For Immediate Release **17 September 2014**

Cello Group plc

An excellent first half

Cello Group plc ("Cello" AIM: CLL, "The Group"), the healthcare and consumer strategic marketing group, today announces its interim results for the six month period to 30 June 2014.

Group Highlights

- Revenue up 9.4% to £78.3m (2013: £71.5m)
- Gross profit up 14.8% to £39.5m (2013: £34.4m), constant currency[1] growth of 16.2%
- Like-for-like[2] gross profit growth of 11.7%, constant currency like-for-like gross profit growth of 13.3%
- Headline profit before tax[3] up 26.4% to £4.4m (2013: £3.5m), constant currency growth of 28.9%
- Statutory operating profit up 77.2% to £3.6m (2013: £2.1m)
- Headline operating margin[4] increase to 12.0% (2013: 11.1%)
- Headline basic earnings per share up 27.1% to 3.87p (2013: 3.05p)
- Statutory basic earnings per share up 116.0% to 2.81p (2013: 1.30p)
- Interim dividend up 25% to 0.80p (2013: 0.64p), following rebalancing of payment phasing; payment timetable also brought forward
- In September 2014, the existing banking facilities have been extended until March 2018 at lower cost
- Successful acquisition of iS Healthcare Dynamics Ltd in May 2014 for up to £5.8m plus surplus net assets.

Divisional Highlights

H1	Cello Health			Cello Signal		
£'000	2014	2013	% Growth	2014	2013	% Growth
Segmental gross profit	19,667	17,341	13.4%	19,410	16,742	15.9%
Headline operating profit	4,168	3,739	11.5%	1,469	1,216	20.8%
Headline operating margin[4]	21.2%	21.6%		7.6%	7.3%	

- Strong like-for-like growth from both divisions

[1] Constant currency disclosures calculate the impact of retranslating overseas operating results at prior year exchange rates
[2] Like-for-like comparisons remove the impact of acquisitions and results from start-ups in 2014
[3] Headline measures are stated before non-headline charges (see note 2)
[4] Headline operating margin is defined as headline operating profit as a percentage of segmental gross profit

Mark Scott, Chief Executive, commented:

"Both Cello Health and Cello Signal have performed strongly during the first six months and the business continues to expand globally in line with its stated strategy. The board remains confident of meeting full year expectations. "

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Notes to Editors (www.cellogroup.com)

Cello is a healthcare and consumer strategic marketing group.

The Group's strategy is to create value for shareholders by building an international marketing advisory business able to advise blue chip clients globally, with a primary focus on the pharmaceutical sector, along with other high margin client sectors.

Cello has annualised revenues in excess of £160m, annualised gross profit in excess of £80m and employs over 900 professional staff.

Chairman's Statement

Overview

The Group performed very strongly in the first six months of the year, with excellent like-for-like gross profit growth in both divisions.

Cello Health continues to make rapid progress as an integrated business, benefiting from its multi-disciplinary capabilities unified under a single brand. The number of large scale, global briefs being tendered on and secured by the Cello Health team continues to increase.

Cello Signal has grown rapidly in the first half, with a focus on delivering complex digital solutions, social media analytics and technology based marketing services. Pulsar, Signal's social media analytics product, has grown rapidly to have over 60 licensed clients.

The start-up activities that were reported on in 2012 and 2013 have substantially moved into being profitable businesses. These include overseas offices in New York, Singapore and Chicago, where the Group has established businesses organically over the last 2 years.

The international profile of the Group continues to make rapid progress, with a particular focus on the US market which is the strategic growth priority for both Cello Health and Cello Signal.

The Group acquired iS Healthcare Dynamics Limited ("iS"), an award winning healthcare communications agency, in May 2014. The Board is pleased with the performance of the business post acquisition as part of Cello Health.

Operating cash flow has been in line with expectations. The balance sheet remains robust, and the Group has low deferred consideration obligations. The Group has also extended its existing banking facility until March 2018, and has secured a reduction in interest rates.

The Group is pleased to increase the interim dividend by 25% to 0.80p (2013: 0.64p). The increase reflects the shift towards a one third / two thirds split between the interim and final dividend and also reflects the Board's continued confidence in the growth prospects of the Group.

Financial Review

Revenue for the six months to 30 June 2014 was up 9.4% to £78.3m (2013: £71.5m) and gross profit was up 14.8% to £39.5m (2013: £34.4m). Like-for-like growth in gross profit was 11.7%. Headline operating profit was up 23.0% to £4.7m (2013: £3.8m). Headline operating margins were 12.0% (2013: 11.1%). Headline pre-tax profit was up 26.4% to £4.4m (2013: £3.5m). Further detail on these numbers is provided in the operating review.

