CELLO
GROUP

Annual Report

Year Ended 31 December 2008

Contents

Financial Highlights

- Operating income up 17.2% to £66.6m (2007: £56.8m)
- Like-for-like operating income growth of 2% (2007: 16.1%)
- Headline operating profit £7.8m (2007: £8.1m)
- Headline profit before tax £6.9m (2007: £7.6m)
- Basic headline earnings per share 12.18p (2007: 15.06p)
- Headline operating cash flow conversion at 124% (2007: 97%)
- Full year dividend up 4% at 1.25p (2007: 1.2p)
- Strong cash management and generation held down net debt to £9.9m (2007: £5.8m), after earn out payments of £8.0m
- From May 2009, minimal earn out obligations

Positioning and Strategy

Cello Group plc has further consolidated its leadership position in specialist research and response communications markets, both of which continue to show resilience in the face of the general economic downturn. Cello is now the 10th largest research organisation domiciled in the UK and 21st globally. In response communications we are number 6 in the UK. In both areas we are the only business that is not part of a much larger group. Both research and response markets are rapidly evolving down the path of client sector specialisation. The market for healthcare, public sector, business-to-business, retail and consumer activity in these two areas is now specialised. Cello has structured its offering along these lines. Healthcare, public sector, charity, retail, specialist business-to-business and complex areas of FMCG activity continue to show resilience and these account for over 80% of Cello's revenue.

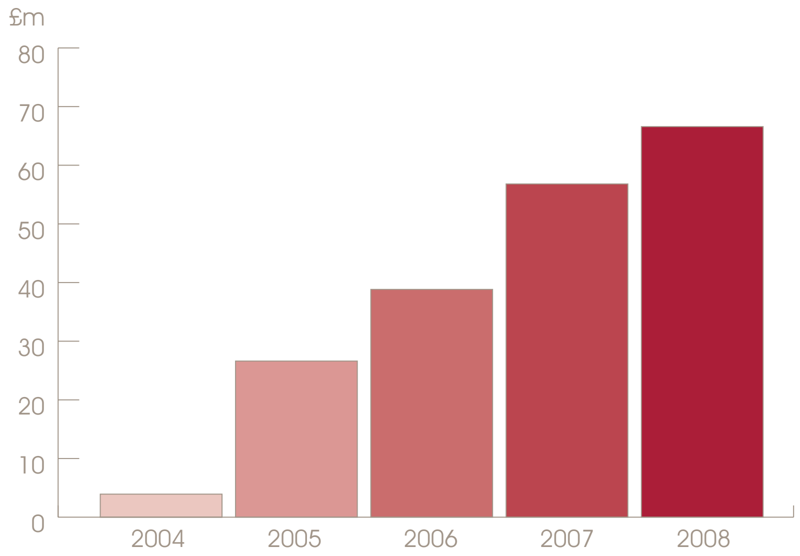
Cello's business has been expanding most rapidly in international markets, which continue to account for over 21% of Group revenues and profits. The internationalisation of revenues is most marked in research and consulting where it accounts for 42% of our revenues. International revenue flows have shown resilience, and pressure on gross margins in this area has been more moderate than in domestic areas of client activity.

The growing relevance of the internet to research and response has continued unabated. Response media responds well to the integration of online capability in the direct communications mix. Our two digital response businesses, Oomph and Blonde, now employ between them over 40 people. Similarly, our research field management resources, operating as Kudos and FML, have been quick to grow their online interview and data collection capabilities. Combined with our more pure digital research businesses, Digital People and Headbox, we anticipate that this migration online will continue. All our digital businesses are now profitable, having progressed through the early investment phases during 2008.

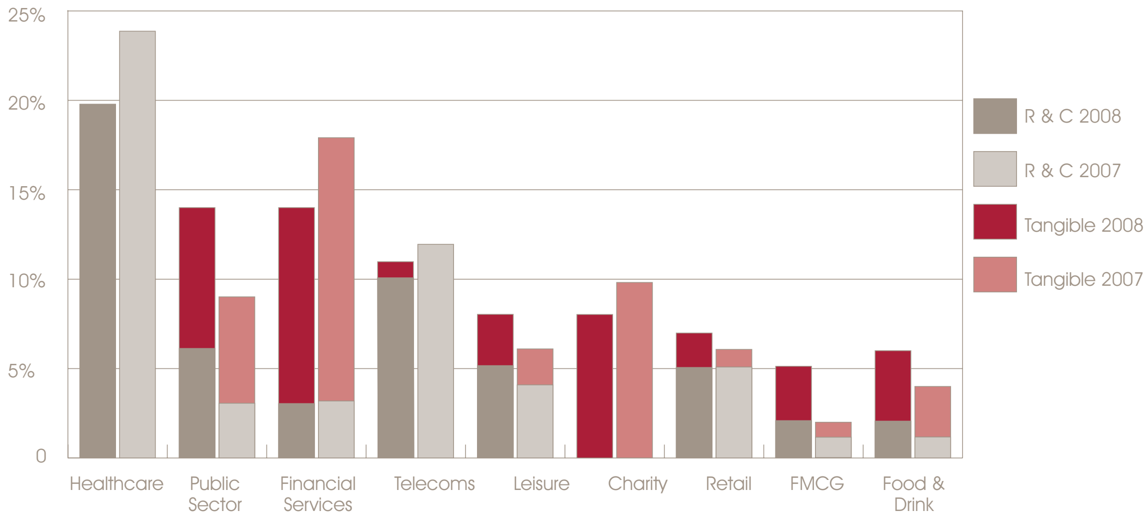
Our strategy as a Group remains to further reinforce our positioning in research and response during 2009 and beyond. We are both a specialist provider and also a provider of scale. Specialism, combined with scale and the entrepreneurial culture that comes with independence, gives us a sustainable competitive edge. Our professionals are increasingly mobile across Cello and we are able to deploy our best people against the biggest client opportunities.

Along with close attention to our cost base and a focus on cash flow, this should put us in a reasonable position to gain market share against less focused competitors.

Operating Income



Operating Income by Industry Sector



Chairman's Statement

Overview

2008 has been a year of consolidation for the Group, against the context of an increasingly adverse economic climate in the second half of the year. Cello reinforced its leading position in two of the most defensive sub-sectors of the marketing mix: specialist research and response communications.

Whereas demand for marketing services continues to decline in the face of global recession, demand for specialist research capability has remained broadly static in response to ever more complex market related issues for clients. Direct marketing has similarly demonstrated resilience, as clients switch spend to more accountable and direct areas of the marketing mix and away from advertising.

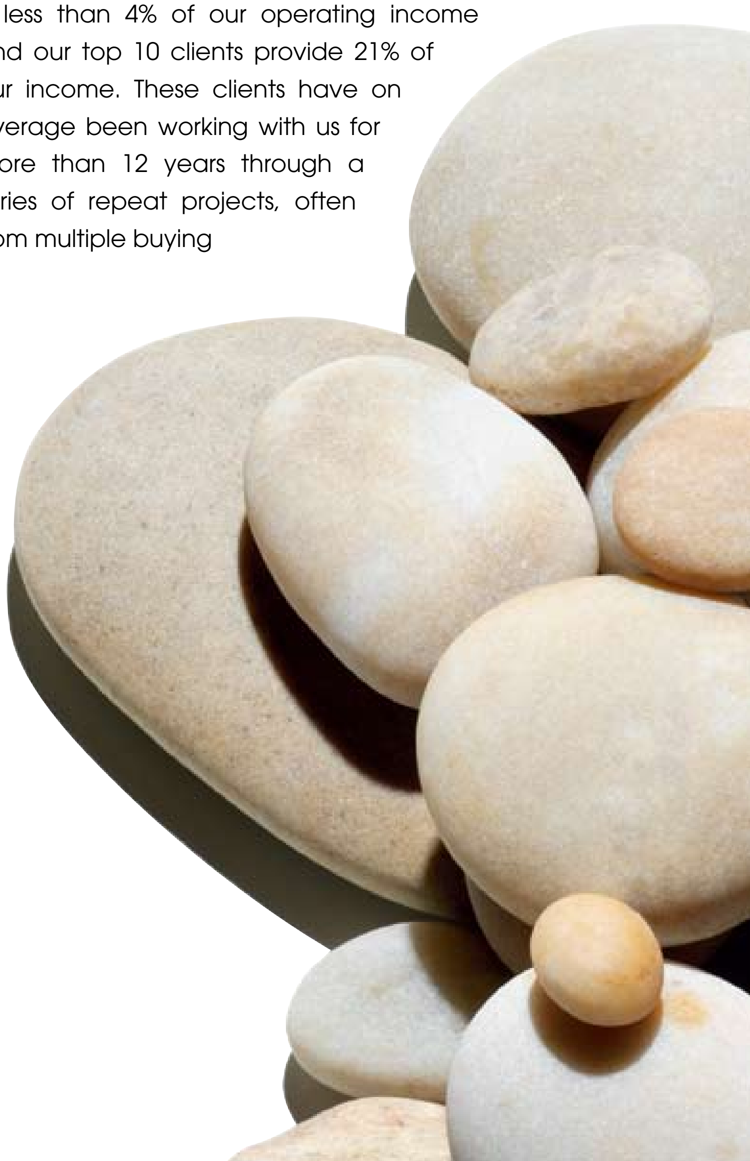
We delivered headline operating profit marginally above market consensus expectations and broadly flat with last year of £7.8m (2007: £8.1m). Operating income was up 17.2% to £66.6m (2007: £56.8m).

We have also continued to focus closely on tight cash management. Our high rate of cash conversion at 124%, up from 97% in 2007, reflects the successful financial management in each of our businesses. As a consequence, the Group remains very prudently funded, with net debt at the year end of £9.9m (2007: £5.8m), even after £8.0m of earn out settlement during the year. This is significantly better than market expectations.

We have now substantially completed the integration of our research business under the Cello brand and our response business under the Tangible brand. This has given us significant advantage as we compete with global operators, particularly on larger contracts which are more tightly priced. In addition, as a priority we continue to consolidate our operations into shared facilities as leases come up for renewal. This has enabled us to create clusters of professional resource which are both more vibrant and efficient, yielding us further cost advantages. We have already implemented this in Scotland.

We have reduced headcount in areas of our business exposed to financial services and more discretionary consulting activity. Given their strong prospects, we have continued to invest in our digital businesses and in our mainstream research offering with headcount increasing in these areas. The net effect is that our headcount is now around 4% lower than it was at the end of December 2007.

We continue to act for a wide range of blue chip clients across a number of sectors including: Tesco, HP, EA, GSK, the NHS and the COI. Our income is substantially weighted towards healthcare and public sector organisations. Our client base is diverse. Our largest client is less than 4% of our operating income and our top 10 clients provide 21% of our income. These clients have on average been working with us for more than 12 years through a series of repeat projects, often from multiple buying



points within the client organisation. 49 out of our top 50 clients in 2008 were also material clients in 2007, thus demonstrating the recurring nature of many of our activities.

In Cello (Research), our emphasis on targeting growth in multinational client contracts, which offer higher growth opportunities outside the relatively mature UK market, continued to bear fruit. Overseas revenue continued to account for over 20% of Group revenue.

Our business continues to benefit from our client sector focus and increasing orientation towards large continuous contracts, many running for a number of years. Performance remained strong in healthcare which accounts for over a third of our operating income in research. We also continue to grow our public sector capability, both in research and direct marketing which has resulted in a notable increase in the percentage of Group revenue from this source, up from 9.8% to 14.2%.

The growing relevance of the internet to research and response has continued unabated. We invested over £0.5m in strengthening our online capabilities in 2008, through Blonde, Digital People, Face and Oomph. All these digital businesses are now trading profitably, having progressed rapidly through the early investment phases.

As a result of continued consolidation in the market research supply market, we have risen to be the 10th largest research operation in the UK. We anticipate this trend continuing for the foreseeable future. We are number 6 in direct marketing.

Financial Review

2008 was a year of continued top line growth despite the challenging conditions. Group operating income increased 17.2% to £66.6m. Headline operating profit was largely flat on the prior year at £7.8m (2007: £8.1m) with headline profit before tax at £6.9m (2007: £7.6m).

Like-for-like operating income growth was 2%, consolidating the double digit like-for-like growth of prior years. Excluding our financial services agency and business intelligence consulting business, like-for-like operating income growth across the rest of the Group was 6%.

The small reduction in headline operating profit reflects the increased trading pressure in our London based financial services focused agency and our business intelligence consulting operation. In both businesses quick action has been taken to adjust the cost structure to an appropriate level for prevailing market conditions. The other notable factor was the £0.5m investment in growing our now profitable online research products range.

Group headline operating margin (before head office costs) was 14.8% (2007: 18.1%). The Board expects to improve operating margins following the actions taken to reduce exposure to cyclical areas of client activity and associated professional cost. During the year the Group incurred exceptional charges of £1.3m, relating to staff reduction payments, surplus space provisions and trading losses of one small financial services start up consultancy that was closed during the year.

Chairman's Statement *(continued)*

The Group's net debt position at 31 December 2008 was £9.9m, significantly better than consensus expectations. Operating cash flow of £9.7m during the year represents 124% conversion of headline operating profit. £2.0m of the year end cash balance is considered to be surplus and is therefore likely to unwind in the first half of 2009.

The interest charge rose to £0.9m (2007: £0.6m) reflecting the higher interest rates for the majority of the year as well as higher debt levels following earn out settlement in April 2008. Headline interest cover is 8.7 times. The Group's effective tax charge was 26.6% (2007: 32.2%). Notional interest is not subject to a tax deduction, and if it is excluded the effective rate would be 24.7%.

Headline basic earnings per share was 12.18p (2007: 15.06p) and headline fully diluted earnings per share was 7.83p (2007: 10.24p). Fully diluted earnings per share reflects the impact of the anticipated future issuance of shares to vendors of companies acquired by the Group under earn out arrangements.

The Board is proposing to maintain a final dividend of 0.75p per share, giving a total dividend per share of 1.25p (2007: 1.2p) an increase of 4.0%. This dividend will be paid on 17 June 2009 to all shareholders on the register at 22 May 2009.

In April 2008 £14.4m of earn out liabilities were settled by £8.0m in cash and loan notes, and £6.4m in shares issued at £1.14p each. Following a review of further liabilities, as at 31 December 2008 undiscounted earn out commitments are £15.2m. Earn out obligations of £7.8m are payable in April 2009, in the form of £3.2m in cash or loan notes and £4.6m in ordinary shares. Shares issued under these arrangements will be subject to three year lock-ins. The Board can pay a larger proportion of this in the form of loan notes or cash. Following this payment ongoing earn out obligations over the next four years are not material in the context of anticipated Group cash flow.

During the year the Group enhanced its bank facilities with a revised revolving credit facility of £20.0m for 2009 and £17.0m for 2010. The multi-currency overdraft facility of £2.0m was also renewed. Increases in interest margins incurred by this adjustment are expected to be offset by lower overall LIBOR rates. The effective enlargement of our debt facilities provides the Group greater flexibility to expand sensibly.

The Group incurs a number of P&L charges, which are mostly non cash items. Share option costs are a credit of £0.5m, representing a reversal of prior year share option scheme charges where the scheme has not vested. A replacement scheme is expected to be implemented in 2009. Deemed remuneration of £0.6m (2007: £1.2m) and notional interest of £0.3m (2007: £0.5m) have both dropped as a proportion of related earn outs have been settled during the year. In October 2007, the Group entered into an interest rate cap and collar arrangement on a proportion of its overall debt facility. The charge of £0.4m reflects the valuation of the instrument at the balance sheet date due to recent falling interest rates.

	2008 £'000	2007 £'000
Headline operating profit	**7,782**	**8,143**
Net interest payable	(891)	(559)
Headline PBT	**6,891**	**7,584**
Exceptional costs	(1,285)	–
Amortisation of intangibles	(858)	(904)
Deemed remuneration	(647)	(1,179)
Share option costs	450	(449)
Notional interest	(291)	(468)
Fair value loss on financial instruments	(444)	–
Reported PBT	**3,816**	**4,584**

The Group regularly calculates and examines all of the above financial indicators and they are key performance indicators.

Divisional Review

Cello (Research)

Cello (Research), encompassing our research and consulting capabilities, had a good year given the economic context, delivering a headline operating profit of £6.1m (2007: £6.2m) from operating income of £39.1m (2007: £32.9m). With an employee base of 470 people and revenue of £66.4m (2007: £50.9m), Cello ranks firmly in the top ten of such businesses based in the UK and is the only such business which is not part of a much larger group.

Cello (Research) has continued to grow internationally, with revenue from overseas clients growing by 25%. We recently opened a new office in San Francisco, focusing primarily on the computer gaming market.

Operating margins in this business fell to 15.7% (2007: 18.9%) as a result of investment in an online research product and reduced profit performance in our business intelligence business. Excluding these two, the underlying business maintained its historical margins. The online research product, Digital People, is now trading profitably in 2009.

