AUD\$4,000,000 (£2,146,000).

Subsequent to acquisition, the results of Blaze will be included within the Group's Sport & Entertainment division.

Due to the proximity of completion of this transaction to the issue of these financial statements the information required to prepare the initial accounting for the business combinations are as yet unavailable, therefore we are unable to provide the disclosure required under IFRS at this time.

Company Balance Sheet

Year ended 31 December 2013

Company number 1983857

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investment in subsidiaries and associates	3	245,810	175,026
Other financial assets	4	-	405
Fixed Assets	5	381	405
		246,191	175,836
Current assets			
Cash		11,730	9,102
Debtors	6	30,648	40,258
Prepayments		433	798
Short term investments	7	58	58
		42,869	50,216
Creditors amounts falling due within one year	8	[10,569]	[23,285]
Net current assets		32,300	26,931
Creditors amounts falling due after one year	9	[57,737]	[13,281]
Provisions for liabilities	10	[8,536]	[18,369]
Net assets		212,218	171,117
Equity			
Share capital	11	24,529	20,522
Share premium account	11	122,940	81,943
Share-based payment reserve	11	7,640	8,324
Merger reserve	11	3,780	3,780
Capital reduction reserve	11	-	32,385
ESOP reserve	11	[1,718]	[2,554]
Non distributable reserve	11	5,373	-
Retained earnings	11	49,674	26,717
Equity attributable to equity holders of the parent		212,218	171,117

The financial statements were approved by the board of Directors and authorised for issue on 26 March 2014. They were signed on its behalf by

Mark Smith
Director

Notes to the Company Financial Statements

Year ended 31 December 2013

1 Accounting policies

Basis of preparation

The separate financial statements of the Company are drawn up in accordance with S434 to S436 of the Companies Act 2006 and United Kingdom generally accepted accounting principles ('UK GAAP'). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The particular accounting policies adopted are described below.

Accounting policies have been applied consistently between years. In 2012 the trade and assets of the central services function were transferred into the Company from a subsidiary.

Cash flow

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

Financial instruments

The Company has taken advantage of the exemption contained in FRS 29 'Financial Instruments: Disclosures' and has not produced any disclosures required by that standard, as full disclosures are available in Chime Communications plc Annual Report for the year ended 31 December 2013.

Related parties

The Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has not reported transactions with fellow Group undertakings.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

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

Deferred consideration and deemed remuneration

When earnouts are to be settled in cash or shares with a fixed monetary value, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future. If the earnouts are linked to further employment then they are classed as deemed remuneration but if there is no link to employment then they generally are classed as deferred consideration.

Financial instruments

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

Financial liabilities and equity instruments

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

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Company Financial Statements continued

Year ended 31 December 2013

1 Accounting policies (continued)

Share-based payments

The Group operates a number of equity settled share based compensation plans for the employees of subsidiary undertakings, using the Company's equity instruments. The fair value of the compensation given in respect of these share-based compensation plans is being treated as a receivable from the subsidiary company.

Dividends paid or received

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

Foreign currencies

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

Taxation

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Provisions

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

Vacant property provisions

Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of each of the provisions is determined based on the Directors' best estimate and is dependent on the Company's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where occupied, to the termination of the leases in question.

Going concern

The Group's business activities, which include those of the Company, together with the factors likely to affect its future development, performance and position are set out in The Chief Executive's Statement on pages 6 to 7. The financial position of the Group, its cash flows and borrowing facilities are described in the Fair Review of the Business on pages 21 to 23. In addition, note 38 of the consolidated financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and details of its financial instruments, and its exposure to credit risk and liquidity risk.

As highlighted in note 38 to the consolidated financial statements, the Group meets its day to day working capital requirements through an uncommitted overdraft facility and a committed facility which matures in September 2016. These facilities are subject to banking covenants as disclosed in note 38 to the consolidated financial statements.

In preparing forecasts the directors have taken into account the following key factors:

- The rate of growth of the UK and global economy on the Group's business during the economic recovery,
- Key client account renewals,
- Planned acquisitions and disposals,
- Anticipated payments under deferred and contingent consideration,
- The level of committed and variable costs, and
- Current new business targets compared to levels achieved in previous years.

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

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

More detail on the Group's cash position and facilities at 31 December 2013, as well as maturities of the financial liabilities, can be found in note 38 to the consolidated financial statements. The principal risks and uncertainties faced by the Group are included in the Directors' Report. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 12.

Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £2,160,000 (2012: loss of £6,925,000).

2 Equity dividends

The equity dividends paid by the Company are disclosed in note 12 of the consolidated financial statements.

Notes to the Company Financial Statements continued

Year ended 31 December 2013

3 Investments

	Investments in and loans to associated undertakings £'000	Equity interest in subsidiaries £'000	Other investments £'000	Total £'000
Balance at 1 January 2012	216	177,560	250	178,026
Additions	4,554	7,283	100	11,937
Disposals	-	(25,573)	-	(25,573)
Adjustments to prior year acquisitions	-	(2,378)	-	(2,378)
Additions re deemed remuneration	-	11,264	-	11,264
Transfers in	-	3,813	-	3,813
Transfers out	-	(1,122)	-	(1,122)
Share based payment – disposal of subsidiary	-	(897)	-	(897)
Reduction in carrying value	(44)	-	-	(44)
Balance at 31 December 2012	4,726	169,950	350	175,026
Additions	-	186,331	-	186,331
Disposals	(454)	(118,748)	-	(119,202)
Adjustments to prior year acquisitions	-	2,515	-	2,515
Additions redeemed remuneration	-	6,689	-	6,689
Transfers in	-	405	-	405
Transfers out	-	-	-	-
Share based payment – disposal of subsidiary	-	(5,344)	-	(5,344)
Reduction in carrying value	-	(610)	-	(610)
Balance at 31 December 2013	4,272	241,188	350	245,810

4 Other financial assets

Amounts shown relate to the purchase of an option whereby on exercise the Company would acquire Lord Coe's 93% interest in Complete Leisure Group Limited. This option was exercised on 30 January 2013 and further information is noted in the subsequent events note 16.

5 Tangible fixed assets

	Short term leasehold improvements £'000	Motor vehicles £'000	Software £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost					
Brought forward at 1 January 2013	274	15	55	1,271	1,615
Additions	-	-	-	237	237
Disposals	-	-	-	(4)	(4)
Transfers out	-	-	-	(428)	(428)
Carried forward at 31 December 2013	274	15	55	1,076	1,420
Depreciation					
Brought forward at 1 January 2013	245	9	55	901	1,210
Charge for the year	19	2	-	129	150
Disposals	-	-	-	(1)	(1)
Transfers out	-	-	-	(320)	(320)
Carried forward at 31 December 2013	264	11	55	709	1,039
Net Book Amount at 1 January 2013	29	6	-	370	405
Net Book Amount at 31 December 2013	10	4	-	367	381

6 Debtors

	2013 £'000	2012 £'000
Amounts owed by group undertakings	24,870	32,301
Deferred consideration receivable – due in one year	195	1,195
Other debtors	5,025	2,394
Deferred Tax Asset	458	504
Corporation Tax Receivable	-	3,814
Other Debtors – due after one year	100	50
	30,648	40,258

Amounts owed by group undertakings are unsecured, repayable on demand and interest-free, with the following exceptions

- a funding loan to an overseas subsidiary amounting to £3,804,000 (2012 £3,770,000) at 31 December 2013 which attracts interest at a rate of 7.5%
- a funding loan to a subsidiary amounting to £14,921,000 (2012 £15,327,000) at 31 December 2013 which attracts interest at a rate of LIBOR plus 3.5%

7 Short-term investments

The loan note cash deposit of £58,000 (2012 £58,000) relates to a cash deposit held at Royal Bank of Scotland plc. The deposit is for payment of the loan note creditors of £58,000 (2012 £58,000). Interest accruing on the deposit is payable to the holders of the loan notes less any costs.

Notes to the Company Financial Statements continued

Year ended 31 December 2013

8 Creditors amounts falling due within one year

	2013 £'000	2012 £'000
Bank overdraft	-	-
Amounts owed to group undertakings	-	17,940
Loan notes	809	58
Current taxation	-	-
Other creditors	6,999	2,174
Accruals and deferred income	2,761	3,113
	10,569	23,285

9 Creditors amounts falling due after more than one year

	2013 £'000	2012 £'000
Bank borrowings	57,737	13,281
	57,737	13,281

Royal Bank of Scotland plc holds debentures over the assets of the Company and its subsidiaries in respect of the bank loans

