FOR IMMEDIATE RELEASE **13 March 2013**

Cello Group plc

Solid overall 2012 performance – Cello Health continued growth; Cello Consumer H2 recovery

Cello Group plc (AIM:CLL, "Cello" or "the Group"), the insight and strategic marketing group, today announces its final audited results for the year to 31 December 2012.

Financial Highlights

	2012	2011
Gross profit	£65.1m	£61.8m
Headline operating profit[1]	£7.7m	£7.8m
Headline profit before tax	£7.0m	£7.1m
Headline operating margin[2]	12.1%	12.6%
Basic headline earnings per share[3]	6.37p	6.82p
Reported profit before tax	£1.4m	£1.2m
Reported basic loss per share	0.49p	0.81p
Proposed full year dividend	2.00p	1.72p
Net debt	£8.7m	£7.7m

- Strong cash conversion of 88.5% (2011: 90.6%)
- Net debt follows earn out settlement in the year of £2.0m
    - Forward looking deferred consideration minimal
- Gross profit in Cello Health up 7.2%; like-for-like[4] gross profit up 2.6%
- Headline operating margin in Cello Health 20.8% (2011: 20.9%)
- Like for like Gross Profit in Cello Consumer maintained, despite challenging H1
- Headline operating margin in Cello Consumer of 9.1% (2011: 10.4%)
- Good start to 2013, with strong bookings momentum continuing from Q4 2012

Operational Highlights

- Successful restructuring of the Group into Cello Health and Cello Consumer
- Strong performance from Cello Health, underpinned by a unified client proposition
- Good recovery in H2 from Cello Consumer
- International gross profit increase from 40.6% to 46.1% of total Group revenue
- International gross profit in Cello Health increase from 68.2% to 72.3%
- Strong performance from digital products and brands within Cello Consumer
- Acquisition of Mash Healthcare Limited in January 2013 and integration into Cello Health

Mark Scott, Chief Executive, commented:

> ***"2012 has seen the Group continue to grow its pharmaceutical expertise in the UK and overseas markets. The recent acquisition of Mash Health, combined with centralised new business activity and further organic investment, will continue this progress into 2013. Cello Consumer, after a challenging first half, recovered strongly in the second half and this momentum is continuing in the early stages of the current year. We are confident that both these factors will combine to deliver a successful 2013 performance and as an indicator of that confidence we have raised the dividend by 16.3%, the sixth successive year of dividend growth."***

[1] Headline measures exclude, where applicable, restructuring costs, amortisation of intangible assets, impairment charges, acquisition accounting adjustments, start-up losses, share option charges and fair value gains and losses on derivative financial instruments.

[2] Operating margin is calculated by expressing operating profit as a percentage of gross profit.
[3] Headline earnings per share is defined in note 10.
[4] Like-for-like measures exclude discontinued operations and the impact of any reclassification of business between reporting segments.

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Overview

2012 saw a solid performance with the Group reporting a 5.3% increase in gross profit to £65.1m (2011: £61.8m) and headline profit before tax of £7.0m (2011: £7.1m). The restructuring of the Group into Cello Health and Cello Consumer was successfully completed and the benefits of this are already evident in new client activity. The last quarter of 2012 showed good momentum in forward bookings for the first quarter of 2013, providing good visibility for the start of the current year.

Cello Health produced headline operating profit growth of 6.7% on an increase in gross profit of 7.2%, reflecting robust demand from global clients for its highly specialist range of services. Cello Health enjoyed a full year contribution from MedErgy which was acquired in April 2011. This top line growth has allowed for continued investment in qualified staff, the initiation of a range of new services and expansion of international offices to sustain future revenue growth. Like-for-like gross profit in Cello Health grew by 2.6%.

Cello Health's profile with global clients continues to grow rapidly, with the recent addition of a central business development team reporting to the Board of Cello Health. The Board of Cello Health are working rapidly to deliver a fully integrated global service, promoted under the Cello Health brand, enabling it to compete effectively against larger US based competitors.

Cello Consumer enjoyed a strong recovery in the second half after a marked slowdown in the first half caused by a hiatus in research activity by clients. Cello Consumer's rapid transition into a dominantly digital proposition supported by a range of web-centric services has enabled it to continue to develop its wide range of blue chip client relationships. With headline operating profit of £3.0m (2011: £3.4m) on gross profit of £32.7m (2011: £32.6m), Cello Consumer achieved operating margins of 9.1% (2011: 10.4%). Like-for-like gross profit in Cello Consumer grew by 0.6%.

The Group's strategy of increasing the proportion of work won or serviced outside the UK has also made continued progress with international work now accounting for 46.1% of total Group gross profit (2011: 40.6%). Within Cello Health 72.3% of the gross profit was secured from international clients (2011: 68.2%). The Group now has overseas offices in New York, Philadelphia, San Francisco, Los Angeles, Singapore and Hong Kong. There are plans to open an office in Chicago during the course of the current year.

The Group's top 20 clients accounted for 40.0% of Cello's overall gross profit (2011: 38.3%) and remain largely unchanged from the prior year. Cello Health continues to benefit from accredited supplier status with the majority of its large pharmaceutical clients, enabling it to increase its service offering to these clients. The Group saw significant new business wins in the last quarter of 2012 which will be active in 2013.

Following strong operating cash flow and the settlement of the earn out commitments during the year, net debt at year end was £8.7m (2011: £7.7m). As a consequence of the vastly reduced deferred consideration profile, and continued strong operating cash flow, the Board is pleased to propose an increase in the full year dividend of 16.3% to 2.00p per share (2011: 1.72p). The dividend has now grown every year since 2006.

In January 2013 the Group completed the acquisition of Mash Healthcare Limited ("Mash"), for a total maximum consideration of £1.5m, payable over the next 18 months. Mash has joined the Consumer Health division of Cello Health.

Financial Review

Total Group gross profit was £65.1m (2011: £61.8m) on revenues of £135.1m (£127.7m). Headline profit before tax was £7.0m (2011: £7.1m). The Group's results reflect a solid performance by Cello Health and a markedly improved performance by Cello Consumer in the second half.

