

6th March 2013

CHIME COMMUNICATIONS PLC
ANNOUNCEMENT OF AUDITED PRELIMINARY RESULTS FOR
THE YEAR ENDED 31ST DECEMBER 2012

Chime Communications plc, the international communications and sports marketing group, today announces its preliminary results for the year ended 31st December 2012.

OPERATIONAL HIGHLIGHTS

- Strong growth in Sport and Entertainment, Healthcare and Insight and Engagement
- Successful completion of Olympic and Paralympic contracts
- Sport & Entertainment operating profit increased by 105%
- Substantial investment in new digital products in VCCP, CIE and Good Relations.
- Healthcare now established as the fifth division of Chime, operating profit increased to £2.2 million from £0.2 million
- Strong organic growth in Insight and Engagement division, operating profit up to £2.2 million from £0.7 million
- New offices opened in Madrid, Moscow, Singapore, Sochi and Sydney
- Acquisitions of iLUKA, McKenzie Clark, Harvey Walsh (51%), Succinct, Rough Hill (60%) and pH Associates
- Disposal of most of the Bell Pottinger businesses completed for £19.6 million
- Lord Coe appointed as Executive Chairman of CSM Sport and Entertainment
- Lord Davies of Abersoch appointed as Chairman of the Group

Christopher Satterthwaite, Chief Executive of Chime Communications, said:

“2012 was a year of strong performance for Chime’s on-going businesses. During the period, we realigned the Group as an international communications and sports marketing business, invested in our digital offering and opened new offices in Europe, the Far East and Australasia which offer good potential returns. This concentration of activity in specific sectors and expansion geographically positions us strongly for future, long-term growth.

The Board is delighted that Lord Davies of Abersoch has become our new Chairman. We are already working closely with him on the continued development of the Group.”

HEADLINE RESULTS

These results reflect the Group in its continuing form following the sale of most of the Bell Pottinger businesses and the planned closure of other Bell Pottinger businesses, once an overseas contract has been completed in 2013.

	<u>2012</u> <u>£m</u>	<u>2011</u> <u>£m</u>	<u>2012</u> <u>% Change</u>	<u>2012</u> <u>Like for Like</u> <u>% Change</u>
Operating Income	157.5	116.3	+35%	+20%
Operating Profit	25.7	15.6	+64%	+64%
Profit Before Tax	25.3	14.9	+70%	
Operating Profit Margin	16.3%	13.4%		
Earnings Per Share	21.2p	12.8p	+66%	
Total Dividend	7.24p	6.58p	+10%	

- Net cash as at 31st December 2012 of £4.2 million (2011: £3.3 million).
- Total dividend for the year increased by 10% to 7.24p (2011: 6.58p)
- £47 million facility agreed with RBS until September 2016

REPORTED RESULTS

Reported results exclude businesses that have been sold but include businesses that are in the process of being closed.

The Group has always accounted for earn-out payments as a capital item and believes this reflects the substance of the arrangements, particularly as the Group has a policy of paying proper market rate salaries and packages to all staff including those who benefit from earn-outs. However, IFRS IC issued a clarification of IFRS3 on 22nd January 2013 which required earn-out payments conditional upon continued employment to be treated as a charge to the Income Statement. Whilst the Directors do not believe that the treatment reflects the substance of the arrangements, they have complied with it and this has resulted in a charge of £11.5 million in 2012 for deemed remuneration (2011 also restated for a charge of £3.1 million).

On a reported basis the operating profit was £4.9 million (2011: £18.7 million) and the profit before tax was £2.5 million (2011: £17.8 million). The two most significant components of this reduction are the completion of one major contract (£11.9 million) and an increase in the deemed remuneration charge in respect of earn-out arrangements. In addition, costs of acquisitions and restructuring and loss on disposal and impairments increased. The majority of the charges are not tax deductible nor do they arise in entities with minority shareholders. Reported earnings per share was negative as a consequence of these charges.

	<u>2012</u> <u>£m</u>	<u>2011</u> <u>(Restated)</u> <u>£m</u>	<u>2012</u> <u>Change</u>
Operating Income	159.8	131.4	+22%
Operating Profit	4.9	18.7	-74%
Profit Before Tax	2.5	17.8	-86%
Operating Profit Margin	3.1%	14.2%	
Earnings per Share	(4.4p)	13.0p	

Note: 1. All numbers and comments shown in this report are headline unless otherwise state. The appendix to this announcement shows a reconciliation of these headline numbers to the reported numbers. The headline numbers adjust for the following:

- *Business in the process of being discontinued – During 2012 all the Bell Pottinger branded businesses were either sold or were in the process of being exited. Chime has been exiting the geopolitical business within Bell Pottinger since late 2011, although there remains one contract which ends in April 2013. The work has been sub-contracted to third parties and Chime is not expected to make any profit or loss on this contract in the period to completion. Under accounting standards this line of business*

does not meet the definition of discontinued at 31st December 2012 due to Chime's legal obligation in the completion of the contract. Given the substantial exit of this business, we have shown the impact in this announcement as if this business was discontinued so as to provide helpful information about our on-going business.

- *Deemed remuneration charge add back in respect of the change in accounting policy for earn-out payments as explained above.*
 - *Add back of charges to the income statement in respect of amortisation of intangible assets, impairment of goodwill and costs relating to acquisition and restructuring.*
2. *Like for Like comparisons are calculated by taking current year actual results (which include acquisitions from the relevant date of completion) compared with prior year actual results, adjusted to include the results of acquisitions for the commensurate period in the prior year.*

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OVERVIEW

2012 was a year of transition for Chime during which we developed our approach away from a reliance on large government contracts to a focus on four market drivers within the communications marketplace:

- The global growth of sports and entertainment driven by rising fan numbers, viewers and rights values.
- The new opportunities that digital communications create in all forms of media.
- The shift in healthcare communications to scientific communications based on data generated by national health authorities.
- Growing marketplaces of the world, e.g. Brazil, Russia and China.

CSM Sport and Entertainment's capabilities and reputation grew through its involvement in the 2012 Olympic and Paralympic Games during which it worked for over a quarter of the Games' sponsors.

The increasing awareness of Chime's operating brands (CSM Sport and Entertainment, VCCP Group, Good Relations Group, Open Health and CIE) in their individual sectors has also enabled Group new business to develop across more than one brand - e.g. digital communications and sports marketing are complementing each other as sporting spectators watch events "live" whilst having a secondary communications device at hand e.g. a tablet or mobile phone – be they in a stadium or at home.

KEY PERFORMANCE INDICATORS

Income from Shared Clients

The Group acted for 1,737 clients in 2012 compared to 1,377 in 2011. 252 of these clients used more than one of our businesses (2011: 219) which represented 68% of total operating income (2011: 66%).

