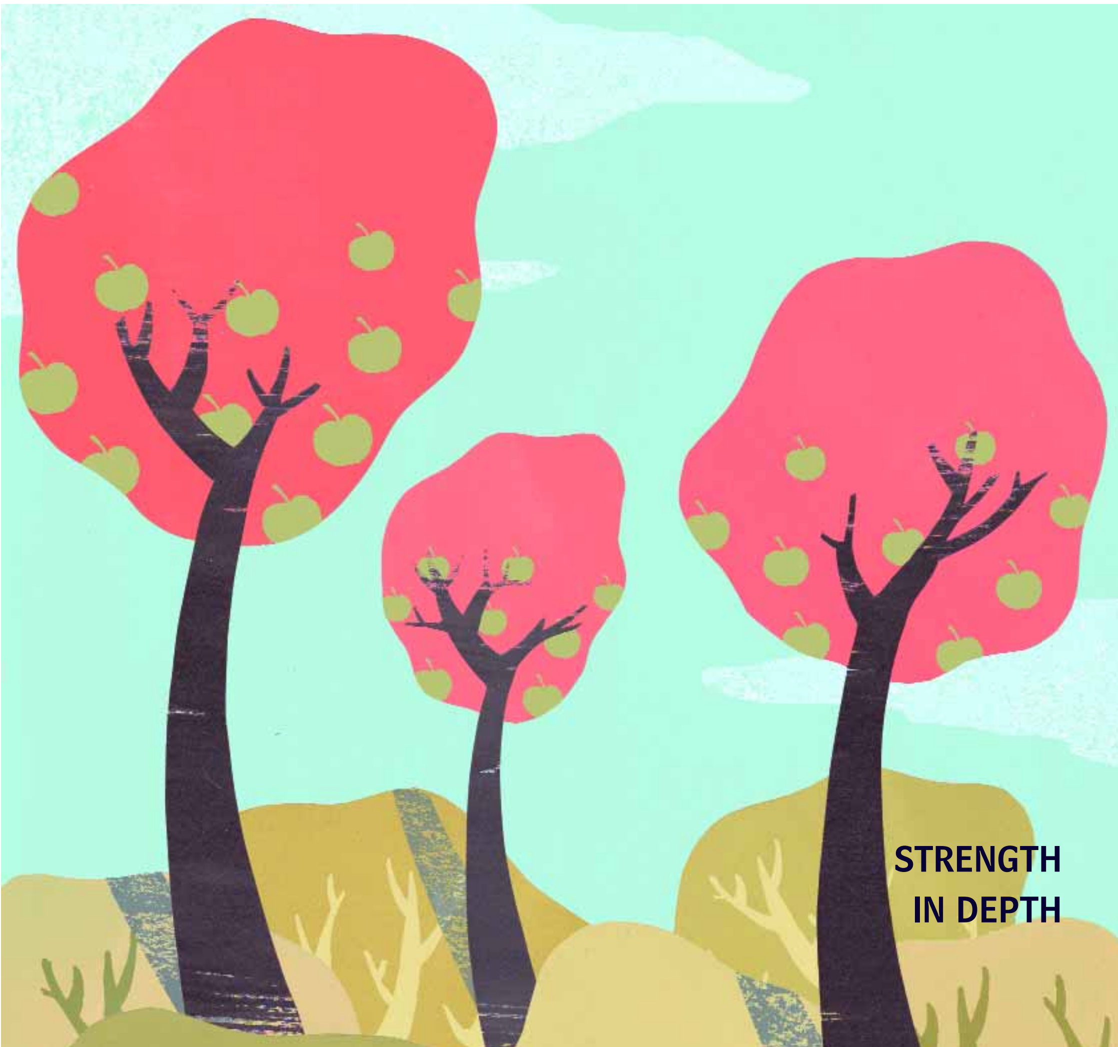
INTERIM STATEMENT 2006



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STRATEGIC OVERVIEW

We are pleased to announce an excellent performance for the Group for the six months ended 30 June 2006. The first half of the year has seen continued strong organic revenue growth from Cello's three divisions, based on expansion of existing client relationships and addition of substantial new business. Record profits have allowed us to continue to invest in expanding the Group, primarily through the addition of professionals at all levels of the business.