The business is organised along client sector lines which gives us a real advantage as multi-specialists. Healthcare has shown particular resilience, representing approximately 36% of operating income in this division (2007: 35%). We now work for some 75% of the global health-care client community, carrying out a wide range of projects from Ethical to OTC areas.

Public sector work grew strongly, now representing 11% of divisional activity (2007: 6%). Cello acts for a wide range of public bodies ranging from The Metropolitan Police to the Scottish Government and the COI. Despite the economic downturn this area is likely to grow and become a larger part of our revenue stream.

We have continued to integrate our research and consulting capability and thereby achieve competitive advantage against much larger networks. We have also continued to consolidate our field force and online data capture capacity to improve utilisation levels and represent a more competitive outsourcing solution for larger research groups.

Material client project wins for Cello during the year included Roche, Novartis, GSK Europe, Pfizer, Takeda, Abbott, InterMune, Eisai, The Office of National Statistics, HM Revenue and Customs, Department of Work and Pensions, Severn Trent Water, MacMillan, Unilever, Dyson, Canon, Xerox, Ernst and Young, National Savings and Investments, BUPA, Centrica, MOD, Orange, Boots, Camelot, Virgin, Wrigley, Bayer, Clarks, Arla, Toyota, TfL, ITV, Philips, Mitchell and Butlers, BBC, COI, The Ministry of Justice, Department of Health, BA and Eurostar.

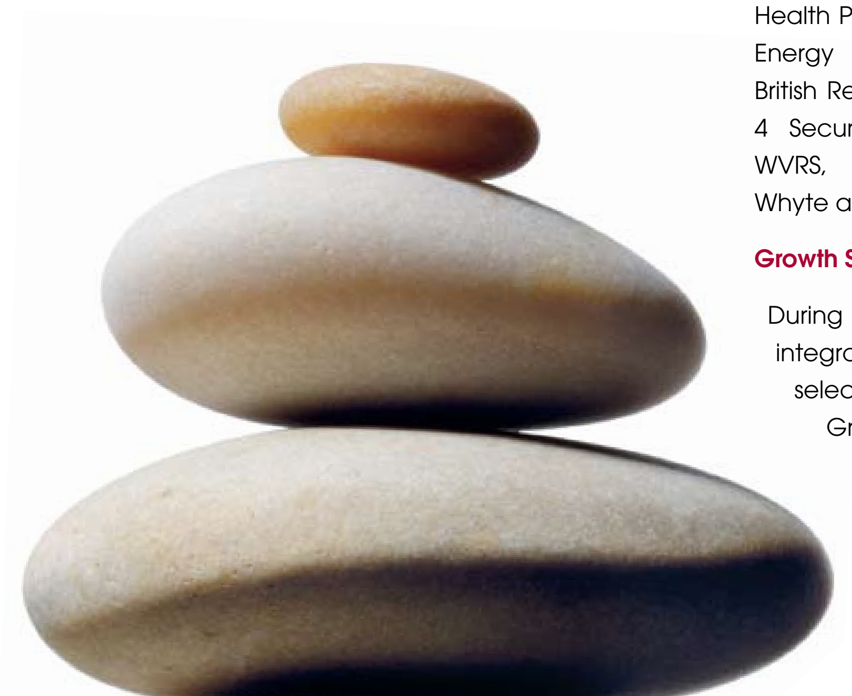
Tangible (Response)

Tangible (Response) continued to benefit from the growth of response media, particularly online, as clients have become more demanding to achieve measurable return on marketing expenditure. As a result, it succeeded in maintaining revenue growth more effectively than other general communications agencies.

Tangible delivered a headline operating profit of £3.7m (2007: £4.1m) on operating income of £27.5m (2007: £23.9m). With an employee base of 350 people and revenue of £72.7m (2007: £57.4m), Tangible now ranks in the top 6 of such businesses based in the UK and is also the only such business which is not part of a large international group.

Headline operating margins in this business fell to 13.5% (2007: 17.0%). This is substantially explained by declines in financial services income which has now been mitigated by resource reduction and redeployment.

The vertical client focus on the public sector, charities and business-to-business sectors continued to prove successful with clients seeking out industry expertise as they increasingly migrate budgets into response solutions in order to defend their own revenue flows. In particular, towards the end of 2008 we were delighted to win roster places with the Scottish Government from an increased number of disciplines than previously which has already generated an increased number of tender opportunities in 2009.



However, financial services, which has been a significant focus of Tangible, was more inconsistent. Larger, established relationships based on core activity have been maintained but project based growth oriented activity has declined and we have quickly moved resource away from this area.

The successful integration of online capability with more traditional direct marketing approaches has proved a successful strategy as clients look to reduce risks. Major clients are no longer willing to spend on a speculative basis, but they do want digital capability as part of tried and tested approaches that deliver secure returns on their expenditure. Our digital businesses (Blonde, Oomph, and Face) continued to show profitability and strong growth. Oomph in particular won a significant new account towards the end of 2008, utilising disciplines from around the Group.

We have consolidated Tangible into three major operating hubs in London, Edinburgh and Cheltenham. We anticipate that by the second half of 2009, we will be operating from one primary office in each hub, with associated revenue generation and cost benefits.

Material client project wins in 2008 included Lifelong Learning UK, Scottish Enterprise, Tesco Personal Finance, RICS, Aegon, Dyson, NCH, Medecins Sans Frontieres, Christian Aid, The Health Promotion Agency for Northern Ireland, Energy Savings Trust, 3 Telecom, Which?, British Red Cross, National Lottery, Visa, Group 4 Securicor, Axa, Advent Training, Co-op, WVRS, Oxfam, Unilever, Coca-Cola and Whyte and Mackay.

Growth Strategy

During 2009, the Group will continue to hone, integrate and refine its operations and selectively support growth opportunities. The Group's operational plans remain highly focused: to achieve differentiation in research and direct marketing by consolidating professional resource into larger units; reducing overhead, and focusing this resource into client sector verticals.

In addition, we continue to innovate in a range of areas, from carbon footprinting for print intensive clients, through to the creation of community based research panels. We have taken the decision to embed this innovation into our core offerings rather than leave it free standing, as this represents a more secure path to revenue commitment by clients.

The management teams that came into the Group through acquisition have now been fully integrated into the larger divisional structures, which has allowed for the promotion of managers from within as well as hiring additional senior professionals from outside the Group. We continue to focus much attention on competitive remuneration for our staff with appropriate incentive schemes and annual performance related bonus planning. Combined with active promotion and hiring of senior professionals, we now have a sustainable, well incentivised professional structure beyond the limited life of legacy earn out structures. The result is an experienced and highly aligned group of individuals who are determined to establish Cello as a major force through the demanding times ahead.

Current Trading and Prospects

Our current forecasts show that our first quarter headline operating profit will be similar to 2008. Our overall revenue visibility is in line with historic norms. In particular, we have continued to win significant additional mandates from our global healthcare clients. Our strong and recently improved franchise in the public sector across both Cello (Research) and Tangible has also produced a healthy number of new material project wins with both central and local government. The weaker pound has increased our competiveness overseas, and consequently we currently have a robust pipeline of non-UK work in our research and consulting business. Our quantitative research contracts are also continuing to grow.

Given the economic conditions, we remain alert to the possibility of projects across a range of areas being curtailed or delayed in the future. For example, the trends in financial services identified in the final quarter of the year have largely continued in the first quarter of 2009. We have taken appropriate action to reduce headcount in this area.

We continue to constantly review closely the Group's variable cost base and reduce overheads as leases expire and through joint purchasing of services. We remain focused firmly on cash flow and the progressive reduction of gearing.

Despite the economic backdrop, we are experiencing solidity in our core operations, particularly amongst our long standing blue chip clients, many of whom operate in defensive sectors and who commission work on a regular basis.

At this early stage in the year, we remain cautiously optimistic for a solid full year outcome in 2009.

2008 has been a sad year for all of us at Cello because of the death of Kevin Steeds, the founding Chairman of Cello. I would like to take this opportunity to thank my fellow Cellists for their commitment and contribution in 2008 and for helping to ensure that Cello stands as enduring testament to Kevin.

Allan Rich
Chairman

16 March 2009

Cello Research and Consulting

Cello Research and Consulting is now a significant player in the global market research and advisory sector, ranked 10th largest in the UK and 21st globally and the only independent agency that is not part of a larger holding company. To reflect this scale and positioning, the Group is now leveraging the Cello brand across all of its businesses. Cello derives competitive advantage from the highly complementary combination of its consultant and market research resource, which allows it to deliver clients strategic direction based on real world insight.

We are organised along client sector lines which allows Cello to generate deep client insight. Our largest area of focus is the pharmaceutical market which accounts for 36% of divisional income. The public sector and technology applications account for a further 29% of income, with the balance in a range of largely FMCG areas. Whilst largely an ad-hoc business, the bulk of revenues come from long term, blue chip client relationships.

We continue to invest in developing digital applications. Digital People, pioneers of web-based methods of sharing survey insights, has continued to make rapid strides; nqual has now established itself as one of the leading suppliers of online focus groups; and Headbox, a web 2.0 community for 16-25 year olds, has also made rapid progress.

The year also saw good progress in the international development of the business. Cello companies are now undertaking major studies for global clients across the Americas, in Europe, and throughout Asia. The US continues to be a focus for careful and resourceful development. International work now accounts for 45% of divisional income and we retain a physical presence in New York, Chicago and San Francisco.

2009 will see continued implementation of a three year strategy to establish Cello as the leading consulting and research brand across a number of identified priority 'vertical' industry sectors, most notably healthcare, technology, consumer products, the public sector and online.

Healthcare: Insight Research Group, MSI

- Insights' 25th year in business saw several key advances including development in unique digital delivery systems, and an increase in work with online communities.
- Insight grew its domestic market share in 2008, having its strongest ever year for UK domestic bookings.
- It also maintained its dominant international presence; while growing its research capabilities and offerings in BRIC markets, Insight also had a very strong year with some of its international clients including Roche, Novartis, and GSK Europe.
- 2008 has been another strong year for The MSI Consultancy with 8 major client wins, including Pfizer, Takeda, Abbott, InterMune (US) and Eisai (EU).
- In addition to these wins MSI, Insight and TVE continue to work together on maximising opportunities in research and consulting in the healthcare sector, with joint clients such as Alliance Boots.

Public Sector: mruk Research, RS Group

- mruk Research's turnover increased strongly in 2008 as the Group increased its market share.
- New framework contracts included The Sports Council for Wales, Department for Work and Pensions, South Yorkshire Passenger Transport and Severn Trent Water, bringing the total framework contract wins in 2008 to 23.

TESCO Unilever sports council wales cyngor chwaraeon cymru gsk GlaxoSmithKline

- Following a series of Political Opinion Polls, mruk Research successfully gained membership to the British Polling Council, the key body which ensures high standards and transparency of Political Opinion Polling.
- The RS Group increased its public policy presence, winning new framework contracts from several Government departments, including The Office of National Statistics and HM Revenue and Customs.

Technology: RS Group, SMT

- 2008 saw the RS Group consolidate its position in the technology market, with major wins from Canon and Xerox. It also expanded its presence in other sectors, with projects for Dyson, Metsä Tissue, MacMillan and Unilever.
- Within its financial services division, there were major wins from RBS Group, BUPA and Ernst & Young, while National Savings & Investments extended its tracking contract to the end of 2009 without competitive tender.
- The Group increased its digital activities, with greater use of online focus groups and major developments in online reporting capabilities.
- Important wins at SMT included Centrica, the MOD and Orange.

FMCG and Retail: The Value Engineers, Leapfrog, 2CV, Rosenblatt, TMI

- TVE enjoyed a strong year with 15% growth despite the challenging economic situation, with 110 projects completed for 53 clients across 34 countries and five continents.
- New clients included Boots, Camelot, Florette, Virgin and Wrigley.
- Wins at Leapfrog have included MUTV, Bayer, Bacardi Martini and Clarks.
- Work in the States with Arla, Toyota and CMX have firmly established Leapfrog's credentials in that large market.
- 2CV successfully bid for places on the TfL, ITV, Philips and Mitchell & Butlers rosters (against Europe wide competition).
- New relationships have been formed with various Government departments including Department of Health, Department of Children, Schools and Families and the Ministry of Justice.
- Rosenblatt successfully initiated new relationships with Philips, Mitchell & Butlers, the BBC and COI.
- At TMI, a high profile project with British Airways saw the redesign of the In Flight Service Experience, successful completion of the Premium Service Training project design and commencement of training delivery for all First Class and Club World cabin crew. The program extends into 2010.
- Work started with Eurostar and continues into 2009 on several projects supporting customer experience and service improvements.

Digital Engagement: Digital People, nqual, Kudos

- 2008 saw new global wins in healthcare, FMCG, electronic gaming, telecoms, media and alcoholic drinks for Cello's digital businesses.
- All these start up business are now profitable, giving Cello a real innovation platform with clients.

itv BRITISH AIRWAYS bp COI

Tangible Group

Tangible Group has benefited from continued focus on the key delivery areas of Direct, Digital and Data. Tangible now ranks 6th in the UK direct marketing industry and is the only independent agency of scale in this market. The majority of our operating brands have successfully migrated to the Tangible brand, giving us real market presence.

In these recessionary times, both existing and new clients are increasingly turning to direct communications which offer a tangible return on investment. We are well placed to capitalise upon this trend.

We continue to migrate online as profitable client opportunities emerge. Our digital brands have shown solid growth in 2008 and we continue to add seasoned digital professionals to the Group as part of our integrated client proposition. The large number of client wins experienced in 2008 suggest that this strategy of combining on and offline solutions is working well.

We continue to consolidate our Tangible operations into three core hubs: Edinburgh, Cheltenham and London, yielding cost benefits and greater professional cohesion.

Commercial Direct Marketing: Tangible: Communications, Tangible: Financial

- The core hub of Tangible in Edinburgh saw a strong year in 2008, strengthening their reputation for strong customer engagement producing powerful results for clients. Tangible was voted the number one agency group outside of London by The Drum.
- Major client wins included North Wales Tourist Board, Constructions Skills and Bank of Scotland Corporate.
- In addition, Tangible has won significant projects for Lifelong Learning UK (Catalyst), Marine Technologies for Scottish Enterprise, and Tesco Personal Finance.
- In the challenging financial services marketplace, our core income remained largely solid with wins from CMC Markets, JM Finn, BNP Paribas, Partnership and RICS; although peripheral and ad-hoc activity in this market fell away.
- Tangible:Financial won eight creative awards in 2008 including a Gold at the DMA Awards and shortlisting for Agency of the Year at the recent Financial Services Forum Awards.

Charities, Not-For-Profit Direct Marketing: Tangible: Response, Brightsource, Magnetic

- The Cheltenham Tangible hub picked up 12 new clients including Dyson, Kew Gardens and NCH during their re-brand to Action for Children.
- Tangible:Response made further investment in senior planning personnel and reinforced its digital marketing capabilities to complement existing strengths in direct marketing and data.
- Brightsource and Magnetic both continued their strong growth trajectories, with new client wins including Dyson, Medecins Sans Frontieres, Christian Aid and Sainsbury's. Total turnover now exceeds £35m, demonstrating the value to clients of highly cost effective logistics led solutions.
- Brightsource launched Footmark, Cello Group's primary green offering to marketing clients looking to minimise their carbon footprint.

NCH the children's charity

dyson

Scottish Enterprise

Kew PLANTS PEOPLE POSSIBILITIES

- The Fastrack postal service launched a year ago has been adopted by 90 clients and is now underpinned with the first multi-carrier agreement with the Royal Mail.
- Magnetic's expertise in China based sourcing of DM collateral went from strength to strength as cost issues came to the fore for clients.

Consumer Integrated Communications: Tangible, Leith, Farm

- Strong 2008 performance in the public sector involved the winning of a number of accounts in Scotland (including the Flu, Alcohol Misuse and Anti Social Behaviour campaigns) and in Northern Ireland (The Health Promotion Agency for Northern Ireland).
- Leith also delivered a strong performance in the private sector with a number of major account wins including global activity for Whyte & Mackay and Aegon.
- The Leithal Thinking brand consultancy was the fastest growing part of Leith during 2008, increasing its income by over 15% year-on-year.

Data Marketing and Consulting: Tangible: Data

- 2008 was a successful year for Tangible:Data, with the launch of Magellan, an online CRM marketing platform.
- Three new clients – VW/SEAT, Jeans for Genes and Energy Savings Trust – are now using this cutting edge integrated solution to drive and measure marketing activity.
- Other client wins included A-Space, 3 Telecom, Which?, Group 4 Securicor, British Red Cross, National Lottery and Visa.
- Tangible:Data continues to gain industry recognition and profile with awards in 2008 for Best Use of Data at the IDM BPA awards, Best Donor Development Campaign at the Institute of Fundraising Awards and a Data Strategy Award for the third year running.