Average Fee per Client

Average fee per client for 2012 was £91,000, compared to £84,000 in 2011. 214 clients paid us over £100,000 in 2012 compared to 167 in 2011. Our largest client represented 12% of total operating income (2011: 16%). Our top 30 clients represented 49% of total income compared to 50% in 2011.

Operating Profit Margin

Operating profit margin for 2012 was 16.3% compared to 13.4% in 2011.

Income from Overseas Offices

Income from overseas offices increased by 12% in 2012, although as a percentage of total income it reduced from 15% in 2011 to 13% in 2012. Much of our future growth is expected to come from international offices so we expect this percentage to increase substantially in 2013 and beyond.

Earnings per Share

Earnings per share in 2012 increased to 21.2p (2011: 12.8p).

HEADLINE DIVISIONAL PERFORMANCE

Sport & Entertainment

	<u>2012</u> <u>£m</u>	<u>2011</u> <u>£m</u>	<u>%</u> <u>Change</u>	<u>2012</u> <u>Like for Like</u> <u>Change</u>
Operating Income	65.9	40.0	+65%	+35%
Operating Profit	15.8	7.7	+105%	+158%
Operating Profit Margin	23.9%	19.2%		

The sports marketing and entertainment market globally continues to grow in excess of 5% per annum and CSM is No. 1 in the UK sports marketing league tables. The two acquisitions we made in 2012, iLUKA and McKenzie Clark, have been successfully integrated and Lord Coe has now been appointed Executive Chairman of CSM Sport and Entertainment.

Our Olympic and Paralympic activity was extremely successful and this is already helping us create opportunities for other major sporting events.

Recent new business wins include:

- Appointment by FIFA, subject to finalisation of the detailed contract terms, to do the signage, wayfinding and branding for both the 2013 Confederations Cup and the 2014 World Cup.
- Appointment by Ingosstrakh to provide torch relay and hospitality services for their sponsorship of the 2014 Winter Olympics in Sochi.
- SABMiller – activation of Global Music sponsorship.
- Lead agency for the FIFA U-17 World Cup in the UAE in 2013. The biggest football tournament ever held in the UAE.

Advertising & Marketing Services

	<u>2012</u> <u>£m</u>	<u>2011</u> <u>£m</u>	<u>%</u> <u>Change</u>	<u>2012</u> <u>Like for Like</u> <u>Change</u>
Operating Income	54.3	49.4	+10%	+7%
Operating Profit	4.4	6.7	-35%	-38%
Operating Profit Margin	8.1%	13.6%		

The VCCP Group further improved its creative reputation during 2012 whilst also investing in four new start-ups including new offices in Sydney and Madrid. This has, together with higher than normal new business costs, resulted in their operating profit margin being lower than we expected, although the second half year showed an improvement over the first half. Margin improvement will be the main focus in 2013.

Teamspirit, the specialist financial services agency, has entered 2013 in a stronger position following new client wins in the second half of 2012.

Recent new business wins include:

- Avis Budget Group
- Muller
- Macmillan
- BetVictor
- Capita
- Rugby Football League
- Which?

Public Relations

	<u>2012</u> <u>£m</u>	<u>2011</u> <u>£m</u>	<u>%</u> <u>Change</u>	<u>2012</u> <u>Like for Like</u> <u>Change</u>
Operating Income	18.8	19.3	-2%	-2%
Operating Profit	1.9	1.0	+80%	+80%
Operating Profit Margin	9.9%	5.4%		

Major changes have taken place following the sale of most of the Bell Pottinger businesses and the closure of the remaining geopolitical business. The repositioning as the Good Relations Group is now well under way with the second half year trading being better than the first half. This division is well positioned for growth in 2013 and we also expect further margin improvement.

Recent new business wins include:

- SABMiller (Pilsner Urquell)
- Serco
- Huawei
- British Land

Healthcare

	<u>2012</u> <u>£m</u>	<u>2011</u> <u>£m</u>	<u>%</u> <u>Change</u>	<u>2012</u> <u>Like for Like</u> <u>Change</u>
Operating Income	10.9	2.6	+319%	+43%
Operating Profit	2.2	0.2	+1,023%	+44%
Operating Profit Margin	20.8%	7.8%		

This division has grown both organically and through acquisition in just over two years and is now a separate division of Chime. It has integrated the businesses as the Open Health Group and whilst providing a full range of healthcare communications services, it has a specialisation in market access. We expect further growth in 2013 and continued high margins.

Recent new business wins include:

- Napp
- Mundipharma
- Astellas Europe
- Pfizer
- Leo
- Biogen Idec

Insight & Engagement

	<u>2012</u> <u>£m</u>	<u>2011</u> <u>£m</u>	<u>%</u> <u>Change</u>	<u>2012</u> <u>Like for Like</u> <u>Change</u>
Operating Income	7.6	5.0	+53%	+53%
Operating Profit	2.2	0.7	+222%	+222%
Operating Profit Margin	28.8%	13.7%		

2012 was an extremely successful year for our Insight and Engagement division with strong organic growth and margin levels well above the industry norm. They are now in the top 10 UK insight groups. Their digital agency, Watermelon, launched in 2012, is already profitable.

Recent new business wins include:

- Aviva
- O2
- Ofqual
- HSBC

CORPORATE ACTIVITY

In 2012 we acquired:

- iLUKA (sport and entertainment)
- McKenzie Clark (sport and entertainment)
- Harvey Walsh (51%) (healthcare)
- Succinct (healthcare)
- Rough Hill (60%) (youth marketing)
- pH Associates (healthcare)

In January 2013 we completed the acquisition of The Complete Leisure Group.

The sale of certain Bell Pottinger businesses to a management team was completed on 30th June 2012 for a consideration of £19.6 million. Following this we have restructured our remaining business which has resulted in a one off restructuring cost of £4.0 million (property £3.1 million, staff £0.9 million).

CASH FLOW AND BANKING ARRANGEMENTS

Net cash at 31st December 2012 was £4.2 million compared to £3.1 million at 31st December 2011. The Group continued to generate cash from operating activities during 2012.

A new four year borrowing facility has been agreed with RBS for £47 million. This runs until September 2016, with an interest rate of between 1.75% and 2.25%, depending on use of the facility compared to EBITDA. The estimated earn-outs (which include consideration treated as deemed remuneration) payable in 2013 total £19.9 million and are payable £11.7 million in cash and £8.2 million in shares.

TAXATION

The effective tax rate for 2012 was 27.6% compared to 28.8% for 2011.

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.

DIVIDENDS

The Board proposes a final dividend of 5.14p per share (2011: 4.50p per share). This will be payable on 14th June 2013 to shareholders on the register at 24th May 2013. The ex-dividend date is 22nd May 2013.

