14 September 2010

Cello Group plc

Continuing growth

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 2010.

Highlights

- Like-for-like operating income up 3% to £29.9m (2009: £29.1m)[1]
- Headline operating profit up 25% to £3.3m (2009: £2.6m)[2]
- Headline operating margins improve to 10.9% (2009: 8.9%)
- Interim dividend up 5% to 0.525p (2009: 0.50p)
- Net debt at 30 June 2010 down to £11.7m (2009: £14.8m)
- Significant number of material new international client wins in private sector
- Good revenue visibility and project pipeline for second half
- New Manhattan office open and already profitable – platform for wider US pharmaceutical market research

[1] Like-for-like comparisons remove the impact of acquisitions and discontinued operations
[2] Headline operating profit is stated before exceptional charges, impairment charges and acquisition related charges

Mark Scott, Chief Executive, commented:

"We are now seeing a pick up from our clients in the private sector across a range of industries and we are benefiting from our strong long term relationships and international research capabilities, particularly in the pharmaceutical sector.

"We have started to carefully organically expand the business again, with a particular focus on health related research and consulting, outside the UK, where we can achieve sustained growth.

"Our focus on innovation, cultivating our talent and growing our core client relationships means we will have a strong 2010 and beyond"

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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 an international research and consulting business able to advise blue chip clients globally, along with a marketing business capable of delivering world class solutions.

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

Chairman's Statement

Overview

Cello experienced solid like-for-like growth in operating income as the Group's multinational client base resumed increased activity after the slowdown in 2009. As a result of this, combined with a continuing emphasis on cost control, the Group experienced strong like-for-like growth in operating profit.

Growth in both revenue and profit has been particularly robust in the Research and Consulting division, with continued strength in pharmaceutical activity. New client wins have been healthy across a range of client sectors. This has more than compensated for the anticipated slow down of public sector work.

Cash flow has been strong and as a consequence net debt has fallen faster than anticipated. As a reflection of the Group's performance and the Board's increasing confidence, the interim dividend has been increased by 5%.

The Group is now positioned to expand internationally which will enable it to more effectively service global client briefs. The Board anticipates a strong full year outcome for 2010.

Financial review

Turnover for the first six months to 30 June 2010 was up 11% to £61.5m (2009: £55.5m) and operating income was £29.9m (2009: £29.1m).

Headline operating profit was up 25% to £3.3m (2009: £2.6m) and operating profit before impairment charges was up 39% to £3.0m (2009: £2.2m). Headline operating margins rose to 10.9% (2009: 8.9%).

Headline pre-tax profit, after a reduced interest charge of £0.4m (2009: £0.5m) was up 35% to £2.8m (2009: £2.1m).

Headline basic earnings per share were 3.41p (2009: 2.92p).

Reflecting the Group's strong performance and cash flow, the interim dividend is being increased by 5% to 0.525p per share (2009: 0.50p). It is payable on 3 November 2010 to all holders on the register on 8 October 2010.

The Group's net debt at 30 June 2010 was reduced to £11.7m (2009: £14.8m) following strong operating cash flow of 91% of operating profit and settlement of £1.3m of cash and loan note earn-out payments in May 2010. As a consequence of this reduction in debt and the net debt:ebitda ratio falling below 1.5, the LIBOR margin on the Group's borrowings dropped from 325 pts to 275pts during the first half of the year.

Provisions for future earn-outs continued to reduce and are now £4.6m (December 2009: £5.8m). This total is anticipated to be settled through a combination of cash and shares, payable over the next three years. It is anticipated there will be additional future employee related remuneration and additional future notional interest charges over the next three years of £0.2m, as a result of these provisions.

The following table details the adjustments made to calculate headline operating profit. The deemed remuneration and amortisation are non-cash items.

	Six months ended 30 June	
£m	2010	2009
Headline operating profit	**3.3**	**2.6**
Exceptional costs	-	(0.5)
Deemed remuneration	(0.1)	0.3
Amortisation	(0.2)	(0.2)
Reported operating profit before	**3.0**	**2.2**

impairment charges		
Impairment charges	-	(5.5)
Reported operating profit/(loss)	**3.0**	**(3.3)**
Reported profit/(loss) before tax	**2.6**	**(3.8)**
Reported earnings/loss per share	**3.1**	**(8.2)**

Review of Operations

The Group continues to benefit from a broad set of large and growing client relationships. All of the top 20 clients from 2009 remained significant clients in 2010, with many increasing their spend. The Group's largest client accounts for no more than 4.4% of total income and the top 20 clients account for less than 40% of total income between them.