Online Direct Marketing: Blonde, Oomph, Face

- Turnover at Blonde has increased dramatically in 2008 with 27 staff now employed across two locations.
- New clients included AXA, Sadler's Wells, Dilettante Music, Business Stream, Vladivar, Nambarrie, Robertson Group, NWTB, SMTTP, Sistema Scotland, Kew Gardens, Whyte & Mackay, Glayva and Advent Training.
- Co-op appointed Oomph as their online media and planning agency for 24 months, from January 2009.
- Other new business wins for Oomph included WRVS, Cotswold, Oxfam, Good Energy, Abercrombie and Kent.
- Face continued to grow strongly and profitably, with significant wins from Unilever and Coca-Cola. Face's online community proposition as a basis for brand insight gained real traction under the 'co-creation' banner.

LIFELONG LEARNING UK
Skills for Learning Professionals

Coors LIGHT

energy saving trust

British Heart Foundation

Directors' Report

The directors present their report and the financial statements of Cello Group plc for the year to 31 December 2008.

Principal Activities

The principal activity of the Group during the year under review is that of research, consulting and direct marketing.

Review of the Business and Future Developments

The results for the year ended 31 December 2008 are set out in the Group income statement on page 26. These show a profit attributable to shareholders of £2,761,000. An interim dividend of 0.5p per share was paid during the year and a final dividend of 0.75p per share is proposed.

A review of the development and future prospects of the business is given in the Chairman's Statement on pages 4 to 9. Key performance indicators are also commented on within the Financial Review section of the Chairman's Statement.

Changes in company law require the Company to report on principal risks and uncertainties facing the business, which the directors believe to be as follows:

1. UK economy
The Group's business is domiciled in the UK but 21% of the Group's revenues are from clients based overseas. While it is clear that economic downturn in any of its markets would potentially adversely affect us, the mix of services we are offering is historically more resilient in a down-turn than other elements of the traditional marketing mix, notably public relations, advertising and sales promotion.

2. Loss of the Group's key clients
Client relationships are crucial to the Group, and the strength of them is key to its continued success. The risk is mitigated by our client base being broadly spread, but the loss of any large client would require replacement. The Group's client review programmes help mitigate this risk.

3. Loss of key staff
The Group's directors and staff are critical to the servicing of existing business and the winning of new accounts, departure of key staff could be a risk to maintaining client service. With that risk in mind all senior staff are subject to financial lock-ins and long-term incentive arrangements, as well as being under contractual non-compete and non-solicit clauses.

Directors

The following directors have held office since 1 January 2008:
Kevin Steeds (deceased 17 December 2008)
Mark Scott
Mark Bentley
Paul Hamilton
Will David
Allan Rich
Chris Outram
Biographical details of the directors at the date of this report are set out on pages 84 to 85.

Directors' Interests in Shares and Options

Directors' interests in the shares of the Company were as follows:

	Number of ordinary shares of 10p each At 31 December 2008	Number of ordinary shares of 10p each At 31 December 2007
Mark Scott	**714,010**	693,510
Mark Bentley	**15,000**	15,000
Paul Hamilton	**50,000**	30,000
Will David	**15,000**	15,000
Allan Rich	**415,184**	379,000
Chris Outram	**48,705**	35,994

Under the rules of the Enterprise Management Incentive Scheme, the Unapproved Share Option Scheme and the PSP Option Scheme, the Executive Directors have been granted an interest in options over ordinary shares of 10p each as follows:

		At 1 January 2008 ordinary shares of 10p each	Granted in the year number of ordinary shares of 10p each	Lapsed in the year number of ordinary shares of 10p each	At 31 December 2008 number of ordinary shares of 10p each	Date from which excercisable	Expiry date	Exercise price (pence)
Mark Scott	(1)	100,000	–	–	100,000	Nov 2004	Nov 2014	100
Mark Scott	(2)	200,000	–	–	200,000	Nov 2004	Nov 2014	100
Mark Scott	(3)	201,489	–	(201,489)	–	Mar 2010	Mar 2016	10
Mark Scott	(3)	130,000	–	(130,000)	–	Apr 2011	Apr 2017	10
Mark Scott	(3)	250,000	–	(250,000)	–	Oct 2010	Oct 2017	10
Mark Scott	(3)	–	125,000	(125,000)	–	Mar 2011	Mar 2018	10
Mark Bentley	(1)	81,633	–	–	81,633	Jun 2008	Jun 2015	122.5
Mark Bentley	(2)	81,633	–	–	81,633	Jun 2008	Jun 2015	122.5
Mark Bentley	(3)	98,617	–	(98,617)	–	Mar 2010	Mar 2016	10
Mark Bentley	(3)	125,000	–	(125,000)	–	Apr 2011	Apr 2017	10
Mark Bentley	(3)	–	125,000	(125,000)	–	Mar 2011	Mar 2018	10

(1) Granted under the EMI Share Option Scheme
(2) Granted under the Unapproved Share Option Scheme
(3) Granted under the PSP Option Scheme

None of the options that have been granted were exercised in the year.

Substantial Shareholdings

Other than the directors' interests disclosed above, the Company is aware of the following shareholdings of 3% or more in the issued share capital at 28 February 2009:

	No. of shares	%
Octopus Asset Management Limited	4,624,157	10.46
Richard Gilmore	2,125,468	4.77
Universities Superannuation Scheme	2,047,000	4.59
Ennismore Fund Management	1,666,800	3.74

Share Capital

Changes to the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

Treasury Shares

During the year the Company purchased 60,000 (0.13% of the issued share capital) ordinary shares of 10p each for a total consideration of £71,000. The total number of shares in treasury at 31 December 2008 was 80,000 (0.18% of the issued share capital). The purpose of the acquisition was to satisfy future earn out payments and/or options awards.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;

b) make judgements and estimates that are reasonable and prudent;

c) for the Group financial statements, state whether they have been prepared in accordance with IFRS and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;

d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

It is the Company's policy not to discriminate between employees or potential employees on any grounds. Full and fair consideration is given to the recruitment, training and promotion of disabled people and, should staff become disabled during the course of their employment, efforts are made to provide appropriate re-training. The Company places enormous importance on the contributions of its employees and aims to keep them informed of developments in the Company through a combination of meetings and electronic communication.

Political and Charitable Contributions

During the year the Company made no political or charitable donations.

Policy on Payment to Creditors

The Company agrees the terms and conditions under which business transactions with suppliers are conducted. It complies with these payment terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

The effect of the Company's payment policy is that its trade creditors at the year end represent 43 days (2007: 45 days).

Research and Development Activities

During the year the Group expended £119,000 on the development of new software products which is expected to generate economic benefits in the future. These amounts were capitalised as intangible assets.

Statement as to Disclosure of Information to the Auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that he, as far as he is aware, has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

A resolution to re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Mark Bentley
Company Secretary

16 March 2009

Corporate Governance

The Board of Cello Group plc appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to the business. The Board considers that the Company, whilst trading on the AIM Market, has adopted those requirements of the Combined Code on Corporate Governance (the "Code") published in June 2006 as best applicable to the Company given its current size.

Board Structure

The Board comprises two executive directors and four non-executive directors. The roles of Chairman and Chief Executive are separate. The Non-Executive Directors are independent of management and free from any business or other relationship with the Company other than owning shares. The directors' biographies appear on pages 84 to 85.

The Board is scheduled to meet at least six times a year and additionally when necessary. At each scheduled meeting of the Board, the Chief Executive and Finance Director report on the Group's operations. The Board is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties. All directors are subject to re-election by shareholders at the first opportunity after their appointment. All directors are required to retire by rotation and one third of the Board is required to seek re-election each year. The Chairman ensures that the directors are permitted to take independent professional advice as required.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The following committees of the Board have been established to deal with specific aspects of the Company's affairs.

Audit Committee

The Audit Committee consists of three Non-Executive Directors; Will David as Chairman, Paul Hamilton and Allan Rich. The Committee considers matters relating to the financial accounting controls, the reporting of results, and the effectiveness and cost of the audit. It aims to meet at least twice a year with the Company's auditors in attendance. Other directors attend as required. The Company Secretary provides secretarial support to the Committee. The terms of reference of the Committee are available on request.

The Audit Committee is satisfied that the Group's auditors, Baker Tilly UK Audit LLP, have been objective and independent of the Group. Associate firms of Baker Tilly UK Audit LLP perform non-audit services for the Group, but the Audit Committee is satisfied that their objectivity is not impaired by such work.

Nomination Committee

The Nomination Committee consists of two independent Non-Executive Directors; Paul Hamilton and Will David. The Committee is chaired by Paul Hamilton and meets as necessary. The Committee is formally constituted with written terms of reference and is responsible for reviewing and making proposals to the Board on the appointment of directors. The Company Secretary provides secretarial support to the Committee. The terms of reference of the Nominations Committee are available on request.

Remuneration Committee

The Remuneration Committee is formally constituted with written terms of reference and makes recommendations to the Board with regard to remuneration policy and related matters. The Remuneration Committee consists solely of three of the Independent Non-Executive Directors, Paul Hamilton, who chairs the Committee, Will David and Chris Outram. However, the Chairman and the Chief Executive attend as required and have the right to address the Committee. The Committee aims to meet at least twice a year. The terms of reference of the Committee are available on request.

Further details of the Company's policies on remuneration, including details of directors' share options are given in the Report of the Remuneration Committee on pages 20 to 23.

Shareholder Communications

The Company believes in maintaining good communications with shareholders. The Chief Executive and Finance Director meet analysts and institutional shareholders regularly with a view to ensuring that the strategies and objectives of the Company are well understood. The Senior Independent Director will not ordinarily attend such meetings other than at the request of the relevant shareholder. However, he is available to shareholders if they have concerns which contact through the Chairman, Chief Executive or the Finance Director has failed to resolve or for which such contact is inappropriate.

Going Concern

The directors have satisfied themselves that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and for this reason the financial statements continue to be prepared on a going concern basis.

Internal Control

The Board is responsible for ensuring that the Group maintains a system of internal controls and risk management, including suitable monitoring procedures. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Given the Group's size and the nature of its business, the Board does not consider it would be appropriate to have its own internal audit function. An internal audit function will be established as and when the Group is of an appropriate size but meanwhile the audit of internal financial controls forms part of the responsibilities of the Group's finance function.

All the day-to-day operational decisions are taken initially by the executive directors or subsidiary directors, in accordance with the Group's strategy. Where appropriate, the Board or subsidiary directors approve such decisions. The executive or subsidiary directors are also responsible for initiating all transactions and authorising all payments, save for those relating to their employment. As such, the internal controls primarily comprise:

- the segregation of duties, such that the executive directors have no involvement in the recording of any financial data;
- the review of pertinent financial and other information by the Board on a regular basis;
- the prior approval of all significant strategic decisions;
- having a formal strategy for business activities.

The Environment

The activities of the Group do not have a high impact on the environment. However, we aim to ensure that where waste can be reduced, this is done efficiently, by employing recycling where viable.

Employees

The Group employs over 800 employees, and we place a great deal of emphasis on their training and retention. Our central programme for rising talent, "Cello Academy", is now a well established feature of our staff development initiatives.

On behalf of the Board

Mark Bentley
Company Secretary

16 March 2009

Report of the Remuneration Committee

The directors have applied the principles of good governance relating to directors' remuneration as described below:

Remuneration Committee

The Remuneration Committee is authorised on behalf of the Board to determine the Company's remuneration policy on executive directors' remuneration, including pension rights and share option awards, and the terms of their service contracts. The Committee aims to meet at least twice a year and supervises the operation of share schemes and other employee incentive schemes. The remuneration and terms and conditions of appointment of the Non-Executive directors will be set by the Board. No director shall participate in discussions relating to his own remuneration. The Remuneration Committee consists of three of the independent Non-Executive directors, Paul Hamilton who chairs the Committee, Will David and Chris Outram.

Remuneration Policy

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Group's position as a market leader and to reward them for enhancing shareholder value and return on investment. The remuneration should also reflect the directors' responsibilities and contain incentives to deliver the Group's objectives.

The main elements of the executive directors' remuneration packages are as follows:

- basic salary;
- performance-related bonus – 50% of an executive director's bonus is based on earnings per share growth targets set by the Remuneration Committee at the beginning of the financial year. The remaining 50% is paid at the discretion of the Remuneration Committee;
- benefit package – car allowance and health care insurance;
- share option incentives – details of share options granted to the executive directors are shown on page 15;
- contributions to directors individual defined contribution pension schemes.

The Remuneration Committee reviews the components of each executive director's remuneration package annually.

Kevin Steeds was appointed a director on 5 May 2004. Under a service agreement dated

Directors' Remuneration

	Salary/ Fees £'000	Bonus £'000	Benefits £'000	Total Emoluments £'000	Pension £'000	**Total 2008 £'000**	Total 2007 £'000
Kevin Steeds*	195	–	9	204	29	233	298
Mark Scott	195	63	9	267	29	296	298
Mark Bentley	145	31	6	182	22	204	211
Paul Hamilton	30	–	–	30	–	30	30
Will David	25	–	–	25	–	25	25
Allan Rich	25	–	–	25	–	25	25
Chris Outram	25	–	–	25	–	25	12
Total	**640**	**94**	**24**	**758**	**80**	**838**	**899**

*Deceased on 17 December 2008

1 November 2004 he was appointed Executive Chairman. His annual salary under this agreement was £195,000. The agreement also provides for participation in the discretionary performance-related bonus scheme up to a maximum of 75% of basic salary, a company pension contribution of 15%, a car allowance of £750 per month and private medical benefits. The agreement was terminable on twelve months notice to be given by either party. Kevin Steeds died on 17 December 2008 after a long illness.

Mark Scott was appointed a director on 5 May 2004. Under a service agreement dated 1 November 2004 he was appointed Chief Executive. His annual salary under this agreement is £195,000. The agreement also provides for participation in the discretionary performance-related bonus scheme up to a maximum of 75% of basic salary, a company pension contribution of 15%, a car allowance of £750 per month and private medical benefits. The agreement is terminable on twelve months notice to be given by either party.

Mark Bentley was appointed a director on 1 May 2005. Under a service agreement dated 17 December 2004 he was appointed Finance Director. His annual salary under this agreement is £145,000. The agreement also provides for participation in the discretionary performance-related bonus scheme up to a maximum of 50% of basic salary, a company pension contribution of 15%, a car allowance of £417 per month and private medical benefits. The agreement is terminable on twelve months notice to be given by either party.

Paul Hamilton was appointed a director on 8 October 2004. Under an agreement dated 29 October 2004 he was appointed Senior Independent Director. This agreement provides for an annual salary of £30,000 and is terminable on six months notice to be given by either party.

Will David was appointed a director on 8 October 2004. Under an agreement dated 29 October 2004 he was appointed a Non-Executive Director. This agreement provides for an annual salary of £25,000 and is terminable on six months notice to be given by either party.

Allan Rich was appointed a director on 1 June 2005. Under an agreement dated 5 April 2005 he was appointed a Non-Executive Director. His annual salary under this agreement was increased to £50,000 with effect from 1 January 2009 following his appointment as Non-Executive Chairman. This agreement is terminable on three months notice to be given by either party.

Chris Outram was appointed a director on 1 July 2007. Under an agreement dated 20 June 2007 he was appointed a Non-Executive Director. This agreement provides for an annual salary of £25,000 and is terminable on three months notice to be given by either party.

Share Options

In 2004, the Company established an EMI Share Option plan to allow selected employees to share in the success of the Group and promote motivation and retention through the award of tax efficient share options.

A summary of all share option awards to directors can be found in the directors' report on page 15.

In 2004, the Company also established an Unapproved Share Option plan for those individuals not eligible to participate under the EMI Share Option plan and for the award of additional options to the recipients of awards under the EMI Share Option plan.

Vesting of the share options awarded to Mark Scott in November 2004 under the EMI and Unapproved Share Option Plans is not subject to performance conditions but vesting of the share options granted to Mark Bentley in June

2005 under these plans will be subject to the extent to which a performance condition has been achieved over the three years after the award was made. There will be no ability to retest this condition at a later date and vesting will also be conditional on earnings per share increasing in each of the three years after the date of grant. These share options all vested in the year. The performance condition will be based on Cello's compound annual growth rate in earnings per share ("CAGR") in the three years following the date of grant as shown below:

- no awards will vest if CAGR is less than 10%.
- 50% of the awards will vest if CAGR is 10%.
- 100% of awards will vest if CAGR is 15% or more.
- if the CAGR is between 10% and 15% the percentage of the awards vesting will be determined on a straight line basis between 50% and 100%.

On 13 March 2006 the Remuneration Committee approved the establishment of a new Performance Share Plan and agreed that no further awards would be made under the EMI and Unapproved Share Option Plans. Under the Cello Group plc Performance Share Plan 2006, participants are awarded options over fully paid shares with an exercise price equal to the nominal value of shares, currently 10p per share. In addition, prior to 23 October 2007, directors and certain eligible employees who elected to receive up to 50% of cash bonuses, net of tax and national insurance, in the form of shares were granted an award of options over an equal number of shares under the Plan, also at 10p per share.

