15 September 2009

Cello Group plc

Maintaining market share in a challenging environment

Cello Group plc ("Cello" AIM: CLL "The Group"), the market research and consulting group, today announces its interim results for the six month period to 30 June 2009.

Highlights

- Operating income £30.2m (2008: £33.9m)
- Headline operating profit £2.5m (2008: £4.4m)
- Reported operating profit before impairment charges £2.1m (2008: £2.9m)
- Interim dividend maintained at 0.50p (2008: 0.50p)
- Strong underlying operating cash flow
- Large earnout settlement of £7.7m completed through a mix of cash and shares. Earnout provisions drop by 70% to £4.5m to be settled over next four years
- Large client spend remains strong
- Brand and property consolidation making good progress

Mark Scott, Chief Executive, commented:

"We continue to focus Cello's activity into our primary client verticals of pharmaceutical, healthcare, public sector, and charities where we are achieving competitive advantage and relative scale. We are clearly maintaining our market share in these largely defensive sectors. As part of this process, we are accelerating the consolidation of the business into shared operating hubs behind our larger brands. This is delivering professional benefits for our staff and also reducing overhead. The combination of these activities is strengthening the Group's position for further expansion in the broad healthcare arena in due course".

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Notes to Editors (www.cellogroup.co.uk)

Cello is a market research and consulting group. The Group's strategy is to create value for shareholders by building a research and consulting business able to advise blue chip clients globally, along with a response business capable of delivering world class solutions.

Cello has annualised turnover in excess of £125m, annualised operating income in excess of £60m and employs just under 800 professional staff.

Chairman's Statement

Overview

Cello has maintained its market share and continues to benefit from the strength of its blue chip client base. All the Group's large clients have continued to spend significantly against a challenging industry backdrop. The Group's strong position in the pharmaceutical market and in healthcare related sectors has been reinforced.

Group income has declined in line with the rest of the sector and pricing pressure remains strong on projects. The Group has therefore continued to bear down on costs to reflect the current trading environment and further reduced its staff numbers. The Group will benefit from property rationalisation in 2010, especially in London, as a result of continued consolidation of operations.

The Group has also substantially settled its earnout commitments during the period. The relatively small commitments that remain are spread over the next four years.

2009 will continue to be a challenging year. However the actions taken in 2008 and 2009 mean that Cello is more focussed, more professionally cohesive, and on a strong financial footing from which to expand in due course.

Financial Review

Turnover for the first six months to 30 June 2009 was £58.0m (2008: £66.1m), and operating income was £30.2m (2008: £33.9m). This like-for-like 10.9% decline in operating income reflects tougher trading conditions in a number of markets compared to the prior period. The Group's considerable healthcare, and public sector client base has remained particularly resilient. In Cello Research and Consulting, areas of weakness were in the HR and business intelligence consultancies. In Tangible, the key area of weakness was in financial services marketing. If these areas are excluded, like-for-like income fell by 6.8%.

Headline operating profit was £2.5m (2008: £4.4m) and reported operating profit before impairment charges was £2.1m (2008: £2.9m). Headline operating margins reduced to 8.4% (2008: 12.9%). Given the drop in income, there has been natural pressure on operating margins. However, this has been mitigated to a significant extent by reductions in staff costs which are 8.1% lower than the same period last year.

Headline pretax profit, after an interest charge of £0.5m (2008: £0.5m), was £2.0m (2008: £3.9m).

The carrying value of investments is assessed every six months. In the light of continued reduced profit performance from the business intelligence and HR consultancy operations, the Board has substantially reduced their carrying value and reported an exceptional non-cash impairment charge of £5.5m. Therefore the Group has a reported operating loss of £3.4m (2008: profit of £2.9m) and a reported pretax loss of £3.9m (2008: profit of £2.2m).

Headline basic earnings per share was 2.81p (2008: 6.84p). This reflects the decline in profitability in the period and also the dilutive effect of earnout settlements made in the period which required the issuance of 14.2m new shares at 32.5p per share. Reported loss per share was 8.35p (2008: earnings of 3.66p), as a consequence of the non-cash impairment charge.