Total dividend for the year was 7.24p compared to 6.58p in 2011. An increase of 10%. This represents a dividend cover of three times.

CORPORATE RESPONSIBILITY

We continue to reduce our impact on the environment. In 2011 we reduced our carbon footprint per full time employee by 12%. We expect to meet our target of a further 5% reduction for 2012 which is currently being measured. We have well developed community and young people initiatives.

We continue to be listed on the FTSE4Good and are proud to be a Carbon Trust Standard Bearer.

OUTLOOK

We anticipate continued profitable growth in 2013 although, not at the same rate as 2012, nor at the level we expect in 2014. Olympic and FIFA World Cup years will always accelerate profits through our sports marketing business in 'even' years of the calendar.

Nonetheless we aim to grow our business in 2013 through a combination of organic and acquisitive growth, continuing to utilise the proceeds of the disposal of Bell Pottinger businesses.

Appendix - Reconciliation of Income Statement to headline results for the year ended 31 December 2012

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	
	2012	2011	2012	2011	2012	2011*
	£'000	£'000	£'000	£'000	£'000	£'000
Continuing Operations						
Revenue	330,463	212,374	13,771	73,275	344,234	285,649
Cost of sales	(172,898)	(96,027)	(11,546)	(58,186)	(184,444)	(154,213)
Operating income	157,565	116,347	2,225	15,089	159,790	131,436
Operating expenses	(131,888)	(100,712)	(23,009)	(12,056)	(154,897)	(112,768)
Deemed remuneration			11,273	3,034		
Loss/(profit) on business being discontinued			962	(11,872)		
Amortisation of acquired intangibles and goodwill impairment			2,944	3,299		
Costs of acquisitions and restructuring			5,605	2,506		
Operating profit	25,677	15,635	(20,784)	3,033	4,893	18,668
Other gains and losses	-	-	(1,677)	-	(1,677)	-
Share of results of associates	611	344	(51)	-	560	344
Investment income	27	101	-	9	27	110
Finance costs	(664)	(468)	-	-	(664)	(468)
Finance cost of deferred consideration	(325)	(715)	-	-	(325)	(715)
Finance cost of deemed remuneration	-	-	(270)	(102)	(270)	(102)
			-	-		
Profit before tax	25,326	14,897	(22,782)	2,940	2,544	17,837
Tax	(7,090)	(4,147)	1,890	(2,773)	(5,200)	(6,920)
			-	-		
Profit for the period from continuing operations	18,236	10,750	(20,892)	167	(2,656)	10,917
Discontinued operations				-		
Profit/(loss) from discontinued operations	1,053	11,517	1,737	(8,245)	2,790	3,272
Profit for the period	19,289	22,267	(19,155)	(8,078)	134	14,189
<i>Attributable to:</i>				-		
Equity holders of the parent	17,879	20,589	(19,155)	(8,078)	(1,276)	12,511
Minority interest	1,410	1,678	-	-	1,410	1,678
	19,289	22,267	(19,155)	(8,078)	134	14,189
Earnings per share						
<i>From continuing and discontinued operations</i>						
Basic	22.29p	26.73p			(1.59p)	16.24p
Diluted	21.90p	26.21p			(1.56p)	15.93p
<i>From continuing operations</i>						
Basic	21.58p	13.03p			(4.47p)	13.24p
Diluted	21.20p	12.77p			(4.39p)	12.98p

Headline figures are presented with the exit of the Public Advocacy and Defacto businesses classed as discontinued operations.

Appendix - Reconciliation of Business Segments to adjusted results for the year ended 31 December 2012

	Headline Operating Income		Adjustments		Reported Segmental Note Operating Income	
	2012	2011	2012	2011	2012	2011*
	£'000	£'000	£'000	£'000	£'000	£'000
Sport & Entertainment	65,942	40,021			65,942	40,021
Advertising and Marketing						
Services	54,313	49,449			54,313	49,449
Public Relations	18,850	19,306	2,225	15,089	21,075	34,395
Healthcare	10,852	2,588			10,852	2,588
Insight & Engagement	7,608	4,983			7,608	4,983
	157,565	116,347	2,225	15,089	159,790	131,436
	Headline Operating Profit		Adjustments		Operating Profit	
	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Sport & Entertainment	15,759	7,692	(15,320)	(4,842)	439	2,850
Advertising and Marketing						
Services	4,386	6,743	(416)	(702)	3,970	6,041
Public Relations	1,872	1,042	(1,070)	10,298	802	11,340
Healthcare	2,259	201	(826)	(251)	1,433	(50)
Insight & Engagement	2,193	681	(67)	-	2,125	681
	26,469	16,359	(17,699)	4,503	8,769	20,862
Unallocated corporate expenses	(792)	(724)	(3,085)	(1,470)	(3,876)	(2,194)
Operating profit	25,677	15,635	(20,784)	3,033	4,893	18,668
Other gains and losses	-	-	(1,677)	-	(1,677)	-
Share of results of associates	611	344	(51)	-	560	344
Investment income	27	101	-	9	27	110
Finance costs	(664)	(468)	-	-	(664)	(468)
Finance cost of deferred consideration	(325)	(715)	-	-	(325)	(715)
Finance cost of deemed remuneration	-	-	(270)	(102)	(270)	(102)
Profit before tax	25,326	14,897	(22,782)	2,940	2,544	17,837
	Headline Operating Profit Margin				Operating Profit Margin	
	2012	2011			2012	2011
	%	%			%	%
Sport & Entertainment	23.9%	19.2%			0.7%	7.1%
Advertising and Marketing						
Services	8.1%	13.6%			7.3%	12.2%
Public Relations	9.9%	5.4%			3.8%	33.0%
Healthcare	20.8%	7.8%			13.2%	-1.9%
Insight & Engagement	28.8%	13.7%			27.9%	13.7%
	16.8%	14.1%			5.5%	15.9%
Unallocated corporate expenses	-	-			-	-
	16.3%	13.4%			3.1%	14.2%

Headline figures are presented with the exit of the Public Advocacy and Defacto businesses classed as discontinued operations.

