CELLO

GROUP

Interim Report 2007

Contents

Financial Highlights

- Turnover up 44% to £45.8m (2006: £31.7m)
- Operating income up 38% to £24.4m (2006: £17.7m)
- Headline profit before tax up 19% to £3.1m (2006: £2.6m)
- Like-for-like operating income growth of 20%
- Like-for-like operating profit growth of 6%
- Basic headline earnings per share up 15% to 6.42p (2006: 5.60p)
- Interim dividend up 12.5% to 0.45p (2006: 0.4p)

Operational Highlights

- Continued organic revenue growth fuelled by large contract wins
- Invested heavily to increase organic professional headcount by 15%
- Three acquisitions completed
  - Rosenblatt/Digital People, a qualitative market research agency
  - MSI, a leading healthcare research consultancy
  - mruk research, a public sector market research specialist agency

Strategic Overview

We are pleased to announce that the strong performance of Cello Group has continued. The first half of the year has seen strong organic operating income growth of 20%, based on expanding existing client relationships and successfully building new ones. This has allowed us to continue to invest heavily in organically increasing the number of professional executives in the Group which is the principal source of our future growth. Organically we have increased headcount by approximately 15%, most notably to serve larger contract sizes from key clients. Overall headcount has increased from approximately 450 a year ago to 650 today.

We are now firmly positioned as a leading market research and consulting business, with strong capability in data and delivery. Market research and consulting now accounts for approximately 75% of the Group's annualised operating profit and response activity accounts for 25%. We are now large enough in both market research and response to compete against large incumbent international competitors for substantial contracts. We also have particular advantage in key client verticals such as healthcare, financial services and charities.

We continue to reinforce our position in these areas through focused acquisition. In the first half, a leading healthcare research consultancy, The MSI Consultancy, joined to add to our credentials. Healthcare now accounts for approximately 30% of Group operating profit on a full year basis. mruk research, a leading public sector research business, joined to reinforce our capability in this area. We strengthened our online research offer with the acquisition of Rosenblatt/Digital People and a 20% investment in nqual, an online qualitative research agency. Outside the UK, we continue to grow strongly, with international work now representing approximately 25% of Group revenues.

Our future success will continue to come from four sources: business focus, pursuit of increased client contract sizes, continued investment in professionals and prudent organic internationalisation of our capability.

Financial Review

We have seen a strong performance in the first half of 2007. Turnover increased 44% to £45.8m (2006: £31.7m), operating income increased 38% to £24.4m (2006: £17.7m) and headline profit before tax was up 19% to £3.1m (2006: £2.6m).

Headline basic earnings per share increased 15% to 6.42p and headline fully diluted earnings per share was up 11% to 4.81p. Fully diluted earnings reflect the impact of the anticipated issuance of shares to vendors of companies acquired by Cello under earn out arrangements, and these expectations are reviewed every six months.

On a like-for-like basis the Group achieved 20% growth at the operating income level and 6% at the operating profit level. This is against a market context of growth of less than 5%. We have continued to invest heavily in our future organic growth by ensuring that the appropriate levels of headcount and office space are available to our businesses to sustain expansion. Operating margins for the first six months moved down marginally from 18.5% to 17.1%, reflecting this investment.

The Group's net debt position at the half year was £7.6m (31 December 2006: £1.1m). This increase reflects the cash acquisition costs of Rosenblatt, The MSI Consultancy, and mruk research. There was a £0.6m working capital outflow in the first six months arising from long payment terms on substantial overseas and UK government contracts, as well as usual levels of cash flow cyclicality and seasonality. The Group expects this outflow to substantially reverse in the second half, a process which has already begun.

The Board is proposing an interim dividend of 0.45p per share (2006: 0.40p). It is proposed that this dividend be paid on 12 October 2007 to all shareholders on the register on 21 September 2007.