Pharmaceutical work now accounts for over 25% of total income and 41% of the Group's overall research activity. Nine of the Group's top twenty clients are in the pharmaceutical sector. While public sector work has as expected declined, Cello is now seeing growth in the financial services, FMCG, retail and telecoms sectors.

Following careful management of the professional cost base and office overheads in 2009, the operating margins of the Group have recovered materially. The co-location of operations into shared premises has also contributed to a more focussed client proposition.

Online activity is becoming an increasingly core element of group activity, with particular growth in online communities work undertaken for clients where Cello has already a strong research offering.

The Group has begun a concerted push to increase the proportion of international revenues by opening a new office in New York, with a primary focus on servicing pharmaceutical clients.

Research and Consulting

Cello Research and Consulting turnover increased by 9% to £32.0m (2009: £29.4m), with operating income up 7.5% to £18.9m (2009: £17.6m).

Headline operating profit was up 40.1% to £3.4m (2009: £2.4m). Headline operating margins sharply improved to 17.8% (2009: 13.6%). Like-for-like operating income grew at 7.5% and like-for-like headline operating profit grew by 40.1%.

Pharmaceutical and health related activity accounted for 41% of this division's income (2009: 39%). Key clients included HP, Tesco, Novartis, GSK, Unilever, BA, VISA and Nokia, which are all long standing Group clients. The Group's focus remains on developing larger relationships into global relationships where more advisory value added services can be provided.

As the economy has stabilised, the Group has also seen growth in research spend from its clients in Telecoms, Retail, Food and Drink and Media. Major new client projects, as well as new clients, include ITV, GSK, Visa Europe, 3M, AG Barr, BA, Expedia, Heineken, Mars Petfood, Unilever, Electronic Arts, Sony, Nokia, Adidas, Miele, Eurostar, MerckSerono, HP, Canon, Epson, Brother and P&G Airwave. Cello continues to be highly innovative in its product development, with a particular focus on using social media for research applications. The Group will continue to invest in and develop further this growth area.

Public sector income has, as expected, been notably weaker in the first half of the year as a result of the budgetary uncertainty. Given the likely long term nature of this decline the Group has decided to reduce materially its exposure to this historically stable but low margin area. Full year headline operating profit will be substantially unaffected, but this reduction is expected to result in an exceptional charge of around £0.7m in the second half of the year, relating to property costs and redundancies.

Profit growth was strongest among international clients seeking a global perspective on marketing and research issues. To better capture the market for global studies, the Group has opened an office in Manhattan. It will act as a central hub for US activities. In due course, Cello plans to expand further in the US to secure an increased share of client spend, particularly in the pharmaceutical area which accounts for 75% of the Group's US income.

Other weaker areas of activity such as competitor data collection and HR related consultancy continue to be profitable. The Group continues to consolidate field data gathering capacity into shared resource centres to increase efficiency and reduce costs.

The Group anticipates that these factors will combine to a robust outcome and organic profit growth for the full year.

Tangible

Tangible, the direct communications business, had a solid six months despite the difficult market conditions, producing an increased turnover of £29.5m (2009: £26.1m); £11.0m of operating income (2009: £11.5m) and headline operating profit of £0.8m (2009: £0.9m). Headline operating margins held up at 6.9% (2009: 7.4%). Like-for-like operating income declined by 4.6%.

The decline in like-for-like operating income reflects the reduction in public sector spend compared to a particularly strong burst of public sector spend, notably in Scotland during the first six months of 2009. As anticipated, this has not been repeated and public sector spend is substantially reduced overall.

However, Tangible experienced a strong flow of private sector new business wins which it is anticipated will more than offset the decline in public sector spend on a full year basis. Financial services spend, which fell dramatically in 2009, has begun to stage a recovery.

