

12th September 2006

CHIME COMMUNICATIONS PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2006

- Operating income up 38% to £38.3 million (£27.8 million)
 - Organic growth of 8.5%
- Operating profit up 65% to £6.1 million (£3.7 million)
- Continued margin improvement to 15.8% (2005 after non-recurring restructuring costs of £0.7 million was 13.3%).
- Profit before tax up 62% to £5.4 million (£3.3 million)
- Earnings per share up 12% to 1.45p (1.29p)
- Net cash of £0.8 million compared to net debt at 31st December 2005 of £3.0 million
- Interim dividend increased by 12.5% to 0.18p per share (0.16p)

(Bracketed figures are for 2005 first half year).

Lord Bell, Chairman of Chime Communications, said:

“The results for the first half of 2006 are very encouraging and we are positive about the outcome for the full year”.

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SUMMARY OF RESULTS

	<u>2006 £m</u>	<u>Actual 2005 £m</u>	<u>% change</u>	<u>2006 £m</u>	<u>Organic ⁽¹⁾ 2005 £m</u>	<u>% change</u>
Operating income	38.3	27.8	+ 38.0%	30.1	27.8	+ 8.5%
Operating profit	6.1	3.7	+ 64.6%	4.7	3.7	+29.0%
Operating profit margin	15.8%	13.3%		15.8%	13.3%	

(1) Excluding acquisitions in 2005 and 2006

The results for the first half of 2006 show marked improvement over last year with growth across all of our divisions.

Operating income for the first half of 2006 increased by 38% to £38.3 million and operating profit increased by 65% to £6.1 million, resulting in an operating profit margin increase to 15.8%.

Operating income (excluding acquisitions) rose by 8.5% and operating profit grew by 29.0%. Excluding restructuring costs of £0.7 million in 2005, like for like operating profit for the first half grew by 9.5%.

Earnings per share has increased by 12.4% to 1.45p from 1.29p. Excluding the one-off tax reduction in the first half of 2005, earnings per share in 2006 grew by 43.6%.

The Board is proposing an interim dividend of 0.18p per share compared to 0.16p in 2005.

Net cash at 30th June 2006 was £0.8 million compared to net debt at 30th June 2005 of £5.2 million and net debt at 31st December 2005 of £3.0 million.

REVIEW OF OPERATIONS

All three of our divisions showed growth in both operating income and operating profit. Following the successful acquisition of VCCP in 2005 our advertising and marketing services division has returned to growth.

The percentage contribution from each of our divisions in the first half year is as follows :

	<u>Operating Income %</u>		<u>Operating Profit %</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Public Relations	59	70	62	83
Advertising and Marketing Services	34	24	29	9
Research	7	6	9	8
	—	—	—	—
	100	100	100	100
	—	—	—	—

Public Relations – Bell Pottinger Group

	<u>Six months to 30 June</u>		
	<u>2006</u>	<u>2005</u>	<u>% change</u>
	<u>£m</u>	<u>£m</u>	
Operating income	22.8	19.4	+17.5%
Operating profit	4.0	3.2	+22.5%
Operating margin	17.3%	16.6%	

Our Public Relations division incorporates financial public relations, investor relations, consumer public relations, public affairs, digital public relations and sport and sponsorship.

Operating income for the first half of 2006 increased by 17% to £22.8 million and operating profit increased by 22% to £4.0 million, resulting in an operating profit margin of 17.3%.

Bell Pottinger Public Relations Group retained its position at the top of the PR Week league table published in April 2006. It has been number one for four years.

New business wins in 2006 have included :

BDO Stoy Hayward	National Grid
Blockbuster	Network Rail
Body Shop	Nickleodeon
British Technology Group (BTG)	Pernod Ricard
Digital UK	Polo Ralph Lauren
Dubai Aerospace	Royal Mail
Foxtons	Toshiba Mobile
Hogg Robinson Group	Vichy Laboratories
Merck Pharmaceuticals	

Advertising and Marketing Services – VCCP Group

The advertising and marketing services division incorporates VCCP, VCCP Digital, SFW, Gasoline, Pure Media, Teamspirit and TTA

	<u>Six months to 30 June</u>		
	<u>2006</u>	<u>2005</u>	<u>% change</u>
	<u>£m</u>	<u>£m</u>	
Operating income	13.0	6.7	+95.1%
Operating profit	1.8	0.4	+425.7%
Operating profit margin	14.0%	5.2%	

Operating income for the first half of 2006 increased by 95% to £13.0 million and operating profit increased by 426% to £1.8 million, resulting in an operating profit margin of 14.0%.