These are the first results which the Group has reported under IFRS. Under IFRS, the Group is required to take non cash charges for amortisation of intangible assets not previously recognised under UK GAAP. In addition to this, there are non cash charges for share options; acquisition related remuneration and notional interest. As non cash items, these are all added back by the Group in order to arrive at the Group's definition of 'headline profit before tax'. The reconciliation between headline profit before tax and reported profit before tax is detailed below:

	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000
Headline PBT	**3,095**	**2,616**
Share option costs	(154)	(38)
Deemed remuneration	(715)	(519)
Notional interest	(221)	(121)
Amortisation	(364)	(228)
Reported PBT	1,641	1,710

Review of Operations

From 1 January 2007 and as announced on 20 March 2007, the Group has stated its financial reporting structure as two operating divisions which reflect the underlying operating structure of Cello: Cello Research and Consulting; and Cello Response Communications. These interim results are the first reporting of results on this basis.

Research and Consulting

Cello Research and Consulting had an excellent six months, delivering £23.6m of turnover (2006: £17.7m), £15.3m of operating income (2006: £10.4m), and headline operating profit up 42% to £3.4m (2006: £2.4m). The business continued to invest heavily in professional headcount and the associated expansion of infrastructure. The small drop in operating margins from 23.4% to 22.0% in this business reflects the investments made in staff and property to fully equip the business for the levels of income growth being experienced.

We continue to build on our core strength in healthcare research and consultancy. The joining of MSI further reinforces this positioning. Healthcare now accounts for 30% of Group operating income and 40% of our research and consulting activity.

Our qualitative research offering, which is largely focused on FMCG, retail and the branded goods areas, continues to thrive. Our quantitative offering in this area has also grown quite dramatically. The division won a substantial contract from Tesco during the period. This contract, which involves three Cello research businesses, starts in earnest in the second half of the year and there has been material set-up cost incurred in the first half.

Our consulting offer in this area has also made rapid progress, substantially increasing the scale of client contracts we service and expanding facilities to accommodate growth.

Our business-to-business research offering continues to make good progress, developing global research relationships across a range of sectors. Our reach into public sector research has until recently been under represented. The recent joining of mruk research has added significant scale and will accelerate the growth of our existing public sector practice.

New client wins in the six month period include: Unilever, NHS, Hyundai, T-Mobile, Postwatch, The Competition Commission, Accenture, BAA, Carphone Warehouse, EON, Microsoft, Superquinn, Sony, Burton Foods, BSkyB, 3M, Reckitt Benckiser, Tilda, British Airways, Barclaycard, Tesco Personal Finance and DVLA.

The business continues to expand internationally. We now have 4 overseas operations (3 in the USA and 1 in Europe). International work now accounts for around 40% of our research and consultancy operating income on a full year basis. We see the international mix continuing to increase and face the opportunity of expanding our footprint overseas. The results of the division were influenced by the start up of our qualitative research offering in the US, and by the like-for-like devaluation of the US dollar.

We continue to offer more innovative client solutions. Kudos, Digital People and nqual are helping drive a proportion of our data gathering online. As well as providing third party clients with online solutions, we are bundling this capability alongside our more traditional approaches to optimise the quality of market insight we can provide to clients.

Our strategy is to consolidate behind our lead brands, to continue to innovate and to expand internationally via organic growth.

Response Communications

Cello Response Communications had a good six months, delivering £22.1m of turnover (2006: £14m), £9.09m of operating income (2006: £7.3m), and headline operating profit of £0.78m (2006: £0.85m).

Excellent revenue growth has allowed continued investment in headcount and capacity, the benefits of which will emerge during the second half. The business remains weighted towards the second half due to increasingly seasonal patterns of client spending. The decline in operating margins from 11.6% to 8.6% for the first half reflects this.

We continue to build on our core strengths in financial services, charities and the public sector. The joining of cchm:ping on 6 July 2007 has doubled our capability in financial services where we are now a sector leader.

Our public sector work continues to grow both in Scotland and England where we have established a new strength in London on the basis of investment made last year, with a particular focus on ethical issues such as anti-smoking. This fits well with our established market position in the charities sector which, as the largest area of direct marketing in the UK, continues to fuel healthy growth.