Options granted prior to 23 October 2007 will be exercisable four years after the date of grant subject to the extent to which a performance condition has been achieved over the three year period after the award was made and subject to the recipients remaining in Cello's employment for a further year. There will be no ability to retest the performance conditions and vesting will also be conditional upon earnings per share increasing in each of the three years after the date of grant. The performance condition will be based on Cello's compound annual growth rate ("CAGR") in earnings per share in the three years following the date of grant as shown below:

- no awards will vest if CAGR is less than 10%.
- 20% of the awards will vest if CAGR is 10%.
- 100% of awards will vest if CAGR is 15% or more.
- if the CAGR is between 10% and 15% the percentage of the awards vesting will be determined on a straight line basis between 20% and 100%.

In October 2007, the Remuneration Committee made a number of changes to the rules of the Performance Share Plan which apply to options granted on or after 23 October 2007. Included in these changes was a reduction from four to three years in the time period which must have elapsed after the date of grant before options may be exercised. Also, with effect from 23 October 2007, the bonus matching option arrangements described above were replaced by a new provision whereby directors and certain eligible employees who purchase shares in the market will be granted options over a similar number of shares. Participation will be at the discretion of the Remuneration Committee with an annual limit on the size of individual awards being set from time to time by the Committee. Vesting of all matching options, whether granted before, on or after 23 October 2007, will be subject to the same performance conditions as those which apply to other options and, in addition, to the participants' continuing to hold at least the same number of shares.

In view of the fact that earnings per share in 2008 were lower than in 2007 all options granted under the PSP have failed to satisfy the performance condition requiring earnings per share to have increased in each of the three years following the date of grant of option.

The market value of the shares at 31 December 2008 was 37.5p and the high and low prices during the year were 117.0p and 35.5p respectively.

On behalf of the Board

Paul Hamilton
Chairman – Remuneration Committee

16 March 2009

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELLO GROUP PLC

We have audited the Group and Parent Company financial statements on pages 26 to 76.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, and the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS"), and for preparing the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement, the Corporate Governance Statement and the report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and;
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

16 March 2009

Consolidated Income Statement

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Continuing operations			
Revenue	1	**139,127**	108,315
Cost of sales		**(72,543)**	(51,503)
Operating income	1	**66,584**	56,812
Administration expenses		**(58,802)**	(48,669)
Headline operating profit	1	**7,782**	8,143
Exceptional items	4	**(1,285)**	–
Amortisation of intangible assets	10	**(858)**	(904)
Acquisition related employee expenses	18	**(647)**	(1,179)
Share option credit/(charge)	23	**450**	(449)
Operating profit	1	**5,442**	5,611
Finance income	2	**243**	211
Finance cost of deferred consideration	3	**(291)**	(468)
Fair value loss on derivative financial instruments	3	**(444)**	–
Other finance costs	3	**(1,134)**	(770)
Profit before taxation	4	**3,816**	4,584
Tax	6	**(1,015)**	(1,478)
Profit for the year		**2,801**	3,106
Attributable to:			
Equity holders of parent		**2,761**	3,074
Minority interest		**40**	32
		2,801	3,106
Earnings per share			
Basic earnings per share	8	**6.45p**	8.44p
Diluted earnings per share	8	**4.87p**	7.28p

Consolidated Balance Sheet

31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
Goodwill	9	**76,291**	77,912
Intangible assets	10	**2,266**	3,005
Property, plant and equipment	11	**3,103**	3,277
Available-for-sale investments	12	**227**	227
Deferred tax assets	21	**1,080**	1,549
Non-current assets		**82,967**	85,970
Trade and other receivables	14	**26,658**	28,720
Cash and cash equivalents	14	**5,065**	6,986
Current assets		**31,723**	35,706
Trade and other payables	15	**(26,633)**	(26,829)
Current tax liabilities		**(708)**	(2,037)
Borrowings	16	**(1,053)**	(950)
Consideration payable in respect of acquisitions	18	**(7,980)**	(15,436)
Obligations under finance leases	19	**(68)**	(70)
Current liabilities		**(36,442)**	(45,322)
Net current liabilities		**(4,719)**	(9,616)
Total assets less current liabilities		**78,248**	76,354
Non-current liabilities			
Borrowings	16	**(13,750)**	(11,750)
Provisions	17	**(6,453)**	(15,145)
Obligations under finance leases	19	**(86)**	(50)
Derivative financial instruments	20	**(444)**	–
Deferred tax liabilities	21	**(616)**	(950)
Net assets		**56,899**	48,459
Equity			
Share capital	22	**4,456**	3,884
Share premium		**31,745**	25,776
Retained earnings		**10,048**	7,692
Capital redemption reserve		**50**	50
Merger reserve		**10,496**	10,496
Share-based payment reserve		**73**	523
Foreign currency reserve		**(47)**	–
Equity attributable to equity holders of parent		**56,821**	48,421
Minority interest		**78**	38
Total equity		**56,899**	48,459

Approved and authorised for issue by the Board on 16 March 2009 and signed on its behalf by

Mark Scott Director

Mark Bentley Director

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Net cash inflow from operating activities before taxation	24a	**9,682**	7,917
Tax paid		**(1,911)**	(2,047)
Net cash inflow from operating activities after taxation		**7,771**	5,870
Investing activities			
Interest received		**243**	211
Purchase of property, plant and equipment		**(1,119)**	(1,773)
Sale of property, plant and equipment		**66**	22
Expenditure on intangible assets		**(119)**	(111)
Proceeds from sale of available-for-sale investments		**–**	50
Purchase of available-for-sale investments		**–**	(137)
Purchase of subsidiary undertakings		**(3,636)**	(6,587)
Net cash outflow from investing activities		**(4,565)**	(8,325)
Financing activities			
Dividends paid to equity holders of the parent		**(556)**	(382)
Repayment of bank loan		**(8,050)**	(3,525)
Repayment of loan notes		**(5,211)**	(1,986)
Drawdown of borrowings		**10,050**	9,225
Capital element of finance lease payments		**(90)**	(72)
Payment of finance lease interest		**(21)**	(24)
Interest paid		**(1,105)**	(743)
Purchase of own shares		**(71)**	(26)
Net cash (outflow)/inflow from financing		**(5,054)**	2,467
Movements in cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents		**(1,848)**	12
Exchange losses on cash and bank overdrafts		**(73)**	–
Cash and cash equivalents at the beginning of the year		**6,986**	6,974
Cash and cash equivalents at end of the year	24b	**5,065**	6,986

Statement of Changes in Equity

Statement of changes in equity for the year ended 31 December 2008 (consolidated):

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share-based Payment Reserve £'000	Foreign Currency Exchange Reserve £'000	Retained Earnings £'000	**Total Attributable to Equity Shareholders £'000**	Minority Interest £'000	**Total Equity £'000**
Profit for the year	–	–	–	–	–	–	2,761	**2,761**	40	**2,801**
Currency translation	–	–	–	–	–	(47)	–	**(47)**	–	**(47)**
Deferred tax recognised directly in equity	–	–	–	–	–	–	222	**222**	–	**222**
Total recognised income in the year	–	–	–	–	–	(47)	2,983	**2,936**	40	**2,976**
At 1 January 2008	3,884	25,776	50	10,496	523	–	7,692	**48,421**	38	**48,459**
Shares issued	572	5,969	–	–	–	–	–	**6,541**	–	**6,541**
Own shares purchased	–	–	–	–	–	–	(71)	**(71)**	–	**(71)**
Debit for share-based incentive schemes	–	–	–	–	(450)	–	–	**(450)**	–	**(450)**
Dividends	–	–	–	–	–	–	(556)	**(556)**	–	**(556)**
As at 31 December 2008	4,456	31,745	50	10,496	73	(47)	10,048	**56,821**	78	**56,899**

Statement of changes in equity for the year ended 31 December 2007 (consolidated):

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share-based Payment Reserve £'000	Foreign Currency Exchange Reserve £'000	Retained Earnings £'000	**Total Attributable to Equity Shareholders £'000**	Minority Interest £'000	**Total Equity £'000**
Profit for the year	–	–	–	–	–	–	3,074	**3,074**	32	**3,106**
Total recognised income for the year	–	–	–	–	–	–	3,074	**3,074**	32	**3,106**
At 1 January 2007	3,448	19,981	50	10,496	74	–	5,026	**39,075**	6	**39,081**
Shares issued	436	5,795	–	–	–	–	–	**6,231**	–	**6,231**
Own shares purchased	–	–	–	–	–	–	(26)	**(26)**	–	**(26)**
Credit for share-based incentive schemes	–	–	–	–	449	–	–	**449**	–	**449**
Dividends	–	–	–	–	–	–	(382)	**(382)**	–	**(382)**
As at 31 December 2007	3,884	25,776	50	10,496	523	–	7,692	**48,421**	38	**48,459**

The merger reserve was created as a result of the placing of shares on 4 November 2004.

The capital redemption reserve arose from the purchase of own share capital.

Consolidated Financial Statements – Accounting Policies

GENERAL INFORMATION

Cello Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The Group's operations consist principally of research, consulting and direct marketing.

These financial statements are presented in pounds sterling as this is the currency of the primary economic environment in which the Group operates.

At the date of authorisation of these financial statements, the following standards and interpretations, which are issued but not yet effective, have not been applied:

- IFRS 1 Revised IFRS 1 First-time adoption of IFRS
- IFRS 2 Share-based payments – Amendment, vesting conditions and cancellations
- IFRS 3 Business combinations – Comprehensive revision on applying the acquisition method
- IFRS 7 Financial Instruments: Disclosures – Amendment; Reclassification of Financial Assets
- IFRS 8 Operating segments
- IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income
- IAS 23 Borrowing Costs – Comprehensive revision to prohibit immediate expensing
- IAS 27 Consolidated and Separate Financial Statements – Amendments arising from IFRS 3
- IAS 27 Consolidated and Separate Financial Statements – Amendment; Cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 28 Investment in Associates – Consequential amendments arising from IFRS 3
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Reclassification of Financial Assets
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items

Amendments to IFRSs arising from Annual Improvements Projects

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 23 Borrowing Costs
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the Group when the relevant standards come into effect for periods commencing after 1 January 2009.

SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments and in accordance with applicable International Financial Reporting Standards as adopted by the European Union (IFRS).

In preparing the consolidated financial statements the Group has adopted the exemption in IFRS 1 not to restate business combinations prior to 1 December 2005.

(2) Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings. The results of any subsidiary undertakings acquired in the year are included in the consolidated income statement from the effective date of acquisition. On acquisition of a business all of the assets and liabilities of that business that exist at the date of acquisition are recorded at fair value. Minority interests represent the portion of profit and or loss and net assets in subsidiaries that is not held by the Group and is presented separately from Group shareholder's equity in the consolidated balance sheet. All intra-group transactions and balances are eliminated on consolidation.

(3) Revenue, cost of sales and revenue recognition

Revenue is recognised as contract activity progresses, in accordance with the terms of the contractual agreement and the stage of completion of the work. It is in respect of the provision of services including fees, commissions, rechargeable expenses and sales of materials performed subject to specific contract. Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as accrued income and where recorded revenue is less than amounts invoiced to clients, the difference is classified as deferred income.

Cost of sales include amounts payable to external suppliers where they are retained at the Group's discretion to perform part of a specific client project or service where the Group has full exposure to the benefits and risks of the contract with the client.

(4) Goodwill and other intangible assets

In accordance with IFRS 3 Business Combinations, goodwill arising on acquisitions is capitalised as an intangible asset. Other intangible assets are also identified and amortised over their useful economic lives on a straight line basis. Examples of these are licences to trade, and client contracts. The useful economic lives vary from 3 months to 8 years. Goodwill is not amortised.

Under IAS 36 Impairment of Assets, the carrying values of all intangible assets are reviewed annually for impairment on the basis stipulated in IAS 36 and adjusted to the recoverable amount. Typically, such a review will entail an assessment of the present value of projected returns from the asset over a 3 to 5 year projection period, and inflation based growth assumptions for subsequent years, to a maximum period of 20 years.

(5) Property, plant and equipment

Property, plant and equipment are stated at historical cost. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset, over their estimated useful economic lives as follows:

Leasehold improvements – Over the remaining term of the lease

Motor vehicles – 25% pa. straight line

Computer equipment – 33% pa. straight line

Fixtures, fittings and office equipment – 25% pa. straight line

(6) Available-for-sale investments

Investments classified as available-for-sale are initially recorded at fair value including transaction costs. Such instruments are subsequently measured at fair value with gains and losses being recognised directly in equity until the instrument is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recycled to the income statement and recognised in profit or loss for the period. Impairment losses are recognised in the income statement when there is objective evidence of impairment.

(7) Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development expenditure is recognised only when the following conditions are met:

- an asset is created that can be identified (such as software or a new process);
- it is probable that the asset created will generate future economic benefit;
- the development cost of the asset can be measured reliably;
- there is the availability of adequate technical, financial or other resources and an intention to complete the development and to use or sell the development.

Internally generated assets are amortised on a straight line basis over their useful lives. Where no internally generated intangible asset can be recognised, the development expenditure is recognised as an expense in the period in which it is incurred.

Under IAS 36 Impairment of Assets, the carrying values of all internally generated intangible assets are reviewed annually for impairment on the basis stipulated in IAS 36 and adjusted to the recoverable amount. Typically, such a review will entail an assessment of the present value of projected returns from the asset over a 3 to 5 year projection period, and an inflation based growth assumptions for subsequent years.

(8) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit or the accounting profit other than those on business combinations.

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

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

(9) Leasing and hire purchase commitments

When the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease or similar hire purchase contract. The asset is recorded at fair value (or present value of minimum lease payments if lower) in the balance sheet as property, plant and equipment and is depreciated over the estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included as a liability. Rentals payable are apportioned between the finance element, which is charged to the income statement, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are treated as operating leases and rentals payable are charged to the income statement on a straight line basis over the lease terms.

(10) Foreign currencies

Sterling is the functional and presentational currency of the Group. Transactions denominated in foreign currencies are initially translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Assets and liabilities are translated at the exchange rate ruling at the balance sheet date with items in the income statement being translated at the average rate for the period. Exchange differences arising on consolidation are recorded in a separate component of equity, but are recognised in the consolidated income statement on disposal of the subsidiary to which they relate.

(11) Pension contributions

Subsidiaries operate defined contribution pension schemes and contribute to the personal pension schemes of certain employees or to a Group personal pension plan. The assets of the schemes are held separately from those of the subsidiary companies in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

(12) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment which requires the fair value of share-based payments to be recognised as an expense. In accordance with the transitional provisions, IFRS 2 has been applied to such equity instruments that were granted after 7 November 2002 and which had not vested by 1 January 2006.

This standard has been applied to various types of share-based payments as follows:

i. Share options
Certain employees receive remuneration in the form of share options. The fair value of the equity instruments granted is measured on the date at which they are granted by using the Black Scholes model, and is expensed to the income statement over the appropriate vesting period.

ii. Acquisition related employee remuneration expenses
In accordance with IFRS 3 Business Combinations and IFRS 2 Share-based Payment, certain payments to employees in respect of earn out arrangements are treated as remuneration within the income statement.

(13) Financial instruments

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

i. Trade receivables
Trade receivables are classified as loans and receivables and are initially recognised at fair value and subsequently measured at amortised cost in accordance with IAS 39 Financial Instruments: recognition and measurement. A provision for impairment is made where there is objective evidence (including customers with financial difficulties

or in default on payments) that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

ii. Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with maturities of less than three months.

iii. Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

iv. Bank borrowings
Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the income statement over the term of the instrument using an effective rate of interest.

v. Trade payables
Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

vi. Derivative financial instruments and hedge accounting
The Group's activities expose the entity primarily to foreign currency and interest rate risk. The Group uses interest rate swap contracts to hedge interest rate exposures.

Interest rate swap contracts are initially recognised at fair value on the date the contract is entered into and subsequently remeasured at their fair value. Changes in the fair value are recorded in the income statement.

(14) Accounting estimates and judgements

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.

ii. Contingent deferred consideration payments in respect of acquisitions.

iii. Recognition of share-based payments.

iv. Valuation of intangible assets.

These estimates are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances and are discussed in more detail in their respective notes. The Group also makes estimates and judgements concerning the future and the resulting estimate may, by definition, vary from the related actual results.

(15) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle this obligation and a reliable estimate can be made of the amount of the obligation. Expected future cash flows to settle provisions are discounted to present value.

(16) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors. The Group's primary format for segment is by business segment and the secondary format is by geographical segment.

1 SEGMENTAL INFORMATION

For management purposes, the Group is organised into two operating groups; Cello Research and Consulting, and Tangible Group. These groups are the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Cello Research and Consulting

The Research and Consulting Group provide both qualitative and quantitative research to a global range of clients across a range of sectors. This research combined with a consulting capability, to define positioning, puts the Group in a unique position to add real value to client relationships.