The Group has considerable overseas activity both in terms of office infrastructure and global client activity. The lower value of the US Dollar during the period had a minor negative impact on reported Gross Profit of £0.5m. This adjustment only relates to the translation of overseas activities. The Group also has significant Dollar and Euro exposure arising out of its UK operations. Given the strength of the Pound against the Dollar and the Euro, these operations have incurred a further foreign exchange loss of £0.2m in the period. However, the Group has substantially hedged this loss by consistently carrying Dollar and Euro overdrafts, which have generated an exchange gain in this period. This has resulted in a reduction in central costs in the period of £0.2m. The overall impact from currency movements has therefore been minimal.

The reported tax charge is £1.0m (2013: £0.7m). This represents a headline tax rate of 27.0% (2013: 28.4%) which has fallen due to reduced UK tax corporation tax rates.

Headline basic earnings per share were up 27.1% to 3.87p (2013: 3.05p). Statutory earnings per share were up 116.0% to 2.81p (2013: 1.30p).

In May 2014, the Group acquired the entire share capital of iS Healthcare Dynamics Limited. Initial consideration was £2.5m, with £0.5m of this amount settled by the issue of new ordinary shares. Deferred consideration of up to £3.3m is payable by May 2017 and is dependent on profit performance over the period to 31 December 2016. The deferred consideration is payable in at least 80% cash, with the balance to be settled by the issue of new ordinary shares.

The Group's net debt at 30 June 2014 was £10.2m (31 December 2013: £3.6m; 30 June 2013: £11.4m). The operating cash outflow reflects normal seasonal working capital outflows, the unwinding of prior year operating cashflow surpluses, and the payment of larger bonuses in the first half that were in relation to the strong performance in 2013. All of these items are in line with management expectations.

Total debt facilities are £24.0m. These facilities were reduced in February 2014 by £5.0m to reduce non-utilisation costs. In September 2014, these facilities have been extended by two years. Accordingly, the expiry date is now March 2018. Interest rates have been reduced by 50 basis points, reducing the lowest interest rate to 125 points above LIBOR when adjusted net debt: EBITDA is less than 1 times.

The interim dividend has been increased 25% to 0.80p (2013: 0.64p). This larger than expected increase reflects a rebalancing of the dividend towards a one third / two third split between the interim dividend and the final dividend. The payment timetable has also been brought forward by two months, and it can be expected that going forward dividends will be paid in November and May, rather than January and July as has been the case in the past. Accordingly, the interim dividend is payable on 7 November 2014 to all shareholders on the register on 3 October 2014. The Group continues an unbroken eight year record of annual dividend growth.

The Group has incurred operating losses in the first half in relation to the development of the Pulsar suite of products. As these losses do not fit the Group's tight definitions of 'start-up' activity, these losses have been absorbed within headline operating profit.

Costs of £0.1m were incurred from continued investment in start-up activity, including the opening of new overseas offices to support future growth, notably in Hong Kong. This is disclosed below headline operating profit. The vast majority of previous start-up activities are now profitable, albeit currently operating at lower margins than the core business.

The following table details the adjustments made to calculate headline operating profit. The acquisition related costs of £0.5m (2013: £0.6m) relate to necessary accounting charges arising from the acquisition of iS.

£m	**2014**	**2013**
Headline operating profit	4.7	3.8
Restructuring costs	-	(0.3)
Start-up losses	(0.1)	(0.2)
Share option charges	(0.1)	(0.1)
Acquisition related costs	(0.5)	(0.6)
Amortisation	(0.4)	(0.5)
Statutory operating profit	3.6	2.1
Net finance costs	(0.2)	(0.3)
Statutory profit before tax	3.4	1.8

Operating Review

Cello Health

	H1 2014 £'000	**H1 2013 £'000**	**Full year 2013 £'000**
Segmental gross profit	19,667	17,341	35,632
Headline operating profit	4,168	3,739	7,560
Headline operating margin	21.2%	21.6%	21.2%

Cello Health had an excellent six months, with overall client spending patterns continuing to be robust.

Segmental gross profit increased by 13.4% to £19.7m (2013: £17.3m). Like-for-like gross profit growth in the first half of 2014 was 7.1%. Margins remained healthy and competitive at 21.2% (H1 2013: 21.6%, FY 2013: 21.2%). Operating profit therefore rose to £4.2m (2013: £3.7m).