Cello is now firmly established as a leader in specialist market research, direct marketing and marketing consulting. These three areas continue to expand both domestically and internationally as clients move spend to more accountable areas of the marketing mix where they can achieve a concrete return on investment. As a consequence, Cello has succeeded in growing operating margins and efficiently converting these profits to cash. This has translated into a very strong balance sheet position of net cash, allowing for further investment in the business.

Our strategy is to reinforce our positioning as a research and data-led consultancy group that can provide clients with cutting edge market insight. Our large base of blue chip clients offers us ample opportunity to continue our rapid rate of expansion both in the UK and abroad. The Group continues to innovate in the solutions it offers clients, merging off-line and on-line disciplines into integrated solutions which maximise client returns. As part of this process of innovation we continue to launch a range of new client offerings and business brands, headed by industry leaders.

RESULTS

In the six months ended 30 June 2006, turnover grew to £31.7m (2005 restated: £21.9m), up 45% and gross profit was up 72% to £17.7m (2005: £10.3m).

Headline profit before taxation, excluding the impact of FRS 20 and the notional interest charge, (details explained fully below) was £2.6m (2005: £1.3m). Reported pre tax profit was £1.9m (2005 restated: £0.8m), an increase of 146%.

Headline basic earnings per share for the period was 5.6p (2005: 3.17p) and headline fully diluted earnings per share was 4.34p (2005: 2.53p).

We are pleased to be able to comment for the first time on like for like performance. In respect of companies which comprised Cello at the end of 2004, like for like gross profit was up 15%, and operating profit was up 35%.

The operating margin for Group companies, excluding head office costs, has reached 18.5% (2005: 15.2%) in the six month period, which is amongst the best performances in the marketing service sector. This is testimony to Cello's positioning in high value added and higher growth areas of the marketing mix.

Following our announcement at the time of the Group's preliminary results, we are pleased to announce a maiden interim dividend of 0.4p per share, payable on 13 October 2006 to all shareholders on the register at 22 September 2006. This payment represents the commencement of a planned progressive dividend policy, and reflects the Directors' confidence in the Group.

Our balance sheet is strong with over £2.3m of net cash as at 30 June 2006. Our operating profit cash flow conversion of 76% reflects the cyclicality of certain of our businesses. This represents a considerable improvement over the comparable prior period.

Accounting Policy Changes

In 2006, the Group is obliged to adopt the provisions of FRS 20, which cover share based payments, including the accounting for options and also for equity based deferred consideration. In particular, where amounts payable under acquisition agreements are due to non-equity holding employees of those businesses, then companies are no longer able to treat them as a cost of acquisition and are obliged to treat these payments as remuneration to those employees, and spread them over the period of the earn out. This accounting change equates to a charge for the first six months of this year of £519,000, and £438,000 for the first half of 2005. The full year adjustment for 2005 is £952,000.

The Group has also taken a notional interest charge on contingent cash consideration which the Board believes is likely to be payable. This equates to a notional interest charge for the period of £121,000, and a prior period adjustment of £89,000 (full year adjustment of £204,000).

There is no cash impact from these notional charges and the total effect of these changes, and a reconciliation of reported profit before tax to headline profit before tax is presented below:

£'000	2006 H1	2005 H1	2005 Full year
Headline PBT	**2,616**	**1,316**	**4,162**
Share option costs	(38)	–	–
Deemed remuneration	(519)	(438)	(961)
Notional interest	(121)	(89)	(204)
Reported PBT (restated)	1,938	789	2,997

These accounting changes solely relate to the changed financial reporting requirements which the Group now faces. The underlying operating performance and cash generation profile of the Group remains unchanged and such charges will not occur once the earn outs to which they relate have been completed.

REVIEW OF OPERATIONS

As we expand, we have invested carefully in establishing a robust operating management structure across our three divisions. This gives us the ability to absorb both new businesses and senior professionals. The three divisional Boards are charged with management of each division, integration of acquisitions, and timely management reporting. They also constitute the primary partnership group of Cello.

Cello Planning and Research

Cello Planning and Research, the market research group, delivered £7.9m of gross profit (2005: £2.9m) an increase of 172%; and operating profit of £1.94m (2005: £0.64m), an increase of 203%. Operating margins improved from 22% to 24.5%.

