For Immediate Release **18 September 2013**

Cello Group plc

Delivering on the strategy

Cello Group plc ("Cello" AIM: CLL, "The Group"), the insight and strategic marketing group, today announces its interim results for the six month period to 30 June 2013.

Group Highlights

- Revenue up 14.3% to £71.5m (2012: £62.6m)
- Gross profit up 7.9% to £34.4m (2012: £31.9m)
- Like-for-like[1] gross profit growth of 4.7%
- Headline profit before tax[2] up 11.0% to £3.5m (2012: £3.2m)
- Statutory operating profit up 9.0% to £2.1m (2012: £1.9m)
- Headline basic earnings per share up 5.2% to 3.05p (2012: 2.90p)
- Statutory basic earnings per share up 22.6% to 1.30p (2012: 1.06p)
- Interim dividend up 10.3% to 0.64p (2012: 0.58p)
- Successful acquisition of Mash Healthcare in January 2013

Divisional Highlights

	Cello Health			Cello Consumer		
£'000	2013	2012	FY 2012	2013	2012	FY 2012
Gross profit	17,341	16,441	31,322	16,742	15,000	32,735
Headline operating profit	3,739	4,106	6,506	1,216	265	2,995
Headline operating margin[3]	21.6%	25.0%	20.8%	7.3%	1.8%	9.1%

- Continued solid performance from Cello Health
- Significant improvement in Cello Consumer

1 Like-for-like comparisons remove the impact of acquisitions and discontinued operations
2 Headline measures are stated before non-headline charges (see note 2)
3 Headline operating margin is defined as headline operating profit as a percentage of segmental gross profit

Mark Scott, Chief Executive, commented:

"The refocusing of the Group last year into Cello Health and Cello Consumer has begun to demonstrate its potential to deliver strong performance. The Group had an excellent first six months of the year in both overseas and domestic markets. We look forward to continued progress in the second half and a strong full year outcome."

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Notes to Editors (www.cellogroup.com)

Cello is an insight and strategic marketing group.

The Group's strategy is to create value for shareholders by building an international marketing advisory business able to advise blue chip clients globally, with a primary focus on the pharmaceutical sector, along with other high margin client sectors.

Cello has annualised revenues in excess of £130m, annualised gross profit in excess of £65m and employs over 700 professional staff.

Chairman's Statement

Overview

The Group performed strongly in the first six months of the year, with good growth in both revenues and profits. Cello Health performed well and in line with management expectations, with margins remaining highly competitive. Cello Consumer delivered the anticipated recovery in performance, following the refocusing of the business last year.

As well as seeing strong performances in its core businesses, operations that were new in 2012 (start-up activities) have also done well, with the majority of them becoming profitable in the first half of the year. The Group continues to benefit from its investment in innovation and digital capacity with a particular focus on contracted revenue streams. The proportion of the Group's income generated by sale of multi-year product-based services continues to rise.

The Group's strategy to increase its international footprint continues to make progress, with the opening of new offices in Chicago, Los Angeles and Hong Kong. The Singapore office opened last year has now moved into profit.

The Group acquired Mash Healthcare Limited ("Mash") in January 2013. The Board is pleased with the performance of the business post acquisition as part of Cello Health.

Cash flow has been strong for the first six months of the year. The balance sheet remains robust, with net debt being in line with management expectations. The Group has low deferred consideration obligations.

As a result, the Group is proposing to increase the interim dividend by over 10%.

Financial Review

Revenue for the six months to 30 June 2013 was up 14.3% to £71.5m (2012: £62.6m) and gross profit was up 7.9% to £34.4m (2012: £31.9m). Like-for-like growth in gross profit was 4.7%. Headline operating profit was up 9.0% to £3.8m (2012: £3.5m). Headline operating margins were 11.1% (2012: 11.1%). Headline pre-tax profit was up 11.0% to £3.5m (2012: £3.2m).