VCCP performed ahead of our expectations and there were strong performances from VCCP Digital, Teamspirit and TTA Group.

New business wins in 2006 have included :

Allied Irish Bank	House of Fraser
Channel Five	London Lite
Coke Zero	Qatar
Department of Work and Pensions	Sportech
Heinz Weightwatchers	Sheila's Wheels
Hoseasons	

Research – OLR Group

The Research division incorporates Opinion Leader Research and Ledbury.

	<u>Six months to 30 June</u>		
	<u>2006</u>	<u>2005</u>	<u>% change</u>
	<u>£m</u>	<u>£m</u>	
Operating income	2.5	1.7	+49.8%
Operating profit	0.6	0.3	+75.9%
Operating profit margin	21.9%	18.7%	

Operating income for the first half of 2006 increased by 50% to £2.5 million and operating profit increased by 76% to £0.6 million, resulting in an operating profit margin of 21.9%.

Opinion Leader Research had an extremely good start to the year and established itself as the market leader in deliberative research. Following its acquisition, Ledbury Research has developed well and should achieve further growth in their niche sector of luxury goods and high net worth individuals.

New business wins in 2006 have included :

Department of Work and Pensions	Norwich Union
Her Majesty's Treasury	Liverpool Victoria
National Housing Federation	Ofcom

Note: All figures above for 2005 are shown after restructuring costs.

BUSINESS ACTIVITY

The Group acted for 905 clients in the first half of 2006, compared to 808 in the same period in 2005. 155 of these clients used more than one of our businesses (130 in 2005).

134 clients paid us over £50,000 in the first half of 2006, compared to 117 in the same period in 2005. Our top 30 clients represented 43% of total operating income (30th June 2005 – 37%) and our largest client represented 8.4% of total operating income. (Year to 31st December 2005 – 8.8%).

Average income per employee in the first half year was £52,000 (2005 - £49,000). Average fee income per client was £42,000 compared to £34,000 in the first half of 2005.

High profile activities where we advised clients included:

- Devising and managing this year's National Pensions Day, bringing together some 11,000 citizens to debate the recommendations of the Pension Commission on pension reform.
- The switch of GSK's leading migraine treatment, Imigran, from prescription only to over the counter.
- O₂'s winning of the Marketing Society's Loyalty Award in the 2006 Awards for Excellence.
- The successful implementation of the rebrand of Scottish Widows.
- The successful battle to retain the Chemistry Department at Sussex University.
- The new labelling campaign for the UK's leading food manufacturers.
- The communications strategy for Sky's carbon neutral campaign – "Green Sky thinking".
- DP World's £3.9 billion contested bid for P&O Ports.
- Evolution Group's acquisition of Williams de Broe.
- Playtech's £550 million IPO on the London market.
- The £34 million sponsorship of Tottenham Hotspur Football Club by Mansion.
- The Meat & Livestock Commission's 'Prescription for Health' campaign to encourage eating more meat in a healthy diet.
- Polo Ralph Lauren launching the new Wimbledon uniforms.

BANKING ARRANGEMENTS

The Group generated £4.3 million of cash from trading activities in the first half of 2006. Net cash at 30th June 2006 was £0.8 million compared to net debt at 31st December 2005 of £3.0 million and net debt of £5.2 million at 30th June 2005.

The Group continues to operate comfortably within its banking covenants and debt facility of £15 million. This is a three year facility, maturing in March 2009.

As in the previous two reporting periods the Group had unusually high levels of cash paid in advance by clients. If this returned to more normal levels then the net cash position would reduce by almost £4.0 million.