The market research group is focused on three core areas – healthcare market research (Insight brand), business-to-business research (RS brand) and consumer research (Leapfrog brand).

Our healthcare market research practice continues to grow strongly, primarily through expanding existing client relationships with the major pharmaceutical companies. Over half of revenues are international. Our new USA office has continued to expand and we recently opened an office in Switzerland. Similarly, the growth in our business-to-business practice has come primarily from expansion of international accounts with clients looking for multinational reach in complex quantitative studies. Our thriving consumer practice has also begun to expand beyond its UK base, most notably into the USA. Major new client wins across the division include Unilever, Sanofi Pasteur MSD, Aspreva, Serono Pharmaceuticals Ltd (US), NS&I, HSBC, Norwich Union Life, Fidelity, Lexus/Toyota, Bayer and Vodafone.

The market research group has an integrated managerial approach and has scored some notable successes delivering combined client solutions. This has also been the case in the area of field force data gathering where we have a particular strength and which we have migrated on-line. We plan to continue to expand the division aggressively through a mixture of organic growth and selected acquisition.

Cello Brand Consulting

Cello Brand Consulting, the marketing consultancy group, delivered £5.4m of gross profit (2005: £3.3m), an increase of 63% and operating profit of £0.8m (2005: £0.54m), an increase of 48%. Operating margins fell from 16.4% to 14.9% due to shifts in the client mix.

The marketing consultancy group continues to build its position as a leading adviser to senior marketers on complex marketing issues. Our brand strategy practice (The Value Engineers brand) has expanded rapidly in the UK and overseas, securing a number of large new client relationships, including British Airways, Dyson, France Telecom/Orange and Schroders. The nature of the advisory offer can frequently lead to a requirement to disseminate such ideas across the client organisation.

Our training resource (TMI brand) offers us the ability to breathe life into our ideas, which is bearing fruit, and new clients this year include RBS, London Ambulance Service, Johnson & Johnson and the

Environment Agency. In addition, our communications delivery business (Leith brand) continues to drive increasingly into advisory work to complement its creative execution, as well as building on its London presence through the recent acquisition of Farm. Some of the larger client wins this year include SEAT UK, Scottish Enterprise, Golden Wonder, COI Enjoy England, Sony and ICI.

We also recently announced the establishment of Blonde, a start-up digital agency based in Edinburgh.

The supply side of marketing consultancy services remains highly fragmented, in contrast to other areas of the marketing services mix. Cello's marketing services group has a clear opportunity to establish itself as market leader in this area, both through organic growth and selected acquisition.

Cello Response

Cello Response, the direct marketing group, delivered £4.4m of gross profit (2005: £4.0m), an increase of 10% and operating profit of £0.54m (2005: £0.38m), an increase of 42%. Operating margins improved from 9.3% to 12.3%. Cello Response remains highly weighted to the second half of the year.

The response group has enjoyed the benefits of strong client spending in response media, as budgets shift from advertising to response mechanisms including on-line. Cello's direct marketing group is now ranked in the top 10 in the UK and continues to expand rapidly. Our leadership position in the not-for-profit and financial services sectors continues to prove resilient. Recent major client wins include Black Horse Finance, Barclays, Shelter, WWF, CLIC Sargent, Action for Blind People, YWCA, Oxfam, Calor Gas and O2. The combination of our data management business (Talking Numbers) with a senior level on-line capability (Oomph) has underpinned our migration on-line.

The divisional Board is actively reviewing opportunities to further expand the Group through acquisition, most notably in London.

OUTLOOK

Since the end of June the Group has continued to trade very well. Visibility across the Group is excellent and the Board is confident of the full year outcome. Our strong balance sheet and absence of leverage also gives us the capacity to further expand the Group organically and through acquisitions as appropriate opportunities emerge.

At less than two years old we are still a very young public company. We have achieved much in that time, laying the foundations of a modern marketing services group. We have some exciting growth plans and collective ambition and are well positioned for the challenges of the future.

I would also like to take this opportunity to thank all of our staff for their excellent contribution so far this year.