Tangible Group

The Tangible Group offers direct communication solutions from a mixture of direct mail, email and related response media with a focus on the key delivery areas of response: Direct, Digital and Data.

Segmental information is presented opposite:

1 SEGMENTAL INFORMATION *continued*

2008	Research and Consulting £'000	Tangible Group £'000	Eliminations £'000	Consolidated £'000
Revenue	66,415	72,712	–	139,127
Operating income	39,084	27,500	–	66,584
Headline segment result	6,122	3,708	–	9,830
Unallocated corporate expenses				(2,048)
Headline operating profit				7,782
Segment result	4,669	2,587	–	7,256
Unallocated corporate expenses				(1,814)
Operating profit				5,442
Financing income				243
Finance costs				(1,134)
Fair value loss on derivative financial instruments				(444)
Finance cost of deferred consideration				(291)
Profit before tax				3,816
Capital expenditure	742	501	–	1,243
Capitalisation of intangible assets	–	119	–	119
Depreciation of property, plant and equipment	843	560	–	1,403
Amortisation of intangibles	611	247	–	858
Segment assets	69,055	48,675	(6,532)	111,198
Unallocated corporate assets				2,412
Deferred tax assets				1,080
Consolidated total assets				114,690
Segment liabilities	(23,451)	(17,282)	6,532	(34,201)
Unallocated corporate liabilities				(7,308)
Borrowings				(14,803)
Corporation tax liabilities				(708)
Deferred tax liabilities				(616)
Finance leases				(155)
Consolidated total liabilities				(57,791)

1 SEGMENTAL INFORMATION *continued*

2007	Research and Consulting £'000	Tangible Group £'000	Eliminations £'000	Consolidated £'000
Revenue	50,894	57,421	–	108,315
Operating income	32,891	23,921	–	56,812
Headline segment result	6,204	4,072	–	10,276
Unallocated corporate expenses				(2,133)
Headline operating profit				8,143
Segment result	4,831	3,184	–	8,015
Unallocated corporate expenses				(2,404)
Operating profit				5,611
Financing income				211
Finance costs				(770)
Finance cost of deferred consideration				(468)
Profit before tax				4,584
Capital expenditure	927	846	–	1,773
Capitalisation of intangible assets	481	241	–	722
Depreciation of property, plant and equipment	(695)	(421)	–	(1,116)
Amortisation of intangibles	(671)	(233)	–	(904)
Segment assets	73,284	49,002	(4,462)	117,824
Unallocated corporate assets				2,303
Deferred tax assets				1,549
Consolidated total assets				121,676
Segment liabilities	(29,515)	(26,806)	4,462	(51,859)
Unallocated corporate liabilities				(5,551)
Borrowings				(12,700)
Corporation tax liabilities				(2,037)
Deferred tax liabilities				(950)
Finance leases				(120)
Consolidated total liabilities				(73,217)

1 SEGMENTAL INFORMATION *continued*

The Group's operations are located in the United Kingdom and the USA. No geographical segment is presented as all material assets and liabilities of the Group are held in the United Kingdom.

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

Geographical	**Year ended 31 December 2008 £'000**	Year ended 31 December 2007 £'000
UK	**110,361**	85,339
Rest of Europe	**15,954**	16,195
USA	**11,492**	4,471
Rest of the World	**1,320**	2,310
	139,127	108,315

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest receivable:		
Bank deposits	**243**	211

3 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest payable in respect of liabilities classified at amortised cost:		
On bank loans and overdrafts	**974**	703
On loan notes	**139**	43
In respect of finance leases	**21**	24
	1,134	770
Notional finance costs on future deferred consideration payments	**291**	468
Fair value loss on derivative financial instruments	**444**	–
	1,869	1,238

4 PROFIT FOR THE YEAR

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange gains	**(522)**	(43)
Depreciation of property, plant and equipment: owned assets	**1,314**	1,083
: leased assets	**89**	33
Profit on disposal of property, plant and equipment	**(48)**	(13)
Profit on disposal of available-for-sale investments	**–**	(10)
Amortisation of intangible assets	**858**	904
Operating lease rentals: land and buildings	**2,560**	1,945
: other leases	**310**	214
Exceptional items : staff redundancies	**978**	–
: provision for surplus space on land and buildings	**136**	–
: other	**171**	–
Total exceptional items	**1,285**	–
Auditors' remuneration:		
Fees payable to Baker Tilly UK Audit LLP for:		
– audit services to the parent company	**45**	70
– audit services to subsidiary companies pursuant to legislation	**243**	219
Total audit fees	**288**	289
Non audit fees:		
– taxation services	**96**	99
– interim review	**10**	68
– other services not included above	**8**	20
Total non audit fees	**114**	187
Total auditors' remuneration	**402**	476

In addition to the non-audit fees above charged to the income statement, £nil (2007: £112,000) of services were provided in relation to due diligence advice on acquisitions. These costs have been capitalised within goodwill in the year. All auditors' remuneration was payable to Baker Tilly UK Audit LLP and its associates.

5 STAFF COSTS

The average monthly number of persons (including directors) employed by the Group during the year was as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Cello Research and Consulting	**472**	376
Tangible Group	**361**	282
Head Office	**6**	6
	839	664

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
The aggregate employee costs of these persons were as follows:		
Wages and salaries	**36,873**	30,261
Social security costs	**4,150**	3,366
Other pension costs	**1,024**	928
Acquisition related employee remuneration expense	**647**	1,179
Share-based payments – share options	**(450)**	449
	42,244	36,183

All of the total employee costs above are included in administrative expenses.

5 STAFF COSTS *continued*

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors' emoluments	**758**	828
Social security costs	**90**	99
Money purchase pension contributions	**80**	71
Share-based payments – share options	**(272)**	269
	656	1,267

Included in the above is £267,000 (2007: £272,000) of emoluments and £29,000 (2007: £26,250) of pension contributions paid or payable to the highest paid director.

The number of directors to whom retirement benefits accrued under money purchase pension schemes in the year was 3 (2007: 3).

6 TAXATION

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Current tax:		
UK corporation tax at 28.5% (2007: 30%)	**1,047**	2,455
Foreign tax	**–**	3
Adjustment in respect of prior year	**(466)**	(257)
	581	2,201
Deferred tax:		
Origination and reversal of temporary timing differences	**225**	(750)
Effect of decrease in tax rate on deferred tax assets	**6**	171
Adjustment in respect of prior year	**203**	(144)
	434	(723)
Tax charge	**1,015**	1,478

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

6 TAXATION *continued*

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

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit before taxation	**3,816**	4,584
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	**1,087**	1,375
Tax effect of expenses not deductible for tax purposes	**185**	333
Effect of decrease in tax rate on deferred tax assets	**6**	171
Prior year corporation tax adjustment	**(466)**	(257)
Prior year deferred tax adjustment	**203**	(144)
	1,015	1,478

In addition to the amount charged in the income statement, deferred tax relief in relation to acquisition related employee remuneration expense in excess of the applicable rate of corporation tax expected to be received has been credited directly to equity.

7 EQUITY DIVIDENDS

A final dividend of 0.75p (2007: 0.60p) per ordinary share was paid on 18 June 2008 to all shareholders on the register on 23 May 2008. The total amount of dividend paid was £334,000 (2007: £215,000).

An interim dividend of 0.50p (2007: 0.45p) per ordinary share was paid on 5 November 2008 to all shareholders on the register on 21 September 2008. The total amount of the dividend paid was £222,000 (2007: £167,000).

A final dividend of 0.75p (2007: 0.75p) is proposed and will be paid on 17 June 2009 to all shareholders on the register at 22 May 2009. In accordance with IAS 10 Events After The Balance Sheet Date, this dividend has not been recognised in the consolidated financial statements at 31 December 2008, but if approved will be recognised in the year ending 31 December 2009.

8 EARNINGS PER SHARE

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Earnings attributable to ordinary shareholders	**2,761**	3,074
Adjustments to earnings:		
Exceptional items	**1,285**	–
Amortisation of intangible assets	**858**	904
Share-based payments expense	**(450)**	449
Acquisition related employee remuneration expenses	**647**	1,179
Fair value loss on derivative financial instruments	**444**	–
Notional finance costs on future deferred consideration payments	**291**	468
Tax thereon	**(618)**	(589)
Headline earnings attributable to ordinary shareholders	**5,218**	5,485

	Number	Number
Weighted average number of ordinary shares	**42,831,617**	36,426,361
Dilutive effect of securities:		
Share options	**–**	600,000
Deferred consideration shares to be issued	**13,823,781**	5,198,646
Diluted weighted average number of ordinary shares	**56,655,398**	42,225,007
Further dilutive effect of securities:		
Share options	**–**	1,966,057
Contingent consideration shares to be issued	**9,964,568**	9,385,087
Fully diluted weighted average number of ordinary shares	**66,619,966**	53,576,151

Basic earnings per share	**6.45p**	8.44p
Diluted earnings per share	**4.87p**	7.28p
Fully diluted earnings per share	**4.14p**	5.74p
Headline basic earnings per share	**12.18p**	15.06p
Headline diluted earnings per share	**9.21p**	12.99p
Headline fully diluted earnings per share	**7.83p**	10.24p

Headline earnings per share and fully diluted earnings per share have been presented to provide additional information which may be useful to the readers of this statement.

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, determined in accordance with the provisions of IAS 33 Earnings Per Share.

8 EARNINGS PER SHARE *continued*

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.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

The Group has two categories of potentially dilutive shares; being share options granted where the exercise price is less than the average price of the Company's ordinary shares during the year and shares to be issued as deferred consideration on completed acquisitions.

9 GOODWILL

	Notes	**2008 £'000**	2007 £'000
Cost			
At 1 January 2008		**77,912**	55,519
Goodwill arising on acquisitions in the year	23c	**–**	24,673
Adjustment to goodwill on prior year acquisitions		**(1,621)**	(2,280)
At 31 December 2008		**76,291**	77,912

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

The adjustment to goodwill on prior year acquisitions relates to changes in estimates to deferred consideration payable under earn out arrangements in accordance with the term of the relevant acquisition agreements.

In accordance with the Group's accounting policy the carrying value of goodwill allocated to each cash generating unit is reviewed annually for impairment. The review entails an assessment of the present value of projected return from an asset over a period of up to 5 years, with an RPI based growth rate assumptions for future years after that. The discount rate used is the Group's estimated weighted average cost of capital, which is currently 7.4%, risk adjusted for the business acquired as appropriate.

The review performed at the year end did not result in the impairment of goodwill as the estimated recoverable amount exceeded the carrying value.

10 INTANGIBLE ASSETS

	Development costs £'000	Client contracts £'000	Licences £'000	Total £'000
Cost				
At 1 January 2007	–	669	3,209	3,878
Arising on acquisitions in the year	–	611	–	611
Expenditure on development	111	–	–	111
At 31 December 2007	111	1,280	3,209	4,600
Expenditure on development	119	–	–	119
At 31 December 2008	230	1,280	3,209	4,719
Amortisation				
At 1 January 2007	–	290	401	691
Charge for the year	–	503	401	904
At 31 December 2007	–	793	802	1,595
Charge for the year	35	422	401	858
At 31 December 2008	35	1,215	1,203	2,453
Net book value				
At 31 December 2008	195	65	2,006	2,266
At 31 December 2007	111	487	2,407	3,005
At 1 January 2007	–	379	2,808	3,187

Client contracts and licences are amortised over their useful economic lives which range from 3 months to 8 years.

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Computer equipment £'000	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2007	1,391	1,655	732	342	4,120
Acquisitions	28	176	107	14	325
Additions	486	777	465	45	1,773
Disposals	(55)	(151)	(318)	(88)	(612)
At 31 December 2007	1,850	2,457	986	313	5,606
Additions	117	820	124	182	1,243
Disposals	(49)	(244)	(84)	(179)	(556)
Exchange differences	–	15	7	–	22
At 31 December 2008	1,918	3,048	1,033	316	6,315
Depreciation					
At 1 January 2007	385	974	282	175	1,816
Charge for the year	196	645	172	103	1,116
Disposals	(55)	(289)	(180)	(79)	(603)
At 31 December 2007	526	1,330	274	199	2,329
Charge for the year	231	838	245	89	1,403
Disposals	(48)	(238)	(80)	(172)	(538)
Exchange differences	–	13	5	–	18
At 31 December 2008	709	1,943	444	116	3,212
Net book value					
At 31 December 2008	1,209	1,105	589	200	3,103
At 31 December 2007	1,324	1,127	712	114	3,277
At 1 January 2007	1,006	681	450	167	2,304

The net book value of property, plant and equipment of the Group includes £175,000 (2007: £66,000) of motor vehicles and £28,000 (2007: £23,000) of other equipment in respect of assets held under finance leases.

12 AVAILABLE-FOR-SALE INVESTMENTS

	2008 £'000	2007 £'000
At 1 January 2008	**227**	65
Purchase of available-for-sale investments	**–**	162
At 31 December 2008	**227**	227

The Group holds 163,936 shares at 30.5p per share (0.5%) in Pixel Interactive Media Limited, a company listed on the AIM Market. This company is an Asia-Pacific based interactive media business. The market value of this investment at 31 December 2008 was £19,672, at 12p per share.

The Group holds 20% of the share capital in TMI Training Consultants Limited, an unquoted company incorporated in the Republic of Ireland. This company provides brand consulting and training services. This investment is not being treated as an associate on the grounds of materiality.

The Group holds 21% of the share capital in nqual Limited, an unquoted company. nqual is an innovative supplier of online qualitative market research solutions. This investment is not being treated as an associate on the grounds of materiality.

No impairment losses were recognised in the year ended 31 December 2008 (2007: £nil) and book value is materially equal to fair value.

13 SUBSIDIARIES

Details of the Company's subsidiary undertakings as at 31 December 2008 are as follows:

Company name	Country of incorporation/ principal operation	Class of share	Proportion of nominal value of issued shares held	Principal activity
Held directly:				
2CV Limited	England	Ordinary	100%	RC
Chiaros Holdings Limited	England	Ordinary	100%	RC
Digital People Online Limited	England	Ordinary	51%	RC
Farm Communications Limited	England	Ordinary	100%	D
Fenix Media Limited*	England	Ordinary	23.2%	T
Hill Murray Group Limited	England	Ordinary	100%	T
Insight Medical Research Limited	England	Ordinary	100%	RC
Leapfrog Research and Planning Limited	England	Ordinary	100%	RC
Magnetic Advertising Company Limited	Scotland	Ordinary	100%	T
Market Research International Limited	England	Ordinary	100%	RC
OMP Services Limited	England	Ordinary	50.1%	T
Richmark Group Inc	USA	Ordinary	100%	RC
Rosenblatt Limited	England	Ordinary	75%	RC
RS Consulting (Holdings) Limited	England	Ordinary	100%	RC
SMT Consulting Limited	England	Ordinary	100%	RC
Tangible Group Limited	England	Ordinary	100%	H
Target Direct (Holdings) Limited	England	Ordinary	100%	T
The MSI Consultancy Limited	England	Ordinary	100%	RC
The Value Engineers Limited	England	Ordinary	100%	RC
Held indirectly:				
2CV inc	USA	Ordinary	100%	RC
Blonde Digital Limited	Scotland	Ordinary	84%	T
Brightsource Limited	England	Ordinary	100%	T
Cello MRUK Research Limited	England	Ordinary	100%	RC
Consensus Research International Limited	England	Ordinary	100%	T
Field Management Limited	Scotland	Ordinary	100%	D
Insight Associates Limited	England	Ordinary	100%	D
Insight Research Group Limited	England	Ordinary	100%	D
Insight Research Group USA Inc	USA	Ordinary	100%	RC
Intangibles Measurement & Management Limited	England	Ordinary	100%	RC
Kudos Research Limited	England	Ordinary	100%	RC
Labinah Management Limited	England	Ordinary	100%	RC
Market Research Europe Limited	England	Ordinary	100%	RC
Market Research Scotland Limited	Scotland	Ordinary	100%	RC
Market Research UK Group Limited	England	Ordinary	100%	RC
Market Research Wales Limited	England	Ordinary	100%	RC
Navigator Responsive Advertising Limited	Scotland	Ordinary	100%	T
Newco Navigator Limited	Scotland	Ordinary	100%	T
RS Consulting Limited	England	Ordinary	100%	RC
RS Consulting Trustees Limited	England	Ordinary	100%	D
Silvermills Holdings Limited	Scotland	Ordinary	100%	T
Silvermills Trustees Limited	Scotland	Ordinary	100%	T
Stripe PR and Communications Limited	Scotland	Ordinary	84%	T
Tangible Data Limited	England	Ordinary	100%	T
Tangible Financial Limited	England	Ordinary	100%	T
Tangible Leith Limited	Scotland	Ordinary	100%	T
Tangible Response Limited	England	Ordinary	100%	T
Target 7-26 Limited	England	Ordinary	100%	T
The Leith Agency Limited	Scotland	Ordinary	100%	T
The Marvel Agency Limited	Scotland	Ordinary	100%	T

*Fenix Media Limited is included as a subsidiary as Cello Group plc has options over the remaining 76.8% of the shares in Fenix Media Limited and under the option agreement Cello has the power to govern the financial and operating policies of Fenix Media Limited.