Reported profit before tax was £1.4m (2011: £1.2m) after the impact of restructuring costs of £1.3m (2011: £0.9m); amortisation of £0.9m (2011: £1.2m); start-up losses of £0.8m (2011: £0.2m); and impairment charges of £2.5m (2011: £2.5m). The Group's headline operating margin was 12.1% (2011: 12.6%) with a headline operating margin of 20.8% in Cello Health (2011: 20.9%), and 9.1% in Cello consumer (2011: 10.4%).

Headline finance costs were £0.7m (2011: £0.7m). The Group's tax charge was £1.2m (2011: £1.6m) reflecting a normalised tax rate on taxable profits of 31.5% (2011: 31.7%). Headline basic earnings per share was 6.37p (2011: 6.82p).

The Board is proposing a final dividend of 1.42p per share (2011: 1.17p), giving a total dividend per share of 2.00p (2011: 1.72p), an increase of 16.3%. The final dividend will be paid, subject to shareholder approval, on 5 July 2013 to all shareholders on the register at 31 May 2013 and will be recognised in the year ending 31 December 2013.

The Group's net debt position at 31 December 2012 was £8.7m (2011: £7.7m). This debt figure is well within existing debt facilities of £29.0m which are in place until March 2016. Operating cash flow before tax of £6.8m (2011: £7.0m) during the year represented an 88.5% conversion of headline operating profit (2011: 90.6%).

In April and May 2012 £3.3m of acquisition related liabilities were settled. These were settled by £2.0m in cash and loan notes and £1.3m in shares issued at an average price of 37p per share. Following these payments, deferred consideration commitments now stand at £0.4m, all payable in 2013. In January 2013, the Group acquired Mash for a maximum potential consideration of £1.5m. This consideration will all be paid by May 2014 with a maximum of 20% payable in shares.

The Group has invested in a number of new start-up activities in 2012, most notably the start-up of a quantitative research activity in Cello Health; the opening of new offices in Singapore, Hong Kong and Los Angeles; the creation of Cello Business Sciences, a web-enabled analytics offering; and expansion in New York. This incurred a net investment cost of £0.8m which has been added back to earnings for purposes of headline operating profit so as not to distort the reporting of underlying operational performance. We are confident about the majority of these activities being profitable in 2013. We were pleased to earn £1.0m of gross profit from these activities in their first year of operations.

As indicated in the interim results, Cello Consumer suffered from a marked slowdown of certain research activities in the first half of 2012. As a result the Group took action to reduce costs in certain areas, some of which have been closed and are therefore accounted for as discontinued operations. There was a restructuring charge of £1.3m for 2012 of which £0.6m related to a vacant property provision. The restructuring also necessitated an impairment charge of £2.5m.

The Group incurs a number of charges in the income statement below headline operating profit, detailed overleaf:

	2012	2011
	£'000	£'000
Headline operating profit	**7,720**	**7,756**
Net interest payable	(686)	(694)
Headline profit before tax	**7,034**	**7,062**
Acquisition costs	-	(211)
Restructuring costs	(1,328)	(928)
Start-up losses	(787)	(163)
Fair value gain on financial instruments*	50	64
Acquisition related employee remuneration expenses*	(82)	(631)
Share option charges*	(134)	(97)
Impairment of goodwill and intangibles*	(2,497)	(2,499)
Amortisation of intangibles*	(876)	(1,198)
Finance costs on deferred consideration*	-	(58)
Facility fees written off*	-	(111)
Reported profit before tax	**1,380**	**1,230**

*no cash flow impact

The Group monitors many financial measures on a regular basis but our key performance indicators are headline operating profit, headline operating margin, like-for-like gross profit, headline operating cash flow conversion and headline basic earnings per share.

Operational Review

Cello Health

The Group's healthcare business enjoyed another year of strong performance, delivering headline operating profit of £6.5m (2011: £6.1m) from gross profit of £31.3m (2011: £29.2m). This has been driven by continued spend from the business's large, long term, global client relationships. The professional employee base has increased to 305 during the year (2011: 280) reflecting the addition of senior resource, particularly in the USA, to enable continued growth. Despite this senior headcount increase operating margins have remained static at 20.8% (2011: 20.9%) which represents competitive levels versus the larger competitor set.

Cello Health has increased the proportion of pharmaceutical assignments won on the basis of joint pitches across multiple Cello Health companies. These are often won in competition with larger, consolidated healthcare services providers, often domiciled in the USA. It has also responded effectively to the increasing demand by clients for scientifically based data input into their marketing efforts based on actual patient outcomes.

Cello Health is managed by a single executive Board comprising Stephen Highley (Chair), Julia Ralston (CEO USA) and Jane Shirley (CEO Europe and Asia), supported by a leadership team. The

business has a central senior business development function. During the course of 2013 the board of Cello Health plans to transition its core operating brands into a single brand format reflecting the Cello Health positioning, as Cello Health transitions into the lead client facing identity. This will enable it to compete more effectively, with better sharing of professional resource, and to raise Cello Health's market profile.

The international profile of Cello Health has progressed considerably. In July 2012 Cello Health moved to new, enlarged premises in New York, complemented by the Philadelphia office of MedErgy. During the course of 2013 the business will open an office in Chicago to service the North West of the US and the Philadelphia office is being materially expanded to allow further growth in headcount. All of Cello Health's core businesses are now represented in the US market, which is by far the largest market for such services globally.

The business continues to invest in organic expansion. In 2012 investments were made in quantitative research to complement the dominant qualitative research focus of the business; geographical expansion; the development of an integrated Market Access proposition; and the development of a focused Consumer Health offering. The recent acquisition of Mash in early 2013 has been a significant addition to the effort to build a major global offering in the Consumer Health space. The Board of Cello Health is charged with demonstrating profitable revenue flow from these investment activities.

Innovation is at the core of Cello Health's proposition. Cello Health's digital capabilities have continued to gain market traction. eVillage, the division's social media research product for the pharmaceutical industry, made a material contribution to revenues in 2012. In 2012 Cello Health also launched Cello Business Sciences, a bespoke web-based analytical tool for marketing directors in the pharmaceutical industry.

Notable, disclosable client wins in 2012 included: Actelion, Ahlstrom, Airwave, Alix Partners, Allergan, Amgen, AVEBE, Avery Dennison, Boehringer Ingelheim, Boots Opticians, Centro, CooperVision, EE, GE Healthcare, General Mills, Infineum, Johnson and Johnson, Mundipharma, NEST, Novartis, Shionogi, Synergy, TATA Group, Tunstall Healthcare, and Vision Care.