Cello Health consists of four capabilities; Cello Health Insight, Cello Health Consulting, Cello Health Communications and Cello Health Consumer. These underlying brands were formally launched in March 2014. The client response has been very encouraging, and there has already been a notable increase in the value and quantity of projects that use more than one of the disciplines of Cello Health. These are incremental cross-Group projects that would not have been won without the launch of Cello Health.

As Cello Health wins and services ever larger client contracts of a more integrated nature, the role of the procurement function within the client plays a more significant role in determining the initiation and pricing of contracts. This can cause delays both in the initiation of contracts, their final scoping and the timing of cash flows. Cello Health will continue to work hard to manage these growth issues.

The Group's global client penetration remains as strong as ever, with Cello Health continuing to work for nine of the top ten pharmaceutical companies. The decision to build a strong consumer centred health capability has also proven to be itself a vital addition to Cello Health's innovative offering.

The addition of iS to Cello Health in May 2014 has enhanced the Group's ability to service medical communications accounts from the UK, supplementing existing capacity in the US. The business now forms an important part of the Cello Health Communications offering.

Cello Health continues to focus on expanding its presence in the vital US market, with planned expansion in Chicago and San Francisco.

The major new business wins achieved in the first six months of 2014 included: Amgen, Boehringer Ingelheim, Celgene, Cooper Vision, Eli Lilly and Company Limited, GSK Consumer Healthcare, GSK Global, HP, Johnson & Johnson, Lloyds Pharmacy, MSD Schering Plough, Nexus, NHS Business Services Authority, NHS Leadership Team, NHS Warrington, Novartis IHC, Novartis Respiratory, NS&I, Pfizer, Roche Oncology, Shire HGT, Shire, and UCB Pharma.

Cello Signal

	H1 2014 £'000	**H1 2013 £'000**	**Full year 2013 £'000**
Segmental gross profit	19,410	16,742	37,873
Headline operating profit	1,469	1,216	3,877
Headline operating margin	7.6%	7.3%	10.2%

Cello Signal also had an excellent six months.

Segmental gross profit increased by 15.9% to £19.4m (2013: £16.7m). The improvement that was seen in the second half of 2013 has been maintained into the first half of 2014, with like-for-like growth in Gross Profit of 16.2%. Operating profit rose to £1.5m (2013: £1.2m), and operating margins continued to rise slightly to 7.6% (2013: 7.3%).

This strong growth is a reflection of Cello Signal's core focus on delivering complex digital solutions and social media products, combined with the increasing proportion of its revenues won and serviced in the US and Asia. Cello Signal is now securing large and multi-year contracts on the basis of its integrated, digitally led proposition, in line with the stated growth strategy for the business.

Cello Signal's programming capability was augmented by the acquisition and full integration of Line Digital Limited during the first half. Pulsar TRAC (www.pulsarplatform.com), Cello Signal's advanced social intelligence platform, has had an encouraging first half and now has 60 clients, up from 14 clients at the start of the year. Annualised licence revenue from Pulsar TRAC is now over £1.1m up from £0.4m at the start of the year. Pulsar TRAC is currently loss making overall, as investment continues in developing the product suite and sales force capacity. These losses are absorbed within headline operating activity.

Cello Signal's international profile continues to make rapid strides. Of particular note is the like-for-like gross profit growth rate in the US, on both the West Coast and in New York, where Cello Signal's offices have grown gross profit organically by more than 50%. Cello Signal's research business in Singapore is also now profitable and we have opened an additional office in Hong Kong. All of these overseas activities are now accounted for with the headline activities of the Group. Despite the fast income growth rate, these businesses are still in the investment phase, so whilst these operations are profitable they are currently at low operating margin. Cello Signal continues to review new office opportunities.

Cello Signals operations in Edinburgh contribute around £10m of gross profit and around 10% of Cello Group's overall operating profit. In particular, the business reflects a world-class digital and technological capability which is growing quickly, servicing a diverse domestic and international client base, both in the public and private sectors. Cello Group PLC will keep under review the financial and economic consequences of the result of the Referendum. However, the Group intends to continue to invest in building its talent pool in Scotland, to service global client opportunity.