New client wins in the six month period include: Ann Summers, Nestle, British Heart Foundation, Stagecoach, Courage Bitter, NHS Scotland, Sue Ryder Care, Breast Cancer Care, British Red Cross, Lloyds TSB Personal Loans', Baillie Gifford, Greenpeace, ING and Standard Life.

The business continues to innovate rapidly, driving delivery online through our digital brands, Blonde and Oomph. Our strength in data management has been particularly useful in accelerating this process.

Our strategy is to consolidate our position behind our lead UK brands, innovate rapidly and secure a leadership position in our key client segments.

Outlook

We remain confident of the full year outcome. Since the end of June the Group continues to trade well, with good visibility of operating income and the benefit of seasonally strengthening cash flow and operating margins. We remain very moderately geared and with capacity to further expand through selected acquisition to complement our existing organic growth strategy, both in the UK and overseas.

I wish above all to thank our professionals who are rapidly turning Cello into a well respected leader in our industry.

Kevin Steeds
Chairman
11 September 2007

for the six months ended 30 June 2007

	Notes	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Revenue	3a	45,784	31,704	74,702
Cost of sales		(21,386)	(13,965)	(35,870)
Operating income	3b	**24,398**	**17,739**	**38,832**
Administration expenses		(21,118)	(15,117)	(32,844)
Headline operating profit	3c	**3,280**	**2,622**	**5,988**
Amortisation of intangible assets		(364)	(228)	(691)
Acquisition related employee expenses		(715)	(519)	(1,336)
Share option charges		(154)	(38)	(65)
Operating profit		**2,047**	**1,837**	**3,896**
Financing income	5	129	88	211
Finance cost of deferred consideration	6	(221)	(121)	(234)
Other finance costs	6	(314)	(94)	(346)
Profit before taxation	3d	**1,641**	**1,710**	**3,527**
Tax	7	(521)	(563)	(1,058)
Profit for the period		**1,120**	**1,147**	**2,469**
Attributable to:				
Equity holders of parent		1,113	1,147	2,463
Minority interest		7	–	6
		1,120	**1,148**	**2,469**
Earnings per share				
Basic earnings per share	8	3.16p	3.53p	7.44p
Diluted earnings per share	8	3.06p	3.46p	7.29p

as at 30 June 2007

	Notes	Unaudited at 30 June 2007 £'000	Unaudited at 30 June 2006 £'000	Unaudited at 31 December 2006 £'000
Goodwill	9	65,656	46,777	55,519
Intangible assets		3,152	3,466	3,187
Property, plant and equipment		2,765	1,938	2,304
Investments		228	15	65
Non-current assets		**71,801**	**52,196**	**61,075**
Work in progress		1,916	1,098	928
Trade and other receivables		22,637	13,258	18,669
Cash and cash equivalents		4,781	7,694	7,010
Current assets		**29,334**	**22,050**	**26,607**
Trade and other payables		(21,095)	(20,220)	(20,560)
Current tax liabilities		(1,362)	(1,196)	(1,245)
Obligations under finance leases		(71)	(103)	(87)
Current liabilities		(22,528)	(21,519)	(21,892)
Net current assets		6,806	531	4,715
Total assets less current liabilities		**78,607**	**52,727**	**65,790**
Non-current liabilities				
Bank loans		(9,900)	–	(6,050)
Provisions	11	(25,792)	(16,900)	(20,578)
Obligations under finance leases		(57)	(97)	(81)
Net assets	3e	**42,858**	**35,730**	**39,081**
Capital and reserves				
Share capital	13	3,631	3,277	3,448
Share premium		22,498	18,019	19,981
Profit and loss account		5,924	3,841	5,026
Equity reserves		10,792	10,593	10,620
Equity attributable to equity holders of parent		**42,845**	**35,730**	**39,075**
Minority interest		13	–	6
Total equity		**42,858**	**35,730**	**39,081**