Cello Consumer

Cello Consumer delivered headline operating profit of £3.0m (2011: £3.4m) on gross profit of £32.7m (2011: £32.6m). This represented a solid recovery following a challenging first half in 2012 caused by a temporary slowdown of research activity by a range of large clients, consistent with that experienced by the market overall. Operating margins were 9.1% (2011: 10.4%).

Cello Consumer is based on three core capabilities – Insight: helping clients identify market and customer issues and opportunities; Creative: helping clients solve their customer issues and capture opportunities through communications processes; and Logistics: helping clients execute these plans most cost effectively. These capabilities are represented by 2CV and Face on the research side; Leith Group on the creative side; and by Bright Group on the logistics side. These core brands are in turn supported by a number of specialist sub brands.

Cello Consumer is managed by an executive Board led by Mark Scott (Chair) and John Rowley (CEO) along with six other executives. The mission of the Board is to establish Cello Consumer as a leading global advisor to marketing clients, enabling them to better manage relationships with customers in an increasingly digital context. Cello Consumer responds to clients increasing need for speed of response, need to drive down cost and need to show immediate return on marketing investment. As part of this process Cello Consumer will be changing its name in 2013 into a client facing brand to help drive additional revenue into the core branded engines of the business.

Cello Consumer has a very high quality, blue chip, client list that will underpin global business growth. The primary client segments served by Cello Consumer are fmcg, mobile telephony, computer games,

financial services, as well as charities. The largest client accounted for less than 3% of total revenues for Cello Consumer.

Cello Consumer has continued to develop a strong digital footprint. Through its brand Face, the Group has established an industry leading capability in social media based advisory work, backed by software enabled analytical products. Through its brand Blonde, it also has a highly successful offering in digital communications and web-based marketing. In addition, through its brand Brightsource, it has developed an industry leading capability in digital based print management, communications planning and delivery.

Cello Consumer has been rapidly transforming itself from a UK focused business into a global business. With offices in San Francisco, Los Angeles, New York, Singapore and Hong Kong, it can truly offer global coverage. International gross profits have grown from 18.2% in 2011 to 20.6% in 2012 and this trend is accelerating.

Notable, disclosable client wins in 2012 included: AB Inbev, Aer Lingus, Air Malta, Airwick, Aldi, ANZ, AOL, Arla, Asia Pacific Breweries, Avon, Bang and Olufsen, Barnes and Noble, BBC Global business, Ben & Jerry's, Berry Bros, BHF furniture stores, British Gas, British Red Cross, Britvic, Camelot, Church & Dwight, Coutts, Dairy Crest, Debenhams, Delhaize Group, Edrington, Electrolux, EMC, Eurostar, Fitflop, Forestry Commission, General Motors, Glasgow 2014 Commonwealth Games, Hallmark, Heathrow Express, HSBC, ING, Johnson & Johnson, Land Securities, Liberty Mutual, Lipton, Magic Radio, Magnum, Malaysia Airlines, Marie Curie Cancer Care, Marriott, Montpelier Group, Mortein, NBC, NHS, Nokia, O2, Odeon, Pfizer, Philips, Phones 4U, Powerade, Pronova, Quaker, RBK, RBS, Royal Mail, Save the Children, Scottish Widows, Sky, Skyscanner, Stansted Airport, Strategic Defence, Tesco, The Alzheimers Society, Timberland, Toyota, and Veolia Water.

People

Cello maintains a range of initiatives that span the entire Group, encompassing both Cello Health and Cello Consumer, which are aimed at developing and retaining the Group's professional resource. At the heart of this is the Cello Partnership which comprises 44 Associates, 31 Partners and 13 Managing Partners. The Partnership meets regularly and forms sub-groups to address areas critical to the future of the business, notably innovation, international expansion and cross group working. Many Partners and Associates are alumni of Cello Academy.

Cello Academy is the Group's well respected and proprietary training programme which has been in place for seven years, and through which over 150 people have passed during that time. In addition there is a Cello graduate forum for the substantial annual graduate in-take of the Group. In 2012 33 new graduate trainees were recruited over the course of the year (2011: 28).

In order to properly incentivise the Partnership the Group administers a robust and demanding annual bonus scheme that rewards based on performance.

As part of making a difference, Cello invests in helping its professionals engage in socially contributive activities with a health orientation. In particular, Cello has invested in creating Talking Taboos, a research programme aimed at supporting selected charities to further develop their positions and raise their profile supported by market data. In 2013 Cello aims to launch Talking Taboos as a charitable foundation led by Vincent Nolan.

Current Trading and Outlook

Cello began 2013 with a good level of secured forward bookings and has also seen encouraging levels of new business wins so far in 2013. This solid start to 2013 means that the Group is in a good position to progress against its growth goals. The strong balance sheet position of the Group means it is able to materially increase the full year dividend, as well as further invest in the growth strategy of the Group. At this early stage of the year, the Board is confident that current expectations for 2013 can be met.

Allan Rich
Non-Executive Chairman
12 March 2013

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Continuing operations			
Revenue	2	135,141	127,714
Cost of sales		(70,046)	(65,910)
Gross profit	2	**65,095**	**61,804**
Administration expenses	4	(63,079)	(59,775)
Operating profit	2	**2,016**	**2,029**
Finance income	3	76	86
Finance costs	3	(712)	(885)
Profit on continuing operations before taxation		**1,380**	**1,230**
Taxation	7	(1,224)	(1,564)
Profit/(loss) on continuing operations after taxation		**156**	**(334)**
(Loss)/profit from discontinued operations	8	(516)	64
Loss for the year		**(360)**	**(270)**
Attributable to:			
Owners of the parent		(386)	(587)
Non-controlling interests		26	317
		(360)	**(270)**