Major new business wins achieved in the first six months of 2014 include: AEGON, Alliance Trust Savings, Alzheimer's Society, Anthony Nolan, Apetito, Arthritis Research UK, Aviva, BBC Roster, Canon, Centro, Chamberlain, Christian Aid, Cofunds, Creative Clyde, Deloitte, E.ON, First Group, HP, Intercontinental Hotels Group, JP Morgan, Legg Mason Asset Management, National Audit Office, NEST, Nexus, NHS Greater East Midlands, NS&I, Reliance Mutual, Renaissance Hotels, RR Donnelley, Samsung, Scotland's House, Scottish Government, Sightsavers, Tesco, The Famous Grouse, and Worldpay.

Current Trading and Outlook

The robust trading experienced in the first half of the year, combined with a solid order book and new business pipeline, provides the Group with good momentum for the remainder of the year. The Board is confident that current full year expectations will be met.

Allan Rich,
Chairman
16 September 2014

Condensed Consolidated Income Statement
For the six months ended 30 June 2014

	Notes	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Continuing operations				
Revenue	5	78,301	71,548	159,671
Cost of sales		(38,836)	(37,163)	(84,971)
Gross profit	5	39,465	34,385	74,700
Administration expenses		(35,827)	(32,332)	(68,678)
Operating profit	5	3,638	2,053	6,022
Finance income	6	3	10	16
Finance costs	6	(229)	(285)	(579)
Profit before taxation	5	3,412	1,778	5,459
Taxation	7	(1,054)	(722)	(1,828)
Profit for the period		2,358	1,056	3,631
Attributable to:				
Owners of the parent		2,356	1,059	3,634
Non-controlling interests		2	(3)	(3)
		2,358	1,056	3,631

		Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Earnings per share				
Basic earnings per share	10	2.81p	1.30p	4.41p
Diluted earnings per share	10	2.74p	1.29p	4.28p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Profit for the period	2,358	1,056	3,631
Other comprehensive income:			
Exchange differences on translation of foreign operations	(27)	39	(34)
Total comprehensive income for the period	2,331	1,095	3,597
Total comprehensive income attributable to:			
Owners of the parent	2,329	1,098	3,600
Non-controlling interests	2	(3)	(3)
Total comprehensive income for the period	2,331	1,095	3,597

Condensed Consolidated Balance Sheet
As at 30 June 2014

	Notes	Unaudited At 30 June 2014 £'000	Unaudited At 30 June 2013 £'000	Audited At 31 December 2013 £'000
Goodwill	11	72,522	71,498	71,192
Intangible assets		1,878	1,964	1,275
Property, plant and equipment		2,506	2,272	2,212
Deferred tax assets		910	566	792
Non-current assets		77,816	76,300	75,471
Trade and other receivables		40,789	28,013	36,320
Cash and cash equivalents		2,452	3,449	5,984
Current assets		43,241	31,462	42,304
Trade and other payables		(34,781)	(24,285)	(38,403)
Current tax liabilities		(2,174)	(1,306)	(1,271)
Borrowings		(829)	(2,030)	(373)
Provisions		-	(116)	-
Obligations under finance leases		(26)	(19)	(13)
Current liabilities		(37,810)	(27,756)	(40,060)
Net current assets		5,431	3,706	2,244
Total assets less current liabilities		83,247	80,006	77,715
Borrowings		(11,754)	(12,739)	(9,146)
Provisions		-	(230)	-
Obligations under finance leases		(74)	(13)	(13)
Deferred tax liabilities		(361)	(479)	(292)
Non-current liabilities		(12,189)	(13,461)	(9,451)
Net assets		71,058	66,545	68,264
Equity				
Share capital	13	8,462	8,268	8,348
Share premium		18,530	18,224	18,368
Merger reserve		28,807	28,322	28,345
Capital redemption reserve		50	50	50
Retained earnings		14,825	11,302	12,810
Share-based payment reserve		521	418	455
Foreign currency reserve		(185)	(85)	(158)
Equity attributable to equity holders of parent		71,010	66,499	68,218
Non-controlling interests		48	46	46
Total equity		71,058	66,545	68,264