Headline basic earnings per share were up 5.2% to 3.05p (2012: 2.90p).

The reported tax charge is £0.7m (2012: £0.5m). This represents a headline tax rate of 28.4% (2012: 30.2%) which has fallen due to falling UK tax corporation tax rates.

The Group's net debt at 30 June 2013 was £11.4m (31 December 2012: £8.7m; 30 June 2012: £13.7m). This debt figure reflects normal seasonal working capital outflows, and is in line with management expectations. Total debt facilities of £29.0m expire in March 2016.

The interim dividend has been increased 10.3% to 0.64p (2012: 0.58p). It is payable on 6 January 2014 to all holders on the register on 6 December 2013. The Group continues a seven year unbroken record of annual dividend growth.

The Group incurred a restructuring charge of £0.3m as a result of redundancies created by the increasing convergence of businesses within both Cello Health and Cello Consumer, as the Group pursues efficiency gains. Costs of £0.2m were incurred from continued investment in start-up activity, including software development, and the opening of new overseas offices to support future growth. The following table details the adjustments made to calculate headline operating profit. The acquisition related remuneration charge of £0.6m (2012: £nil) relates to necessary accounting charges arising from the acquisition of Mash.

£m	2013	2012
Headline operating profit	3.8	3.5
Restructuring costs	(0.3)	(0.8)
Start-up losses	(0.2)	(0.3)
Share option charges	(0.1)	(0.1)
Acquisition related remuneration	(0.6)	-
Amortisation	(0.5)	(0.4)
Statutory operating profit	2.1	1.9
Net finance costs	(0.3)	(0.3)
Statutory profit before tax	1.8	1.6

Operating Review

Cello Health

	2013 £'000	2012 £'000	Full year 2012 £'000
Gross profit	17,341	16,441	31,322
Operating profit	3,739	4,106	6,506
Operating margin	21.6%	25.0%	20.8%

Cello Health had a good six months, with overall client spending patterns continuing to be robust. The addition of Mash Healthcare to Cello Health in January 2013 has enhanced the Group's ability to service consumer facing healthcare products.

Gross profit increased by 5.5% to £17.3m (2012: £16.4m). After accounting for the impact of the Mash acquisition, this gross profit performance was flat on a like-for-like basis. Like-for-like income growth in the first half of 2012 was 11.1%. This 2013 performance represents a return to more normal levels of margin and profitability for the first half of the year. Margins remained healthy and competitive at 21.6% (H1 2012: 25.0%, FY 2012: 20.6%)). Operating profit fell slightly to £3.7m (2012: £4.1m).

The Group's global client penetration remains as strong as ever, with Cello Health continuing to work for nine of the top ten pharmaceutical companies. The introduction of the central new business team in Cello Health has borne fruit, with some notable incremental cross-Group projects that would not otherwise have been won.

Cello Health's digital product suite continues to trade strongly, with eVillage (its online community health research product) contributing over £0.5m of revenue in the period. Cello Business Sciences launched its web-based product suite formally in January and has had excellent client uptake in the first six months, with encouraging signs of growth in recurring licence based revenues.

Overall, good progress has been made within the organic start-up initiatives that were reported in 2012, as follows:

- In 2012 Cello Health invested in the development of a specialist quantitative research offer, IQ, incurring costs of £0.2m in 2012. In 2013 there have been 28 projects which have included this offer within them, with a gross profit value of £0.8m.

- In 2012 Cello Health started a Consumer Health business within its Brand Consulting Business, The Value Engineers, incurring start-up losses in 2012 of £0.1m. The business has won several clients in 2013, and is sustainably profitable looking forward. This development complements the recent acquisition of Mash Healthcare, continuing to expand Cello Health's exposure to the Consumer Health marketplace.

- Within its consulting offer, Cello Health started Cello Business Sciences in 2012, with associated start-up losses. This business has now developed award winning proprietary software to enable clients to evaluate and track the return on investment achieved by marketing campaigns. Uptake has been good from a wide range of clients who buy services on a project consultancy basis and by buying software licences.