As a demonstration of the Boards confidence in the Groups prospects, the interim dividend is being maintained at 0.50p per share (2008: 0.50p). It will be paid on 4 November 2009 to all shareholders on the register on 9 October 2009.

The Group's net debt position at the half year was £14.8m (31 December 2008: £9.9m). The increase in debt largely reflects the earnout related cash and loan notes settled in the period. The Group retains a £22.0m total banking facility.

Underlying operating cash flow conversion after cash exceptionals was 77.0%, in line with historical norms, and before a £2.0m surplus reversal that was highlighted in the Group's preliminary results in March.

Provisions for future earnouts have reduced by 71.0% to £4.2m. This follows the regular six monthly review of commitments as well as the £7.7m settlement during the period. It is anticipated that there will be additional future employee related remuneration and additional future notional interest charges over the next four years of £0.3m. This total of £4.5m is anticipated to be split £1.9m in cash and £2.6m in shares, payable over the next four years.

The following table details the adjustments that have been made to calculate headline operating profit. All but the exceptional item are non-cash. The exceptional item relates to redundancy costs incurred during the period. The Board will continue to tightly control cost and actively manage our resources appropriately.

	Six months ended 30 June	
£m	2009	2008
Headline operating profit	**2.5**	**4.4**
Exceptional costs	(0.5)	(0.5)
Share option costs	-	(0.2)
Deemed remuneration	0.3	(0.4)
Amortisation	(0.2)	(0.4)
Reported operating profit before impairment charges	**2.1**	**2.9**
Impairment charges	(5.5)	**-**
Reported operating (loss)/profit	**(3.4)**	**2.9**

Review of Operations

The economic conditions continued to adversely impact financial performance across the sector. Despite the recession, the Group has emerged with a strong position in many of its markets, particularly in pharmaceutical, healthcare and the public sector, which together make up over 40% of Cello's income. In addition, while many other areas of activity have been lower than last year, it is clear that market share has been maintained. All of the top 20 clients in the first half of 2008 remained as significant clients in the first half of 2009. The client base is broad with the largest client of the Group accounting for only 3.4% of total income, and the top 20 clients accounting for 37.3% of total income.

The Group continues its careful programme of brand consolidation. This is most progressed within the Tangible business, and is showing clear benefits in terms of larger mandates and cross business working.

The Group has taken significant action to reduce the cost base. This is apparent in an 8.1% reduction in total staff costs in the first half of 2009. Going forward into 2010, Cello will also benefit from materially reduced property commitments following action taken on consolidating leases in the first half of 2009 as the Group focuses resources behind bigger operating hubs. The process is ongoing, and there will be further cost reduction action in the second half of the year.

Research and Consulting

Given the economic context, Cello Research and Consulting had a sound six months, delivering £30.0m of turnover (2008: £33.6m) and £18.2m of operating income (2008: £20.1m). 45.2% of this was from international work. Headline operating profit was £2.3m (2008: £3.7m). Headline operating margins reduced to 12.7% (2008: 18.4%). Excluding the HR and business intelligence consultancies operating margins would have been 15.0%. The balance of the margin decline was accounted for by a foreign currency loss of £0.3m (2008: gain of £0.1m) and a drop in the number of high margin qualitative research briefs.

Cello Research and Consulting has developed its key client relationships, and continues to have a broad client base with a predominantly healthcare orientation. Pharmaceutical and healthcare accounted for 39.0% of Research and Consulting income (2008: 33.9%). Key clients active in the period included HP, Tesco, Roche, EA, Novartis, GSK, Nokia and Unilever which are all long standing key clients of the business.

Discretionary consulting expenditure proved to be the toughest sub-market. In particular, the HR and business intelligence consultancies had a difficult six months. Taking an assessment of future prospects into account, the Board has decided to reduce the carrying value of these assets by £5.5m. This is accounted for as a non-cash exceptional charge.