RC = Cello Research and Consulting
H = Holding company
T = Tangible Group
D = Dormant

14 CURRENT ASSETS

	2008 £'000	2007 £'000
Trade and other receivables		
Trade receivables	**19,759**	21,308
Other receivables	**1,287**	1,777
Prepayments and accrued income	**5,612**	5,635
	26,658	28,720

The average credit period taken on the provision of services was 53 days (2007: 72 days).

The directors consider that the carrying value of trade and other receivables approximates to fair value.

	2008 £'000	2007 £'000
Cash and cash equivalents		
Cash and cash equivalents	**5,065**	6,986

Cash of £1,053,000 (2007: £950,000) is maintained in a designated account with The Royal Bank of Scotland plc as security for the loan notes issued on acquisitions and is therefore not freely available to the Group.

Credit Risk

The Group's principal financial assets are bank balances and cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade debtors. Amounts presented in the balance sheet are net of allowances for doubtful debts. Allowance for doubtful debts was nil at 31 December 2008 (2007: £nil).

The credit risk on bank balances is considered to be limited.

The Group has no significant concentration of credit risk, with exposure spread over a large number of clients.

15 TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Trade payables	**11,818**	11,850
Other taxation and social security costs	**3,658**	3,555
Accruals and deferred income	**10,382**	10,699
Other payables	**775**	725
	26,633	26,829

16 BORROWINGS

	2008 £'000	2007 £'000
Bank loans	**13,750**	11,750
Loan notes	**1,053**	950
	14,803	12,700

The borrowings are repayable as follows:		
– on demand or within one year	**1,053**	950
– in more than one year but not more than five years	**13,750**	11,750
	14,803	12,700

Bank loans

The Group has a revolving credit facility of £20.0m of which £6.25m is undrawn at the year end. The revolving credit facility reduces to £17.0m on 1 January 2010.

This revolving credit facility bears interest at 2.25% over LIBOR and is secured by a floating charge over all assets of the Group. The average interest rate on the revolving credit facility in the year was 6.4% (2007: 6.9%).

Loan notes

Loan notes have been issued as part of the consideration for certain acquisitions. Secured loan notes are secured on cash deposits and by way of guarantee. Cash deposits provided as security are included within cash and cash equivalents and amount to £1,053,000. Loan notes bear interest at the following rates:

	2008 £'000	2007 £'000
Secured		
LIBOR less 2%	**956**	883
LIBOR	**97**	67
	1,053	950

17 PROVISIONS

	2008 £'000	2007 £'000
Contingent consideration for acquisitions	**6,453**	15,145

18 DEFERRED CONSIDERATION FOR ACQUISITIONS

	2008 £'000	2007 £'000
At 1 January 2008	**30,581**	19,590
Payments made in the year	**(15,240)**	(1,485)
Additions in the year	**–**	13,109
Adjustment to provision for additions in prior years	**(1,846)**	(2,280)
Acquisition related employee remuneration expense	**647**	1,179
Notional finance costs on future deferred consideration payments	**291**	468
At 31 December 2008	**14,433**	30,581
In one year or less:		
Consideration for which all conditions have been met	**7,980**	15,436
In more than one year but not more than five years:		
Contingent consideration for acquisitions	**6,453**	15,145
At 31 December 2008	**14,433**	30,581
Analysis of consideration for which all conditions have been met:		
Cash liabilities	**3,315**	9,013
Shares to be issued	**4,665**	6,423
	7,980	15,436
Analysis of the contingent consideration in the consolidated financial statements is as follows:		
Earn out related cash liabilities	**2,475**	5,685
Shares to be issued	**3,978**	9,460
	6,453	15,145

Acquisitions made by the Group typically involve an earn out agreement whereby the consideration payable includes a deferred element that is contingent on the future financial performance of the acquired entity.

Earn out payments are to be in cash (or loan notes) and shares; in the analysis above the minimum percentage of cash (or loan notes) has been assumed. However, at the Group's sole discretion, this percentage can be increased.

Conditions have substantially been met on £7,980,000 of earn out and other consideration which is payable in 2009.

The provision for contingent 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. The cash (or loan note) element of the provision is discounted to present value at the company's borrowing rate.

18 DEFERRED CONSIDERATION FOR ACQUISITIONS *continued*

If the remaining earn out conditions are met, based on current expectations, £2.0m of the consideration will become payable in 2010, £3.3m in 2011 and the remaining £1.2m is payable in 2012 or later.

As a result of a review of contingent consideration at the year end, the directors' best estimate of contingent consideration payable in respect of acquisitions prior to 1 January 2008 has decreased the provision for consideration payable by £1.85m.

19 OBLIGATIONS UNDER FINANCE LEASES

A maturity analysis of obligations under finance leases is shown below:

	2008 £'000	2007 £'000
Finance leases which expire:		
– within one year	**68**	70
– in more than one year but not more than five years	**86**	50
	154	120

The Group's policy is to lease certain of its plant, property and equipment under finance leases. The average lease term is 3 years. The average effective borrowing rate is 15% (2007: 16%). Interest rates are fixed at the contract date and all leases are on a fixed repayment basis.

All lease obligations are denominated in sterling.

The fair value of the Group's obligations approximates to their carrying value.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2008 £'000	2007 £'000
Cap and collar interest rate hedge at fair value	**444**	–
	444	–

On 22 October 2007, the Group entered into a nil cost cap and collar interest rate hedge over £10.0m of borrowings, reducing to £9.0m on 1 January 2009 and £7.0m on 1 January 2010. The cap and collar are limited to LIBOR at 6.5% with a floor of 5.01%. At 31 December 2008 the fair value of this hedge is a liability of £444,000 (2007: £nil).

The Group's derivative financial instruments are designated as non-current liabilities as the hedging contract expires on 31 December 2010.

21 DEFERRED TAXATION

The deferred tax asset of £1,080,000 (2007: £1,549,000) and deferred tax liability of £616,000 (2007: £950,000) recognised in the financial statements is set out below:

	2008 £'000	2007 £'000
Deferred tax assets		
Unrelieved tax losses carried forward	**45**	65
Other timing differences	**312**	415
Unrelieved share-based payment expense	**–**	91
Unrelieved acquisition related employee remuneration expense	**599**	978
Unrelieved loss on derivative financial instruments	**124**	–
	1,080	1,549
Deferred tax liabilities		
Accelerated capital allowances	**(36)**	(81)
Temporary difference between the net book value and the tax value of intangible assets	**(580)**	(869)
	(616)	(950)
	464	599

The movement for the year is analysed as follows:

	2008 £'000	2007 £'000
At 1 January 2008	**599**	59
Income statement	**(434)**	723
Recognised directly in equity	**222**	–
On acquisitions	**–**	(183)
Revaluation due to change in tax rate	**54**	–
Foreign exchange differences	**23**	–
At 31 December 2008	**464**	599

Deferred tax has been calculated using rates that are expected to apply when the asset or liability is expected to be realised or settled.

22 SHARE CAPITAL

	Authorised number of shares	Allotted, issues and fully paid number of shares	Share capital £'000
At 1 January 2007	50,000,000	34,485,327	3,448
Movements in the year	–	4,358,525	436
At 31 December 2007	50,000,000	38,843,852	3,884
Movements in the year	–	5,717,751	572
At 31 December 2008	50,000,000	44,561,603	4,456

The Company has one class of ordinary shares which carry no right to fixed income.

On 29 January 2007, 119,426 ordinary shares of 10p each were issued to the vendors of Rosenblatt Limited/Digital People Online Limited at a value of 125.6p as part of the consideration for acquisition.

On 30 March 2007, 1,198,402 ordinary shares of 10p each were issued to the vendors of The MSI Consultancy Limited at a value of 150.2p as part of the consideration for acquisition.

On 8 June 2007, 506,757 ordinary shares of 10p each were issued to the vendors of MRUK Research Limited at a value of 148.0p as part of the consideration for acquisition.

On 30 July 2007, 145,255 ordinary shares of 10p each were issued to the vendors of Farm Communications Limited at 154.9p as part of a deferred consideration in respect of the acquisition of the company on 26 June 2006.

On 6 July 2007, 127,307 ordinary shares of 10p each were issued to the vendors of Hill Murray Group Limited at a value of 150.5p as part of the consideration for acquisition.

On 17 September 2007, 505,415 ordinary shares of 10p each were issued to the vendors of Magnetic Advertising Company Limited at a value of 138.5p as part of the consideration for acquisition.

On 26 September 2007, 425,232 ordinary shares of 10p each were issued to the vendors of SMT Consulting Limited at 127.0p as part of a deferred consideration in respect of the acquisition of the company on 26 September 2006.

On 23 October 2007, 1,330,731 ordinary shares of 10p each were issued to the vendors of 2CV Limited at a value of 140.9p as part of the consideration for acquisition.

On 28 March 2008, 67,725 ordinary shares of 10p each were issued to employees of the Group at a value of 113.0p pursuant to the terms of the deferred consideration contained within the share purchase agreement with SMT Consulting Limited, a wholly owned subsidiary.

On 17 April 2008, 5,650,026 ordinary shares of 10p each were issued at a value of 114.0p to employees of the Group and vendors of Insight Medical Research Limited, Silvermills Holdings Limited, Tangible Communications Limited, Hill Murray Group Limited and Target Direct (Holdings) Limited, all wholly owned subsidiaries, pursuant to the terms of the share purchase agreements of these companies.

23 SHARE-BASED PAYMENTS

Options

The Group has three share option schemes.

EMI Share Option Scheme and Unapproved Share Option Scheme

In 2004, the Company established an EMI Share Option Scheme plan and an Unapproved Share Option Scheme. 600,000 share options awarded under these schemes have no performance related vesting criteria and expire on 1 November 2014. 163,266 share options awarded under these schemes can be exercised from 1 June 2008 until 1 June 2015 on a sliding scale subject to earnings per share growth in the three years from the date of grant. On 13 March 2006, the Remuneration Committee agreed that no further awards would be made under these plans. The range of exercise prices of options granted under these schemes is 100.0p to 122.5p being the market value of the shares at the date of grant of the options.

PSP Option Scheme

On 13 March 2006 the Company established a new Performance Share Plan. Under this plan participants are awarded options over fully paid shares with an exercise price equal to the nominal value of shares, currently 10p per share. Options are exercisable three or four years after grant subject to the extent to which an earnings per share growth criteria of up to 15% compound has been met and to the extent that earnings per share has not dropped in any year.

The following share options were outstanding under these share option schemes at 31 December 2008 and 31 December 2007.

	31 December 2008		31 December 2007	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	**3,338,617**	**32**	1,264,861	67
Granted during the year	**987,000**	**10**	2,143,756	10
Lapsed during the year	**(3,562,351)**	**10**	(70,000)	10
Outstanding at the end of the year	**763,266**	**105**	3,338,617	32
Exercisable at the end of the year	**763,266**	**105**	600,000	100

The Group uses a Black Scholes model to calculate the fair value of options. The key inputs are as follows:

	EMI Options	Unapproved Options	PSP Options 2007	**PSP Options 2008**
Weighted average share price	115p	115p	148p	**126p**
Weighted average exercise price	123p	123p	10p	**10p**
Expected volatility	17.6%	17.6%	17.6%	**17.6%**
Expected life	3 years	3 years	3.8 years	**3 years**
Risk free rate	6.75%	6.75%	6.75%	**6.00%**
Dividend yield	1%	1%	1%	**1%**
Weighted average remaining contractual life	6 years	6 years	8.5 years	**9.5 years**

23 SHARE-BASED PAYMENTS *continued*

Expected volatility has been determined by calculating the historical volatility of the Group's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

At 31 December 2008, 281,633 EMI options (2007: 200,000) and 481,633 unapproved options, (2007: 400,000) had vested. No share options under the PSP scheme have vested at 31 December 2008 (2007: nil).

The fair value of options granted in the year was £967,000 (2007: £1,694,000).

The Group recognised a credit of £450,000 (2007: charge of £449,000) in the year in relation to equity settled share-based payment transactions, as the performance criteria were not met on the PSP option scheme.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit for the year to net cash inflow from operating activities

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit for the year	**2,801**	3,106
Finance income	**(243)**	(211)
Finance costs of deferred consideration	**291**	468
Fair value loss on derivative financial instruments	**444**	–
Other finance costs	**1,134**	770
Tax	**1,015**	1,478
Depreciation	**1,403**	1,116
Amortisation	**858**	904
Share-based payment expense	**(450)**	449
Acquisition related employee remuneration expense	**647**	1,179
Profit on disposal of property, plant and equipment	**(48)**	(13)
Profit on disposal of available-for-sale investments	**–**	(10)
Decrease/(increase) in receivables	**2,062**	(4,617)
(Decrease)/increase in payables	**(232)**	3,298
Net cash inflow from operating activities	**9,682**	**7,917**

(b) Analysis of net debt

	At 1 January 2008 £'000	Cash flow £'000	Foreign exchange £'000	**At 31 December 2008 £'000**
Cash and cash equivalents	6,986	(1,848)	(73)	**5,065**
Loan notes	(950)	(103)	–	**(1,053)**
Bank loans	(11,750)	(2,000)	–	**(13,750)**
Finance leases	(120)	(34)	–	**(154)**
	(5,834)	(3,985)	(73)	**(9,892)**

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *continued*

(c) Purchase of subsidiary undertakings

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Fair value of assets and liabilities acquired:		
Property, plant and equipment	–	325
Receivables	–	5,747
Cash and cash equivalents	–	3,130
Payables	–	(5,546)
Goodwill	–	24,673
Intangible assets	–	611
	–	28,940
Consideration satisfied by:		
Cash	–	8,543
Loan notes issued	–	906
Shares allotted	–	5,466
Deferred consideration	–	13,085
Costs of acquisition	–	940
	–	28,940

25 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings 2008 £'000	Land and buildings 2007 £'000	**Other 2008 £'000**	Other 2007 £'000
Within one year	**2,621**	2,007	**280**	183
In more than one year but not more than five years	**6,248**	6,130	**309**	834
after five years	**1,935**	3,243	**–**	40
	10,804	11,380	**589**	1,057

26 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The key management personnel of the Group are considered to be the directors. Further information about the remuneration of the directors is provided in the Report of the Remuneration Committee on pages 20 to 23 and in note 5 to the consolidated financial statements.

27 CONTINGENT LIABILITIES

Under the terms of certain acquisition agreements, additional consideration is payable by the Company contingent on the future financial performance of the acquired entities. The estimated amount of such contingent consideration is included in Provisions (note 17 to the consolidated financial statements).

28 FINANCIAL INSTRUMENTS

Financial risk management
The Group's activities expose the Group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme.

Maturity analysis
The table below analyses the Group's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on period outstanding at the balance sheet date up to the contractual maturity date.

2008	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
Bank loans	–	–	13,750	13,750
Derivative financial instruments	–	–	444	444
Loan notes	1,053	–	–	1,053
Finance leases	34	34	86	154
Trade payables	11,818	–	–	11,818
Accruals	6,236	–	–	6,236
Other payables	775	–	–	775
Total	19,916	34	14,280	34,230
2007				
Bank loans	–	–	11,750	11,750
Loan notes	950	–	–	950
Finance leases	35	35	50	120
Trade payables	11,850	–	–	11,850
Accruals	6,626	–	–	6,626
Other payables	725	–	–	725
Total	20,186	35	11,800	32,021

The Group monitors rolling forecasts of the Group's liquidity position on the basis of expected operating cash flow.

In addition, at 31 December 2008, the Group had a committed undrawn bank facility of £6.25m (2007: £8.25m) which can be accessed as considered necessary. This facility expires on 31 December 2010.

28 FINANCIAL INSTRUMENTS *continued*

Foreign currency risk

The Group operates in a number of markets across the world and is exposed to foreign exchange risk arising from various currency exposures in respect of trade receivables and trade payables, in particular with respect to the US dollar and the euro.

Sensitivity analysis

The Group has derived the following sensitivities based on variations of 30% in the US dollar and the euro.

	2008 £'000	2007 £'000
Impact on equity and profit after tax		
30% increase in US dollar fx rate against pound sterling	**(48)**	(48)
30% decrease in US dollar fx rate against pound sterling	**89**	89
30% increase in euro fx rate against pound sterling	**(48)**	(66)
30% decrease in euro fx rate against pound sterling	**88**	123

Interest rate risk

The Group's interest rate exposure arises mainly from its floating rate interest bearing borrowings.