Tangible continues to innovate, particularly in the area of using social media tools, where the business has a leading position in the fast-growing area of co-creation, through which the international client base of this business is starting to grow.

Tangible's business is now consolidated into three hubs in Edinburgh, Cheltenham and London. This has enabled the Group not only to deliver efficiency benefits but also a more compelling client proposition which has resulted in the strong flow of new clients in 2010. Major new ones include Scottish and Southern Energy, Sainsbury's Bank, Reckitt Benckiser, O2, SPX, SQA. Macmillan Cancer Care, The Sun (Scottish), Avon, Pfizer, Ben & Jerrys, Nandos and Matalan.

The Group anticipates that Tangible will produce strong like-for-like operating profit growth on a full year basis.

Current trading and outlook

2010 has seen a solid recovery of existing client activity following the down turn in 2009. There has also been a strong flow of new business from existing clients and new client wins which have outweighed weakness in public sector income. Combined with continuing cost control, this gives the Group a stronger platform from which to fulfil its ambition of becoming a global specialist provider of value added strategic research services.

The Board therefore remains confident that 2010 will see a good result for the Group, and that the Group will enter 2011 in robust financial health.

Allan Rich
Non-Executive Chairman
14 September 2010

Condensed Consolidated Income Statement
For the six months ended 30 June 2010

	Notes	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Continuing operations				
Revenue	3	61,485	55,446	123,707
Cost of sales		(31,558)	(26,303)	(64,004)
Operating income	3	**29,927**	**29,143**	**59,703**
Administration expenses		(26,670)	(26,544)	(53,680)
Headline operating profit	3	**3,257**	**2,599**	**6,023**
Exceptional items	5	-	(495)	(1,949)
Amortisation of intangible assets		(165)	(266)	(455)
Acquisition related employee (expenses)/income		(60)	347	(163)
Operating profit before impairment charges	3	**3,032**	**2,185**	**3,456**
Impairment of intangible assets		-	(778)	(778)
Impairment of goodwill	10	-	(4,548)	(7,383)
Impairment of available-for-sale investments		-	(162)	(207)
Operating profit/(loss)	3	**3,032**	**(3,303)**	**(4,912)**
Finance income	6	18	12	69
Finance cost of deferred consideration	6	(29)	(68)	(104)
Fair value gain on derivative financial instruments	6	31	23	155
Other finance costs	6	(431)	(508)	(956)
Profit/(loss) on before taxation	3	**2,621**	**(3,844)**	**(5,748)**
Tax	7	(726)	(290)	(239)
Profit/(loss) on continuing operations		**1,895**	**(4,134)**	**(5,987)**
Loss from discontinued operations	8	(34)	(58)	(333)
Profit/(loss) for the period		**1,861**	**(4,192)**	**(6,320)**
Attributable to:				
Equity holders of parent		1,806	(4,206)	(6,359)
Minority interest		55	14	39
		1,861	**(4,192)**	**(6,320)**
Basic earnings/(loss) per share				
From continuing operations	9	3.10 p	(8.23)p	(11.12)p
From discontinued operations	9	(0.06)p	(0.12)p	(0.61)p
Diluted earnings/(loss) per share				
From continuing operations	9	3.00 p	(8.23)p	(11.12)p
From discontinued operations	9	(0.06)p	(0.12)p	(0.61)p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Profit/(loss) for the period	1,861	(4,192)	(6,320)
Other comprehensive income:			
Exchange differences on translation of foreign operations	10	12	12
Total recognised income/(expense) for the period	**1,871**	**(4,180)**	**(6,308)**