Tangible

Tangible also had a solid six months, delivering £28.0m of turnover (2008: £32.5m); £12.0m of operating income (2008: £13.8m) and headline operating profit of £0.9m (2008: £1.7m). Headline operating margins fell to 7.3% (2008: 12.0%). If the financial services business is excluded, the operating margin would have been 8.9%, in line with the operating margin in the first half of 2007. The balance of the margin decline was accounted for by across-the-board pricing pressure, particularly with regard to smaller UK-based clients.

The business has maintained its market position in its key areas, and has taken major strides in co-locating businesses, particularly in London where a single office hub now houses six disciplines. One very significant London lease has been vacated, which will positively impact on property costs in 2010.

A key trend in Tangible's income has been a strong six months from the public sector client base. Public sector work accounted for 26.3% of income in the Tangible business (2008: 21.1%). This is very broadly spread over several large clients, including the Scottish Government, the COI, Lifelong Learning and numerous other public sector bodies.

Financial services income fell from 31.4% of Tangible's income in 2008 to 20.8% in 2009. The larger financial services clients remain actively spending but smaller clients in this area have curtailed activity. The Group has retained key capacity to service this market when it recovers.

Outlook

While 2009 has so far been a challenging year, the actions on costs taken to date and those in progress in the second half will hold the Group in good stead for the future. Cello has maintained market share and is well positioned in its key client sectors, notably in the pharmaceutical, healthcare and life-style related sectors which are increasingly proving to be the core markets for the Group.

Encouragingly, it would also appear that the rate of decline in income experienced in the first half has now stabilised, and income visibility remains in line with historical norms. Against this background, the Board currently expects the headline operating profit in the second half of 2009 to exceed the second half of 2008, reflecting the reduced cost base and increased operational focus.

Allan Rich
Non-Executive Chairman
15 September 2009

Condensed Consolidated Income Statement
for the six months ended 30 June 2009

	Notes	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2008 £'000
Continuing operations				
Revenue	3	57,978	66,115	139,127
Cost of sales		(27,797)	(32,237)	(72,543)
Operating income	3	**30,181**	**33,878**	**66,584**
Administration expenses		(27,640)	(29,516)	(58,802)
Headline operating profit	3	**2,541**	**4,362**	**7,782**
Exceptional items	5	(495)	(471)	(1,285)
Amortisation of intangible assets		(266)	(458)	(858)
Acquisition related employee expenses		347	(354)	(647)
Share option credit/(charge)		-	(163)	450
Operating profit before impairment charges		**2,127**	**2,916**	**5,442**
Impairment of intangible assets		(778)	-	-
Impairment of goodwill	9	(4,548)	-	-
Impairment of available-for-sale investments		(162)	-	-
Operating (loss)/profit	3	**(3,361)**	**2,916**	**5,442**
Finance income	6	12	102	243
Finance cost of deferred consideration	6	(68)	(236)	(291)
Fair value gain/(loss) on derivative financial instruments	6	23	-	(444)
Other finance costs	6	(508)	(558)	(1,134)
(Loss)/profit before taxation	3	**(3,902)**	**2,224**	**3,816**
Tax	7	(290)	(670)	(1,015)
(Loss)/profit for the period		**(4,192)**	**1,554**	**2,801**
Attributable to:				
Equity holders of parent		(4,206)	1,507	2,761
Minority interest		14	47	40
		(4,192)	**1,554**	**2,801**
Earnings per share				
Basic (loss)/earnings per share	8	(8.35)p	3.66p	6.45p
Diluted (loss)/earnings per share	8	(8.35)p	3.39p	4.87p

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2009

	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2008 £'000
Exchange differences on translation of foreign operations	12	-	(47)
Deferred tax recognised direct in equity	-	-	222
Net income/(expense) recognised directly in equity	12	-	175
(Loss)/profit for the period	(4,192)	1,554	2,801
Total recognised (expense)/income for the period	**(4,180)**	**1,554**	**2,976**