Consolidated Income Statement

Year ended 31 December 2012

		2012	2011*
	Notes	£'000	Restated £'000
Continuing operations			
Revenue		344,234	285,649
Cost of sales		<u>(184,444)</u>	<u>(154,213)</u>
Operating income		159,790	131,436
Operating expenses		<u>(154,897)</u>	<u>(112,768)</u>
Operating profit		4,893	18,668
Other gains and losses		(1,677)	-
Share of results of associates		560	344
Investment income		27	110
Finance costs		(664)	(468)
Finance cost of deferred consideration		(325)	(715)
Finance cost of deemed remuneration		<u>(270)</u>	<u>(102)</u>
Profit before tax		2,544	17,837
Tax		<u>(5,200)</u>	<u>(6,920)</u>
(Loss)/ profit for the year from continuing operations		(2,656)	10,917
Discontinued Operations			
Profit from discontinued operations	6	<u>2,790</u>	<u>3,272</u>
Profit for the year		<u>134</u>	<u>14,189</u>
<i>Attributable to:</i>			
Equity holders of the parent		(1,276)	12,511
Non-controlling interest		1,410	1,678
		<u>134</u>	<u>14,189</u>
Earnings per share (pence)			
From continuing and discontinued operations			
Basic	3	(1.59p)	16.24p
Diluted	3	(1.56p)	15.93p

* These amounts together with the applicable notes have been restated for discontinued operations (see note 6), in line with IFRS 5 and the change in accounting policy which resulted from the IFRS IC agenda decision on IFRS 3 and continuing employment (see note 2).

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012	2011*
	£'000	Restated £'000
Profit for the year	134	14,189
Profit on revaluation of available for sale investments	4	-
Exchange differences on translation of foreign operations	(560)	(427)
Total comprehensive income for the year	(422)	13,762
Attributable to:		
Equity holders of the parent	(1,821)	12,038
Non-controlling interest	1,399	1,724
	(422)	13,762

* These amounts together with the applicable notes have been restated for discontinued operations (see note 6), in line with IFRS 5 and the change in accounting policy which resulted from the IFRS IC agenda decision on IFRS 3 and continuing employment (see note 2).

Consolidated Balance Sheet as at 31 December 2012

		2012	2011*
	Notes	£'000	Restated £'000
Non-current assets			
Goodwill	8	178,109	168,220
Other intangible assets		3,234	3,471
Property, plant and equipment		6,865	7,327
Investments in associates		5,719	716
Other investments		354	1,014
Deferred consideration receivable		307	507
Other financial assets		300	-
Deferred tax asset		2,084	1,032
		<u>196,972</u>	<u>182,287</u>
Current assets			
Work in progress		2,783	4,158
Trade and other receivables		59,403	68,246
Deferred consideration receivable		1,000	-
Current tax receivable		65	182
Cash and cash equivalents		17,892	11,320
		<u>81,143</u>	<u>83,906</u>
Total assets		<u>278,115</u>	<u>266,193</u>
Current liabilities			
Trade and other payables		(70,714)	(78,025)
Current tax liabilities		(3,850)	(4,402)
Obligations under finance leases		(107)	(70)
Bank loans and overdrafts		(144)	-
Deferred consideration		(3,966)	(3,602)
Deemed remuneration		(13,815)	-
Short-term provisions		(1,208)	(23)
		<u>(93,804)</u>	<u>(86,122)</u>
Net current liabilities		<u>(12,661)</u>	<u>(2,216)</u>
Non-current liabilities			
Bank loans payable after more than one year		(13,385)	(7,769)
Deferred consideration		(11,984)	(9,446)
Deemed remuneration		(864)	(3,136)
Long-term provisions		(1,462)	(279)
Obligations under finance leases		(20)	(80)
		<u>(27,715)</u>	<u>(20,710)</u>
Total liabilities		<u>(121,519)</u>	<u>(106,832)</u>
Net assets		<u>156,596</u>	<u>159,361</u>

Consolidated Balance Sheet as at 31 December 2012 (continued)

		2012	2011*
	Notes	£'000	Restated £'000
Equity			
Share capital		20,522	20,237
Share premium account		81,943	79,986
Own shares		(2,554)	(4,191)
Capital reduction reserve		32,385	32,385
Translation reserve		176	668
Accumulated profit		22,772	29,303
Equity attributable to equity holders of the parent		<u>155,244</u>	<u>158,388</u>
Non-controlling interest		1,352	973
Total equity		<u>156,596</u>	<u>159,361</u>

* These amounts together with the applicable notes have been restated for discontinued operations (see note 6), in line with IFRS 5 and the change in accounting policy which resulted from the IFRS IC agenda decision on IFRS 3 and continuing employment (see note 2).

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Own shares £'000	Capital reduction reserve £'000	Translati on reserves £'000	Accum- ulated profit/ (loss) £'000	Total £'000	Written put options over non- controllin g interests £'000	Non- controllin g interests £'000	Total £'000
Balance at 1 January 2011	18,381	63,366	(4,003)	32,385	1,141	24,882	136,152	(2,000)	1,184	135,336
Total comprehensive income for the year restated	-	-	-	-	(473)	12,511*	12,038	-	1,724	13,762
<i>Transactions with owners:</i>										
Acquisition of subsidiaries	535	4,976	-	-	-	-	5,511	-	209	5,720
Share placing	1,178	11,072	-	-	-	-	12,250	-	-	12,250
Issued to staff under options	75	442	-	-	-	-	517	-	-	517
Share issue costs	-	(503)	-	-	-	-	(503)	-	-	(503)
Disposed on exercise of options	-	-	762	-	-	(738)	24	-	-	24
Purchase of own shares	-	-	(950)	-	-	-	(950)	-	-	(950)
Purchase of non-controlling interest	68	633	-	-	-	(3,210)	(2,509)	2,000	(973)	(1,482)
Investment by non-controlling shareholder	-	-	-	-	-	-	-	-	5	5
Equity dividends	-	-	-	-	-	(5,011)	(5,011)	-	-	(5,011)
Credit in relation to share based payments	-	-	-	-	-	801	801	-	-	801
Tax on share based payment exercises	-	-	-	-	-	68	68	-	-	68
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(1,176)	(1,176)
Balance at 31 December 2011	20,237	79,986	(4,191)	32,385	668	29,303	158,388	-	973	159,361

Consolidated Statement of Changes in Equity (continued)

	Share capital £'000	Share premium £'000	Own shares £'000	Capital reduction reserve £'000	Translatio n reserves £'000	Accum- ulated profit/ (loss) £'000	Total £'000	Written put options over non- controllin g interests £'000	Non- controllin g interests £'000	Total £'000
Balance at 1 January 2012 restated	20,237	79,986	(4,191)	32,385	668	29,303	158,388	-	973	159,361
Total comprehensive income for the period	-	-	-	-	(549)	(1,272)	(1,821)	-	1,399	(422)
<i>Transactions with owners:</i>										
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