The maximum deferred considerations remaining to be paid are £21.4 million of which £11.1 million is in cash and £10.3 million is in shares. The maximum payable in the second half of 2006 is £0.5 million, 2007 is £3.7 million and 2008 is £11.5 million.

DIVIDENDS

The Board is proposing to pay an interim dividend of 0.18p per share (2005 – 0.16p). This will be payable on 9th November 2006 to shareholders on the register at 13th October 2006. The expected ex-dividend date is 11th October 2006.

TAXATION

The effective tax charge for the first half of 2006 was 31% compared to 14% last year when there was a one-off adjustment as a result of agreeing some prior year tax charges.

CORPORATE AND SOCIAL RESPONSIBILITY

The Group has made a commitment to improve its environmental practices and as a result to become carbon neutral by early 2007.

CORPORATE DEVELOPMENTS

We have expanded our representation in the Middle East by opening offices in both Qatar and Saudi Arabia. These report to our existing headquarters in Dubai – Bell Pottinger Middle East.

We have also made good progress towards establishing a public affairs office in Washington as part of Bell Pottinger Sans Frontieres.

We have established an integrated digital business as part of the VCCP Group. This is to take advantage of the fast growing digital market.

OUTLOOK AND PROGRESS AGAINST THREE YEAR PLAN

Our performance in the first half of 2006 was very encouraging and we have made the following progress against our three year plan:

- Margin improved to 15.8% from 13.3% which keeps us on track to achieve our target of 18% within three years.
- In developing our position as the leading modern communications group we established an integrated digital business within VCCP which offers pay-per-click and natural search engine optimisation services, an online creative advertising agency and an online media buying capability.
- Eliminated our net debt six months ahead of our target.
- International income has increased to 32% of total income in the first half of 2006 from 30% in the first half of 2005.
- The average value of fee per client has increased to £42,000 from £34,000.
- Average income per employee has increased to £52,000 from £49,000.
- The number of clients shared between more than one company in the Group has increased to 155 from 130.

- Introduced a new incentive scheme for senior management linked to the achievement of the three year plan.

The results for the first half of 2006 are very encouraging and we are positive about the outcome for the full year and beyond.

Lord Bell
Chairman
12th September 2006

Consolidated Income Statement
Six months ended 30 June 2006

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	12 months to 31 December 2005 (audited) £'000
Note			
CONTINUING OPERATIONS			
Turnover	83,080	47,810	116,403
Cost of sales	(44,763)	(20,047)	(53,371)
	38,317	27,763	63,032
OPERATING INCOME			
Other operating income	-	5	-
Operating expenses	(32,254)	(23,429)	(53,410)
	6,063	4,339	9,622
Restructuring costs	-	(655)	(1,286)
	6,063	3,684	8,336
OPERATING PROFIT	6,063	3,684	8,336
Share of results of associates	(241)	1	(111)
Investment income	62	80	152
Finance costs	(256)	(408)	(830)
Finance cost of deferred consideration	(253)	(34)	(222)
	5,375	3,323	7,325
PROFIT BEFORE TAX	5,375	3,323	7,325
Tax	(1,678)	(470)	(1,608)
	3,697	2,853	5,717
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	3,697	2,853	5,717
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	-	(201)	(660)
Profit for the period from sales of associate	-	-	2,662
	3,697	2,652	7,719
PROFIT FOR THE PERIOD	3,697	2,652	7,719
Attributable to:			
Equity holders of the parent	3,584	2,590	7,536
Minority interest	113	62	183
	3,697	2,652	7,719
EARNINGS PER SHARE			
From continuing operations			
Basic	1.45p	1.39p	2.49p
Diluted	1.44p	1.36p	2.46p
From continuing and discontinued operations			
Basic	1.45p	1.29p	3.39p
Diluted	1.44p	1.26p	3.34p

Consolidated Statement of Recognised Income and Expense
Six months ended 30 June 2006

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	12 months to 31 December 2005 (audited) £'000
Exchange differences on translation of foreign subsidiaries	(36)	(269)	(137)
Net expense recognised directly in equity	(36)	(269)	(137)
Profit for the period	3,697	2,652	7,719
Total recognised income and expense for the period	3,661	2,383	7,582
Attributable to:			
Equity holders of the parent	3,548	2,321	7,399
Minority interest	113	62	183
Total recognised income and expense relating to the period	3,661	2,383	7,582