Condensed Consolidated Balance Sheet
As at 30 June 2010

	Notes	Unaudited At 30 June 2010 £'000	Unaudited At 30 June 2009 £'000	Audited At 31 December 2009 £'000
Goodwill	10	68,841	69,590	67,926
Intangible assets		1,138	1,264	1,174
Property, plant and equipment		2,464	2,859	2,515
Available-for-sale investments		41	65	20
Deferred tax assets		834	944	962
Non-current assets		**73,318**	**74,722**	**72,597**
Trade and other receivables		23,659	26,621	25,711
Cash and cash equivalents		2,917	4,073	3,135
Current assets		**26,576**	**30,694**	**28,846**
Trade and other payables		(22,298)	(23,560)	(25,419)
Current tax liabilities		(1,147)	(1,184)	(568)
Borrowings		(4,217)	(3,015)	(14,529)
Consideration payable in respect of acquisitions	11	-	-	(2,472)
Obligations under finance leases		(59)	(60)	(68)
Derivative financial instruments		(154)	-	(289)
Current liabilities		**(27,875)**	**(27,819)**	**(43,345)**
Net current (liabilities)/assets		**(1,299)**	**2,875**	**(14,499)**
Total assets less current liabilities		**72,019**	**77,597**	**58,098**
Non-current liabilities				
Borrowings		(10,250)	(15,700)	-
Provisions	11	(4,591)	(4,242)	(3,315)
Obligations under finance leases		(63)	(64)	(65)
Derivative financial instruments		(104)	(420)	-
Deferred tax liabilities		(260)	(324)	(292)
Non-current liabilities		**(15,268)**	**(20,750)**	**(3,672)**
Net assets		**56,751**	**56,847**	**54,426**
Equity				
Share capital	12	6,164	5,876	5,876
Share premium		35,602	34,945	34,945
Retained earnings		4,219	5,350	2,904
Capital redemption reserve		50	50	50
Merger reserve		10,496	10,496	10,496
Share-based payment reserve		73	73	73
Foreign currency reserve		(25)	(35)	(35)
Equity attributable to equity holders of parent		**56,579**	**56,755**	**54,309**
Minority interest		172	92	117
Total equity		**56,751**	**56,847**	**54,426**

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2010

	Notes	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Net cash inflow/(outflow) from operating activities before taxation	13a	**2,962**	**(366)**	**5,198**
Tax (paid)/received		(56)	24	(591)
Net cash inflow/(outflow) from operating activities after taxation		**2,906**	**(342)**	**4,607**
Investing activities				
Interest received		18	12	69
Purchase of property, plant and equipment		(530)	(411)	(699)
Sale of property, plant and equipment		20	22	39
Expenditure on intangible assets		(129)	(75)	(141)
Sale of available-for-sale investments		20	-	-
Purchase of subsidiary undertakings		(531)	(789)	(1,478)
Net cash outflow from investing activities		**(1,132)**	**(1,241)**	**(2,210)**
Financing activities				
Dividends paid to equity holders		(491)	(439)	(733)
Repayment of bank loan		(750)	(650)	(3,000)
Repayment of loan notes		(436)	(351)	(2,187)
Drawdown of borrowings		400	2,600	2,600
Capital element of finance lease payments		(53)	(30)	(21)
Payment of finance lease interest		(13)	(11)	(21)
Interest paid		(662)	(497)	(935)
Purchase of own shares		-	(53)	(52)
Net cash (outflow)/inflow from financing		**(2,005)**	**569**	**(4,349)**
Movements in cash and cash equivalents				
Net decrease in cash and cash equivalents		(231)	(1,014)	(1,952)
Exchange gains on cash and bank overdrafts		13	22	22
Cash and cash equivalents at the beginning of the period		3,135	5,065	5,065
Cash and cash equivalents at end of the period		**2,917**	**4,073**	**3,135**

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 2010:

	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**
At 1 January 2010	**5,876**	**34,945**	**50**	**10,496**	**73**	**(35)**	**2,904**	**54,309**	**117**	**54,426**
Profit for the period	-	-	-	-	-	-	1,806	**1,806**	55	**1,861**
Other comprehensive income:										
Currency translation	-	-	-	-	-	10	-	**10**	-	**10**
Total comprehensive income in the period	**-**	**-**	**-**	**-**	**-**	**10**	**1,806**	**1,816**	**55**	**1,871**
Transactions with owners										
Shares issued	288	657	-	-	-	-	-	**945**	-	**945**
Dividends paid	-	-	-	-	-	-	(491)	**(491)**	-	**(491)**
Total transactions with owners	**288**	**657**	**-**	**-**	**-**	**-**	**(491)**	**454**	**-**	**454**
As at 30 June 2010 (unaudited)	**6,164**	**35,602**	**50**	**10,496**	**73**	**(25)**	**4,219**	**56,579**	**172**	**56,751**