Kevin Steeds
Chairman

for the six months ended 30 June 2006

	Notes	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 as restated £	Audited Year ended 31 December 2005 as restated £
TURNOVER	2a	31,704,407	21,906,762	52,087,515
Cost of sales		(13,964,554)	(11,645,233)	(25,473,654)
GROSS PROFIT	2b	17,739,853	10,261,529	26,613,861
ADMINISTRATIVE EXPENSES				
Acquisition related employee remuneration expenses	11	(519,000)	(438,000)	(952,000)
Other administrative expenses		(15,154,753)	(9,088,978)	(22,639,584)
TOTAL ADMINISTRATIVE EXPENSES		(15,673,753)	(9,526,978)	(23,591,584)
OPERATING PROFIT	2c	2,066,100	734,551	3,022,277
Interest receivable and similar income	4	87,846	192,737	279,597
Interest payable				
Notional finance costs on future deferred consideration payments	11	(121,355)	(88,948)	(204,046)
Interest payable		(94,497)	(48,922)	(100,830)
Total interest payable	5	(215,852)	(137,870)	(304,876)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,938,094	789,418	2,996,998
Tax on profit on ordinary activities	6	(631,246)	(312,453)	(985,882)
PROFIT FOR THE PERIOD		**1,306,848**	**476,965**	**2,011,116**
Basic earnings per share	7	4.03p	1.73p	6.85p
Diluted earnings per share	7	3.95p	1.69p	6.71p
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES				
Profit for the financial period		1,306,848	476,965	2,011,116
Prior period adjustment	11	(1,004,130)		
Total gains and losses recognised since last annual report		302,718		

Consolidated Balance Sheet

30 June 2006

	Notes	Unaudited at 30 June 2006 £	Unaudited at 30 June 2005 as restated £	Audited at 31 December 2005 as restated £
FIXED ASSETS				
Intangible assets		49,362,673	32,608,992	47,423,211
Tangible assets		1,937,972	1,241,752	1,950,350
Investments		15,120	–	15,120
		51,315,765	33,850,744	49,388,681
CURRENT ASSETS				
Work in progress		1,097,935	1,289,787	604,344
Debtors		13,258,061	11,779,085	11,850,092
Cash at bank and in hand		7,693,917	7,430,569	6,716,888
		22,049,913	20,499,441	19,171,324
CREDITORS				
Amounts falling due within one year		(21,519,105)	(16,387,803)	(20,042,635)
NET CURRENT ASSETS/(LIABILITIES)		530,808	4,111,638	(871,311)
TOTAL ASSETS LESS CURRENT LIABILITIES		51,846,573	37,962,382	48,517,370
CREDITORS				
Amounts falling due after more than one year		(97,097)	(61,203)	(120,173)
PROVISIONS FOR LIABILITIES AND CHARGES	8	(15,859,710)	(11,118,350)	(14,251,941)
NET ASSETS	2d	**35,889,766**	**26,782,829**	**34,145,256**
CAPITAL AND RESERVES				
Called up share capital		3,277,109	2,754,189	3,244,455
Share premium account		18,019,422	12,323,417	17,652,075
Capital redemption reserve		50,000	50,000	50,000
Capital reserve		47,013	–	9,352
Profit and loss account		4,000,069	1,159,070	2,693,221
Merger reserve		10,496,153	10,496,153	10,496,153
EQUITY SHAREHOLDERS' FUNDS	9	**35,889,766**	**26,782,829**	**34,145,256**

for the six months ended 30 June 2006

	Notes	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 £	Audited Year ended 31 December 2005 £
Net cash inflow/(outflow) from operating activities	10a	1,573,632	(17,442)	5,691,561
Returns on investments and servicing of finance		(7,297)	143,815	191,755
Taxation		(542,193)	(67,364)	(1,289,411)
Capital expenditure and financial investment		(243,184)	(302,081)	(644,144)
Acquisitions		(437,577)	(889,900)	(7,666,043)
Cash inflow/(outflow) before financing		343,381	(1,132,972)	(3,716,282)
Financing		(181,518)	(487,294)	1,072,380
INCREASE/(DECREASE) IN CASH IN THE PERIOD/YEAR		**161,863**	**(1,620,266)**	**(2,643,902)**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 £	Audited Year ended 31 December 2005 £
Increase/(Decrease) in cash in the period		161,863	(1,620,266)	(2,643,902)
Cash outflow/(inflow) from decrease in debt and lease financing		181,518	437,295	(1,122,380)
Change in net debt resulting from cash flows		343,381	(1,182,971)	(3,766,282)
New finance leases		–	–	(91,485)
Issue of loan notes		–	(246,100)	(515,128)
Loans and finance leases acquired with subsidiary		–	–	(163,873)
		343,381	(1,429,071)	(4,536,768)
NET FUNDS AT 1 JANUARY 2006		1,910,064	6,446,832	6,446,832
NET FUNDS AT 30 JUNE 2006	10b	**2,253,445**	**5,017,761**	**1,910,064**