Condensed Consolidated Balance Sheet
As at 30 June 2009

	Notes	Unaudited At 30 June 2009 £'000	Unaudited At 30 June 2008 £'000	Audited At 31 December 2008 £'000
Goodwill	9	69,590	78,950	76,291
Intangible assets	10	1,264	2,592	2,266
Property, plant and equipment		2,859	3,246	3,103
Available-for-sale investments		65	227	227
Deferred tax assets		944	1,664	1,080
Non-current assets		**74,722**	**86,679**	**82,967**
Trade and other receivables		26,621	29,473	26,658
Cash and cash equivalents		4,073	7,448	5,065
Current assets		**30,694**	**36,921**	**31,723**
Trade and other payables		(23,560)	(25,122)	(26,633)
Current tax liabilities		(1,184)	(1,405)	(708)
Borrowings		(3,015)	(6,054)	(1,053)
Consideration payable in respect of acquisitions	11	-	-	(7,980)
Obligations under finance leases		(60)	(56)	(68)
Current liabilities		**(27,819)**	**(32,637)**	**(36,442)**
Net current assets / (liabilities)		**2,875**	**4,284**	**(4,719)**
Total assets less current liabilities		**77,597**	**90,963**	**78,248**
Non-current liabilities				
Borrowings		(15,700)	(16,500)	(13,750)
Provisions	11	(4,242)	(17,350)	(6,453)
Obligations under finance leases		(64)	(44)	(86)
Derivative financial instruments		(420)	-	(444)
Deferred tax liabilities		(324)	(757)	(616)
Net assets		**56,847**	**56,312**	**56,899**
Equity				
Share capital	12	5,876	4,456	4,456
Share premium		34,945	31,745	31,745
Retained earnings		5,350	8,794	10,048
Capital redemption reserve		50	50	50
Merger reserve		10,496	10,496	10,496
Share-based payment reserve		73	686	73
Foreign currency reserve		(35)	-	(47)
Equity attributable to equity holders of parent		**56,755**	**56,227**	**56,821**
Minority interest		92	85	78
Total equity		**56,847**	**56,312**	**56,899**

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2009

	Notes	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2008 £'000
Net cash (outflow) / inflow from operating activities before taxation	13a	**(366)**	**2,281**	**9,682**
Tax received/(paid)		24	(1,547)	(1,911)
Net cash (outflow) / inflow from operating activities after taxation		**(342)**	**734**	**7,771**
Investing activities				
Interest received		12	102	243
Purchase of property, plant and equipment		(411)	(646)	(1,119)
Sale of property, plant and equipment		22	32	66
Expenditure on intangible assets		(75)	(46)	(119)
Purchase of subsidiary undertakings		(789)	(3,337)	(3,636)
Net cash outflow from investing activities		**(1,241)**	**(3,895)**	**(4,565)**
Financing activities				
Dividends paid to equity holders		(439)	(334)	(556)
Repayment of bank loan		(650)	(3,550)	(8,050)
Repayment of loan notes		(351)	(179)	(5,211)
Drawdown of borrowings		2,600	8,300	10,050
Capital element of finance lease payments		(30)	(20)	(90)
Payment of finance lease interest		(11)	(11)	(21)
Interest paid		(497)	(512)	(1,105)
Purchase of own shares		(53)	(71)	(71)
Net cash inflow / (outflow) from financing		**569**	**3,623**	**(5,054)**
Movements in cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalents		(1,014)	462	(1,848)
Exchange gains/(losses) on cash and bank overdrafts		22	-	(73)
Cash and cash equivalents at the beginning of the period		5,065	6,986	6,986
Cash and cash equivalents at end of the period		**4,073**	**7,448**	**5,065**

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2009

Statement of changes in equity for the six months ended 30 June 2009:

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share-based Payment Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Loss for the year	-	-	-	-	-	-	(4,206)	(4,206)	14	(4,192)
Currency translation	-	-	-	-	-	12	-	12	-	12
Total recognised income in the period	-	-	-	-	-	12	(4,206)	(4,194)	14	(4,180)
At 1 January 2009	4,456	31,745	50	10,496	73	(47)	10,048	56,821	78	56,899
Shares issued	1,420	3,200	-	-	-	-	-	4,620	-	4,620
Own shares purchased	-	-	-	-	-	-	(53)	(53)	-	(53)
Dividends paid	-	-	-	-	-	-	(439)	(439)	-	(439)
As at 30 June 2009 (unaudited)	5,876	34,945	50	10,496	73	(35)	5,350	56,755	92	56,847

Statement of changes in equity for the six months ended 30 June 2008:

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share-based Payment Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Profit for the year	-	-	-	-	-	-	1,507	1,507	47	1,554
Total recognised income in the period	-	-	-	-	-	-	1,507	1,507	47	1,554
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)
Credit for share-based incentive schemes	-	-	-	-	163	-	-	163	-	163
Dividends paid	-	-	-	-	-	-	(334)	(334)	-	(334)
As at 30 June 2008 (unaudited)	4,456	31,745	50	10,496	686	-	8,794	56,227	85	56,312

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

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share-based Payment Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Total £'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 paid	-	-	-	-	-	-	(556)	(556)	-	(556)
As at 31 December 2008	4,456	31,745	50	10,496	73	(47)	10,048	56,821	78	56,899

Notes to the Financial Information
for the six months ended 30 June 2009

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

The condensed consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 were approved by the Board of directors on 16 March 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

The condensed consolidated financial information was approved for issue on 14 September 2009 and has not been audited.

The following new standards and amendments are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised) *Presentation of Financial Statements*. The revised statement prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring the 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

- IFRS 8 *Operating Segments*. IFRS 8 replaces IAS 14 *Segment Reporting*. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

(b) Goodwill and 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 bi-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 3-5 year projection period, and inflation based growth assumptions for subsequent years, to a maximum period of 20 years.

(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.

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.

(d) Exceptional Items

Exceptional items are those items which, because of their nature and materiality, merit separate presentation to allow a better understanding of the Groups' financial performance.

3. SEGMENTED INFORMATION

6 months ended 30 June 2009

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Expenses £'000	Group £'000
Profit and loss				
Revenue	29,976	28,002	-	57,978
Operating income	18,188	11,993	-	30,181
Headline operating profit (headline segment result)	2,316	877	(652)	2,541
Exceptional items	(224)	(271)	-	(495)
Amortisation of intangible assets	(201)	(65)	-	(266)
Acquisition related employee expenses	293	54	-	347
Operating profit before impairments	2,184	595	(652)	2,127
Impairment of intangible assets	(778)	-	-	(778)
Impairment of goodwill	(4,548)	-	-	(4,548)
Impairment of available-for-sale investments	(162)	-	-	(162)
Operating profit (segment result)	(3,304)	595	(652)	(3,361)
Financing income				12
Finance costs				(508)
Fair value gain on derivative financial instruments				23
Finance cost of deferred consideration				(68)
Profit before tax				(3,902)
Other information				
Capital expenditure	174	237	-	411
Capitalisation of intangible assets	-	75	-	75
Depreciation of property, plant and equipment	348	278	6	632

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Assets/ (Liabilities) £'000	Eliminations £'000	Total £'000
Assets and liabilities					
Assets	60,165	49,088	3,128	(7,909)	104,472
Deferred tax assets					944
Consolidated total assets					105,416
Liabilities	(12,361)	(15,557)	(8,213)	7,909	(28,222)
Borrowings					(18,715)
Corporation tax liabilities					(1,184)
Deferred tax liabilities					(324)
Finance leases					(124)
Consolidated total liabilities					(48,569)