for the six months ended 30 June 2007

	Notes	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Net cash (outflow)/inflow from operating activities before taxation	14a	**(556)**	**1,572**	**4,184**
Tax paid		(1,033)	(542)	(1,489)
Net cash (outflow)/inflow from operating activities after taxation		**(1,589)**	**1,030**	**2,695**
Investing activities				
Interest received		129	88	180
Purchase of property, plant and equipment		(806)	(267)	(1,004)
Sale of property, plant and equipment		12	24	79
Expenditure on intangible assets		(64)	–	–
Purchase of associates and investments		(113)	–	(50)
Purchase of subsidiary undertakings		(4,628)	(300)	(4,400)
Proceeds from sale of other investments		50	–	50
Net cash acquired with subsidiaries		2,088	(30)	780
Payment of deferred consideration		–	–	(90)
Expenses paid in connection with purchase of subsidiary undertakings		(365)	(108)	(622)
Net cash outflow from investing activities		**(3,697)**	**(593)**	**(5,077)**
Financing activities				
Dividends paid to equity holders of the parent		(215)	–	(131)
Repayment of bank loan		(1,000)	–	(500)
Repayment of loan notes		(1,053)	(140)	(196)
Drawdown of borrowings		4,850	–	4,250
Capital element of finance lease payments		(40)	(41)	(73)
Repayment of obligations under finance lease		(12)	(12)	(22)
Interest paid		(287)	(83)	(289)
Net cash inflow/(outflow) from financing		**2,243**	**(276)**	**3,039**
Movements in cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalents		(3,043)	161	657
Cash and cash equivalents at the beginning of the period		6,974	6,317	6,317
Cash and cash equivalents at end of the period		**3,931**	**6,478**	**6,974**

for the six months ended 30 June 2007

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Capital Reserve £'000	Profit and Loss Account £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 January 2007	3,448	19,981	50	10,496	74	5,026	39,075	6	39,081
Profit for the year	–	–	–	–	–	1,113	1,113	7	1,120
Shares issued	183	2,517	–	–	–	–	2,700	–	2,700
Credit for share based incentive schemes	–	–	–	–	172	–	172	–	172
Dividends	–	–	–	–	–	(215)	(215)	–	(215)
As at 30 June 2007	3,631	22,498	50	10,496	246	5,924	42,845	13	42,858

Changes in equity for the six months ended 30 June 2006:

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Capital Reserve £'000	Profit and Loss Account £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 January 2006	3,244	17,652	50	10,496	9	2,694	34,145	–	34,145
Profit for the year	–	–	–	–	–	1,147	1,147	–	1,147
Shares issued	33	367	–	–	–	–	400	–	400
Credit for share based incentive schemes	–	–	–	–	38	–	38	–	38
As at 30 June 2006	3,277	18,019	50	10,496	47	3,841	35,730	–	35,730

Changes in equity for the year ended 31 December 2006:

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Capital Reserve £'000	Profit and Loss Account £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 January 2006	3,244	17,652	50	10,496	9	2,694	34,145	–	34,145
Profit for the year	–	–	–	–	–	2,463	2,463	6	2,469
Shares issued	204	2,329	–	–	–	–	2,533	–	2,533
Credit for share based incentive schemes	–	–	–	–	65	–	65	–	65
Dividends	–	–	–	–	–	(131)	(131)	–	(131)
As at 31 December 2006	3,448	19,981	50	10,496	74	5,026	39,075	6	39,081

1 BASIS OF PREPARATION

The consolidated interim financial information has been prepared on a consistent basis with the accounting policies that we expect to be applied in the financial statements, which will be prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The financial information contained within this interim report has been prepared in accordance with International Accounting Standard 34 (IAS 34 *Interim Financial Reporting*) and are unaudited. They were approved by the Board and authorised for issue on 10 September 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies shown below are extracts from the full policies as detailed in the IFRS Transition Statement released on 30 August 2007:

(a) Turnover, Cost of Sales and Revenue Recognition

Turnover 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 turnover exceeds amounts invoiced to clients, the excess is classified as accrued 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.