for the six months ended 30 June 2006

1 BASIS OF PREPARATION

The consolidated interim financial statements, which were approved by the Board on 4 September 2006 have been prepared under the accounting policies set out on pages 28 and 29 of the Group's 2005 Annual Report with the exception of the adoption of the policies given below.

Details of the financial effect of these changes are given in note 11.

a. FRS 20 Share Based Payments
The Group has applied the requirements of FRS 20 "share based payments". 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.
>
> **ii. Acquisition related employee remuneration expenses** Having regard to the basis for conclusions behind FRS 20 and in accordance with FRS 18; "changes in accounting policy", the Group has revised its accounting policy for certain payments made to employees in respect of earn-out arrangements. These payments are to now be treated as remuneration within the profit and loss account.

b. FRS 25 Financial Instruments: Presentation and disclosure
The estimated value of contingent consideration payable by issue of new ordinary shares in the Company was previously included in the balance sheet within Capital and Reserves as "shares to be issued". In accordance with FRS 25 "financial instruments: presentation and disclosure" contingent consideration payable by issue of new ordinary shares have now been included as a liability within provisions.

c. Notional finance costs on future deferred consideration payments
The Group has now adopted the policy of discounting deferred cash and loan note consideration to fair value. The difference between the fair value and the actual amounts payable is charged to the profit and loss account as a notional finance cost over the period the liability remains outstanding.

The information relating to the half year ended 30 June 2006 is unaudited and does not constitute statutory accounts but has been reviewed by the Company's auditors in accordance with the Auditing Practices Board Bulletin, "review of interim financial information". The accounts for the period ended 31 December 2005 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2 SEGMENTAL INFORMATION

The Group's turnover, gross profit and profit on ordinary activities before taxation were all derived from the following activities:

(a) Turnover	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 as restated £	Audited year ended 31 December 2005 as restated £
Cello Planning and Research	14,183,070	4,816,190	15,583,991
Cello Brand Consulting	7,993,808	6,739,378	14,355,874
Cello Response	9,527,529	10,351,194	22,147,650
	31,704,407	**21,906,762**	**52,087,515**

(b) Gross profit	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 £	Audited year ended 31 December 2005 £
Cello Planning and Research	7,904,105	2,908,996	9,295,121
Cello Brand Consulting	5,414,664	3,315,677	8,321,087
Cello Response	4,421,084	4,036,856	8,997,653
	17,739,853	**10,261,529**	**26,613,861**

(c) Operating profit	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 as restated £	Audited year ended 31 December 2005 as restated £
Cello Planning and Research	1,938,959	639,996	1,953,497
Cello Brand Consulting	804,079	542,682	1,574,152
Cello Response	542,809	375,072	1,458,106
Head Office	(1,219,747)	(823,199)	(1,963,478)
	2,066,100	**734,551**	**3,022,277**

Head Office costs include acquisition related remuneration expenses of £519,000 for the six months ended 30 June 2006, £438,000 for the six months ended 30 June 2005 and £952,000 for the year ended 31 December 2005.