The table below shows the Group's financial assets and liabilities split by those bearing floating rates and those that are non-interest bearing.

Financial assets **2008**	Floating rate £'000	Non-interest bearing £'000	Total £'000
Available-for-sale investments	–	227	227
Cash and cash equivalents	5,065	–	5,065
Trade receivables	–	19,759	19,759
Other receivables	–	1,286	1,286
Accrued income	–	2,016	2,016
	5,065	23,288	28,353
2007			
Available-for-sale investments	–	227	227
Cash and cash equivalents	6,986	–	6,986
Trade receivables	–	21,308	21,308
Other receivables	–	1,777	1,777
Accrued income	–	1,850	1,850
	6,986	25,162	32,148

28 FINANCIAL INSTRUMENTS *continued*

Financial liabilities 2008	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Trade payables	–	–	11,818	11,818
Accruals	–	–	6,236	6,236
Other payables	–	–	775	775
Bank loans	–	13,750	–	13,750
Derivative financial instruments	–	444	–	444
Loan notes	–	1,053	–	1,053
Obligations under finance leases	154	–	–	154
	154	15,247	18,829	34,230
2007				
Trade payables	–	–	11,850	11,850
Accruals	–	–	6,626	6,626
Other payables	–	–	725	725
Bank loans	–	11,750	–	11,750
Loan notes	–	950	–	950
Obligations under finance leases	120	–	–	120
	120	12,700	19,201	32,021

Sensitivity analysis

The Group has derived a sensitivity analysis based on 50% variances in floating interest rates.

	2008 £'000	2007 £'000
Impact on equity and profit after tax		
50% increase in base rate of interest	**(36)**	(216)
50% decrease in base rate of interest	**15**	161

Credit risk exposure

Credit risk predominantly arises from financial asset investments, lease and trade receivables and cash and cash equivalents.

The Group's maximum exposure to credit risk, relating to its financial assets is equivalent to their carrying value as disclosed below. All financial assets have a fair value which is equal to their carrying value.

	2008 £'000	2007 £'000
Maximum exposure to credit risk		
Available-for-sale investments	**227**	227
Trade and other receivables	**21,045**	23,085
Cash and cash equivalents	**5,065**	6,986
	26,337	30,298

28 FINANCIAL INSTRUMENTS *continued*

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future.

The Group considers its capital to include share capital, share premium, retained earnings, interest in own shares and net debt as noted below.

Net debt includes short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

	31 December 2008 £'000	31 December 2007 £'000
Total debt	**14,957**	12,820
Less: cash and cash equivalents	**(5,065)**	(6,986)
Net debt	**9,892**	5,834
Total equity	**56,899**	48,459
Debt to capital ratio	**0.17**	0.12

The Group does not have any externally imposed capital requirements.

Finance income

An analysis of finance income is set out in note 2 to the consolidated financial statements.

Finance costs

An analysis of interest payable and similar charges is set out in note 3 to the consolidated financial statements.

28 FINANCIAL INSTRUMENTS *continued*

Financial instruments recognised in the balance sheet

2008	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Non-current financial assets			
Available-for-sale investments	–	227	227
	–	227	227
Current financial assets			
Trade receivables	19,759	–	19,759
Other receivables	1,286	–	1,286
Accrued income	2,016	–	2,016
Cash and cash equivalents	5,065	–	5,065
	28,126	–	28,126

	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000	Total £'000
Current financial liabilities			
Trade payables	11,818	–	11,818
Accruals	6,236	–	6,236
Other payables	775	–	775
Obligations under other finance leases	68	–	68
	18,897	–	18,897
Non-current financial liabilities			
Bank loans	13,750	–	13,750
Derivative financial instruments	–	444	444
Loan notes	1,053	–	1,053
Obligations under finance leases	86	–	86
	14,889	444	15,333

28 FINANCIAL INSTRUMENTS *continued*

2007	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Non-current financial assets			
Available-for-sale investments	–	227	227
	–	227	227
Current financial assets			
Trade receivables	21,308	–	21,308
Other receivables	1,777	–	1,777
Accrued income	1,850	–	1,850
Cash and cash equivalents	6,986	–	6,986
	31,921	–	31,921

	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000	Total £'000
Current financial liabilities			
Trade payables	11,850	–	11,850
Accruals	6,626	–	6,626
Other payables	725	–	725
Obligations under other finance leases	70	–	70
	19,271	–	19,271
Non-current financial liabilities			
Bank loans	11,750	–	11,750
Loan notes	950	–	950
Obligations under finance leases	50	–	50
	12,750	–	12,750

Available-for-sale investments

Details of available-for-sale investments are given in note 12 to the consolidated financial statements.

Financial assets

Financial assets comprise trade and other receivables and cash and cash equivalents.

28 FINANCIAL INSTRUMENTS *continued*

Trade and other receivables are as follows:

	2008 £'000	2007 £'000
Trade receivables	**19,759**	21,308
Other receivables	**1,286**	1,777
Accrued income	**2,016**	1,850
	23,061	24,935

The average credit period taken is 53 days (2007: 72 days).

The Group holds no collateral against these receivables at the balance sheet date.

The following table provides analysis of trade and other receivables that were past due at 31 December, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers. There are no material bad debt provisions at either 31 December 2008 or 31 December 2007.

	2008 £'000	2007 £'000
Up to three months	**22,321**	23,918
Up to six months	**740**	1,017
	23,061	24,935

There are no significant credit risks arising from financial assets that are neither past due nor impaired.

At 31 December 2008, £21,609,000 (2007: £22,805,000) of receivables were denominated in sterling, £571,000 (2007: £916,000) in dollars and £881,000 (2007: £1,214,000) in euros.

The directors consider that the carrying amount of trade and other receivables to be equal to their fair value.

Cash and cash equivalents of £5.1m (2007: £7.0m) comprise cash and short-term deposits held by the Group. The carrying amount of these assets equals their fair value.

Bank loans and overdrafts

	2008 £'000	2007 £'000
Bank loans	**13,750**	11,750

All loans in both years are denominated in sterling.

The weighted average interest rates paid were:	2008	2007
Bank overdrafts	**6.0%**	6.5%
Bank loans	**6.9%**	6.9%

28 FINANCIAL INSTRUMENTS *continued*

The directors estimate that the fair value of the Group's borrowings is not significantly different to the carrying value.

In October 2007 the Group entered into a new £20.0m revolving credit facility with Royal Bank of Scotland plc. This facility was revised in December 2008. Under the revised terms the facility is available until October 2010 and reduces to £17.0m on 1 January 2010. The interest rate payable is 2.25% above LIBOR. In addition, the Group has a £2.0m working capital facility which is also agreed until January 2010 and which is priced at 2.25% above the Bank of England base rate.

Obligations under finance leases

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 to 4 years. For the year ended 31 December 2008, the average effective borrowing rate was 15%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in pounds sterling.

The fair value of the Group's lease obligations equals their carrying amount.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. The net book value of the secured assets is disclosed in note 11 to the consolidated financial statements.

Other financial liabilities

Trade and other payables are as follows:

	2008 £'000	2007 £'000
Trade payables	**11,818**	11,850
Accruals	**6,236**	6,626
Other payables	**775**	725
	18,829	19,201

At 31 December 2008, £17.9m (2007: £18.1m) of payables were denominated in sterling, £0.3m (2007: £0.6m) in dollars and £0.6m (2007: £0.5m) in euros.

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 43 days (2007: 45 days).

The directors consider that the carrying amount of trade payables to be equal to their fair value.

Derivative financial instruments

In 2007 the Group entered into a nil cost cap and collar interest rate hedge arrangement whereby £10.0m, reducing to £9.0m in 2009 and £7.0m in 2010, of the Group's borrowings under the loan agreement is subject to a maximum LIBOR interest rate of 6.50% and a minimum of 5.01% pa. The fair value attributed to this instrument at 31 December 2008 is a liability of £444,000 (2007: nil).

Company Balance Sheet

31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
FIXED ASSETS			
Tangible assets	1	**30**	13
Investments	2	**89,262**	90,962
		89,292	90,975
CURRENT ASSETS			
Debtors	3	**5,453**	3,285
Cash at bank and in hand		**1,056**	954
		6,509	4,239
CREDITORS: Amounts falling due within one year	4	**(21,308)**	(26,986)
NET CURRENT LIABILITIES		**(14,799)**	(22,747)
TOTAL ASSETS LESS CURRENT LIABILITIES		**74,493**	68,228
CREDITORS: Amounts falling due after more than one year	5	**(13,750)**	(11,750)
PROVISIONS FOR LIABILITIES	6	**(5,890)**	(14,242)
NET ASSETS		**54,853**	42,236
CAPITAL AND RESERVES			
Called up share capital	10	**4,456**	3,884
Share premium account	12	**31,745**	25,776
Capital redemption reserve	12	**50**	50
Merger reserve	12	**10,496**	10,496
Share-based payment reserve	12	**73**	523
Profit and loss account	12	**8,033**	1,507
EQUITY SHAREHOLDERS' FUNDS	13	**54,853**	42,236

Approved and authorised for issue by the Board on 16 March 2009 and signed on its behalf by

Mark Scott Director
Mark Bentley Director

Company Financial Statements – Accounting Policies

for the year ended 31 December 2008

1 BASIS OF ACCOUNTING

The Company financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). As permitted by section 230 of The Companies Act 1985, the Company's profit and loss account has not been presented.

2 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset, over their estimated useful economic lives as follows:

Computer equipment	33% pa. straight line
Fixtures, fittings and office equipment	25% pa. straight line

3 INVESTMENTS

Fixed asset investments are stated at cost less provision for any impairment in value.

4 DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable against suitable taxable profits in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

5 SHARE-BASED PAYMENTS

The Company has applied the requirements of FRS 20 Share-based Payment which requires the fair value of share-based payments to be recognised as an expense. In accordance with the transitional provisions, FRS 20 has been applied to such equity instruments that were granted after 7 November 2002 and which had not vested by 1 January 2006.

This standard has been applied to various types of share-based payments as follows:

i. Share options
   Certain employees receive remuneration in the form of share options. The fair value of the equity instruments granted is measured on the date at which they are granted by using the Black Scholes model, and is expensed to the profit and loss account over the appropriate vesting period.

5 SHARE-BASED PAYMENTS *continued*

ii. Acquisition related employee remuneration expenses

Having regard to the basis for conclusions behind FRS 20 and in accordance with FRS 18 Accounting Policies, these payments are treated as remuneration within the profit and loss account of subsidiary companies.

6 PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle this obligation and a reliable estimate can be made of the amount of the obligation. Expected future cashflows to settle provisions are discounted to present value.

7 RELATED PARTY TRANSACTIONS

In accordance with FRS 8 Related Parties, the company is exempt from disclosing transactions with its subsidiaries as they are included in the consolidated financial statements.

Company Financial Statements – Accounting Policies

(continued)

for the year ended 31 December 2008

1 TANGIBLE FIXED ASSETS

	Computer equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 January 2008	29	15	44
Additions	6	21	27
At 31 December 2008	35	36	71
Depreciation			
At 1 January 2008	23	8	31
Charged for the year	5	5	10
At 31 December 2008	28	13	41
Net book value			
At 31 December 2008	7	23	30
At 31 December 2007	6	7	13

2 FIXED ASSET INVESTMENTS

	Subsidiaries £'000	Other investments £'000	Total £'000
At 1 January 2008	90,750	212	90,962
Adjustment to fair value of deferred consideration	(1,522)	–	(1,522)
Share-based payment in subsidiary	(178)	–	(178)
At 31 December 2008	89,050	212	89,262

Subsidiaries:

The Company's principal trading subsidiaries are listed in note 13 to the consolidated financial statements.

Other investments:

The Company holds 163,936 shares at 30.5p per share (0.5%) in Pixel Interactive Media Limited, a company listed on the AIM Market. This company is an Asia-Pacific based interactive media business. The market value of this investment at 31 December 2008 was £19,672, at 12p per share.

The company holds a 21% stake in nqual Limited, an unquoted company, for £162,000. nqual is an innovative supplier of online qualitative market research solutions.

3 DEBTORS

	Notes	2008 £'000	2007 £'000
Amounts falling due within one year:			
Amounts owed by Group companies		**4,755**	2,776
Deferred tax asset	8	**9**	54
Prepayments and accrued income		**19**	30
Corporation tax		**670**	425
		5,453	3,285

4 CREDITORS: Amounts falling due within one year

	Notes	2008 £'000	2007 £'000
Bank overdraft (see below)		**6,277**	4,462
Trade creditors		**110**	257
Other taxation and social security costs		**85**	65
Accruals and deferred income		**379**	709
Amounts owed to Group companies		**6,381**	7,903
Loan notes (see below)		**1,053**	950
Consideration payable in respect of acquisitions	7	**7,012**	12,631
Other creditors		**11**	9
		21,308	26,986

Bank overdraft

The bank overdraft is part of the Group wide working capital facility with Royal Bank of Scotland plc, which holds a debenture over the assets of the Company and its subsidiaries. There is a cross-guarantee between the Company and its subsidiaries.

Loan notes

Loan notes have been issued as part of the consideration for certain acquisitions. Secured loan notes are secured on cash deposits and by way of guarantee. Cash deposits provided as security are included within cash at bank and in hand and amount to £1,053,000. Loan notes bear interest at the following rates:

	2008 £'000	2007 £'000
Secured		
LIBOR less 2%	**956**	883
LIBOR	**97**	67
	1,053	950

Company Financial Statements – Accounting Policies

(continued)

for the year ended 31 December 2008

5 CREDITORS: Amounts falling due after more than one year

	2008 £'000	2007 £'000
Bank loans	**13,750**	11,750

6 PROVISIONS FOR LIABILITIES

	Notes	2008 £'000	2007 £'000
Contingent consideration for acquisitions	7	**5,890**	14,242

7 DEFERRED CONSIDERATION FOR ACQUISITIONS

	£'000
At 1 January 2008	26,873
Payments made in the year	(12,514)
Adjustment to provision for additions in prior years	(1,748)
Notional finance costs on future deferred consideration payment	291
At 31 December 2008	12,902
Due in one year or less:	
Consideration for acquisitions	7,012
Due after more than one year but not more than five years:	
Contingent consideration for acquisitions	5,890
At 31 December 2008	12,902

Analysis of consideration payable for acquisitions is as follows:

	2008 £'000	2007 £'000
Cash liabilities	**2,796**	7,588
Shares to be issued	**4,216**	5,043
	7,012	12,631

Analysis of the contingent consideration in the Company financial statements is as follows:

	2008 £'000	2007 £'000
Earn out related cash liabilities	**2,194**	5,269
Shares to be issued	**3,696**	8,973
	5,890	14,242

7 DEFERRED CONSIDERATION FOR ACQUISITIONS *continued*

Earn out payments are to be in cash and shares, in the analysis above the minimum percentage of cash has been assumed. However, at the Company's sole discretion, this percentage can be increased.

Acquisitions made by the Company typically involve an earn out agreement whereby the consideration payable includes a deferred element that is contingent on the future financial performance of the acquired entity.

Earn out payments are to be in cash (or loan notes) and shares; in the analysis above the minimum percentage of cash (or loan notes) has been assumed. However, at the Company's sole discretion, this percentage can be increased.

Conditions have substantially been met on £7.0m of earn out and other consideration which is payable in 2009.

The provision for contingent 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. The provision is discounted to present value at the company's borrowing rate.

If the remaining earn out conditions are met, £1.8m of the consideration will become payable in 2010, £2.9m in 2011 and the remaining £1.2m is payable in 2012 or later.

As a result of a review of contingent consideration at the year end, the directors' best estimate of contingent consideration payable in respect of acquisitions prior to 1 January 2008 has decreased the provision for consideration payable by £1.75m.

8 DEFERRED TAXATION

	2008 £'000	2007 £'000
Deferred tax assets:		
Unrelieved share-based payment expense	**–**	54
Other timing differences	**9**	–
	9	54

The movement in the year of £45,000 is included in the tax charge in the profit and loss account.

9 FINANCIAL INSTRUMENTS

The Company's financial instruments principally comprise borrowings and various items such as trade debtors and creditors that arise directly from operations. The main purpose of these financial instruments is to raise money for the Group's operations.

All of the material activities of the Company take place in the United Kingdom and consequently there is minimal exchange risk. As at 31 December 2008 the Company had no material foreign currency exposures. It is the Company's policy not to enter into any foreign currency contracts.

The main risk arising from the Company's financial instruments is interest rate risk and liquidity risk.

The directors monitor cash flow of the Company to ensure that there is sufficient liquidity to meet foreseeable needs. The operations of the Company generate cash and the planned growth of activities are cash generative. In addition the Company operates a working capital facility of £2.0m and during the year, a revised loan facility of up to £20.0m has been entered into of which £13.75m (2007: £11.75m) has been drawn down at 31 December 2008. These facilities are reviewed on a rolling basis and both facilities are secured by an unlimited inter company composite guarantee.