(b) Goodwill and Intangible Assets

In accordance with IFRS 3 *Business Combinations* goodwill arising on acquisitions is capitalised as an intangible fixed asset. Other intangible assets are also then identified and amortised over their useful economic lives. 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 fixed assets are reviewed each financial period 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 3-5 year projection period, and an RPI based growth assumption for future years after that.

(c) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 IFRS 2 and in accordance with IAS 8 *Accounting policies* and IFRS 3 *Business Combinations*, the Group treats certain payments made to employees in respect of earn out arrangements as remuneration within the profit and loss account.

3 SEGMENTAL INFORMATION

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

The Group's turnover, gross profit and operating profit were all derived from the following activities:

(a) Turnover

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Cello Research and Consulting	23,686	17,690	37,095
Cello Response Communications	22,098	14,014	37,607
	45,784	**31,704**	**74,702**

(b) Operating income

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Cello Research and Consulting	15,305	10,416	21,982
Cello Response Communications	9,093	7,323	16,850
	24,398	**17,739**	**38,832**

3 SEGMENTAL INFORMATION (continued)

(c) Headline operating profit

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Cello Research and Consulting	3,405	2,435	4,624
Cello Response Communications	778	850	2,667
Head Office	(903)	(663)	(1,303)
	3,280	**2,622**	**5,988**

(d) Profit before tax

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Cello Research and Consulting	2,210	1,958	3,015
Cello Response Communications	425	668	2,473
Head Office	(994)	(916)	(1,961)
	1,641	**1,710**	**3,527**

(e) Net assets

	Unaudited at 30 June 2007 £'000	Unaudited at 30 June 2006 £'000	Unaudited at 31 December 2006 £'000
Cello Research and Consulting	14,834	8,852	10,531
Cello Response Communications	3,702	2,818	3,308
Head Office	24,322	24,060	25,242
	42,858	**35,730**	**39,081**

4 DIVIDEND

An interim dividend of 0.45p (2006: 0.4p) per ordinary share is recommended and will be paid on 12 October 2007 to all shareholders on the register on 21 September 2007. In accordance with IAS 10 *Events after the Balance Sheet Date*, this dividend has not been recognised in the accounts at 30 June 2007, but will be recognised in the accounting period ending 31 December 2007.

for the six months ended 30 June 2007

5 FINANCING INCOME

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Interest receivable bank deposits	**129**	**88**	**211**

6 FINANCE COSTS

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Interest payable on bank loans and overdrafts	279	57	296
Interest payable on loan notes	23	25	28
Interest payable in respect of finance leases	12	12	22
Notional finance costs on future deferred consideration	221	121	234
	535	**215**	**580**

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the half year ended 30 June 2007 has been based on an estimated effective tax rate on profit on ordinary activities for the full year of 32% (year ended 31 December 2006: 33%).

8 EARNINGS PER SHARE

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Basic and diluted earnings attributable to ordinary shareholders	1,113	1,147	2,463
Adjustments to earnings:			
Amortisation of intangibles	364	228	691
Share based payments expense	154	38	65
Acquisition related employee remuneration expenses	715	519	1,336
Notional finance costs on future deferred consideration payments	221	121	234
Tax thereon	(308)	(235)	(627)
Adjusted earnings attributable to ordinary shareholders	**2,259**	**1,818**	**4,162**

8 EARNINGS PER SHARE (continued)

	Number	Number	Number
Weighted average number of ordinary shares	35,209,762	32,453,567	33,106,006
Dilutive effect of securities:			
Share options	600,000	600,000	600,000
Contingent consideration shares to be issued	510,000	48,980	62,986
Diluted weighted average number of ordinary shares	36,319,762	33,102,547	33,768,992
Further dilutive effect of securities:			
Share options	1,462,206	465,332	563,168
Contingent consideration shares to be issued	9,199,538	8,348,564	11,263,368
Fully diluted weighted average number of ordinary shares	46,981,506	41,916,443	45,595,528
Basic earnings per share	3.16p	3.53p	7.44p
Diluted earnings per share	3.06p	3.46p	7.29p
Fully diluted earnings per share	2.37p	2.74p	5.40p
Headline basic earnings per share	6.42p	5.60p	12.57p
Headline diluted earnings per share	6.22p	5.49p	12.33p
Headline fully diluted earnings per share	4.81p	4.34p	9.13p