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**
At 1 January 2009	**4,456**	**31,745**	**50**	**10,496**	**73**	**(47)**	**10,048**	**56,821**	**78**	**56,899**
(Loss)/profit for the year	-	-	-	-	-	-	(4,206)	**(4,206)**	14	**(4,192)**
Other comprehensive income:										
Currency translation	-	-	-	-	-	12	-	**12**	-	**12**
Total comprehensive income/(expense) in the period	**-**	**-**	**-**	**-**	**-**	**12**	**(4,206)**	**(4,194)**	**14**	**(4,180)**
Transactions with owners										
Shares issued	1,420	3,200	-	-	-	-	-	**4,620**	-	**4,620**
Own shares purchased	-	-	-	-	-	-	(53)	**(53)**	-	**(53)**
Dividends paid	-	-	-	-	-	-	(439)	**(439)**	-	**(439)**
Total transactions with owners	**1,420**	**3,200**	**-**	**-**	**-**	**-**	**(492)**	**4,128**	**-**	**4,128**
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 year ended 31 December 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**
At 1 January 2009	**4,456**	**31,745**	**50**	**10,496**	**73**	**(47)**	**10,048**	**56,821**	**78**	**56,899**
Loss/(profit) for the year	-	-	-	-	-	-	(6,359)	**(6,359)**	39	**(6,320)**
Other comprehensive income:										
Currency translation	-	-	-	-	-	12	-	**12**	-	**12**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**-**	**-**	**12**	**(6,359)**	**(6,347)**	**39**	**(6,308)**
Transactions with owners										
Shares issued	1,420	3,200	-	-	-	-	-	**4,620**	-	**4,620**
Own shares purchased	-	-	-	-	-	-	(52)	**(52)**	-	**(52)**
Dividends paid	-	-	-	-	-	-	(733)	**(733)**	-	**(733)**
Total transactions with owners	**1,420**	**3,200**	**-**	**-**	**-**	**-**	**(785)**	**3,835**	**-**	**3,835**
As at 31 December 2009 (audited)	**5,876**	**34,945**	**50**	**10,496**	**73**	**(35)**	**2,904**	**54,309**	**117**	**54,426**

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 2010 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 2009, 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 2009, 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 2009 were approved by the Board of directors on 15 March 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated financial information was approved for issue on 13 September 2010 and has not been audited.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- IFRS 3 (revised) *Business combinations* and consequential changes to IAS 27 *Consolidated and separate financial statements*, IAS 28 *Investments in associates* and IAS 31 *Interests in joint ventures*
- IFRIC 17 *Distribution of non-cash assets to owners*
- IFRIC 18 *Transfers of assets from customers*

The adoption of these standards has not had a material effect on the financial statements of the group.

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, goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to each cash generating unit that is expected to benefit from the business combination in which goodwill arose and identified according to operating segment. The carrying values of goodwill for each cash generating unit is reviewed annually for impairment on the basis stipulated in IAS 36 and adjusted to the recoverable amount. Typically, such a review will entail an assessment of the present value of projected returns from the asset over a 3 to 5 year projection period, and growth assumptions based on expected overall sector growth 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. SEGMENTAL INFORMATION

Six months ended 30 June 2010

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Expenses £'000	Group £'000
Profit and loss				
Revenue	32,031	29,454	-	61,485
Operating income	18,917	11,010	-	29,927
Headline operating profit (headline segment result)	3,361	763	(867)	3,257
Amortisation of intangible assets	(114)	(51)	-	(165)
Acquisition related employee expense	(60)	-	-	(60)
Operating profit (segment result)	3,187	712	(867)	3,032
Financing income				18
Finance costs				(431)
Fair value gain on derivative financial instruments				31
Finance cost of deferred consideration				(29)
Profit before tax				2,621
Other information				
Capital expenditure	259	270	1	530
Capitalisation of intangible assets	-	129	-	129
Depreciation of property, plant and equipment	298	279	5	582