Consolidated Cash Flow Statement

Year ended 31 December 2012

		2012	2011*
	Notes	£'000	Restated £'000
Net cash from operating activities	5	11,984	12,876
Investing activities			
Interest received		26	51
Dividends received from investments and associates		116	71
Proceeds on disposal of property, plant and equipment		87	33
Purchases of property, plant and equipment		(3,105)	(4,994)
Purchases of other intangible assets		(27)	(31)
Loans (granted to)/repaid by investments and associates		(106)	25
Acquisition of subsidiaries (net of cash acquired)		(10,829)	(13,511)
Acquisition of option		(300)	-
Acquisition of available for sale investment		(100)	(690)
Disposal of subsidiary/associate		11,358	30
Deferred consideration received		450	84
Net cash used in investing activities		<u>(2,430)</u>	<u>(18,932)</u>
Financing activities			
Dividend paid		(5,349)	(5,011)
Dividends paid to minorities		(1,322)	(1,176)
Increase in borrowings		14,073	4,451
Repayment of borrowings		(8,313)	-
Repayment of obligations under finance leases		(168)	(61)
Proceeds on issue of ordinary share capital		278	12,265
Purchase of own shares		(430)	(925)
Investment by non-controlling shareholder		-	5
Purchase of non-controlling interests		(1,889)	(2,469)
Net cash used in financing activities		<u>(3,120)</u>	<u>7,079</u>
Net increase in cash and cash equivalents		6,434	1,023
Cash and cash equivalents at beginning of year		11,320	10,278
Effect of foreign exchange rate changes		138	19
Cash and cash equivalents at end of year		<u>17,892</u>	<u>11,320</u>

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

Net cash comprises:

Cash and cash equivalents	17,892	11,320
Bank loans	(13,529)	(7,769)
Finance leases	(127)	(150)
Loan notes outstanding	(58)	(58)
Overall net cash	<u>4,178</u>	<u>3,343</u>

Notes:

1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2012 or 2011. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the company's annual general meeting. The auditor's reports on both the 2012 and 2011 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of Companies Act 2006. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs) this announcement does not in itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in April 2013.

The information in this preliminary announcement was approved by the Board on 6 March 2013.

Accounting policies have been applied consistently between years with the exception of the change in accounting policy described below and the new standards or amendments adopted in the year.

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 2011 with the following exceptions:

- Headline numbers have been removed from the face of the income statement and are now located in the Appendix on pages 8 to pages 9.
- Discontinued operations, as per IFRS 5, have been disclosed separately, including the representation of comparative information as is required by the standard (note 4)
- Change in accounting policy resulting from IFRS IC agenda decision on IFRS 3 and continuing employment

Disclosure for change in accounting policy resulting from IFRS IC agenda decision on IFRS 3 and continuing employment

When a business is acquired from former shareholders who become employees of the Group, the Group uses the indicators set out in paragraph B55 of IFRS 3 to determine whether payments to those individuals are consideration for the business or remuneration for post-acquisition services. Previously the Group reached an overall conclusion based on a balanced assessment of all indicators, including whether payments are dependent on continuing employment. Following the publication in the January 2013 IFRIC Update of the IFRS Interpretations Committee's agenda decision on contingent payments to selling shareholders who continue as employees following a business combination, the Group has changed its accounting policy and now treats all payments that are dependent on continuing employment as remuneration for post-acquisition services.

The changes impact continuing operations only. There is no impact to the balance sheet at 31 December 2010 and hence the balance sheet at this date is not reproduced in this announcement.

1. Basis of preparation (continued)

The effects of this change in policy are summarised below:

	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2011 £'000
Consolidated income statement		
Administrative expenses – remuneration expense	(11,273)	(3,034)
Finance costs of deferred consideration/deemed remuneration (net)	75	9
Decrease in profit for the financial year	<u>(11,198)</u>	<u>(3,025)</u>

	Year ended 31 Dec 2012 p	Year ended 31 Dec 2011 p
Decrease in basic earnings per share	(13.96)	(3.93)
Decrease in diluted earnings per share	<u>(13.72)</u>	<u>(3.85)</u>

	31 Dec 2012 £'000	31 Dec 2011 £'000	1 Jan 2011 £'000
Consolidated balance sheet			
Goodwill	(26,630)	(8,501)	-
Deferred consideration	27,087	8,611	-
Deemed remuneration	(14,679)	(3,135)	-
Decrease in net assets	<u>(14,222)</u>	<u>(3,025)</u>	<u>-</u>

Going Concern Basis

The Group meets its day to day working capital requirements through a £47 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 deferred and contingent consideration and deemed remuneration;
- 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.

1. Basis of preparation (continued)

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.

Forward looking statements

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

2. Business Segments

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 4th largest Sport & Entertainment group in the world, and includes Fast Track and the Essentially Group, as well as ICON and most recently iLUKA, which was acquired during 2012. 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 and specialist media planning and buying. It also specialises in the niche market of financial services. AMS also includes Rough Hill which was acquired in 2012.

Public Relations

The Good Relations Group is a fully integrated brand communications and CSR consultancy servicing more than 300 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 and Engagement

The Insight and 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.

2. Business Segments (continued)

Healthcare

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

Comparatives

As discussed in note 1 the comparatives for the year ended 31 December 2011 were restated. This has the following effect on the segmental analysis:

- i. Discontinued operations have been removed from the Public Relations segment
- ii. Change in accounting policy resulting from IFRS IC agenda decision on IFRS 3 and continuing employment resulting in a deemed remuneration charge, this charge relates to the Sport & Entertainment division.

In addition the following changes have been made to reflect changes in the way the group operates and the manner in which information in respect of decision making is presented:

- iii. Healthcare division is now reported as a separate segment whereas it was previously reported as part of Public Relations
- iv. Tree (London) Limited is now reported as part of Advertising and Marketing Services (previously part of Insight & Engagement)

The impact for the year ended 31 December 2011 is as follows:

2011	Sport & Entertainment £'000	Advertising and Marketing Services £'000	Public Relations £'000	Healthcare £'000	Insight & Engagement £'000
Revenue					
(i)	-	-	(40,284)	-	-
(ii)	-	-	-	-	-
(iii)	-	-	(3,652)	3,652	-
(iv)	-	3,061	-	-	(3,061)
Revenue adjustment	-	3,061	(43,936)	3,652	(3,061)
Operating income					
(i)	-	-	(32,190)	-	-
(ii)	-	-	-	-	-
(iii)	-	-	(2,588)	2,588	-
(iv)	-	2,918	-	-	(2,918)
Operating income adjustment	-	2,918	(34,778)	2,588	(2,918)
Operating profit					
(i)	-	-	(3,825)	-	-
(ii)	(3,034)	-	-	-	-
(iii)	-	-	50	(50)	-
(iv)	-	191	-	-	(191)
Operating profit adjustment	(3,034)	191	(3,775)	(50)	(191)