6 months ended 30 June 2008

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Expenses £'000	Group £'000
Profit and loss				
Revenue	33,572	32,543	-	66,115
Operating income	20,078	13,800	-	33,878
Headline operating profit (headline segment result)	3,692	1,656	(986)	4,362
Exceptional items	(238)	(231)	(2)	(471)
Amortisation of intangible assets	(314)	(144)	-	(458)
Acquisition related employee expenses	(189)	(165)	-	(354)
Share option charges	(11)	(1)	(151)	(163)
Operating profit (segment result)	2,940	1,115	(1,139)	2,916
Financing income				102
Finance costs				(236)
Finance cost of deferred consideration				(558)
Profit before tax				2,224
Other information				
Capital expenditure	362	284	-	646
Capitalisation of intangible assets	-	46	-	46
Depreciation of property, plant and equipment	399	275	3	677

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Assets/ (Liabilities) £'000	Eliminations £'000	Total £'000
Assets and liabilities					
Assets	72,151	48,590	7,208	(6,013)	121,936
Deferred tax assets					1,664
Consolidated total assets					123,600
Liabilities	(24,653)	(17,289)	(6,543)	6,013	(42,472)
Borrowings					(22,554)
Corporation tax liabilities					(1,405)
Deferred tax liabilities					(757)
Finance leases					(100)
Consolidated total liabilities					(67,288)

for the year ended 31 December 2008

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Expenses £'000	Group £'000
Profit and loss				
Revenue	66,415	72,712	-	139,127
Operating income	39,084	27,500	-	66,584
Headline operating profit (headline segment result)	6,122	3,708	(2,048)	7,782
Exceptional items	(521)	(724)	(40)	(1,285)
Amortisation of intangible assets	(611)	(247)	-	(858)
Acquisition related employee expenses	(419)	(228)	-	(647)
Share option credit	98	78	274	450
Operating profit (segment result)	4,669	2,587	(1,814)	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
Other information				
Capital expenditure	742	501	-	1,243
Capitalisation of intangible assets	-	119	-	119
Depreciation of property, plant and equipment	843	560	-	1,403

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Assets/ (Liabilities) £'000	Eliminations £'000	Total £'000
Assets and liabilities					
Assets	69,055	48,675	2,412	(6,532)	113,610
Deferred tax assets					1,080
Consolidated total assets					114,690
Liabilities	(23,451)	(17,282)	(7,308)	6,532	(41,509)
Borrowings					(14,803)
Corporation tax liabilities					(708)
Deferred tax liabilities					(616)
Finance leases					(155)
Consolidated total liabilities					(57,791)

4. DIVIDEND

An interim dividend of 0.5p (2008: 0.5p) per ordinary share is declared and will be paid on 4 November 2009 to all shareholders on the register on 9 October 2009. In accordance with IAS 10 *Events after the Balance Sheet Date*, this dividend has not been recognised in the accounts at 30 June 2009, but will be recognised in the accounting period ending 31 December 2009.

5. EXCEPTIONAL ITEMS

Exceptional items are redundancy costs incurred in the period which have a material effect on the results. These costs have been separately disclosed in order to assist in understanding the financial performance.

6. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2008 £'000
Finance income:			
Interest receivable on bank deposits	12	102	243
Fair value gains on derivative financial instruments	23	-	-
	35	102	243
Finance costs:			
Interest payable on bank loans and overdrafts	317	505	974
Interest payable on loan notes	-	42	139
Interest payable in respect of finance leases	11	11	21
Finance costs on cap and collar interest rate hedge	180	-	-
	508	558	1,134
Notional finance costs on future deferred consideration	68	236	291
Fair value loss on derivative financial instruments	-	-	444
	576	794	1,869

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the half year ended 30 June 2009 has been based on an estimated effective tax rate on profit on ordinary activities for the full year of 28.0% (year ended 31 December 2008: 28.5%), adjusted for expenses not deductible for tax purposes, such as impairment of goodwill and finance costs of deferred remuneration.