Consolidated Balance Sheet as at 30 June 2006

	As at 30 June 2006 (unaudited) £'000	As at 30 June 2005 (unaudited) £'000	As at 31 December 2005 (audited) £'000
Non-current assets			
Goodwill	72,956	43,919	68,606
Other intangible assets	75	199	140
Property, plant and equipment	2,681	1,823	2,305
Investments in associates	680	915	891
Due from deferred consideration	800	-	950
Available for sale investments	-	1	-
Deferred tax asset	1,340	784	1,338
	<u>78,532</u>	<u>47,641</u>	<u>74,230</u>
Current assets			
Work in progress	1,141	598	565
Trade and other receivables	31,976	18,805	27,098
Cash and cash equivalents	2,642	6,618	6,997
	<u>35,759</u>	<u>26,021</u>	<u>34,660</u>
Total assets	<u>114,291</u>	<u>73,662</u>	<u>108,890</u>
Current liabilities			
Trade and other payables	(41,455)	(22,735)	(34,964)
Current tax liabilities	(2,772)	(2,232)	(1,865)
Obligations under finance leases	(127)	(134)	(142)
Bank overdraft	-	(1,246)	-
Short-term provisions	(2,106)	(782)	(690)
	<u>(46,460)</u>	<u>(27,129)</u>	<u>(37,661)</u>
Net current liabilities	<u>(10,701)</u>	<u>(1,108)</u>	<u>(3,001)</u>
Non-current liabilities			
Bank loans	(911)	(8,940)	(8,485)
Long-term provisions	(11,406)	(690)	(8,880)
Obligations under finance leases	(83)	(142)	(129)
	<u>(12,400)</u>	<u>(9,772)</u>	<u>(17,494)</u>
Total liabilities	<u>(58,860)</u>	<u>(36,901)</u>	<u>(55,155)</u>
Net assets	<u>55,431</u>	<u>36,761</u>	<u>53,735</u>
Equity			
Share capital	12,654	10,363	12,654
Share premium account	26,475	16,826	26,475
Own shares	(7,397)	(6,967)	(6,961)
Equity reserve	32,957	32,698	32,817
Translation reserve	(103)	(271)	(139)
Accumulated losses	(9,460)	(16,049)	(11,375)
Equity attributable to equity holders of the parent	<u>55,126</u>	<u>36,600</u>	<u>53,471</u>
Equity minority interest	305	161	264
Total equity	<u>55,431</u>	<u>36,761</u>	<u>53,735</u>

Consolidated Cash Flow Statement
Six months ended 30 June 2006

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	12 months to 31 December 2005 (audited) £'000	
Note				
Net cash inflow from operating activities	4	4,279	2,426	8,239
Investing activities				
Interest received	62	79	147	
Dividends received from associates	-	-	5	
Proceeds on disposal of property, plant and equipment	29	114	218	
Purchases of property, plant and equipment	(846)	(310)	(1,090)	
Purchases of other intangible assets	-	-	(5)	
Proceeds from disposal of investment	-	264	266	
Acquisition of investment in an associate	(51)	-	(72)	
Disposal of investment in associate	-	-	(50)	
Loans granted to associates	(1)	(75)	(411)	
Loans granted to joint ventures	-	(120)	-	
Acquisition of subsidiaries	(334)	(44)	(7,191)	
Net proceeds from disposal of subsidiaries	2,888	(312)	(98)	
Net cash inflow/(outflow) from returns on investment and servicing of finance		<u>1,747</u>	<u>(404)</u>	<u>(8,281)</u>
Financing activities				
Dividend paid	(793)	(606)	(1,009)	
Dividends paid to minorities	(92)	(160)	(122)	
Repayments of borrowing	(7,574)	-	(410)	
New bank loan raised	-	45	-	
Repay loan notes	(530)	(431)	(527)	
Repayments of obligations under finance leases	(81)	(56)	(143)	
Proceeds on issue of ordinary share capital	-	-	4,692	
Buy back of warrants	(800)	-	-	
Sale/(purchase) of own shares	(511)	2	2	
Net cash (used in)/from financing activities		<u>(10,381)</u>	<u>(1,206)</u>	<u>2,483</u>
Net (decrease)/increase in cash and cash equivalents		(4,355)	816	2,441
Cash and cash equivalents at beginning of period		6,997	4,556	4,556
Cash and cash equivalents at end of period		<u>2,642</u>	<u>5,372</u>	<u>6,997</u>
Cash and cash equivalents comprise cash at bank, loan note deposits less overdrafts and taking into account the following borrowings net cash/(debt) was:				
Bank loans	(911)	(8,940)	(8,485)	
Finance leases	(210)	(276)	(271)	
Loan notes outstanding	(724)	(1,317)	(1,254)	
Overall net cash/(debt)		<u>797</u>	<u>(5,161)</u>	<u>(3,013)</u>