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 IAS 33 *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.

for the six months ended 30 June 2007

9 GOODWILL

	Unaudited at 30 June 2007 £'000	Unaudited at 30 June 2006 £'000	Unaudited at 31 December 2006 £'000
Cost			
At 1 January 2007	55,519	45,417	45,167
Goodwill arising on acquisition (note 10)	10,366	1,360	9,916
Adjustment to fair value of deferred consideration	(229)	–	368
Adjustment to value of assets acquired	–	–	23
At 30 June 2007	65,656	46,777	55,519

The adjustment to the fair value of deferred consideration relates to changes in estimate of deferred consideration payable under earn out arrangements in accordance with the terms of the relevant acquisition agreements. Adjustment to the value of assets acquired relate to fair value adjustments of the net assets acquired on acquisitions in the prior period.

10 ACQUISITIONS

	MSI £'000	Other acquisitions £'000	Total £'000
Net assets acquired:			
Intangible assets – client contracts	132	133	265
Property, plant and equipment	28	95	123
Trade and other receivables	637	940	1,577
Cash and cash equivalents	1,838	250	2,088
Current liabilities	(836)	(645)	(1,481)
Deferred tax provision	(39)	(38)	(77)
Net assets acquired	1,760	735	2,495
Goodwill	7,454	2,912	10,366
Total cost of acquisition	**9,214**	**3,647**	**12,861**
Satisfied by:			
Cash	3,220	1,073	4,293
Shares	1,801	899	2,700
Loan notes	704	–	704
Deferred consideration	3,297	1,525	4,822
Acquisition costs	192	150	342
Total	9,214	3,647	12,861

10 ACQUISITIONS (continued)

The fair value of net assets acquired is provisional and based on the best estimate available at the date at which this financial information has been prepared.

The fair value of deferred consideration is provisional and is based on managements current best estimate of the companies financial performance over the relevant earn out periods. This estimate is reviewed at acquisition and each financial period thereafter. Deferred consideration will be paid with a mixture of cash and shares (note 12).

The aggregate results for these transactions for the period from completion to 30 June were £2.1m of turnover, £1.6m of operating income and £0.3m of operating profit.

(a) The MSI Consultancy Limited ("MSI")

On 30 March 2007, the company acquired the entire share capital of MSI for a maximum total consideration of £13.2m. The initial consideration of £5.7m consists of £3.9m payable in cash or loan notes and the balance satisfied by the issue of 1,198,402 new ordinary shares. Final consideration depends on the financial performance of MSI over the period to 31 December 2010. The maximum amount of final consideration is £7.5m and is payable in a mixture of cash and shares.

(b) Rosenblatt Limited ("Rosenblatt") and Digital People Online Limited ("Digital People")

On the 29 January 2007, the company acquired 75% of the issued share capital of Rosenblatt and 51% of Digital People for consideration of £322,000 in cash and the issue of 119,426 new ordinary shares.

The remaining 25% issued share capital of Rosenblatt is subject to a put and call option exercisable in 2009 and the remaining 49% issued share capital in Digital People is subject to a put and call option exercisable anytime in the period to 31 March 2012. The amount of option consideration payable is dependent on the financial performance of the companies in the two years prior exercise of the option.

In accordance with IFRS 3, amounts expected to be paid for these put and call options have been accounted for as deferred consideration and 100% of the net assets and results for Rosenblatt and Digital People have been consolidated into the Group.