2 SEGMENTAL INFORMATION (continued)

(d) Net assets	Unaudited at 30 June 2006 £	Unaudited at 30 June 2005 as restated £	Audited at 31 December 2005 as restated £
Cello Planning and Research	7,011,234	3,820,816	5,326,960
Cello Brand Consulting	2,397,655	706,609	2,129,245
Cello Response	2,262,133	1,548,478	1,922,642
Head Office	24,218,744	20,706,926	24,766,409
	35,889,766	**26,782,829**	**34,145,256**

3 DIVIDEND

An interim dividend of 0.4p (2005: nil) per ordinary share is recommended and will be paid on 13 October 2006 to all Shareholders on the register on 22 September 2006. In accordance with FRS 21 "post balance sheet events", this dividend has not been recognised in the accounts at 30 June 2006, but will be recognised in the accounting period ending 31 December 2006.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 £	Audited year ended 31 December 2005 £
Interest receivable:			
Bank deposits	**87,846**	**192,737**	**279,597**

5 INTEREST PAYABLE

	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 as restated £	Audited year ended 31 December 2005 as restated £
Notional finance costs on future deferred consideration payments	121,355	88,948	204,046
On bank loans and overdrafts	57,539	12,726	45,637
On loan notes	24,935	28,861	40,762
In respect of finance leases	12,023	7,335	14,431
	215,852	**137,870**	**304,876**

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the six months ended 30 June 2006 has been based on an estimated effective tax rate on profit on ordinary activities for the full year of 33% (year ended 31 December 2005: 33%).

7 EARNINGS PER SHARE

	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 as restated £	Audited year ended 31 December 2005 as restated £
Basic and diluted earnings attributable to ordinary shareholders	1,306,848	476,965	2,011,116
Adjustments to earnings:			
Share based payments expense	37,661	–	9,352
Acquisition related employee remuneration expense	519,000	438,000	952,000
Notional finance costs on future deferred consideration payments	121,355	88,948	204,046
Tax thereon	(166,998)	(131,400)	(288,406)
Headline earnings attributable to ordinary shareholders	1,817,866	872,513	2,888,108
	Number	Number	Number
Weighted average number of ordinary shares	32,453,567	27,541,892	29,366,404
Dilutive effect of securities:			
Share options	600,000	600,000	600,000
Contingent consideration shares to be issued	48,980	–	–
Diluted weighted average number of ordinary shares	33,102,547	28,141,892	29,966,404
Further dilutive effect of securities:			
Share options	465,332	123,266	163,266
Contingent consideration shares to be issued	8,348,564	6,132,751	6,435,270
Fully diluted weighted average number of ordinary shares	41,916,443	34,397,909	36,594,940

7 EARNINGS PER SHARE (continued)

	Unaudited six months ended 30 June 2006	Unaudited six months ended 30 June 2005 as restated	Audited year ended 31 December 2005 as restated
Basic earnings per share	4.03p	1.73p	6.85p
Diluted earnings per share	3.95p	1.69p	6.71p
Fully diluted earnings per share	3.12p	1.39p	5.50p
Headline basic earnings per share	5.60p	3.17p	9.83p
Headline diluted earnings per share	5.49p	3.09p	9.64p
Headline fully diluted earnings per share	4.34p	2.53p	7.90p

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 period, determined in accordance with the provisions of FRS 22 "earnings per share".

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all the potential dilutive ordinary shares for which all the conditions of issue have been met.

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 the potentially dilutive ordinary shares.

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

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Unaudited as at 30 June 2006 £	Unaudited as at 30 June 2005 as restated £	Audited as at 31 December 2005 as restated £
Earn out related cash liabilities	5,887,348	5,243,037	5,317,391
Shares to be issued	9,972,362	5,875,313	8,934,550
	15,859,710	11,118,350	14,251,941

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 Groups sole discretion, this percentage can be increased.

9 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 as restated £	Audited year ended 31 December 2005 as restated £
Profit for the period ended 30 June 2006	1,306,848	476,965	2,011,116
New share capital subscribed	32,654	–	490,266
Premium on shares issued in period (net of expenses)	367,347	–	5,328,658
Redemption of redeemable shares	–	(50,000)	(50,000)
Credit for share based incentive schemes	37,661	–	9,352
Net addition to opening Shareholders' funds	1,744,510	426,965	7,789,392
Opening shareholders' funds	34,145,256	26,355,864	26,355,864
Closing equity Shareholders' funds	35,889,766	26,782,829	34,145,256