Notes:

1. Business Segments

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

Principal activities are as follows:

Public Relations

The public relations division comprises some of the leading names in the industry, including Bell Pottinger, Good Relations, The Smart Company, Harvard and Insight, which together advise the owners and promoters of more than 300 major UK and international brands. The public relations division is ranked first in the PR Week public relations consultancy league table for 2006.

Advertising and Marketing Services ('AMS')

The AMS division possesses specialist skills in advertising and marketing services – sales promotion, direct marketing, advertising, design, media planning and buying, digital online content creation, customer publishing and customer loyalty, and specialises in the niche markets of property, financial services and healthcare.

Research

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

The group's operations are located in the United Kingdom, Germany and USA. The group's Advertising and Marketing Services and Research divisions are located solely in the United Kingdom. Public Relations is carried out in the United Kingdom, Germany and USA

1. Business segments (continued)

Class of business	Operating Income			Operating Profit		
	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	12 months to 31 December 2005 (audited) £'000	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	12 months to 31 December 2005 (audited) £'000
Public Relations: Continuing operations	22,832	19,435	40,801	3,950	3,225	6,661
Advertising and Marketing Services: Continuing operations	12,956	6,640	18,637	1,819	346	1,482
Research: Continuing operations	2,529	1,688	3,594	554	315	688
	<u>38,317</u>	<u>27,763</u>	<u>63,032</u>	<u>6,323</u>	<u>3,886</u>	<u>8,831</u>
Chime Central Costs	-	-	-	(260)	(207)	(495)
Other operating income	-	-	-	-	5	-
	<u>38,317</u>	<u>27,763</u>	<u>63,032</u>	<u>6,063</u>	<u>3,684</u>	<u>8,336</u>

Class of business	Operating Margin		
	6 months to 30 June 2006 (unaudited) %	6 months to 30 June 2005 (unaudited) %	12 months to 31 December 2005 (audited) %
Public Relations: Continuing operations	17.3%	16.6%	16.3%
Advertising and Marketing Services: Continuing operations	14.0%	5.2%	8.08%
Research: Continuing operations	21.9%	18.7%	19.1%
	<u>16.5%</u>	<u>14.0%</u>	<u>14.0%</u>
Chime Central Costs			
Other operating income			
	<u>15.8%</u>	<u>13.3%</u>	<u>13.2%</u>

As explained in note 5, the prior year and prior period segment comparatives have been restated.

2. Earnings per share

From continuing and discontinued operations

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

	Six months ended 30 June 2006 (unaudited) £'000	2005 (unaudited) £'000	12 months 31 December 2005 (audited) £'000
Earnings			
Earnings for the purpose of basic earnings per share being net profit attributable to the equity holders of the parent	3,584	2,590	7,536
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	247,504,382	201,193,198	222,362,754
Effect of dilutive potential ordinary shares:			
Share options and deferred shares	1,227,355	2,252,031	1,895,423
Warrants	-	1,746,696	1,075,622
Weighted average number of ordinary shares for the purposes of diluted earnings per share	248,731,737	205,191,925	225,333,799