(c) Market Research International Limited ("mruk")

On 8 June 2007, the company acquired the entire issued share capital of mruk for a maximum total consideration of £6m. The initial consideration of £1.5m consists of £750,000 payable in cash and the balance satisfied by the issue of 506,757 new ordinary shares. Final consideration depends on the financial performance of mruk over the period to 31 December 2010. The maximum amount of final consideration is £4.5m and is payable in a mixture of cash and shares.

for the six months ended 30 June 2007

11 PROVISIONS

	Unaudited at 30 June 2007 £'000	Unaudited at 30 June 2006 £'000	Unaudited at 31 December 2006 £'000
Contingent consideration for acquisitions	24,834	15,860	19,590
Deferred taxation	958	1,040	988
	25,792	16,900	20,578

12 CONTINGENT CONSIDERATION FOR ACQUISITIONS

	Unaudited at 30 June 2007 £'000	Unaudited at 30 June 2006 £'000	Unaudited at 31 December 2006 £'000
At 1 January 2007	19,590	14,252	14,252
Payments in the period	(435)	–	(148)
Additions in the year	4,972	968	3,548
Adjustment to provisions of additions in prior years	(229)	–	368
Acquisition related remuneration expense	715	519	1,336
Notional finance costs on future deferred consideration payments	221	121	234
At 30 June 2007	24,834	15,860	19,590
Make up of contingent consideration is as follows:			
Earn out related cash payables	9,631	5,887	7,374
Shares to be issued	15,203	9,973	12,216
	24,834	15,860	19,590

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 Group's sole discretion, this percentage can be increased.

13 SHARE CAPITAL

	Unaudited at 30 June 2007 £'000	Unaudited at 30 June 2006 £'000	Unaudited at 31 December 2006 £'000
Authorised:			
50,000,000 ordinary shares of 10p each	5,000	5,000	5,000
Alloted, issued and fully paid			
36,309,612 ordinary shares of 10p each	3,631	3,277	3,448

During the interim period 1,824,585 ordinary shares of 10p each were issued as part of the consideration for acquisitions.

14 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash (out)/inflow from operating activities

	Unaudited six months ended 30 June 2007 £'000	Unaudited six months ended 30 June 2006 £'000	Unaudited year ended 31 December 2006 £'000
Operating profit	2,047	1,837	3,896
Depreciation	460	323	713
Amortisation	364	228	691
Share based payment expense	172	38	65
Acquisition related employee remuneration expense	715	519	1,336
Profit on disposal of property, plant and equipment	(4)	(14)	(29)
Profit on disposal of investments	(10)	–	(90)
Increase in work in progress	(988)	(493)	(324)
Increase in receivables	(2,218)	(756)	(5,033)
(Decrease)/increase in payables	(1,094)	(110)	2,959
Net cash (outflow)/inflow from operating activities	**(556)**	**1,572**	**4,184**

14 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of net debt

	At 1 January 2007 £'000	Cash flow £'000	Acquisition £'000	At 30 June 2007 £'000
Cash at bank and in hand	7,010	(2,229)	–	4,781
Overdrafts	(36)	(814)	–	(850)
	6,974	(3,043)	–	3,931
Loan notes due within one year	(1,820)	1,053	(704)	(1,471)
Other loans due within one year	(6,050)	(3,850)	–	(9,900)
Finance leases	(168)	40	–	(128)
	(1,064)	(5,800)	(704)	(7,568)

During the interim period there were the following issuances and repayments of debt:
- £4.85m was drawn down from the Group's loan facility to fund the cash element of acquisitions made in the period.
- £1m of the Group's loan facility was repaid from the Group's cash reserves.
- £704,000 of secured loan notes were issued as part of the consideration for acquisitions in the period.

15 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.

This statement does not constitute full statutory financial statements within the meaning of section 240 of the Companies Act 1985.

for the six months ended 30 June 2007

Introduction

We have been instructed by the company to review the financial information set out on pages 7 to 20 and we have read the other information in the interim statement and considered whether it contains any apparent misstatements 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 2007.

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

11 September 2007

Cello Group plc
11-13 Charterhouse Buildings
London EC1M 7AP
Tel: +44 (0)20 7812 8460
www.cellogroup.co.uk