10 Provisions for liabilities

	Deferred consideration £'000	Deemed remuneration £'000	Onerous leases £'000	Total £'000
At 1 January 2013	1,977	14,298	2,094	18,369
Transfer from other group company	-	-	-	-
Charge to profit and loss account	20	-	-	20
Payments made	(943)	(12,210)	(1,158)	(14,311)
Arising on acquisitions	1,420	2,689	-	4,109
Adjustment to prior year acquisitions	(22)	371	-	349
On acquisition of associates	-	-	-	-
Foreign Exchange	-	-	-	-
At 31 December 2013	2,452	5,148	936	8,536

The vacant property provision at 31 December 2013 relates to two buildings one near Heathrow and one in Central London. Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of each of the provisions has been determined based on management's best estimate and is dependent on the Company's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where occupied, to the termination of the leases in question. During the year the Company made provisions of £nil (2012: £1,931,000).

11 Statements of movements on share capital, share premium and reserves

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Capital reduction reserve £'000	Non distrib- utable reserve £'000	ESOP reserve £'000	Retained earnings £'000
Balance at 1 January 2012	20,237	79,987	7,288	3,780	32,385	-	(4,191)	41,059
Issue of shares	285	1,956	-	-	-	-	-	-
Retained loss for the year	-	-	-	-	-	-	-	(6,925)
Dividends payable	-	-	-	-	-	-	-	(5,350)
Capital contribution given relating to share based payments	-	-	1,933	-	-	-	-	-
Disposal of subsidiaries	-	-	(897)	-	-	-	-	-
Disposal on exercise of options	-	-	-	-	-	-	2,144	(2,067)
Purchase of own equity shares held in treasury	-	-	-	-	-	-	(507)	-
Balance at 31 December 2012	20,522	81,943	8,324	3,780	32,385	-	(2,554)	26,717
Issue of shares	4,007	40,997	-	-	-	-	-	-
Retained loss for the year	-	-	-	-	-	-	-	(2,160)
Dividends payable	-	-	-	-	-	-	-	(6,268)
Capital contribution given relating to share based payments	-	-	(128)	-	-	-	-	-
Disposal of subsidiaries	-	-	(556)	-	-	5,373	-	-
Disposal on exercise of options	-	-	-	-	-	-	(164)	(1,000)
Release of capital reduction reserve	-	-	-	-	(32,385)	-	-	32,385
Purchase of own equity shares held in treasury	-	-	-	-	-	-	1,000	-
Balance at 31 December 2013	24,529	122,940	7,640	3,780	-	5,373	(1,718)	49,674

Details of share capital allotted during the year are disclosed in note 31 of the consolidated financial statements

Costs of £1,735,000 (2012 – £18,863) relating to the issue of shares have been included in share premium

The ESOP reserve represents the cost of shares in Chime Communications Plc purchased in the market and held by The Chime Communications Employee Trust to satisfy options under the Group's share option schemes, deferred shares and the Co-Investment Plan. Further details are disclosed in note 36 of the Group accounts

Details of the release of capital reduction reserve are disclosed in note 32 of the consolidated financial statements

Non distributable reserves relate to the transfer of investments to other group companies within the Group. These will become available for distribution upon disposal of the investments

Notes to the Company Financial Statements continued

Year ended 31 December 2013

12 Contingent liabilities and commitments

Deferred and contingent consideration

At 31 December 2013 there was a maximum financial commitment of £1,767,000 undiscounted (2012 £2,633,000) in respect of unprovided deferred contingent consideration payable in respect of acquisitions of subsidiary undertakings. The calculation of the deferred consideration liability requires estimates to be made regarding the forecast future performance of these businesses for the earnout period. The unprovided deferred contingent consideration would become payable over periods from 2014 to 2019 and would be payable in cash/loan notes or cash/loan notes and new shares.

Deemed remuneration

In addition to the deemed remuneration provision as disclosed in note 10 of £5,148,000 currently provided at 31 December 2013 £9,091,000 (2012 £12,377,000) will be expensed in the relevant subsidiary company, over the period of the service based on the current fair value. The investment in the parent company will increase by the same amount. In addition an amount of £31,565,000 (2012 £9,709,000) (undiscounted) would be expensed in the relevant subsidiary company, under the earn-out agreement should maximum performance targets be met, and the investment in the parent company would increase. The calculation of the deemed remuneration liability requires estimates to be made regarding the forecast future performance of these businesses for the period of service. The unprovided deemed remuneration would become payable over periods from 2014 to 2019 and would be payable in cash/loan notes or cash/loan notes and new shares.