From continuing operations

	Six months ended 30 June 2006 (unaudited) £'000	2005 (unaudited) £'000	12 months 31 December 2005 (audited) £'000
Earnings			
Net profit attributable to equity holders of the parent	3,584	2,590	7,536
Adjustments to exclude loss for the period from discontinued operations	-	201	660
Adjustments to exclude profit for the period from sale of associates	-	-	(2,662)
Earnings from continuing operations for the purposes of basic earnings per share excluding discontinued operations	3,584	2,791	5,534

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

From discontinued operations

	Six months ended 30 June 2006 (unaudited)	2005 (unaudited)	12 months 31 December 2005 (audited)
Basic	-	0.1p	0.9p
Diluted	-	0.1p	0.9p

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

3. Dividends

	Six months ended 30 June 2006 (unaudited) £'000	2005 (unaudited) £'000	12 months 31 December 2005 (audited) £'000
Amounts recognised as distributions to equity holders in the period (approved):			
Interim dividend for the year ended 31 December 2005 of 0.16p per share	-	-	395
Final dividend for the year ended 31 December 2005 of 0.32p (2005:0.30p) per share	793	614	614
	<hr/> 793	<hr/> 614	<hr/> 1,009
Amounts not recognised as distributions to equity holders in the Period (declared):			
Proposed interim dividend for the year ended 31 December 2006 of 0.18p (2005: 0.16p) per share	446	395	-
Proposed final dividend for the year ended 31 December 2005 of 0.32p per share	-	-	793
	<hr/> 446	<hr/> 395	<hr/> 793

The proposed interim dividend was approved by the Board on 8 September 2006 and has not been included as a liability as at 30 June 2006. The dividend will be paid on 9 November 2006 to those shareholders on the register at 13 October 2006. The expected ex-dividend date is 11 October 2006.

Under an agreement dated 3 April 1996, The Chime Communications Employee Trust which holds 5,070,003 ordinary shares representing 2.00% of the company's called-up share capital, has agreed to waive all dividends.

4. Notes to the consolidated cash flow statement

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	12 months to 31 December 2005 (audited) £'000
Profit from operations	6,063	3,684	8,336
Adjustments for:			
Loss from discontinued operation	-	(292)	(757)
Share based payment expense	140	116	235
Translation differences	(14)	(5)	6
Depreciation of property, plant and equipment	488	560	1,343
Amortisation of other intangible assets	65	65	130
Gain on disposal of property, plant and equipment	(6)	(19)	(33)
Decrease in provisions	(280)	(219)	(10)
Operating cash flows before movements in working capital	6,456	3,890	9,250
Decrease/(increase) in work in progress	(575)	(172)	(80)
Increase in receivables	(7,609)	(91)	(1,724)
(Decrease)/increase in payables	6,939	(153)	2,929
Cash generated by operations	5,211	3,474	10,375
Income taxes paid	(700)	(615)	(1,291)
Interest paid	(232)	(433)	(845)
Net cash from operating activities	4,279	2,426	8,239

5. Accounting policies

The consolidated income statement, balance sheet, statement of recognised income and expense and cash flow statement have been prepared on a basis consistent with the financial statements for the year ended 31 December 2005, other than as noted below with respect to segmental reporting and operating profit.

The results for the 6 months ended 30 June 2006 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies act 1985. The results for the year ended 31 December 2005 have been extracted from the published Financial Statements which have been delivered to the Registrar of Companies, other than as noted below with respect to segmental reporting and operating profit. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 of the Companies Act 1985.

As required by IAS 14 (Segment Reporting) the prior period comparatives have been restated to reflect the change in management reporting of The Smart Company within the group. The Smart Company was previously reported within research, it is now included within public relations. The effect of this change is as follows: Operating income 6 months to 30 June 2005 £362,000, 12 months to 31 December 2005 £751,000; Operating profit 6 months to 30 June 2005 £44,000, 12 months to 31 December 2005 £120,000

Operating profit is now stated after charging restructuring costs but before the share of results of associates, investment income and finance costs. This is a change in accounting policy in the period and accordingly, the prior period and prior year comparatives have been reclassified to effect this change.

INDEPENDENT REVIEW REPORT TO CHIME COMMUNICATIONS PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprise the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Deloitte & Touche LLP

Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR
12 September 2006

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.