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Basic earnings/(loss) per share			
From continuing operations	10	0.16p	(0.90)p
From discontinued operations	10	(0.65)p	0.09p
Total basic loss per share	10	(0.49)p	(0.81)p
Diluted earnings/(loss) per share			
From continuing operations	10	0.16p	(0.90)p
From discontinued operations	10	(0.65)p	0.08p
Total diluted loss per share	10	(0.49)p	(0.81)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Loss for the year	(360)	(270)
Other comprehensive income:		
Exchange differences on translation of foreign operations	(287)	208
Total comprehensive income for the year	**(647)**	**(62)**
Total comprehensive income attributable to:		
Owners of the parent	(673)	(379)
Non-controlling interest	26	317
Total comprehensive income for the year	**(647)**	**(62)**
Total comprehensive income attributable to owners of the parent arises:		
From continuing operations	(164)	(437)
From discontinued operations	(509)	58
Total comprehensive income attributable to owners of the parent	**(673)**	**(379)**

CONSOLIDATED BALANCE SHEET
31 December 2012

	Notes	31 December 2012 £'000	31 December 2011 £'000
Goodwill	11	71,028	73,823
Intangible assets		1,790	2,373
Property, plant and equipment		2,289	2,176
Deferred tax assets		463	577
Non-current assets		**75,570**	**78,949**
Trade and other receivables		29,935	29,131
Cash and cash equivalents		4,148	4,170
Current assets		**34,083**	**33,301**
Trade and other payables		(29,717)	(29,968)
Current tax liabilities		(582)	(1,190)
Borrowings	14	(498)	(959)
Provisions	12	(108)	(2,268)
Obligations under finance leases		(23)	(39)
Derivative financial instruments		(5)	(55)
Current liabilities		**(30,933)**	**(34,479)**
Net current assets/(liabilities)		**3,150**	**(1,178)**
Total assets less current liabilities		**78,720**	**77,771**
Borrowings	14	(12,320)	(10,806)
Provisions	12	(280)	-
Obligations under finance leases		(26)	(43)
Deferred tax liabilities		(498)	(799)
Non-current liabilities		**(13,124)**	**(11,648)**
Net assets		**65,596**	**66,123**
Equity			
Share capital		8,226	7,853
Share premium		18,188	18,104
Merger reserve		28,228	28,742
Capital redemption reserve		50	50
Retained earnings		10,636	10,389
Share-based payment reserve		343	209
Foreign currency reserve		(124)	163
Equity attributable to owners of the parent		**65,547**	**65,510**
Non-controlling interests		49	613
Total equity		**65,596**	**66,123**

CONSOLIDATED CASHFLOW STATEMENT
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Net cash generated from operating activities before taxation	13	**6,835**	**7,024**
Tax paid		(1,874)	(1,266)
Net cash generated from operating activities after taxation		**4,961**	**5,758**
Investing activities			
Interest received		26	22
Purchase of property, plant and equipment		(1,432)	(975)
Sale of property, plant and equipment		75	25
Expenditure on intangible assets		(358)	(38)
Purchase of subsidiary undertakings		(2,037)	(2,767)
Net cash used in investing activities		**(3,726)**	**(3,733)**
Financing activities			
Proceeds from issuance of shares		-	2,541
Dividends paid to equity holders of the parent	9	(1,386)	(709)
Repayment of borrowings		(3,800)	(9,494)
Repayment of loan notes		(461)	(1,430)
Drawdown of borrowings		5,500	11,300
Capital element of finance lease payments		(50)	(61)
Interest paid		(911)	(704)
Net cash (used)/generated in financing activities		**(1,108)**	**1,443**
Net increase in cash and cash equivalents		**127**	**3,468**
Exchange losses on cash and cash equivalents		(149)	(95)
Cash and cash equivalents at the beginning of the year		4,170	797
Cash and cash equivalents at end of the year	14	**4,148**	**4,170**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Share-based payment reserve £'000	Foreign currency exchange reserve £'000	Total attributable to the owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2011	**6,164**	**15,738**	**26,741**	**50**	**9,187**	**112**	**(45)**	**57,947**	**296**	**58,243**
Comprehensive income:										
Loss for the year	-	-	-	-	(587)	-	-	**(587)**	317	**(270)**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	208	**208**	-	208
Total comprehensive income for the year	-	-	-	-	(587)	-	208	**(379)**	317	**(62)**
Transactions with owners:										
Shares issued	1,689	2,366	4,500	-	-	-	-	**8,555**	-	**8,555**
Credit for share-based incentives	-	-	-	-	-	97	-	**97**	-	**97**
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	(1)	-	-	**(1)**	-	**(1)**
Transfer between reserves in respect of impairment	-	-	(2,499)	-	2,499	-	-	**-**	-	**-**
Dividends (note 9)	-	-	-	-	(709)	-	-	**(709)**	-	**(709)**
Total transactions with owners	1,689	2,366	2,001	-	1,789	97	-	**7,942**	-	**7,942**
As at 31 December 2011	**7,853**	**18,104**	**28,742**	**50**	**10,389**	**209**	**163**	**65,510**	**613**	**66,123**
Comprehensive income:										
Loss for the year	-	-	-	-	(386)	-	-	**(386)**	26	**(360)**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	(287)	**(287)**	-	**(287)**
Total comprehensive income for the year	-	-	-	-	(386)	-	(287)	**(673)**	26	**(647)**
Transactions with owners:										
Shares issued	373	84	898	-	-	-	-	**1,355**	-	**1,355**
Credit for share-based incentives	-	-	-	-	-	134	-	**134**	-	**134**
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	17	-	-	**17**	-	**17**
Changes in non-controlling interests in shareholdings	-	-	-	-	590	-	-	**590**	(590)	**-**
Transfer between reserves in respect of impairment	-	-	(1,412)	-	1,412	-	-	**-**	-	**-**
Dividends (note 9)	-	-	-	-	(1,386)	-	-	**(1,386)**	**-**	**(1,386)**
Total transactions with owners	373	84	(514)	-	633	134	-	**710**	(590)	**120**
As at 31 December 2012	**8,226**	**18,188**	**28,228**	**50**	**10,636**	**343**	**(124)**	**65,547**	**49**	**65,596**

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation

The financial information included in this report does not amount to full financial statements within the meaning of Section 434 of Companies Act 2006. The financial information has been extracted from the Group's Annual Report and financial statements for the year ended 31 December 2012, on which an unqualified report has been made by the Company's auditors, PricewaterhouseCoopers LLP.

Financial statements for the year ended 31 December 2011 have been delivered to the Registrar of Companies; the report of the auditors on those account were unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The 2012 statutory accounts are expected to be published on 11 April 2013.