10 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June 2006 £	Unaudited six months ended 30 June 2005 as restated £	Audited year ended 31 December 2005 as restated £
(a) Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	2,066,100	734,551	3,022,277
Depreciation	323,390	223,561	572,769
Profit on disposal of fixed assets	(14,055)	(26,200)	(34,621)
Share based payment expense	37,661	–	9,352
Acquisition related employee remuneration expense	519,000	438,000	952,000
(Increase)/decrease in work in progress	(493,591)	143,124	1,947,944
(Increase)/decrease in debtors	(754,723)	1,516,571	1,605,262
(Decrease) in creditors	(110,150)	(3,047,049)	(2,383,422)
Net cash inflow/(outflow) from operating activities	**1,573,632**	**(17,442)**	**5,691,561**

10 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of net funds

	At 1 January 2006 £	Cash flow £	At 30 June 2006 £
Cash at bank and in hand	6,716,888	977,029	7,693,917
Overdrafts	(399,868)	(815,166)	(1,215,034)
	6,317,020	161,863	6,478,883
Loan notes due within one year	(1,866,098)	140,327	(1,725,771)
Other loans due within one year	(2,300,000)	–	(2,300,000)
Finance leases	(240,858)	41,191	(199,667)
	1,910,064	343,381	2,253,445

11 PRIOR YEAR ADJUSTMENTS

As described in Note 1 the Group's accounting policies in respect of share based payments, disclosure of financial instruments and acquisition consideration changed during the period.
The effect of each of these is given below.

a. FRS 20 Share Based Payments

i. Share options The effect of this change in accounting policy is to create a charge to the profit and loss account of £37,661 in the period to 31 June 2006 and £9,352 in the year to 31 December 2005. There is no charge in the period to 30 June 2005.

Deferred tax is provided based upon the expected tax future tax deductions as a result of these transactions.

ii. Acquisition related employee remuneration expenses The cumulative effect of this to the balance sheet is to decrease provisions by £1,960,557 and goodwill by £3,573,557. The effect to the profit and loss account is to increase administrative costs by £519,000 in the period to 30 June 2006, by £438,000 in the period to 30 June 2005 and by £952,000 in the year to 31 December 2005.

Deferred tax is provided based upon the expected tax future tax deductions as a result of these transactions.

b. FRS 25 Financial Instruments: Presentation and disclosure
The effect of the change in this policy is to decrease Net Assets and Capital and Reserves by £11,104,625. The effect of this on prior years' figures is to decrease Net Assets and Capital and Reserves by £7,022,000 at 30 June 2005 and by £10,350,125 at 31 December 2005.

11 PRIOR YEAR ADJUSTMENTS (continued)

c. Notional finance costs on future deferred consideration payments
As a result of this change in accounting policy interest payable has increased by £121,355. The effect of this on prior years figures is to increase interest payable by £88,948 for the 6 months to 30 June 2005 and by £204,046 in the year ended 31 December 2005.

d. UITF 40 Revenue recognition and service contracts
As described in accounting policy Note 3 in the audited accounts for the year ended 31 December 2005, the Groups' policy for revenue recognition changed as a consequence of the introduction of UITF 40. As a consequence of this, the results for the period to 30 June 2005 have been restated with turnover and cost of sales being increased by £970,640 with no effect to gross profit or profit before tax. There is no effect to the results for the year ended 31 December 2005.

12 POST BALANCE SHEET EVENTS

On 3 July 2006 the company exercised its option to take a controlling stake of 50.1% of the issued share capital of OMP Services Limited (trading as Oomph) for a total consideration of £150,000 in loan notes and the issue of 123,254 ordinary shares.

The remaining 49.9% of OMP Services Limited is subject to a put option by the vendors. The total maximum payable for this 49.9% is £1.5 million of which up to 75% is in new ordinary shares.

13 INTERIM STATEMENT

Copies of the interim statement are being sent to Shareholders and will be available from the Company's registered office at 11-13 Charterhouse Buildings, London EC1M 7AP.

Independent Review Report to Cello Group plc

for the six months ended 30 June 2006

Introduction

We have been instructed by the Company to review the financial information set out on pages 5 to 15 and we have read the other information in the interim statement and considered whether it contains any apparent mis-statements or material inconsistencies with the financial information.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of their interim statement and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities

The interim statement, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim statement in accordance with the AIM Market Rules which require that the accounting policies and presentation applied to the interim figures must be consistent with those that will be adopted in the Company's annual accounts.

Review work performed

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

Review conclusion

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

BAKER TILLY
Chartered Accountants
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4 September 2006

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