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Assets/ (Liabilities) £'000	Eliminations £'000	Group £'000
Assets and liabilities					
Non-current assets	43,424	29,040	20	-	72,484
Assets	18,517	14,536	1,529	(8,006)	26,576
Total segment assets	61,941	43,576	1,549	(8,006)	99,060
Deferred tax assets					834
Consolidated total assets					99,894
Segment liabilities	(13,024)	(13,720)	(8,409)	8,006	(27,147)
Borrowings					(14,467)
Corporation tax liabilities					(1,147)
Deferred tax liabilities					(260)
Finance leases					(122)
Consolidated total liabilities					(43,143)

Six months ended 30 June 2009

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Expenses £'000	Group £'000
Profit and loss				
Revenue	29,364	26,082	-	55,446
Operating income	17,600	11,543	-	29,143
Headline operating profit (headline segment result)	2,399	852	(652)	2,599
Exceptional items	(224)	(271)	-	(495)
Amortisation of intangible assets	(201)	(65)	-	(266)
Acquisition related employee income	293	54	-	347
Operating profit before impairments	2,267	570	(652)	2,185
Impairment of intangible assets	(778)	-	-	(778)
Impairment of goodwill	(4,548)	-	-	(4,548)
Impairment of available-for-sale investments	(162)	-	-	(162)
Operating (loss)/profit (segment result)	(3,221)	570	(652)	(3,303)
Financing income				12
Finance costs				(508)
Fair value gain on derivative financial instruments				23
Finance cost of deferred consideration				(68)
Loss before tax				(3,844)
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	Group £'000
Assets and liabilities					
Non-current assets	42,879	30,825	74	-	73,778
Assets	17,286	18,263	3,054	(7,909)	30,694
Total segment assets	60,165	49,088	3,128	(7,909)	104,472
Deferred tax assets					944
Consolidated total assets					105,416
Segment 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)

for the year ended 31 December 2009

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Expenses £'000	Group £'000
Profit and loss				
Revenue	59,807	63,900	-	123,707
Operating income	36,301	23,402	-	59,703
Headline operating profit (headline segment result)	5,575	1,894	(1,446)	6,023
Exceptional items	(918)	(1,031)	-	(1,949)
Amortisation of intangible assets	(315)	(140)	-	(455)
Acquisition related employee (expense)/income	(217)	54	-	(163)
Operating profit before impairments	4,125	777	(1,446)	3,456
Impairment of intangible assets	(778)	-	-	(778)
Impairment of goodwill	(4,637)	(2,746)	-	(7,383)
Impairment of available-for-sale investments	(177)	-	(30)	(207)
Operating loss (segment result)	(1,467)	(1,969)	(1,476)	(4,912)
Financing income				69
Finance costs				(956)
Fair value gain on derivative financial instruments				155
Finance cost of deferred consideration				(104)
Loss before tax				(5,748)
Other information				
Capital expenditure	321	371	7	699
Capitalisation of intangible assets	-	141	-	141
Depreciation of property, plant and equipment	680	555	12	1,247

	Research and Consulting £'000	Tangible Group £'000	Unallocated Corporate Assets/ (Liabilities) £'000	Eliminations £'000	Group £'000
Assets and liabilities					
Non current assets	43,634	27,957	44	-	71,635
Current assets	20,143	16,252	999	(8,548)	28,846
Total segment assets	63,777	44,209	1,043	(8,548)	100,481
Deferred tax assets					962
Consolidated total assets					101,443
Segment liabilities	(17,163)	(13,977)	(8,903)	8,548	(31,495)
Borrowings					(14,529)
Corporation tax liabilities					(568)
Deferred tax liabilities					(292)
Finance leases					(133)
Consolidated total liabilities					(47,017)

4. DIVIDEND

An interim dividend of 0.525p (2009: 0.50p) per ordinary share is declared and will be paid on 3 November 2010 to all shareholders on the register on 8 October 2010. In accordance with IAS 10 *Events after the Balance Sheet Date*, this dividend has not been recognised in the accounts at 30 June 2010, but will be recognised in the accounting period ending 31 December 2010.

5. EXCEPTIONAL ITEMS

The exceptional items are redundancy and property costs incurred in the period which have a material effect on the results in the period. The costs have been separately disclosed in order to assist in understanding the financial performance of the Group.

6. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Finance income:			
Interest receivable on bank deposits	18	12	69
Fair value gains on derivative financial instruments	31	23	155
	49	35	224
Finance costs:			
Interest payable on bank loans and overdrafts	236	317	547
Interest payable on loan notes	1	-	3
Interest payable in respect of finance leases	13	11	21
Amortisation of facility fees	26	-	-
Finance costs on cap and collar interest rate hedge	155	180	385
	431	508	956
Notional finance costs on future deferred consideration	29	68	104
	460	576	1,060

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the half year ended 30 June 2010 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 2009: 28.0%), adjusted for expenses not deductible for tax purposes, such as impairment of goodwill and finance costs of deferred remuneration.

8. DISCONTINUED OPERATIONS

The loss for the discontinued operations in the period ended 30 June 2010 relates to OMP Services Limited, the marketing consultancy, in which the Group has agreed to sell its controlling stake to the minority shareholders of the company.

The loss for the period to 30 June 2009 and the year ended 31 December 2009 also includes losses from Digital People Online Limited, a market research business, and Richmark Group Inc., a qualitative market research agency based in Chicago. Both of these businesses were closed in the year ended 31 December 2009.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations the income statement for the period ended 30 June 2009 and year ended 31 December 2009 has been re-presented to include income and expenses of the discontinued operations within loss for discontinued operations.

The financial performance and cash flow of the discontinued operations are as follows:

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Revenue	1,660	2,532	3,737
Cost of sales	(1,323)	(1,494)	(2,237)
Operating income	337	1,038	1,500
Administrative expenses	(371)	(1,096)	(1,833)
Loss from discontinued operations	(34)	(58)	(333)
Net cash inflow/(outflow) from operating activities	179	138	(376)
Net cash outflow from investing activities	(1)	(12)	(16)
Net inflow/(outflow) in cash in the period	178	126	(392)

9. EARNINGS/(LOSS) PER SHARE

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Earnings/(loss) attributable to ordinary shareholders	1,806	(4,206)	(6,359)
Loss from discontinued operations	34	58	333
Earnings/(loss) attributable to ordinary shareholders for continuing operations	1,840	(4,148)	(6,026)
Adjustments to earnings/(losses):			
Exceptional items	-	495	1,949
Amortisation of intangibles	165	266	455
Acquisition related employee remuneration expenses	60	(347)	163
Impairment of intangible assets	-	778	778
Impairment of goodwill	-	4,548	7,383
Impairment of available-for-sale investments	-	162	207
Notional finance costs on future deferred consideration payments	29	68	104
Fair value gain on derivative financial instruments	(31)	(23)	(155)
Tax thereon	(40)	(327)	(829)
Headline earnings attributable to ordinary shareholders	2,023	1,472	4,029
	Number	Number	Number
Weighted average number of ordinary shares	59,401,082	50,380,210	54,212,092
Dilutive effect of securities:			
Deferred consideration shares to be issued	2,006,572	8,230,932	7,324,037
Diluted weighted average number of ordinary shares	61,407,654	58,611,142	61,536,129
Further dilutive effect of securities:			
Contingent consideration shares to be issued	7,939,522	5,987,909	5,506,051
Fully diluted weighted average number of ordinary shares	69,347,176	64,599,051	67,042,180
Basic earnings/(losses): per share			
From continuing operations	3.10 p	(8.23)p	(11.12)p
From discontinued operations	(0.06)p	(0.12)p	(0.61)p
Diluted earnings/(losses): per share			
From continuing operations	3.00 p	(8.23)p	(11.12)p
From discontinued operations	(0.06)p	(0.12)p	(0.61)p
Fully diluted earnings/(losses): per share			
From continuing operations	2.65 p	(8.23)p	(11.12)p
From discontinued operations	(0.06)p	(0.12)p	(0.61)p
Headline earnings per share			
Headline basic earnings per share	3.41 p	2.92 p	7.43 p
Headline diluted earnings per share	3.29 p	2.51 p	6.55 p
Headline fully diluted earnings per share	2.92 p	2.28 p	6.01 p

Headline earnings per share and fully diluted earnings/(losses) per share have been presented to provide additional information which may be useful to the readers of these financial statements.

Basic earnings/(losses) per share is calculated by dividing the earnings/(losses) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares, determined in accordance with the provisions of IAS 33 Earnings Per Share.