During the year the Group generated a profit before tax on continuing activities of £1.4m and excluding non-recurring restructuring costs and other non-headline charges the Group generated a profit before tax of £7.0m.

The Group meets its day to day working capital requirements through its bank facilities. The Group's bank facilities consist of a £4.0m overdraft facility and a £25.0m revolving credit facility which is committed to March 2016. £12.7m of the revolving credit facility is undrawn at 31 December 2012 and the Groups forecasts and projections show that the Group is able to operate within the level of its current facilities.

After reviewing the Group's performance and forecast future cash flows, the directors consider the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the Group's financial statements.

2. Headline Measures

The Group believes that reporting non-GAAP or headline measures provides a useful comparison of business performance and this reflects the way the business is reported internally and controlled. Accordingly headline measures of operating profit, finance income, finance costs, profit before taxation and earnings per share exclude, where applicable, restructuring costs, amortisation of intangible assets, impairment charges, acquisition accounting adjustments, start-up losses, share option charges and fair value gains and losses on derivative financial instruments. These are items that, in the opinion of the directors, are required to be disclosed separately, by virtue of their size or incidence, to enable a full understanding of the Group's financial performance.

A reconciliation between reported and headline profit before taxation is presented in note 1. In addition to this, a reconciliation between reported and headline operating profit is presented in note 2, a reconciliation between reported and headline finance income and costs is presented in note 3 and a reconciliation between reported and headline earnings per share is presented in note 11. Headline measures in this report are not defined terms under IFRSs and may not be comparable with similarly titled measures reported by other companies.

3. Accounting Estimates and Judgements

The Group makes estimates and judgements concerning the application the Group's accounting policies and concerning the future. The resulting estimates may, by definition, vary from the actual results. Estimates are based on historical experience and various other assumptions that management and the Board of directors believe are reasonable.

The directors consider the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgements are:

i. Revenue recognition policies in respect of contracts which straddle the year end.
The Group is required to make an estimate of the project completion levels in respect of contracts which straddle the year end for income recognition purposes. Estimates are based on expected total costs and revenues from each contract. This involves a level of judgement and therefore differences may arise between the actual and estimated result. Where immaterial differences arise they are recognised in the income statement for the following reporting period. Any material changes to these estimates would affect revenue recognised in the financial statements and the level of deferred or accrued income on the balance sheet.

ii. Contingent deferred consideration payments in respect of acquisitions and acquisition related employee remuneration.
The Group has estimated the value of future amounts payable in respect of acquisitions. The estimate is based on management's estimates of the relevant entities future performance. If these estimates change in the future as the earn out progresses, the amount of the provision will vary. Any changes to the carrying value of the provision are recognised in the income statement.

As part of a typical acquisition an amount is also payable to the employees of the acquired company. These acquisition related employee remuneration costs are calculated using the same estimates of the relevant entities future performance as the deferred consideration payable. If these estimates change in the future, as the earn out progresses, the amount of the employee liability, which is recognised over the earn out period, will vary. Any changes to the carrying value of these liabilities are recognised in the income statement.

iii. Valuation and amortisation period of separately identifiable intangible assets on acquisitions.
The Group is required to value the separately identifiable intangible assets acquired as part of a business combination. In order to value some of these intangible assets, the Group must make assumptions as to future cash flows derived from these costs and estimate the expected lives of these assets. Changes to these estimates would affect the resulting valuation of goodwill and the amortisation charge recognised in the financial statements.

iv. Impairment of goodwill.
The Group tests goodwill annually for impairment, in accordance with the Group's accounting policy. The recoverable amount is based on value-in-use calculations, which requires estimates of future cash flows and the discount rate to apply in order to calculate the present values of these cash flows. The estimates used and sensitivity of these assumptions is disclosed in note 11.

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1 Reconciliation of Profit on Continuing Operations Before Taxation to Headline Profit Before Tax

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit on continuing operations before taxation		**1,380**	**1,230**
Restructuring costs	5	1,328	928
Start-up losses	6	787	163
Acquisition costs	4	-	211
Amortisation of intangible assets	4	876	1,198
Acquisition related employee remuneration expense	4	82	631
Share option charges	4	134	97
Impairment of goodwill	11	2,497	2,499
Finance cost of deferred consideration	3	-	58
Fair value gain on derivative financial instruments	3	(50)	(64)
Facility fees written off	3	-	111
Headline profit before taxation		**7,034**	**7,062**
Headline profit before taxation is made up as follows:			
Headline operating profit	2	7,720	7,756
Headline finance income	3	26	22
Headline finance costs	3	(712)	(716)
		7,034	**7,062**

2 Segmental Information

For management purposes, the Group is organised into two operating groups; Cello Health and Cello Consumer. These groups are the basis on which the Group reports internally to the plc's board of directors, who have been identified as the chief operating decision makers.

During the year the Group has changed its operating segments, in line with the way the group is managed and reported to the chief operating decision maker. Prior period segmental information has been represented in line with these new operating segments.

The principal activities of the operating segments are as follows:

Cello Health
The Cello Health Division provides market research, consulting and communications services principally to the Group's pharmaceutical and healthcare clients.

Cello Consumer
The Cello Health Division provides market research and direct communications services principally to the Group's consumer facing clients.

Revenues derived from the Group's largest client are less than 10% of the group's total revenue. Revenue derived from the largest client in each operating segment also represents less than 10% of external revenue in each segment.

Sales between segments are carried out at arms-length. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the income statement.