The Company has taken advantage of the disclosure exemption in respect of short-term debtors and creditors.

The fair value of the Company's financial assets and liabilities is not considered to be materially different from their book values.

The Company has no financial liabilities other than its bank overdraft, bank loans and loan notes that do not fall under the exemption for short-term creditors.

Financial liabilities

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Total £'000
At 31 December 2008	**21,080**	**–**	**21,080**
At 31 December 2007	17,162	–	17,162

Floating rate liabilities at 31 December 2008 comprised the bank overdraft, bank loan and loan notes, all interest based on the RBS base rate or LIBOR.

9 FINANCIAL INSTRUMENTS *(continued)*

Maturity analysis

The maturity profile of the Company's financial liabilities is as follows:

	Bank loans and overdrafts 2008 £'000	Bank loans and overdrafts 2007 £'000	Loan notes 2008 £'000	Loan notes 2007 £'000	Total 2008 £'000	Total 2007 £'000
Repayable						
Within one year or on demand	**6,277**	4,462	**1,053**	950	**7,330**	5,412
In more than one year but not more than five years	**13,750**	11,750	**–**	–	**13,750**	11,750
	20,027	16,212	**1,053**	950	**21,080**	17,162

10 SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
50,000,000 ordinary shares of 10p each	**5,000**	5,000
Allotted, issued and fully paid:		
44,561,603 ordinary shares of 10p each	**4,456**	3,884

The Company has one class of ordinary shares which carry no right to fixed income.

Details of shares issued in the year are given in note 22 to the consolidated financial statements.

11 SHARE-BASED PAYMENTS

Details of share option awards and key inputs into the Black Scholes model to calculate the fair value of options are given in note 23 to the consolidated financial statements.

For the year ended 31 December 2008, the Company recognised a credit of £272,000 in the profit and loss account (2007: charge of £271,000) in relation to equity settled share-based payment transactions.

Company Financial Statements – Accounting Policies

(continued)

for the year ended 31 December 2008

12 RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total £'000
1 January 2008	25,776	50	10,496	523	1,507	38,352
Profit for the year	–	–	–	(272)	7,153	6,881
Share-based payment in subsidiaries	–	–	–	(178)	–	(178)
Dividends paid	–	–	–	–	(556)	(556)
Purchase of own shares	–	–	–	–	(71)	(71)
Premium on allotment of shares during the year	5,969	–	–	–	–	5,969
31 December 2008	31,745	50	10,496	73	8,033	50,397

13 EQUITY SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit/(loss) for the year	**7,153**	(535)
New share capital subscribed	**572**	436
Premium on shares issued in the year (net of expenses)	**5,969**	5,795
Dividends paid	**(556)**	(382)
Credit for share-based incentive schemes	**(272)**	271
Share-based payments in subsidiaries	**(178)**	178
Purchase of own shares	**(71)**	(26)
Net addition to equity shareholders' funds	**12,617**	5,737
Opening equity shareholders' funds	**42,236**	36,499
Closing equity shareholders' funds	**54,853**	42,236

Notice of Annual General Meeting

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at 11-13 Charterhouse Buildings, London EC1M 7AP on Tuesday 19 May 2009 at 12.30pm, for the transaction of the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2008, together with the auditors' report thereon.

2. To declare a final dividend of 0.75p per ordinary share for the year ended 31 December 2008.

3. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2008.

4. To re-elect Will David as a Director, who resigns by rotation in accordance with the Company's Articles of Association.

5. To re-elect Paul Hamilton as a Director, who resigns by rotation in accordance with the Company's Articles of Association.

6. To re-appoint Baker Tilly UK Audit LLP as auditors of the Company to hold office until the next General Meeting at which accounts are laid and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolutions 7 and 8 are ordinary resolutions and resolutions 9, 10 and 11 are special resolutions.

7. To authorise an increase in the authorised share capital of the Company from £6,500,000 to £8,460,000 by the creation of 19,600,000 new ordinary shares of 10p each having the rights and being subject to the restrictions set out in respect of such shares in the Company's Articles of Association.

8. That, subject to the passing of resolution 7 set out in the notice convening this meeting, in substitution for existing authorities to the extent unutilised, the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in the Act) up to an aggregate nominal amount of £2,985,627.40 to such persons, at such times and on such terms and conditions as the directors determine during the period expiring (unless previously renewed, varied or revoked by the Company in General Meeting) on whichever is the earlier of the conclusion of the Annual General Meeting of the Company held in 2010 and the date falling 15 months after the date of passing of this resolution, but the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement.

SPECIAL RESOLUTIONS

9. That, subject to the passing of resolution 8 set out in the notice convening this meeting, the directors be empowered pursuant to section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of the Act) of the Company for cash pursuant to the general authority conferred on them by resolution 8 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise), open for acceptance for a period fixed by the directors, to holders of ordinary shares on the register on any fixed record date in proportion (as nearly as practicable) to their holdings of ordinary shares, subject to such exclusions or other such arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of, or the requirements of, any regulatory body or any stock exchange in, any territory and;

(b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £445,616.03,

and the power hereby conferred shall operate in substitution for and to the exclusion of any previous power given to the directors pursuant to section 95 of the Act and shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company held in 2010 and the date falling 15 months after the date of the passing of this resolution, unless such power is renewed or extended prior to such expiry, except that the Company may before the expiry of any power conferred by this resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the general authority conferred on them by resolution 8" were omitted.

10. That the Company be and is hereby granted general and unconditional authority (pursuant to section 166 of the Companies Act 1985 (the "Act")) to make market purchases (as defined in section 163 of the Act) of any of its own ordinary shares of 10p each on such terms and in such manner as the board of directors of the Company may from time to time determine provided that:

    (a) the maximum number of shares authorised to be purchased is 2,228,080 ordinary shares of 10p each, being 5% of the shares in issue as at 16 March 2009;

    (b) the maximum price which may be paid for a share is an amount equal to not more than 105% of the average of the middle market quotations for the shares taken from the London Stock Exchange Daily Official List for the five business days before the day on which the purchase is made;

    (c) the minimum price which may be paid for a share is 10p exclusive of any attributable expenses payable by the Company and;

    (d) the authority conferred by this resolution shall expire on the conclusion of the Annual General Meeting of the Company held in 2010 and the date falling 15 months after the date of the passing of this resolution, unless such authority is renewed or extended prior to such expiry, whichever is the earlier, except that the Company may, before such expiry, enter into a contract for the purchase of its own shares which may be completed by or executed wholly or partly after the expiration of this authority.

11. That the Articles of Association produced to the meeting and signed by the Chairman for the purpose of identification be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of the existing Articles of Association, with effect from the conclusion of the Annual General Meeting.

The principal changes introduced to the Articles of Association are set out in Appendix I.

By order of the Board

Mark Bentley
Company Secretary
20 April 2009

Registered Office
11-13 Charterhouse Buildings
London
EC1M 7AP

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Annual General Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to him/her.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

4. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, Shareholders who hold their shares in uncertificated form must be entered on the Company's share register by 12.30pm on 17 May 2009 in order to be entitled to attend and vote at the Annual General Meeting. Such Shareholders may only cast votes in respect of shares held at such time. Changes to entries on the register of members after such time on such date will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

5. To be effective, a proxy form must be duly completed, executed and returned, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority, so as to reach the Company's registrars, Computershare Investor Services Plc, PO Box 1075, Bristol BS99 3FA by 12.30pm on 17 May 2009, being 48 hours prior to the time fixed for the meeting or, in the case of an adjournment, as at 48 hours prior to the time of the adjourned meeting.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

7. If multiple corporate representatives are appointed, in order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the Annual General Meeting so that:

   (i) if a corporate member has appointed the Chairman of the Annual General Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Annual General Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions, and

   (ii) if more than one corporate representative for the same corporate member attends the Annual General Meeting but the corporate member has not appointed the Chairman of the Annual General Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

8. The following documents will be available at the registered office of the Company on any weekday (except Saturday) during normal business hours from the date of this notice until the date of the Annual General Meeting:

   - a copy of the service agreements for the Executive Directors;
   - a copy of the letters of appointment for the Non-Executive Directors;
   - the Memorandum and Articles of Association of the Company;
   - a draft of the proposed new Articles of Association of the Company (showing changes from the existing Articles of Association of the Company) and;
   - the register of interests of the directors (and their families) in the share capital of the Company.

These documents will also be available for inspection during the Annual General Meeting and for at least 15 minutes before it begins.

EXPLANATION OF SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

Explanation of Resolution 7
(Increase in authorised share capital)

Resolution 7, which will be proposed as an ordinary resolution allows the Company sufficient headroom to allot shares in respect of future deferred consideration payments and various share option schemes.

Explanation of Resolution 8
(Authority to allot securities)

Resolution 8, which will be proposed as an ordinary resolution, would (provided resolution 7 is duly passed) give the directors authority to allot shares up to a maximum nominal amount of £2,985,627.40 being 67% of the Company's current issued share capital. The existing authority would be revoked and this new authority would expire on the date of the 2010 Annual General Meeting or 18 August 2010, whichever is the earlier.

Explanation of Resolution 9
(Disapplication of pre-emption rights)

Resolution 9, which will be proposed as a special resolution, would renew the power of the directors to allot shares for cash as though the rights of pre-emption conferred by section 89 (1) of the Act did not apply:

(a) in respect of the whole of the authorised but unissued share capital in connection with an offer to existing shareholders in proportion to their existing holdings save that the directors are allowed to offer shares to existing shareholders otherwise than strictly in proportion to their holdings where, for example, overseas regulations make it difficult to offer shares pro rata to existing overseas shareholders or when dealing with fractions of shares, and

(b) up to a nominal amount of £445,616.03 being 10%, of the issued share capital of the Company as at 16 March 2009 (to give the directors some flexibility in financing business opportunities as they arise).

This power would expire on the date of the 2010 Annual General Meeting or 18 August 2010, whichever is the earlier.

Explanation of Resolution 10
(Authority to purchase own shares)

In certain circumstances it may be advantageous for the Company to purchase its own shares. Resolution 10, which will be proposed as a special resolution, seeks authority from shareholders to do so, such authority to expire on the date of the 2010 Annual General Meeting or 18 August 2010, whichever is the earlier. The directors intend to exercise this power only if and when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be cancelled and the number of shares in issue will be accordingly reduced.

This resolution specifies the maximum number of shares which may be acquired (being 2,228,080 ordinary shares, which is 5% of the Company's issued share capital as at 16 March 2009 of 44,561,603 ordinary shares) and the maximum and minimum prices at which they may be bought.

Explanation of Resolution 11
(Adoption of new Articles of Association)

Resolution 11, which will be proposed as a special resolution, would adopt new Articles of Association of the Company primarily to bring them into line with the Companies Act 2006. An explanatory note of the principal changes to the Company's Articles of Association is set out in Appendix I. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in Appendix I. The new Articles showing all the changes to the current Articles are available for inspection.

APPENDIX I

EXPLANATORY NOTE OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. ARTICLES WHICH DUPLICATE STATUTORY PROVISIONS

Provisions in the current Articles which replicate provisions contained in the Companies Act 1985 are in the main amended to bring them into line with the Companies Act 2006 or remove them from the amended Articles to avoid duplication. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. FORM OF RESOLUTION

The current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. All references to extraordinary resolutions have therefore been removed from the amended Articles.

3. CONVENING ANNUAL GENERAL MEETINGS AND OTHER GENERAL MEETINGS

The provisions in the current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting other than an Annual General Meeting can be convened on not less than 14 days' notice whereas previously not less than 21 days' notice was required if the general meeting was to consider a special resolution.

4. VOTES OF MEMBERS

Under the Companies Act 2006, proxies are entitled to vote on a show of hands whereas under the current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The amended Articles reflect all of these new provisions.

The time limits for the appointment or termination of a proxy appointment have been altered in the Companies Act 2006 so that Articles of Association cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for taking of a poll, with weekends and bank holidays permitted to be excluded. The amended Articles have been updated to reflect this.

The amended Articles also remove the right of the Chairman of a general meeting to exercise a casting vote.

5. CONFLICTS OF INTEREST

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The amended Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the amended Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

6. NOTICE OF BOARD MEETINGS

Under the current Articles, when a director is abroad he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director shall be served notice when he has given an address in the UK for service and in the case of notices in electronic form, an email address.

7. RETIREMENT BY ROTATION

The current Articles contain an obligation on one third of the directors to retire at each AGM. This has been replaced with an obligation that any director should offer himself or herself for re-election at least once every three years, which matches the obligation in the Combined Code for all directors to submit themselves for re-election at regular intervals and at least every three years.

8. ORDERLY CONDUCT OF MEETINGS

A provision has been added to the new Articles to facilitate the orderly conduct of general meetings. It allows the Chairman of the meeting to take such action as he sees fit to allow the meeting to be run in good order.

9. GENERAL

Generally the opportunity has been taken to bring clearer language into the new Articles.

Directors

Allan Rich – Non-Executive Chairman

Allan Rich has spent all of his 45 year working life in the advertising business. He co-founded Davidson Pearce Berry and Spottiswood which became one of the most successful agencies in the UK during the late 60's and early 70's. In 1975 he founded the first independent media planning and buying company in the UK which he called The Media Business. In 1995 he took the company to the London Stock Market and in 1998 sold his group to Grey Advertising New York in order to create a truly global media organisation, MediaCom. Over the following 4 years MediaCom became the largest media company in the UK and number 5 in the world. Allan is a member of the Audit Committee.

Mark Scott – Chief Executive

From 1994 to 1998 Mark Scott was a senior executive at WPP Group plc, latterly being appointed Operations Director for the Group with responsibility for the Group's European and Asian acquisition programme. Post WPP he became Executive Vice President of Lighthouse Global Network LLC where he helped acquire and consolidate more than 15 marketing services companies. From 2000 to 2002 he was appointed a senior executive of Lake Capital Management, a private equity firm, where he was responsible for a range of investments in marketing service firms. He has been a member of the Boards of a number of public companies in the sector including Watermark Group plc, Chime Communications Group plc, Chemistry Communications Group plc and Fitch plc. He obtained his MBA from Harvard Business School and a first class honours degree in English Literature from Oxford University.

Mark Bentley – Group Finance Director

Mark Bentley joined Cello as Group Finance Director in May 2005. He has also taken on the role of Company Secretary. Mark previously worked for Citigate Dewe Rogerson which he joined in 2000 as Financial Controller and spent the next five years in various senior finance roles within Incepta Group plc, including Finance Director of Citigate Dewe Rogerson from February 2001. Whilst maintaining the Finance Director role, he took on wider operational responsibilities when he was appointed Chief Operating Officer in November 2003. From June 2002 he also had the parallel role of Finance Director of the Citigate SMARTS regional network of offices. Prior to Citigate he was Financial Projects Manager at Hodder Headline plc. Mark qualified as a chartered accountant with Coopers & Lybrand in 1996.

Paul Hamilton – Non-Executive Director and Senior Independent Director

Paul Hamilton was Senior Independent Director of Wellington Underwriting plc until 31 December 2006. Prior to this Paul worked in both corporate finance at UBS Warburg where he was a Managing Director, and in corporate broking at Rowe & Pitman where he was a Partner. In recent years Paul has also been Chairman of the FSA Listing Rules Committee and a member of the FSA Listing Authority Advisory Committee and London Stock Exchange Primary Markets Committee. Paul chairs both the Nomination and Remuneration Committee and is a member of the Audit Committee.

Will David – Independent Non-Executive Director

Will David was Non-Executive Chairman of Polaron plc until March 2007 and Chairman of its Audit and Remuneration Committees; and of Orca Interactive Limited until it was taken over in May 2008. He is currently Non-Executive Chairman of Advanced Power Components plc. He has more than 20 years' experience working in corporate advisory and broking roles for small and mid cap companies. Will has also worked at Investec Henderson Crosthwaite, PricewaterhouseCoopers, Hoare Govett & Co and The London Stock Exchange. During his professional career Will has worked on over twenty flotations for clients across a range of sectors. His experience also includes acquisitions and disposals, public takeovers and secondary fundraisings and provision of advice on corporate governance matters. Will chairs the Audit Committee and is a member of both the Nomination and Remuneration Committees.

Chris Outram – Independent Non-Executive Director

Chris Outram has accumulated more than 25 years experience helping companies develop and refine their growth strategies, the last 20 years of which he gained with OC&C Strategy Consultants, a firm which he founded in 1987 and which now operates out of 13 offices worldwide. Chris has also served on the boards of AIM and main listed companies as well as a US listed company. As such he brings a broad range of experience to Cello encompassing Corporate/Business Unit Strategy, Operational performance improvement and M&A as well as organisational advice. He has worked across multiple sectors many of which were international in nature, particularly transatlantic. Chris read two undergraduate degrees and has an MBA from INSEAD. Chris is a member of the Remuneration Committee.

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Mark Bentley

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