8. (LOSS)/EARNINGS PER SHARE

	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2008 £'000
Basic and diluted (losses)/earnings attributable to ordinary shareholders	(4,206)	1,507	2,761
Adjustments to (losses)/earnings:			
Exceptional items	495	471	1,285
Amortisation of intangibles	266	458	858
Impairment of intangible assets	778	-	-
Impairment of goodwill	4,548	-	-
Impairment of available-for-sale investments	162	-	-
Share-based payments expense	-	163	(450)
Acquisition related employee remuneration expenses	(347)	354	647
Fair value loss on derivative financial instruments	(23)	-	444
Notional finance costs on future deferred consideration payments	68	236	291
Tax thereon	(327)	(373)	(618)
Adjusted earnings attributable to ordinary shareholders	1,414	2,816	5,218
	Number	Number	Number
Weighted average number of ordinary shares	50,380,210	41,163,500	42,831,617
Dilutive effect of securities:			
Share options	-	-	-
Deferred consideration shares to be issued	8,230,932	3,323,048	13,823,781
Diluted weighted average number of ordinary shares	58,611,142	44,486,548	56,655,398
Further dilutive effect of securities:			
Share options	-	1,471,504	-
Contingent consideration shares to be issued	5,987,909	14,016,244	9,964,568
Fully diluted weighted average number of ordinary shares	64,599,051	59,974,296	66,619,966
Basic (loss)/earnings per share	(8.35)p	3.66p	6.45p
Diluted (loss)/earnings per share	(8.35)p	3.39p	4.87p
Fully diluted (loss)/earnings per share	(8.35)p	2.51p	4.14p
Headline basic earnings per share	2.81p	6.84p	12.18p
Headline diluted earnings per share	2.41p	6.33p	9.21p
Headline fully diluted earnings per share	2.19p	4.70p	7.83p

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 (loss)/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, excluding treasury shares, determined in accordance with the provisions of IAS 33 *Earnings per Share.*

Diluted (loss)/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 period. Given the loss in the period to 30 June 2009, the effect of these potentially dilutive ordinary shares are anti-dilutive so dilutive earnings per share is deemed to equal basic earnings per share.

Fully diluted (loss)/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. Given the loss in the period to 30 June 2009, the potentially dilutive shares are anti-dilutive so fully dilutive earnings per share is deemed to equal basic earnings per share.

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.

9. GOODWILL

	Unaudited At 30 June 2009 £'000	Unaudited At 30 June 2008 £'000	Audited At 31 December 2008 £'000
Cost			
At 1 January 2009	76,291	77,912	77,912
Goodwill arising on acquisitions in the period	49	-	-
Adjustment to fair value of deferred consideration	(2,202)	1,038	(1,621)
Impairment of goodwill	(4,548)	-	-
At 30 June 2009	69,590	78,950	76,291

The adjustment to the fair value of deferred consideration relates to changes in estimate of deferred consideration payable under earnout 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.

Following a review of the carrying values of goodwill, an impairment charge of £3,631,000 has been made on the value of goodwill in SMT Consulting Limited ("SMT"), the Group's business intelligence unit, due to reduced trading performance in the current economic environment. The resulting value of goodwill in SMT is held at its recoverable amount on a value-in-use basis, using projected returns over the next 4 years and inflation based growth assumption for a further 16 years. The returns are discounted to present value using a discount rate of 5.8% (year ended 31 December 2008: 5.8%).

An impairment charge of £917,000 has also been made to the value of goodwill in Chairos Holdings Limited ("Chairos"), the Group's HR consultancy business, due to reduced trading performance in the current economic environment. The resulting value of goodwill in Chairos is held at its recoverable amount on a value-in-use basis, using projected returns over the next 4 years and an inflation based growth assumption for a further 7 years. The returns are discounted to present value using a discount rate of 5.2% (year ended 31 December 2008: 5.2%).