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2014

	Notes	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Net cash (used in)/from operating activities before taxation	14	(4,668)	175	11,074
Tax paid		(884)	(372)	(1,738)
Net cash (used in)/from operating activities after taxation		(5,552)	(197)	9,336
Investing activities				
Interest received		3	5	11
Purchase of property, plant and equipment		(731)	(503)	(1,047)
Sale of property, plant and equipment		29	2	27
Expenditure on intangible assets		(167)	(160)	(312)
Purchase of subsidiary undertakings		(2,191)	(1,406)	(1,471)
Cash acquired with subsidiary undertakings		2,493	694	694
Net cash used in investing activities		(564)	(1,368)	(2,098)
Financing activities				
Proceeds from issuance of shares		129	-	112
Dividends paid to equity holders		(531)	(476)	(1,643)
Repayment of borrowings		(2,000)	(3,000)	(7,500)
Repayment of loan notes		(73)	(84)	(125)
Drawdown of borrowings		4,800	3,024	4,524
Increase in overdrafts		529	1,616	-
Capital element of finance lease payments		(26)	(17)	(23)
Interest paid		(171)	(253)	(498)
Purchase of own shares		-	-	(117)
Net cash from/(used in) financing activities		2,657	810	(5,270)
Movements in cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalents		(3,459)	(755)	1,968
Exchange (losses)/gains on cash and bank overdrafts		(73)	56	(132)
Cash and cash equivalents at the beginning of the period		5,984	4,148	4,148
Cash and cash equivalents at end of the period		2,452	3,449	5,984

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2014

Statement of changes in equity for the six months ended 30 June 2014:

	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 Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2014	8,348	18,368	28,345	50	12,810	455	(158)	**68,218**	46	**68,264**
Profit for the period	-	-	-	-	2,356	-	-	**2,356**	2	**2,358**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	(27)	**(27)**	-	**(27)**
Total comprehensive income in the period	-	-	-	-	2,356	-	(27)	**2,329**	2	**2,331**
Transactions with owners:										
Shares issued	114	162	462	-	-	-	-	**738**	-	**738**
Credit for share-based incentives	-	-	-	-	-	102	-	**102**	-	**102**
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	154	-	-	**154**	-	**154**
Transfer between reserves in respect of share options	-	-	-	-	36	(36)	-	**-**	-	**-**
Dividends paid	-	-	-	-	(531)	-	-	**(531)**	-	**(531)**
Total transactions with owners	114	162	462	-	(341)	66	-	**463**	-	**463**
As at 30 June 2014	**8,462**	**18,530**	**28,807**	**50**	**14,825**	**521**	**(185)**	**71,010**	**48**	**71,058**

Statement of changes in equity for the six months ended 30 June 2013:

	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 Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2013	8,226	18,188	28,228	50	10,636	343	(124)	**65,547**	49	**65,596**
Profit for the period	-	-	-	-	1,059	-	-	**1,059**	(3)	**1,056**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	39	**39**	-	**39**
Total comprehensive income in the period	-	-	-	-	1,059	-	39	**1,098**	(3)	**1,095**
Transactions with owners:										
Shares issued	42	36	94	-	-	-	-	**172**	-	**172**
Credit for share-based incentives	-	-	-	-	-	75	-	**75**	-	**75**
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	83	-	-	**83**	-	**83**
Dividends paid	-	-	-	-	(476)	-	-	**(476)**	-	**(476)**
Total transactions with owners	42	36	94	-	(393)	75	-	**(146)**	-	**(146)**
As at 30 June 2013	**8,268**	**18,224**	**28,322**	**50**	**11,302**	**418**	**(85)**	**66,499**	**46**	**66,545**

Statement of changes in equity for the year ended 31 December 2013:

	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 Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2013	8,226	18,188	28,228	50	10,636	343	(124)	**65,547**	49	**65,596**
Profit for the year	-	-	-	-	3,634	-	-	**3,634**	(3)	**3,631**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	(34)	**(34)**	-	**(34)**
Total comprehensive income for the period	-	-	-	-	3,634	-	(34)	**3,600**	(3)	**3,597**
Transactions with owners:										
Shares issued	122	180	117	-	-	-	-	**419**	-	**419**
Purchase of treasury shares	-	-	-	-	(117)	-	-	**(117)**	-	**(117)**
Credit for share-based incentives	-	-	-	-	-	179	-	**179**	-	**179**
Tax on share-based payments recognised directly in equity	-	-	-	-	233	-	-	**233**	-	**233**
Transfer between reserves in respect of share options	-	-	-	-	67	(67)	-	**-**	-	**-**
Dividends paid	-	-	-	-	(1,643)	-	-	**(1,643)**	-	**(1,643)**
Total transactions with owners	122	180	117	-	(1,460)	112	-	**(929)**	-	**(929)**
As at 31 December 2013	**8,348**	**18,368**	**28,345**	**50**	**12,810**	**455**	**(158)**	**68,218**	**46**	**68,264**

Notes to the Financial Information
For the six months ended 30 June 2014

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2014 has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

The condensed consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of directors on 19 March 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated financial information was approved for issue on 16 September 2014 and has not been audited.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

There are no new IFRSs or IFRICs that are effective for the first time for the interim period that would be expected to have a material impact on the Group.