2 **Segmental Information** (continued)

for the year ended 31 December 2012

	Cello Health £'000	Cello Consumer £'000	Consolidation and Unallocated £'000	Group £'000
Revenue				
External sales	46,247	87,457	-	133,704
Intersegment revenue	100	88	(188)	-
Total segmental revenue	46,347	87,545	(188)	133,704
Start-up revenue				1,437
Total revenue				**135,141**
Gross profit				
Segmental gross profit	31,322	32,735	-	64,057
Start-up gross profit				1,038
Total gross profit				**65,095**
Operating profit				
Headline operating profit (segment result)	**6,506**	**2,995**	**(1,781)**	**7,720**
Restructuring costs				(1,328)
Start-up losses				(787)
Amortisation of intangible assets				(876)
Acquisition related employee remuneration expense				(82)
Share Option charges				(134)
Impairment of goodwill				(2,497)
Operating profit				**2,016**
Financing income				76
Finance costs				(712)
Profit before tax on continuing operations				**1,380**
Other information				
Capital expenditure	605	843	1	**1,449**
Capitalisation of intangible assets	102	256	-	**358**
Depreciation of property, plant and equipment	391	728	8	**1,127**

2 **Segmental Information** (continued)

for the year ended 31 December 2011

	Cello Health £'000	Cello Consumer £'000	Consolidation and Unallocated £'000	Group £'000
Revenue				
External sales	45,104	82,550		127,654
Intersegment revenue	260	63	(323)	-
Total segmental revenue	45,364	82,613	(323)	127,654
Start-up revenue				60
Total revenue				**127,714**
Gross profit				
Segmental gross profit	29,225	32,553	-	61,778
Start-up gross profit				26
Total gross profit				**61,804**
Operating profit				
Headline operating profit (segment result)	**6,100**	**3,378**	**(1,722)**	**7,756**
Restructuring costs				(928)
Start-up losses				(163)
Acquisition costs				(211)
Amortisation of intangible assets				(1,198)
Acquisition related employee remuneration expense				(631)
Share option charges				(97)
Impairment of goodwill				(2,499)
Operating profit				**2,029**
Financing income				86
Finance costs				(885)
Profit before tax on continuing operations				**1,230**
Other information				
Capital expenditure	273	733	1	**1,007**
Capitalisation of intangible assets	-	38	-	**38**
Depreciation of property, plant and equipment	374	651	10	**1,035**

2 **Segmental Information** (continued)

The Group's operations are located in the United Kingdom and the USA.

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

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Geographical		
UK	85,159	84,427
Rest of Europe	17,053	21,808
USA	26,172	18,822
Rest of the World	6,757	2,657
	135,141	127,714

3 **Finance Income and Costs**

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Finance income:		
Interest received on bank deposits	26	22
Headline finance income	26	22
Fair value gains on derivative financial instruments	50	64
Total finance income	76	86
Finance costs:		
Interest payable on bank loans and overdrafts	649	617
Interest payable in respect of finance leases	6	9
Finance costs paid on derivative financial instruments	57	90
Headline finance costs	712	716
Finance costs on deferred consideration	-	58
Facility fee written off	-	111
Total finance costs	712	885

4 Loss for the Year

Loss for the year is stated after charging:

		Continuing operations		Discontinued operations		Total	
		Year Ended 31 December 2012	Year Ended 31 December 2011	Year Ended 31 December 2012	Year Ended 31 December 2011	Year Ended 31 December 2012	Year Ended 31 December 2011
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Headline administration costs:							
Staff costs		41,816	40,366	645	1,662	42,461	42,028
Operating lease rentals		2,156	2,120	-	-	2,156	2,120
Depreciation of property, plant and equipment		1,033	1,017	94	18	1,127	1,035
Loss on disposal of property, plant and equipment		38	64	82	-	120	64
Auditors remuneration		335	289	8	13	343	302
Net foreign exchange losses/(gains)		83	(15)	5	5	88	(10)
Other property costs		1,825	1,243	96	86	1,921	1,329
Other administration costs		9,051	8,938	349	549	9,400	9,487
Non-headline administration costs:							
Restructuring costs	5	1,328	928	-	-	1,328	928
Start-up costs	6	1,825	189	-	-	1,825	189
Acquisition costs		-	211	-	-	-	211
Acquisition related employee remuneration		82	631	-	-	82	631
Amortisation of intangible assets		876	1,198	-	-	876	1,198
Impairment of goodwill	11	2,497	2,499	-	-	2,497	2,499
Share option costs		134	97	-	-	134	97
		63,079	**59,775**	**1,279**	**2,333**	**64,358**	**62,108**

5 Restructuring Costs

Restructuring costs comprise of cost saving initiatives including severance payments, property and other contract termination costs. They are included within administration costs and have been separately identified because of their size or their nature or because they are non-recurring. In the opinion of the directors, these costs are required to be separately identified, to enable a full understanding of the Group's financial performance.

An analysis of restructuring costs incurred is as follows:

	Year Ended 31 December 2012 £'000	Year Ended 31 December 2011 £'000
Staff redundancies	730	855
Property costs	598	-
Other	-	73
Total restructuring costs	1,328	928

6 Start-up Losses

Start-up losses have been separately identified because, in the opinion of the directors, separate disclosure is required to enable a full understanding of the Group's financial performance.

Start-up losses are defined as the net operating result in the period of the trading activities that relate to new offices, new products, or new organically started businesses. Activities so defined will cease being separately identified where, in the opinion of the directors, the activities show evidence of becoming sustainably profitable or are closed, whichever is earlier. In any event start-up losses will cease being separately identified after two years from the commencement of the activity.

An analysis of start-up losses incurred is as follows:

	Year Ended 31 December 2012 £'000	Year Ended 31 December 2011 £'000
Revenue	1,437	60
Cost of sales	(399)	(34)
Gross profit	1,038	26
Administration costs	(1,825)	(189)
Start-up losses	(787)	(163)

7. **Taxation**

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax:		
Current tax on profits for the year	1,499	1,892
Adjustment in respect of prior year	(132)	(294)
	1,367	1,598
Deferred tax:		
Origination and reversal of temporary differences	(98)	(256)
Effect of decrease in tax rate on deferred tax assets	21	19
Adjustment in respect of prior year	(66)	203
	(143)	(34)
Tax charge	1,224	1,564

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly the Group's profits from the UK are taxed at an effective rate of 24.5% (2011: 26.5%). A further rate reduction to 23% on 1 April 2013 has also been substantially enacted and this rate has been applied in valuing UK deferred tax assets and liabilities. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The charge for the year can be reconciled to the profit per the income statement.

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit before taxation	1,380	1,230
Tax at the UK corporation tax rate of 24.5% (2011:26.5%)	338	326
Tax effect of expenses not deductible for tax purposes	870	996
Effect of decrease in tax rate on deferred tax assets	21	19
Effect of different tax rates of subsidiaries in foreign jurisdiction	193	314
Prior year corporation tax adjustment	(132)	(294)
Prior year deferred tax adjustment	(66)	203
	1,224	1,564

On 5 December 2012, legislation to reduce the main rate of corporation tax in the UK from 23% to 21%, from 1 April 2014, was announced. This change had not been substantially enacted at the balance sheet date and is therefore not included in these financial statements.