Diluted earnings/(losses) per share is calculated by dividing earnings/(losses) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year adjusted for the potentially dilutive ordinary shares for which the conditions of issue have substantially been met but not issued at the end of the year. Where losses have been incurred, the effect of these, potentially dilutive ordinary shares, are anti-dilutive so dilutive loss per share is deemed to equal basic loss per share.

Fully diluted earnings/(losses) 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. Where losses have been incurred, the effect of these, potentially dilutive ordinary shares, are anti-dilutive so fully dilutive loss per share is deemed to equal basic loss per share.

The Group's potentially dilutive shares are to be issued as deferred consideration on completed acquisitions.

10. GOODWILL

	Unaudited At 30 June 2010 £'000	Unaudited At 30 June 2009 £'000	Audited At 31 December 2009 £'000
Cost			
At 1 January 2010	67,926	76,291	76,291
Goodwill arising on acquisitions in the period	-	49	48
Adjustment to fair value of deferred consideration	915	(2,202)	(1,030)
Impairment of goodwill	-	(4,548)	(7,383)
At 30 June 2010	68,841	69,590	67,926

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.

11. DEFERRED CONSIDERATION FOR ACQUISITIONS

	Unaudited At 30 June 2010 £'000	Unaudited At 30 June 2009 £'000	Audited At 31 December 2009 £'000
Current liabilities	-	-	2,472
Provisions	4,591	4,242	3,315
	4,591	4,242	5,787

Movements in the period can be analysed as follows:

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
At 1 January 2010	5,787	14,433	14,433
Settled in the period	(2,200)	(7,710)	(7,761)
Adjustment to provisions of additions in prior periods	915	(2,202)	(1,152)
Acquisition related employee remuneration expense/(income)	60	(347)	163
Notional finance costs on future deferred consideration payments	29	68	104
At 30 June 2010	4,591	4,242	5,787
Make up of contingent consideration is as follows:			
Earn out related cash payables	2,050	1,731	2,550
Shares to be issued	2,541	2,511	3,237
	4,591	4,242	5,787

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.

12. SHARE CAPITAL

	Unaudited At 30 June 2010 £'000	Unaudited At 30 June 2009 £'000	Audited At 31 December 2009 £'000
Authorised:			
84,600,000 ordinary shares of 10p each	8,460	8,460	8,460
Allotted, issued and fully paid			
61,644,654 ordinary shares of 10p each	6,164	5,876	5,876

During the interim period 2,882,457 ordinary shares of 10p each were issued as part of the earn out consideration for acquisitions.

13. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Profit/(loss) for the period	1,861	(4,192)	(6,320)
Finance income	(18)	(12)	(69)
Finance costs of deferred consideration	29	68	104
Fair value gain on derivative financial instruments	(31)	(24)	(155)
Other finance costs	431	508	956
Tax	726	290	239
Depreciation	582	632	1,247
Amortisation of intangible assets	165	299	455
Impairment of intangible assets	-	778	778
Impairment of goodwill	-	4,548	7,383
Impairment of available-for-sale investments	-	162	207
Acquisition related employee remuneration expense/(income)	60	(347)	163
Loss on disposal of property, plant and equipment	23	3	3
Decrease in receivables	2,255	67	977
Decrease in payables	(3,121)	(3,146)	(770)
Net cash inflow/(outflow) from operating activities	**2,962**	**(366)**	**5,198**

(b) Analysis of net debt

	At 1 January 2010 £'000	Cash flow £'000	Other non-cash changes £,000	Foreign exchange £,000	At 30 June 2010 £'000
Cash and cash equivalents	3,135	(231)	-	13	2,917
Loan notes	(1,179)	436	(724)	-	(1,467)
Bank loans	(13,350)	350	-	-	(13,000)
Finance leases	(133)	53	(42)	-	(122)
	(11,527)	608	(766)	13	(11,672)

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

- £0.40m was drawn down from the Group's revolving credit facility to fund the cash element of acquisitions made in the period.
- £0.75m of the Group's revolving credit facility was repaid from the Group's cash reserves.
- £0.72m of secured loan notes were issued as part of the consideration for acquisitions in the period.