2. Business Segments (continued)

	Revenue		Operating Income	
	2012	2011*	2012	2011*
	£'000	Restated £'000	£'000	Restated £'000
Sport & Entertainment	171,380	82,837	65,942	40,021
Advertising and Marketing Services	104,995	90,401	54,313	49,449
Public Relations	40,931	99,702	21,075	34,395
Healthcare	13,315	3,652	10,852	2,588
Insight & Engagement	13,613	9,057	7,608	4,983
	<u>344,234</u>	<u>285,649</u>	<u>159,790</u>	<u>131,436</u>
	Operating Profit		Operating Profit Margin	
	2012	2011*	2012	2011*
	£'000	Restated £'000	%	Restated %
Sport & Entertainment	439	2,850	0.7%	7.1%
Advertising and Marketing Services	3,970	6,041	7.3%	12.2%
Public Relations	802	11,340	3.8%	33.0%
Healthcare	1,433	(50)	13.2%	-1.9%
Insight & Engagement	2,125	681	27.9%	13.7%
	<u>8,769</u>	<u>20,862</u>	<u>5.5%</u>	<u>15.9%</u>
Unallocated corporate expenses	(3,876)	(2,194)		
Operating profit	<u>4,893</u>	<u>18,668</u>	<u>3.1%</u>	<u>14.2%</u>
Other gains and losses	(1,677)	-		
Share of results of associates	560	344		
Investment income	27	110		
Finance costs	(664)	(468)		
Finance cost of deferred consideration	(325)	(715)		
Finance cost of deemed remuneration	(270)	(102)		
Profit before tax	<u>2,544</u>	<u>17,837</u>		

3. Earnings per share

	Year ended 31 Dec 2012 p	Year ended 31 Dec 2011 p
Earnings from continuing and discontinued operations		
Basic	(1.59p)	16.24p
Diluted	<u>(1.56p)</u>	<u>15.93p</u>

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

	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share being net (loss)/profit attributable to equity holders of the parent	<u>(1,276)</u>	<u>12,511</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	Number	Number
	80,203,311	77,018,437
Effect of dilutive potential ordinary shares:		
Deferred shares	840,598	915,090
Share options	<u>603,570</u>	<u>619,551</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>81,647,479</u>	<u>78,553,078</u>

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 2012 were outstanding. These options have been excluded from the calculation of diluted earnings per share as they would have been antidilutive.

From continuing operations

Earnings per share

Basic	(4.47p)	13.24p
Diluted	<u>(4.39p)</u>	<u>12.98p</u>

	£'000	£'000
Earnings		
Net (loss)/profit attributable to equity holder of the parent	(1,276)	12,511
Adjustment to exclude (profit) from discontinued operations	(2,790)	(3,272)
Adjustment to exclude non-controlling interest of discontinued operations	<u>484</u>	<u>961</u>
Earnings from continuing operations for the purpose of basic earnings per share being net profit attributable to the equity holders of the parent	<u>(3,582)</u>	<u>10,200</u>

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

From discontinued operations**Earnings per share**

Basic	2.88p	3.00p
Diluted	2.83p	2.95p

4. Dividends

	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2011 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2011 of 4.50p per share (2010: 4.21p)	3,645	3,358
Interim dividend for the year ended 31 December 2012 of 2.10p per share (2011: 2.08p per share)	1,704	1,653
	<u>5,349</u>	<u>5,011</u>
Proposed final dividend for the year ended 31 December 2012 of 5.14p per share (2011: 4.50p per share)	4,219	3,643

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 14 June 2013 to those shareholders on the register at 24 May 2013. The ex-dividend date is 22 May 2013.

Under an arrangement dated 3 April 1996, The Chime Communications Employee Trust which holds 1,261,702 ordinary shares representing 1.5% of the Company's called-up share capital, has agreed to waive dividends over 620,526 shares (0.7% of the company's called up share capital), the difference being those shares held under the deferred share scheme.

5. Notes to the cash flow statement

	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2011 £'000
Operating profit	4,893	18,668
<i>Adjustments for:</i>		
Loss on discontinued operations before tax	(54)	3,825
Share based payment expense	1,933	800
Deemed remuneration	11,274	3,034
Translation differences	(268)	(64)
Depreciation of property, plant and equipment	3,209	2,627
Amortisation of intangible fixed assets	2,944	1,864
Impairment of goodwill	-	1,449
Loss on disposal of property, plant and equipment	434	24
(Decrease)/increase in provisions	2,371	(557)
Operating cash flows before movements in working capital	<u>26,736</u>	<u>31,670</u>
Increase in work in progress	1,124	30
Decrease in receivables	10,736	3,149
Increase in payables	(19,099)	(14,658)
Cash generated from operations	<u>19,497</u>	<u>20,191</u>
Income taxes paid	(6,926)	(6,847)
Interest paid	(587)	(468)
Net cash from operating activities	<u>11,984</u>	<u>12,876</u>

6. 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.P.C and the trade and assets of Bell Pottinger Sans Frontières, 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 has been deferred for a period up to 30 June 2013 and £0.6m of deferred consideration liability transferred. 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:

	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2011 £'000
Revenue	29,319	40,284
Operating income	14,763	32,190
Operating (loss)/profit	(54)	3,825
(Loss)/profit before tax	(54)	3,825
Attributable tax expense	9	(553)
Profit on disposal of discontinued operations	2,967	-
Attributable tax expenses	(132)	-
Net profit attributable to discontinued operations	2,790	3,272
Attributable to:		
Equity holders of the parent	2,306	2,311
Non-controlling interests	484	961

In the period to 31 December 2012 the Bell Pottinger businesses contributed £0.5m (2011: £5.2m) to the Group's net operating cash flows, paid £0.1m (2011: £0.2m) in respect of investing activities and paid £0.9m (2011: £0.7m) 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.

7. Business combinations

iLUKA

On 4th April 2012 the group acquired 100% of iLUKA Limited, a company incorporated in the UK, for initial consideration of £5,257,850, of which £1,275,000 was paid in shares and £3,982,850 was paid in cash.

Additional amounts are payable contingent on the results of the business, capped at the maximum of £19,742,150 (undiscounted). As at 31 December 2012, £6,095,860 (discounted for finance costs) has been provided for as deemed remuneration. The deemed remuneration is expected to be paid in 2013, 2015 and 2018. The total maximum consideration and deemed remuneration payable for iLUKA is £25,000,000.

iLUKA was acquired by Chime's Sport & Entertainment division.

The fair value of the net assets acquired are as detailed below.