If applied to the deferred tax balances at 31 December 2012, the 2% reduction in the main rate of corporation tax would increase the net deferred tax liability provided at the balance sheet date by £40,000.

8 Discontinued Operations

The (loss)/profit from discontinued operations relates to Farm, Magnetic and Leapfrog in America Inc. Farm was a division of Tangible UK Limited, a wholly owned subsidiary of the Group. Magnetic was a division of Brightsource limited, a wholly owned subsidiary of the Group. Leapfrog in America Inc is a wholly owned subsidiary of the Group. The operations of Farm, Magnetic and Leapfrog in America Inc are included as discontinued operations because their activities ceased during the year.

In accordance with IFRS 5 Non-current assets held for sale and discontinued operations the income statement for the year ended 31 December 2011 has been re-presented to include income and expenses of the discontinued operations within (loss)/profit from discontinued operations.

An analysis of the result of discontinued operations is as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Revenue	2,703	5,819
Cost of sales	(2,041)	(3,352)
Gross profit	662	2,467
Administration expenses	(1,279)	(2,333)
Pre-tax (loss)/profit of discontinued operations	(617)	134
Taxation	101	(70)
Post-tax (loss)/profit for the year from discontinued operations	(516)	64
(Loss)/profit for the year from discontinued operations attributable to:		
Equity holders of the parent	(516)	64
Non-controlling interest	-	-
	(516)	64

In accordance with IFRS 5 Non-current assets held for sale and discontinued operations, cash flows from discontinued operations have been included in the cash flow statement together with cash flows from continuing operations. Cash flows from discontinued operations are as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Operating cash flows	147	125
Investing cash flows	(30)	(177)
Total cash flows	117	(52)

9 Equity Dividends

The dividends paid in the year ended 31 December 2012 and 31 December 2011 were:

	Date paid	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Final dividend 2010 - 0.905p per share	8 July 2011	-	709
Interim dividend 2011 - 0.55p per share	6 January 2012	429	-
Final dividend 2011 - 1.17p per share	6 July 2012	957	-
		1,386	709

A 2012 interim dividend of 0.58p per ordinary share was paid on 6 January 2013 and a 2012 final dividend of 1.42p has been proposed for approval at the Annual General meeting in 2013. In accordance with IAS 10 Events of the reporting date these dividends have not been recognised in the consolidated financial statements at 31 December 2012.

10 Earnings/(Loss) per Share

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Loss attributable to ordinary shareholders	(386)	(587)
Loss/(profit) from discontinued operations	516	(64)
Earnings/(loss) attributable to ordinary shareholders from continuing operations	130	(651)
Non-controlling interests	22	311
Earnings/(loss) from year from continuing operations	152	(340)
Adjustments to earnings/(loss):		
Restructuring costs	1,328	928
Start-up losses	787	163
Acquisition costs	-	211
Amortisation of intangible assets	876	1,198
Acquisition related employee remuneration expenses	82	631
Share-based payments charge	134	97
Impairment of goodwill	2,497	2,499
Finance costs on deferred consideration	-	58
Fair value gain on derivative financial instruments	(50)	(64)
Facility fees written off	-	111
Tax thereon	(766)	(570)
Headline earnings for the year	5,040	4,922

10 **Earnings/(Loss) per Share** (continued)

	2012 Number of shares	2011 Number of shares
Weighted average number of ordinary shares in issue	**80,720,587**	**74,111,359**
Less:		
Weighted average number of treasury shares	(237,000)	(237,000)
Weighted average number of shares held in employee benefit trusts	(1,367,378)	(1,739,754)
Weighted average number of ordinary shares	**79,116,209**	**72,134,605**
Dilutive effect of securities:		
Deferred consideration shares	1,540,918	5,629,378
Diluted weighted average number of ordinary shares	**80,657,127**	**77,763,983**
Further dilutive effect of securities:		
Share options	3,713,181	4,097,576
Contingent consideration shares to be issued	89,127	143,885
Fully diluted weighted average number of ordinary shares	**84,459,435**	**82,005,444**

	Year ended 31 December 2012	Year ended 31 December 2011
Basic earnings/(loss) per share		
From continuing operations	0.16 p	(0.90)p
From discontinued operations	(0.65)p	0.09 p
Total basic earnings per share	(0.49)p	(0.81)p
Diluted earnings/(loss) per share		
From continuing operations	0.16 p	(0.90)p
From discontinued operations	(0.65)p	0.08 p
Total diluted earnings per share	(0.49)p	(0.81)p

In addition to basic and diluted earnings/(loss) per share, headline earnings per share and fully diluted earnings/(loss) per share, which are non-GAAP measured, have also been presented.

Fully diluted earnings/(loss) per share		
From continuing operations	0.15 p	(0.90)p
From discontinued operations	(0.65)p	0.08 p
Total fully diluted earnings per share	(0.49)p	(0.81)p
Headline earnings per share		
Headline basic earnings per share	6.37 p	6.82 p
Headline diluted earnings per share	6.25 p	6.33 p
Headline fully diluted earnings per share	5.97 p	6.00 p

10 **Earnings/(Loss) per Share** (continued)

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares and shares in employee benefit trusts, determined in accordance with the provisions of IAS 33 Earnings per share.

Diluted earnings/(loss) per share is calculated by dividing earnings/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year adjusted for the potentially dilutive ordinary shares for which the conditions of issue have substantially been met but not issued at the end of the year.

The Group's potentially dilutive shares are shares expected to be issued as deferred consideration on acquisitions and share options issued but not exercised.

Fully diluted earnings/(loss) per share is calculated by dividing earnings/(loss) attributable to ordinary shareholders by the weighted average number of shares in issue during the year adjusted for all of the potentially dilutive ordinary shares expected to be issued in future period whether or not the conditions of the issue have substantially been met. This measure is presented to show the dilutive effect on earnings per share of all shares expected to be issued in the future.

Headline earnings per share is calculated using headline earnings for the year, which excludes the effect of restructuring costs, start-up losses, amortisation of intangibles, impairments charges, acquisition accounting adjustments, share option charges, fair value gains and losses on derivative financial instruments and other exceptional costs. The calculation also excludes non-controlling interests over which the Group has exclusive options to acquire in the future.