2. HEADLINE MEASURES

The Group believes that reporting non-GAAP or headline measures provides a useful comparison of business performance and reflects the way the business is controlled. Accordingly headline measures of operating profit, finance income, finance costs, profit before taxation and earnings per share exclude, where applicable, restructuring costs, start-up losses, amortisation of intangible assets, impairment charges, acquisition accounting adjustments, share option charges, fair value gains and losses on derivative financial instruments and other exceptional costs. Non-headline gains and losses 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 statutory and headline profit before taxation is presented in note 4. In addition to this a reconciliation between statutory and headline finance income and costs is presented in note 6 and a reconciliation between statutory and headline earnings per share is presented in note 10. Headline measures in this report are not defined terms under IFRS, and may not be comparable with similarly titled measures reported by other companies.

3. SEASONALITY OF OPERATIONS

The Cello Health division is not materially influenced by seasonal factors. However, there are a number of clients in the Cello Signal division who traditionally commission activity in the second half of the year leading to increased revenues for that period with respect to those clients.

4. RECONCILIATION OF PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION TO HEADLINE PROFIT BEFORE TAX

	Unaudited Six Months ended 30 June 2014 £'000	Unaudited Six Months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Profit from continuing operations before taxation	**3,412**	**1,778**	**5,459**
Restructuring costs	-	314	514
Start-up losses	99	217	373
Acquisition costs	152	66	66
Amortisation of intangible assets	383	545	1,190
Acquisition related employee remuneration expense	300	529	745
Share option charges	102	75	179
Fair value gain on derivative financial instruments	-	(5)	(5)
Headline profit before taxation	**4,448**	**3,519**	**8,521**
Headline profit before tax is made up as follows:			
Headline operating profit	4,674	3,799	9,089
Headline finance income	3	5	11
Headline finance costs	(229)	(285)	(579)
	4,449	3,519	8,521

5. SEGMENTAL INFORMATION

For management purposes, the Group is organised into two operating groups; Cello Health and Cello Signal. 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.

Six months ended 30 June 2014

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	28,149	49,604	-	77,753
Intersegment revenue	-	14	(14)	-
Total segmental revenue	28,149	49,618	(14)	77,753
Start-up revenue				548
Total revenue				78,301
Gross profit				
Segmental gross profit	19,667	19,410	-	39,077
Start-up gross profit				388
Total gross profit				39,463
Operating profit				
Headline operating profit (segment result)	4,168	1,469	(963)	4,674
Start-up losses				(99)
Acquisition costs				(152)
Amortisation of intangible assets				(383)
Acquisition related employee remuneration expense				(300)
Share option charges				(102)
Operating profit				3,638
Financing income				3
Finance costs				(229)
Profit from continuing operations before taxation				3,412
Other information				
Capital expenditure	237	490	4	731
Capitalisation of intangible assets	30	137	-	167
Depreciation of property plant and equipment	210	384	1	595

Six months ended 30 June 2013

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	25,230	45,926	-	71,156
Intersegment revenue	-	28	(28)	-
Total segmental revenue	25,230	45,954	(28)	71,156
Start-up revenue				392
Total revenue				71,548
Gross profit				
Segmental gross profit	17,341	16,742	-	34,083
Start-up gross profit				302
Total gross profit				34,385
Operating profit				
Headline operating profit (segment result)	3,739	1,216	(1,156)	3,799
Restructuring costs				(314)
Start-up losses				(217)
Acquisition costs				(66)
Amortisation of intangible assets				(545)
Acquisition related employee remuneration expense				(529)
Share option charges				(75)
Operating profit				2,053
Financing income				10
Finance costs				(285)
Profit from continuing operations before taxation				1,778
Other information				
Capital expenditure	99	402	2	503
Capitalisation of intangible assets	70	90	-	160
Depreciation of property plant and equipment	223	333	2	558

Year ended 31 December 2013

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	52,330	105,694	-	158,024
Intersegment revenue	18	40	(58)	-
Total segmental revenue	52,348	105,734	(58)	158,024
Start-up revenue				1,647
Total revenue				159,671
Gross profit				
Segmental gross profit	35,632	37,873	-	73,505
Start-up gross profit				1,195
Total gross profit				74,700
Operating profit				
Headline operating profit (segment result)	7,560	3,877	(2,348)	9,089
Restructuring costs				(514)
Start-up losses				(373)
Acquisition costs				(66)
Amortisation of intangible assets				(1,190)
Acquisition related employee remuneration expense				(745)
Share option charges				(179)
Operating profit				6,022
Financing income				16
Finance costs				(579)
Profit from continuing operations before taxation				5,459
Other information				
Capital expenditure	205	839	3	1,047
Capitalisation of intangible assets	131	181	-	312
Depreciation of property plant and equipment	438	683	3	1,124

6. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Finance income:			
Interest receivable on bank deposits	3	5	11
Headline finance income	3	5	11
Fair value gains on derivative financial instruments	-	5	5
Total finance income	3	10	16
Finance costs:			
Interest payable on bank loans and overdrafts	227	278	569
Interest payable in respect of finance leases	2	3	5
Finance costs paid on derivative financial instruments	-	4	5
Total and headline finance costs	229	285	579

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the period ended 30 June 2014 is based on management's estimate of weighted average annual tax rate expected for the full financial year. The estimated average annual tax rate used is 27.0% (2013: 28.4%).

8. DIVIDEND

	Date Paid	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Interim dividend 2012 – 0.58p	6 January 2013	-	476	476
Final dividend 2012 – 1.42p per share	5 July 2013	-	-	1,167
Interim dividend 2013 – 0.64p per share	6 January 2014	531	-	-
		531	476	1,643

An interim dividend of 0.80p (2013: 0.64p) per ordinary share is declared and will be paid on 7 November 2014 to all shareholders on the register on 3 October 2014. In accordance with IAS 10 *Events after the Balance Sheet Date*, this dividend has not been recognised in the accounts at 30 June 2014, but will be recognised in the accounting period ending 31 December 2014. A final dividend of 1.61p (2013: 1.42p) per ordinary share was paid to all shareholders on the register on 31 May 2014.

9. RESTRUCTURING COSTS, START-UP LOSSES AND ACQUISITION COSTS

Restructuring costs, start-up losses and acquisition costs have been separately disclosed in order to assist in understanding the financial performance of the Group.

Restructuring costs principally relate to redundancy costs.

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.

Acquisition costs relate to professional costs incurred in relation to acquisitions.

10. EARNINGS PER SHARE

	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Earnings attributable to owners of the parent	2,356	1,059	3,634
Non-controlling interests	2	(3)	(3)
Earnings from continuing operations	2,358	1,056	3,631
Adjustments to earnings:			
Restructuring costs	-	314	514
Start-up losses	99	217	373
Acquisition costs	152	66	66
Amortisation of intangible assets	383	545	1,190
Acquisition related employee remuneration expense	300	529	745
Share-based payments charge	102	75	179
Fair value gain on derivative financial instruments	-	(5)	(5)
Tax thereon	(149)	(318)	(712)
Headline earnings attributable to ordinary shareholders	3,245	2,479	5,981

	30 June 2014 number of shares	30 June 2013 number of shares	30 December 2013 number of shares
Weighted average number of ordinary shares used in basic earnings per share	83,785,620	82,568,384	82,444,872
Dilutive effect of securities:			
Deferred consideration shares	19,223	129,674	198,540
Share options	2,284,866	295,872	2,231,510
Weighted average number of ordinary shares used in diluted earnings per share	86,089,709	81,787,816	84,874,922
Earnings per share			
Basic earnings per share	2.81p	1.30p	4.41p
Diluted earnings per share	2.74p	1.29p	4.28p

In addition to basic and diluted earnings per share, headline earnings per share, which is a non-GAAP measures, has also been presented.

Headline earnings per share			
Headline basic earnings per share	3.87p	3.05p	7.25p
Headline diluted earnings per share	3.77p	3.03p	7.05p

Basic earnings per share is calculated by dividing the earnings 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 per share is calculated by dividing earnings 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.

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

	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Cost			
At beginning of period	83,571	83,407	83,407
Additions	1,463	133	248
Exchange differences	(133)	337	(84)
At the end of the period	84,901	83,877	83,571
Amortisation			
At the beginning and the end of the period	12,379	12,379	12,379
Net book value			
At the end of the period	72,522	71,498	71,192
At the beginning of the period	71,192	71,028	71,028

12. ACQUISITIONS

iS Healthcare Dynamics

On 12 May 2014, the Group acquired the entire share capital of iS Healthcare Dynamics Limited ("iS"), a healthcare communications consulting company based in the UK.

iS has contributed £0.6m to revenue and £0.2m to profit before tax for the period between the date of acquisition and the balance sheet date. Had iS been consolidated from 1 January 2014, the consolidated income statement for the period ended 30 June 2014 would show revenue of £81.3m and profit before tax of £4.3m.