10. INTANGIBLE ASSETS

Following a review of the carrying value of the licence held by Chairos, an impairment charge of £778,000 has been made to the carrying value of the licence, due to reduced trading performance in the current economic environment. The resulting value of the licence is held at its recoverable amount on a value-in-use basis, using projected returns over the next 4 years and an inflation based growth assumption for a further 7 years. The returns are discounted to present value using a discount rate of 5.2% (year ended 31 December 2008: 5.2%).

11. DEFERRED CONSIDERATION FOR ACQUISITIONS

	Unaudited At 30 June 2009 £'000	Unaudited At 30 June 2008 £'000	Audited At 31 December 2008 £'000
Current liabilities	-	-	7,980
Provisions	4,242	17,350	6,453
	4,242	17,350	14,433

Movements in the period can be analysed as follows:

	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2008 £'000
At 1 January 2009	14,433	30,581	30,581
Payments made in the period	(7,710)	(14,926)	(15,240)
Additions in the period	-	-	-
Adjustment to provisions of additions in prior periods	(2,202)	1,105	(1,846)
Acquisition related employee remuneration expense	(347)	354	647
Notional finance costs on future deferred consideration payments	68	236	291
At 30 June 2009	4,242	17,350	14,433
Make up of contingent consideration is as follows:			
Earnout related cash payables	1,731	7,192	5,790
Shares to be issued	2,511	10,158	8,643
	4,242	17,350	14,433

Earnout 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.

12. SHARE CAPITAL

	Unaudited At 30 June 2009 £'000	Unaudited At 30 June 2008 £'000	Audited At 31 December 2008 £'000
Authorised:			
84,600,000 ordinary shares of 10p each	8,460	6,500	6,500
Allotted, issued and fully paid			
58,762,197 ordinary shares of 10p each	5,876	4,456	4,456

During the interim period 14,200,594 ordinary shares of 10p each were issued as part of the earnout consideration for acquisitions.

13. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Unaudited Six months ended 30 June 2009 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2008 £'000
(Loss)/profit for the period	(4,192)	1,554	2,801
Finance income	(12)	(102)	(243)
Finance costs of deferred consideration	68	236	291
Fair value (gain)/loss on derivative financial instruments	(24)	-	444
Other finance costs	508	558	1,134
Tax	290	670	1,015
Depreciation	632	677	1,403
Amortisation of intangible assets	299	458	858
Impairment of intangible assets	778	-	-
Impairment of goodwill	4,548	-	-
Impairment of available-for-sale investments	162	-	-
Share-based payment expense	-	163	(450)
Acquisition related employee remuneration expense	(347)	354	647
Profit on disposal of property, plant and equipment	3	(32)	(48)
Decrease/(increase) in receivables	67	(753)	2,062
Decrease in payables	(3,146)	(1,502)	(232)
Net cash (outflow)/inflow from operating activities	**(366)**	**2,281**	**9,682**

(b) Analysis of net debt

	At 1 January 2009 £'000	Cash flow £'000	Issue of debt £,000	Foreign exchange £,000	At 30 June 2009 £'000
Cash and cash equivalents	5,065	(1,014)	-	22	4,073
Loan notes	(1,053)	351	(2,313)	-	(3,015)
Bank loans	(13,750)	(1,950)	-	-	(15,700)
Finance leases	(154)	30	-	-	(124)
	(9,892)	(2,583)	(2,313)	22	(14,766)

During the period there were the following issuances and repayments of debt:

- £2.60m was drawn down from the Group's loan facility to fund the cash element of acquisitions made in the period.
- £0.65m of the Group's loan facility was repaid from the Group's cash reserves.
- £2.31m of secured loan notes were issued as part of the consideration for acquisitions in the period.

14. INTERIM STATEMENT

This statement does not constitute full statutory financial statements within the meaning of section 434 of the Companies Act 2006.

15. REGULATORY DISCLOSURE

In accordance with schedule two, paragraph (g) of the AIM Rules, Cello announces that Chris Outram, a non-executive director of Cello, is also a director of ActionLeisure plc. An administration order was made against ActionLeisure plc on 11 October 2001 and that company remains in administration.