13 Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to the Directors and employees of its subsidiary undertakings. As at 31 December 2013, the Company had 880,212 ordinary share options outstanding (2012 1,016,631).

In 2012 the Directors reconsidered the way in which contributions to the share based payments in subsidiaries were treated. Therefore it is being treated as a receivable from the subsidiary company. During the year ended 31 December 2013, the capital contribution arising from share-based payments was £nil (2012 £nil).

Full details of share-based payments, share option schemes and share plans are disclosed in note 36 to the Consolidated Financial Statements of Chime Communication Plc.

14 Subsidiaries, associates and joint ventures

The Company's principal trading subsidiaries and associated undertakings, which are all incorporated in Great Britain (except where noted) are listed in note 18 of the consolidated financial statements.

15 Related parties

During the year, the Company received a dividend from the Agency of Someone Limited £240,000 (2012 £80,000) and Naked Eye Research Limited £nil (2012 £6,374) which are associates

	2013			
	Sale of services £'000	Purchase of services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Associates				
Bell Pottinger Private Limited	1023	-	-	127
Bell Pottinger Public Affairs Limited	25	-	-	3
Bell Pottinger Public Relations Limited	50	-	-	24
Bell Pottinger Sans Frontiers	34	-	-	8
Pelham Bell Pottinger	53	-	-	18
Bell Pottinger Middle-East	-	-	-	-
The Brand Marketing Team Limited	14	-	-	13
Colour TV Limited	30	-	-	5
Naked Eye Research Limited	1	-	-	1
Rare Corporate Design Limited	6	74	-	4
The Agency of Someone Limited	-	-	-	-
XGY Communications Limited	41	-	-	-
Icon Display South Africa (pty) Ltd	1	-	-	-
Bell Pottinger LLP	-	88	62	-

	2012			
	Sale of services £'000	Purchase of services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Associates				
Bell Pottinger Private Limited	518	-	-	-
Bell Pottinger Public Affairs Limited	20	-	24	-
Bell Pottinger Public Relations Limited	44	22	269	-
Bell Pottinger Sans Frontiers	25	-	9	-
Pelham Bell Pottinger	43	46	-	-
Bell Pottinger Middle-East	5	-	-	-
The Brand Marketing Team Limited	3	-	2	-
Colour TV Limited	12	-	12	-
Naked Eye Research Limited	3	-	-	-
Rare Corporate Design Limited	12	30	-	-
The Agency of Someone Limited	-	16	-	6
XGY Communications Limited	10	-	-	-

Notes to the Company Financial Statements continued

Year ended 31 December 2013

16 Subsequent events

Subsequent to the year end, the Group has made the following acquisition

The Blaze Agency Pty Ltd ('Blaze')

On 5 March 2014 the Group acquired 100% of Blaze, a company incorporated in Australia, for initial consideration of AUD\$2,000,000 (£1,073,000). Additional consideration is payable contingent on the results of the business, capped at the maximum of AUD\$4,000,000 (£2,146,000).

Subsequent to acquisition, the results of Blaze will be included within the Group's Sport & Entertainment division.

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Information for Shareholders

Financial Calendar

Thursday 15 May 2014	Annual General Meeting 12 noon
Wednesday 21 May 2014	Ex-Dividend date 2013 Final Dividend
Friday 23 May 2014	Record date 2013 Final Dividend
Friday 13 June 2014	Payment of 2013 Final Dividend
Wednesday 27 August 2014	Announcement of 2014 Interim Results
Wednesday 17 September 2014	Ex-Dividend Date 2014 Interim Dividend
Friday 19 September 2014	Record Date 2014 Interim Dividend
Friday 10 October 2014	Payment of 2014 Interim Dividend
November 2014	Interim Management Statement

Share Price

Share price at 31 December 2013	337.0p
High during the year 18 December 2013	345.5p
Low during the year 2 January 2013	230.0p

Balance Analysis Summary

Range	Number of holdings individuals	Number of holdings corporate bodies	Balance as at 31 December 2013	% of ISC
1 - 1,000	239	58	108,052	0.11
1,000.01 - 10,000	199	133	1,175,019	1.20
10,000.01 - 100,000	57	82	4,864,613	4.96
100,000.01 - 1,000,000	13	59	24,880,235	25.36
1,000,000.01 - 10,000,000	1	14	49,758,201	50.71
10,000,000.01 - to highest	0	1	17,330,000	17.66
Total	509	347	98,116,120	100

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