The provisional fair value of the net assets at the acquisition date is as follows:

	Fair value £'000
Client relationships	903
Property, plant and equipment	49
Trade and other receivables	1,414
Cash and cash equivalents	2,351
Trade and other payables	(2,085)
Deferred tax liability	(186)
Net assets acquired	2,446
Goodwill arising on acquisition	1,234
	3,680

The fair value of trade and other receivables include trade receivables with a fair value of £1,002,000. The gross contractual amount of trade receivables is equal to the fair value.

Goodwill comprises the value of expected synergies and other opportunities arising from the acquisition, management know how, the skilled work force employed by iS and other intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the consideration paid is as follows:

	£'000
Cash consideration	2,000
Issue of ordinary shares	500
Deferred consideration	1,180
	3,680

In addition to the deferred consideration, acquisition related employee remuneration of up to £3,300,000 is also payable to the vendors and employees of iS. This remuneration is dependent on the profits earned by iS in the three years to 31 December 2016 and is recognised in the income statement over that period.

Line Digital

On 24 April 2014, the Group acquired the entire share capital of Line Digital Limited. The net assets acquired and consideration paid do not have a material effect on the result or position of the Group.

13. SHARE CAPITAL

	Unaudited At 30 June 2014 £'000	Unaudited At 30 June 2013 £'000	Audited At 31 December 2013 £'000
Allotted, issued and fully paid			
84,618,037 ordinary shares of 10p each	8,462	8,268	8,348

Between 1 January 2013 and 30 June 2014 the following shares were issued:

On 28 January 2013, 333,332 new ordinary shares of 10p each were issued at 38.20p to vendors of Mash Health Limited pursuant to the terms of the share purchase agreement of that company.

On 10 May 2013, 89,122 new ordinary shares of 10p each were issued at 50.00p to certain employees of the Group. These shares were issued pursuant to the share purchase agreements in relation to Red Kite Consulting Group Limited.

On 13 September 2013, 196,188 new ordinary shares of 10p each were issued at 68.50p to vendors of Mash Health Limited and certain employees of the Group. These shares were issued pursuant to the terms of the share purchase agreement of that company.

On 7 May 2014, 123,588 new ordinary shares of 10p each were issued at 88.50p to vendors of Mash Health Limited and certain employees of the Group. These shares were issued pursuant to the terms of the share purchase agreement of that company.

On 13 May 2014, 567,376 new ordinary shares of 10p each were issued at 88.125p to vendors of iS Healthcare Limited and certain employees of the Group. These shares were issued pursuant to the terms of the share purchase agreement of that company.

During the year ended 31 December 2013, 602,905 new ordinary shares of 10p each were issued to staff in relation to share option schemes, with exercise prices between 10.00p and 31.50p.

During the period ended 30 June 2014, 444,021 new ordinary shares of 10p each were issued to staff in relation to share option schemes, with exercise prices between 10.00p and 50.00p.

The group owns 453,000 (30 June 2013: 237,000 and 31 December 2013: 453,000) of its own shares and these shares are held as treasury shares. The company has the right to re-issue these shares at a later date. The purchase of equity shares is recorded in equity as a deduction in retained earnings.

14. CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 June 2014 £'000	Unaudited Six months ended 30 June 2013 £'000	Audited Year ended 31 December 2013 £'000
Profit on continuing operations before taxation	3,412	1,778	5,459
Financing income	(3)	(10)	(16)
Finance costs	229	285	579
Depreciation	595	558	1,124
Amortisation of intangible assets	519	659	1,437
Share-based payment expense	102	75	179
Profit on disposal of property, plant and equipment	(9)	-	(16)
Decrease/(increase) in receivables	(2,925)	2,599	(5,747)
(Decrease)/increase in payables	(6,626)	(6,248)	7,642
Decrease in acquisition related employee remuneration payable	38	479	433
Net cash inflow/(outflow) from operating activities	(4,668)	175	11,074

15. NET DEBT

	At 1 January 2014 £'000	Cash Flow £'000	New Finance leases £'000	Foreign Exchange £'000	At 30 June 2014 £'000
Cash and cash equivalents	5,984	(3,459)	-	(73)	2,452
Overdrafts	-	(529)	-	-	(529)
Loan notes	(373)	73	-	-	(300)
Bank loans	(9,146)	(2,800)	-	192	(11,754)
Finance leases	(26)	26	100	-	100
	(3,561)	(6,689)	100	119	(10,231)