	Book value £'000	Fair value adjustment s £'000	Provision al fair values £'000
Intangible fixed assets	295	424	719
Property, plant and equipment	1,034	(780)	254
Debtors and other current assets	6,329	937	7,266
Cash at bank	8,150	-	8,150
Creditors	(15,574)	(896)	(16,470)
Net assets	234	(315)	(81)
Goodwill			5,339
Fair value of consideration			5,258
Cash consideration			3,983
Cash acquired			(8,150)
Cash (inflow) arising on acquisition			(4,167)

The adjustment to intangible fixed assets is to de-recognise £294,895 that were recognised on an internally generated basis, and recognise £718,825 of intangibles relating to customer contracts and relationships. The adjustments to creditors relates to additional accruals identified by management, and to recognise deferred tax on intangible fixed assets. The adjustment to fixed assets is to re-class amounts which are required to be classed as debtors.

Costs amounting to £272,003 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist skills held by iLUKA.

iLUKA contributed revenue of £37,972,000 and operating losses of £1,619,000 (after deemed remuneration charge of £6,095,860) 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 £350,777,000 and Group operating profit would have been £3,751,000.

7. Business combinations (continued)

Succinct

On 31st January 2012 the group acquired 100% of Succinct Communications Limited, a company incorporated in the UK, for initial consideration of £3,116,400, of which £493,680 was paid in shares and £2,622,720 was paid in cash. Top up cash consideration of £1,010,350 was paid in July 2012.

Additional consideration is payable contingent on the results of the business, capped at the maximum of £5,874,000 (undiscounted). Deferred consideration of £3,559,975 has been provided, which has been discounted for financing costs. The deferred consideration is expected to be paid in 2013, 2015 and 2018. The total maximum consideration payable for Succinct is £10,000,000.

Succinct was acquired by Chime's Healthcare division.

The fair value of the net assets acquired are as detailed below.

	Book value £'000	Fair value adjustment s £'000	Provision al fair values £'000
Intangible fixed assets	-	247	247
Property, plant and equipment	42	-	42
Debtors and other current assets	1,158	(32)	1,126
Cash at bank	1,589	-	1,589
Creditors	(1,872)	(135)	(2,007)
Net assets	917	80	997
Goodwill			6,689
Fair value of consideration			7,686
Fair value of initial consideration			3,116
Fair value of top up consideration			1,010
Fair value of deferred contingent consideration			3,560
Cash consideration			2,623
Cash acquired			(1,589)
Cash outflow arising on acquisition			1,034

The adjustment to intangible fixed assets is to recognise intangibles associated with customer relationships. The adjustments to debtors relates to bad debts identified by management. The adjustments to creditors relates to additional accruals identified by management, and recognition of deferred tax on the intangible fixed asset.

Costs amounting to £96,214 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist skills held by Succinct.

Succinct contributed revenue of £4,403,000 and operating profit of £302,000 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 £344,461,000 and Group operating profit would have been £4,543,000.

7. Business combinations (continued)

Harvey Walsh

On 15th May 2012 the group acquired 51% of Harvey Walsh Limited, a company incorporated in the UK, for initial consideration of £2,189,250, paid in cash.

Additional consideration is payable contingent on the results of the business, capped at the maximum of £1,926,450 (undiscounted). Deferred consideration of £263,921 has been provided, which has been discounted for financing costs. The deferred consideration is expected to be paid in 2013. The total maximum consideration payable for Harvey Walsh is £4,115,700.

Harvey Walsh was acquired by Chime's Healthcare division.

The fair value of the net assets acquired are as detailed below.

	Book value £'000	Fair value adjustment s £'000	Provision al fair values £'000
Property, plant and equipment	11	-	11
Debtors and other current assets	734	(80)	654
Cash at bank	249	-	249
Creditors	(437)	(309)	(746)
Net assets	557	(389)	168
Goodwill			2,392
Minority Interest			(107)
Fair value of consideration			2,453
Fair value of initial consideration			2,189
Fair value of deferred contingent consideration			264
Cash consideration			2,189
Cash acquired			(249)
Cash outflow arising on acquisition			1,940

The fair value adjustments to creditors relate to additional accruals identified by management. The fair value adjustments to debtors relate to the elimination of balances not recognised under IFRS.

Costs amounting to £109,759 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist skills held by Harvey Walsh.

The minority interest has been calculated as a percentage of the net assets acquired.

Harvey Walsh contributed revenue of £1,501,000 and operating profit of £653,000 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 £344,833,000 and Group operating profit would have been £4,863,000.

7. Business combinations (continued)

McKenzie Clark

On 6th March 2012 the group acquired 100% of Torphines Limited, McKenzie Clark Limited, Tempo Graphic Design Limited and Vivid Design and Events Limited, ('McKenzie Clark'), all companies incorporated in the UK, for initial consideration of £600,000, which was paid in cash.

Additional amounts are payable contingent on the results of the business, capped at the maximum of £3,400,000, (undiscounted). Deemed remuneration of £1,027,942 has been provided, which has been discounted for financing costs. The deemed remuneration is expected to be paid in 2013, 2014 and 2016. The total maximum consideration and deemed remuneration payable for McKenzie Clark is £4,000,000.

McKenzie Clark was acquired by Chime's Sport & Entertainment division.

The fair value of the net assets acquired are as detailed below.

	Book value £'000	Fair value adjustment s £'000	Provision al fair values £'000
Investments	98	(98)	-
Goodwill	15	(15)	-
Property, plant and equipment	526	(148)	378
Debtors and other current assets	2,217	(55)	2,162
Cash at bank	(544)	-	(544)
Creditors	(1,389)	(157)	(1,546)
Long-term liabilities	(55)	34	(21)
Net assets	868	(439)	429
Goodwill			171
Fair value of consideration			600
Cash consideration			600
Cash overdraft acquired			544
Cash outflow arising on acquisition			1,144

The adjustment to investments is to derecognise the existing investment value. The adjustment to goodwill is to derecognise the goodwill held by McKenzie Clark from previous acquisitions. The adjustment to property, plant and equipment is to bring the McKenzie Clark depreciation in line with the Chime depreciation policy. Additional creditors relate to additional accruals identified by management, offset by additional tax assets identified, and the reduction of debtors relates to the write off and provision for bad debts identified by management.

Costs amounting to £126,806 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist art-working skills held by McKenzie Clark Limited, which adds significant capacity to ICON's existing offering for large scale events.

McKenzie Clark contributed revenue of £6,551,000 and operating losses of £940,000 (after deemed remuneration charge of £1,027,942) 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 £347,151,000 and Group operating profit would have been £5,761,000.

7. Business combinations (continued)

pH Associates

On 15 October 2012 the group acquired 100% of pH Associates Limited, a company incorporated in the UK, for initial consideration of £6,922,000, which was paid in cash.