11 Goodwill

	2012 £'000	2011 £'000
At 1 January	73,823	71,155
Goodwill arising on acquisitions in the year	-	4,687
Adjustment to fair value of deferred consideration	(8)	225
Impairment of goodwill	(2,497)	(2,499)
Exchange differences	(290)	255
At 31 December	71,028	73,823

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill arising on acquisition in the year ended 31 December 2011 relates to the Group's acquisition of MedErgy HealthGroup Inc. ("MedErgy").

The adjustment to fair value of deferred consideration relates to the changes in estimate to deferred consideration payable under earn out arrangements in accordance with the terms of the relevant acquisition agreements for acquisitions before 1 July 2009 and therefore not accounted for in the accordance the provisions of IFRS 3 Business combinations (as revised January 2008).

Goodwill acquired through business combinations is allocated to cash-generating units ("CGUs") for impairment testing. The goodwill balance was allocated to the following CGUs:

	2012 £'000	2011 £'000
Insight	10,224	10,224
Leapfrog	-	3,908
The Value Engineers	9,526	9,526
RS Consulting	4,305	3,364
MSI	7,666	7,666
2CV	8,276	8,276
Tangible UK	22,889	22,419
Face	3,442	3,450
Opticomm	48	48
MedErgy	4,652	4,942
Total	71,028	73,823

11 **Goodwill** (continued)

During the year ended 31 December 2012, as a result of restructuring initiatives which rationalised the Group's management structure, the goodwill allocations changed.

The recoverable amount for each CGU is determined using a value-in-use calculation. This calculation uses pre-tax cash flow projections derived from 2013 budgets, as approved by management, with an underlying growth rate of 3.5% per annum in years two to five, representing economic growth and inflation. After year five a terminal value has been applied using an underlying long term inflation rate of 2.5%. No additional Cello specific growth has been assumed beyond year one. The pre-tax cash flows are discounted to present value using the Group's pre-tax weighted average cost of capital ("WACC"), which was 10.5% for 2012 (2011: 10.8%). This rate was calculated using the Capital Asset Pricing Model with an estimated cost of debt and equity, with appropriate small company risk factors.

The review performed at 31 December 2012 did not result in an impairment of goodwill for any CGU. In addition to this review, a review of the Leapfrog CGU was performed prior to the restructuring of operations. This review resulted in an impairment of goodwill of £2,497,000. The remaining goodwill of the Leapfrog CGU has been allocated to the Tangible UK CGU and the RS Consulting CGU, in line with the restructuring.

Sensitivity to changes in assumptions

The value-in-use exceeds the total goodwill value across the group by £52.3m.

The impairment review of the Group is sensitive to changes in the key assumptions, most notably the pre-tax discount rate, the terminal growth rate and projected operating cash flows. Reasonable changes to these assumptions would not result in an impairment to goodwill for any of the Groups CGU's, with the exception of the Tangible CGU, where an impairment was recognised in the year ended 31 December 2011.

Variations required to each of the key assumptions, in isolation, for the value-in-use of the Tangible CGU to equal the carrying value are:

Increase in pre-tax discount rate	0.5%
Decrease in projected operating cash flows	5.7%
Decrease in terminal growth rate	0.5%

The table below shows the impairment charge that would be recognised against the carrying value of goodwill in the Tangible CGU, with reasonable variations, in isolation, of the key assumptions used in the value-in-use calculation:

	Impairment charge £'000
1% increase in pre-tax discount rate	2,582
10% decrease in projected operating cash flows	1,178
1% decrease in terminal growth rate	1,275

12 Provisions

	2012 £'000	2011 £'000
Contingent deferred consideration for acquisitions	-	2,268
Restructuring provision	388	-
	388	2,268
Current	108	2,268
Non-current	280	-
	388	2,268

	Contingent deferred consideration for acquisitions £'000	Restructuring provision £'000	Total £'000
At 1 January 2011	6,415	456	6,871
Adjustments to provisions for additions in prior years	225	-	225
Finance costs on deferred consideration	58	-	58
Utilisation of provisions	(4,430)	(456)	(4,886)
At 31 December 2011	2,268	-	2,268
Additions for the year	-	388	388
Adjustments to provisions in prior years	(8)	-	(8)
Utilisation of provisions	(2,260)	-	(2,260)
At 31 December 2012	-	388	388

The provision for contingent deferred consideration for acquisitions represents the directors' best estimate of the amount expected to be payable in cash (or loan notes) and shares to be issued on acquisitions before 1 July 2009 and accounted for under IFRS 3 Business combinations (as revised January 2008). The provision is discounted to present value at the risk free at the acquisition date.

The restructuring provision relates to redundancy costs and onerous lease costs as a result of restructuring of operations within the Cello Consumer Division.

13 Cash Generated from Operations

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit on continuing activities before taxation	1,380	1,230
(Loss)/profit on discontinued operations	(617)	134
Financing income	(76)	(86)
Finance costs	712	885
Depreciation of the property, plant and equipment	1,127	1,035
Amortisation of intangible assets	876	1,198
Impairment of goodwill	2,497	2,499
Share-based payment expense	134	97
Acquisition related employee remuneration expense	82	631
Loss on disposal of property, plant and equipment	120	64
Increase in trade and other receivables	(879)	(324)
Increase/(decrease) in trade and other payables	1,479	(339)
Net cash inflow from operating activities	6,835	7,024

14 Net debt

	At 1 January 2012 £'000	Cash flow £'000	Foreign exchange £'000	Other changes £'000	At 31 December 2012 £'000
Cash and cash equivalents	4,170	127	(149)	-	4,148
Loan notes	(959)	461	-	-	(498)
Bank loans	(10,806)	(1,700)	186	-	(12,320)
Finance leases	(82)	50	-	(17)	(49)
	(7,677)	(1,062)	37	(17)	(8,719)

15 Post Balance Sheet Events

On 25 January 2013, the Group acquired the entire share capital of Mash Health Limited for an initial consideration of £0.5m of cash and the issue of 333,332 new ordinary shares of 10p each. Additional payments of up to £0.9m may be payable to the vendors, subject to performance conditions.