Additional consideration is payable contingent on the results of the business, capped at the maximum of £13,928,000 (undiscounted). Deferred consideration of £5,556,367 and deemed remuneration of £9,509 have been provided, which have been discounted for financing costs. The deferred consideration is expected to be paid in tranches over the period 2013 to 2016. The total maximum consideration payable for pH associates is £20,850,000. pH Associates was acquired by Chime's Healthcare division.

The fair value of the net assets acquired are as detailed below:

	Provision al book value £'000	Fair value adjustment s £'000	Provision al fair values £'000
Intangible fixed assets	-	1,554	1,554
Property, plant and equipment	28		28
Debtors and other current assets	769		769
Cash at bank	1,575		1,575
Creditors	(1,411)	(373)	(1,784)
Net assets	961	1,181	2,142
Goodwill			10,336
Fair value of consideration			12,478
Fair value of initial consideration			6,922
Fair value of deferred contingent consideration			5,556
Cash consideration			6,922
Cash acquired			(1,575)
Cash outflow arising on acquisition			5,347

The adjustment to intangible fixed assets is to recognise intangibles associated with customer relationships. The adjustments to creditors relates to the recognition of deferred tax on the intangible fixed asset.

Costs amounting to £138,190 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist skills held by pH Associates Limited.

pH Associates contributed revenue of £859,000 and operating losses of £125,000 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 £346,642,000 and Group operating profit would have been £5,593,000.

7. Business combinations (continued)

Hooper Galton

On 5 September 2012 the group acquired 100% of Hooper Galton Limited, a company incorporated in the UK, for initial consideration of £180,000, which was paid in cash.

Further non-contingent consideration is payable in installments over three tranches between 2012 and 2014. The first tranche of £171,000 was paid in November 2012 of £171,000. Deferred consideration of £326,706 has been provided, which has been discounted for financing costs. The deferred consideration is expected to be paid in tranches over the period 2013 to 2014. The total maximum consideration payable for Hooper Galton is £693,000.

Hooper Galton was acquired by Chime's Advertising and Marketing Services division.

The fair value of the consideration and net assets acquired are as detailed below.

	Provisional book value £'000	Adjustments £'000	Provisional fair values £'000
Intangible Assets		49	49
Debtors and other current assets	165		165
Cash at bank	76		76
Creditors	(37)	(12)	(49)
Net assets	<u>204</u>	<u>37</u>	<u>241</u>
Goodwill			<u>437</u>
Fair value of consideration			<u>678</u>
Fair value of initial consideration			180
Fair value of top-up consideration			171
Fair value of deferred consideration			327
Cash consideration			180
Cash acquired			<u>(76)</u>
Cash outflow arising on acquisition			<u>104</u>

The adjustment to intangibles is to recognise £48,765 of intangibles relating to customer relationships

Costs amounting to £51,830 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist skills held by Hooper Galton.

Hooper Galton contributed revenue of £95,000 and operating losses of £55,000 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 £344,424,000 and Group operating profit would have been £4,806,000.

7. Business combinations (continued)

Rough Hill

On 6th March 2012 the group acquired 60% of Rough Hill Limited and its subsidiary UTR Events Limited, companies incorporated in the UK, and 100% of Rough Hill LLP for initial consideration of £854,266, of which £194,270 was paid in shares and £659,996 was paid in cash.

Additional consideration is payable contingent on the results of the business, capped at the maximum of £45,000 (undiscounted). Deferred consideration of £45,000 has been provided. The deferred consideration is expected to be paid in 2013. The total maximum consideration payable for Rough Hill is £900,000.

Rough Hill was acquired by Chime's Advertising and Marketing Services division.

The fair value of the consideration and net assets acquired are as detailed below. No fair value adjustments were made in respect of the acquisition.

	Provision al Book and Fair value £'000
Property, plant and equipment	35
Debtors and other current assets	200
Cash at bank	260
Creditors	(312)
Net assets	<u>183</u>
Goodwill	805
Non-controlling Interest	<u>(89)</u>
	<u>899</u>
 Fair value of initial consideration	 854
Fair value of deferred contingent consideration	45
 Cash consideration	 660
Cash acquired	(260)
Cash outflow arising on acquisition	<u>400</u>

Costs amounting to £117,199 have been expensed during the year and are included in operating expenses.

Goodwill represents the specialist skills held by Rough Hill.

The minority interest has been calculated as a percentage of the net assets acquired.

Rough Hill contributed revenue of £1,766,000 and operating losses of £196,000 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 £344,649,000 and Group operating profit would have been £4,824,000.

Cash flow on acquisitions

Total deferred consideration of £3,885,000 (2011: £765,000) was settled in cash during the year in respect of acquisitions made in previous and current year.

8. Goodwill

	2012 £'000	2011 £'000
Carrying amount at 1 January	168,220	149,487
Impairment of goodwill	-	(1,449)
Exchange differences	(738)	(518)
Recognised on acquisition of subsidiaries	26,170	36,751
Re-statement as explained in note 2	-	(8,501)
Other changes in respect of prior year acquisitions	(3,024)	(7,550)
Disposal of subsidiary (see note 6)	<u>(12,519)</u>	<u>-</u>
At 31 December	<u>178,109</u>	<u>168,220</u>

Other changes in respect of prior year acquisitions predominantly include:

- Revision of goodwill relating to Gulliford Consulting Ltd, due to more information becoming available relating to the business at acquisition, which led to the deferred consideration estimate being reduced by £2,078,300 for lower business performance.
- Provisional goodwill recognised on the prior year acquisition of Essentially France Ltd reduced following the recognition of an intangible asset for customer relationships of £436,380, after more information became available during the period relating to the business at acquisition.
- Changes in respect of prior year acquisitions include revisions to the estimate of deferred consideration payable relating to acquisitions completed under IFRS (2004).

9. 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. 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.

2012	Sales of services £'000	Purchase of service £'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

2011	Sales of services £'000	Purchase of service £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Associates				
The Brand Marketing Team Limited	195	338	7	31
Ledbury Research Limited	1	-	-	-
Naked Eye Research Limited	53	13	14	-
Rare Corporate Design Limited	149	358	115	86
The Agency of Someone Limited	-	391	-	81

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.

10. Subsequent events

Subsequent to the year end, the Group has made the following acquisition.

Complete Leisure Group ('CLG')

On 30 January 2013 the Group exercised its option to acquire Lord Coe's 93% interest in CLG. On completion Chime paid an initial £1.96 million in cash. In addition future payments under an earn-out arrangement up to a maximum of £10.2 million are payable over the period to March 2017 on the achievement of various financial targets.

Subsequent to acquisition, the results of CLG 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 combination are as yet unavailable, therefore we are unable to provide the disclosure required under IFRS3 at this time.