Cello Health has also commenced further expansion activity in 2013 with the opening of a Chicago office and with the commencement in the US of an early stage market access consultancy. Both these initiatives have had early client project wins and the Group is confident of profitable outcomes in future years from these activities.

Considerable internal progress has been made regarding brand consolidation, with a view to external launch in early 2014. The continued growth of Cello Health is a key strategic priority for the Group, and opportunities for further investment in the form of start-up ventures and acquisitions are being actively appraised.

The major new business wins achieved in the first six months of 2013 included: Abellio, Ahlstrom, Avia, Bauer Media, BI Global and Domestic, Biogen Idec, Chamberlain, Colgate Palmolive, Eisai, FCA, GSK Oncology, House Foods, Hug, Johnson & Johnson, Kimberly Clark, Medtronic, Nexus, NHS Blood Transfusions, NHS Business Services Authority, Otsuka, Pfizer, PruHealth, Saint Gobain, Sanofi, Shire and Terumo.

Cello Consumer

	2013	**2012**	**Full year 2012**
	£'000	**£'000**	**£'000**
Gross profit	16,742	15,000	32,735
Operating profit	1,216	265	2,995
Operating margin	7.3%	1.8%	9.1%

Cello Consumer had a strong six months, reflecting the benefit of the focused growth strategy implemented in 2012. This was driven by continued recovery in core activity areas, including improved consumer market research spend, improved client activity in financial services and an increasingly strong strategic position in Scotland. It was also a reflection of Cello Consumer's growing strength in digital products, and the increasing proportion of its revenues won and serviced in the US and Asia.

Gross profit increased by 11.6% to £16.7m (2012: £15.0m). The improvement that was seen in the second half of 2012 has been maintained into the first half of 2013, consequently like-for-like growth in gross profit was 9.7%. Operating profit rose to £1.2m (2012: £0.3m), and operating margins recovered to more normal levels at 7.3% (2012: 1.8%).

The digital orientation of Cello Consumer is strengthening rapidly. Pulsar TRAC (www.pulsarplatform.com), Cello Consumer's advanced social intelligence platform, has been formally launched to an excellent client response. This product analyses and interprets social media data and allows the user to mine data by topic, by audience, and by content.

Brightsource, the Group's data-driven marketing communications consultancy, has continued to grow strongly, with technological and digital solutions to client problems being at the fore of the offer. In addition, Cello Consumer's organically started pure digital agency, Blonde, has experienced significant gross profit growth this year, and has recently been appointed to the digital roster for the Scottish Government.

Cello Consumer's international profile continues to make rapid strides. The Group's research business in Singapore is now profitable and is regularly securing new mandates. An additional office has been opened in Hong Kong. Cello Consumer's research business on the West Coast of the USA has opened a Los Angeles office and gross profit has broken through the £1.0m barrier in the first six months of the year. This office is expected to be profitable by the end of the year. Cello Consumer continues to review new office opportunities in Asia, the USA and Africa.

Cello Consumer has made good progress in moving from a project based revenue profile to a more contracted, recurring revenue profile. The retained income base of Cello Consumer has grown considerably so far this year, with the addition of several large tracker research clients, as well as the extension of a core retained financial services client.

With the recovery in performance, the Group is once again prepared to back the accelerated growth of Cello Consumer through a mixture of selected start-up ventures, investment in software and focused acquisitions. As an example, Cello Consumer's offer in Scotland has been enhanced in June 2013 by the acquisition of the trade and certain assets of Newhaven Communications.

The major new business wins achieved in the first six months of 2013 include: Anheuser Busch, Audi (Asia), Barnes & Noble, Bauer Media, Border Biscuits, British Red Cross, CBRE, Disney (Asia), Costa, Economist, Electrical Safety Council, Eurostar, Fantasy Football Manager, Halo Foods, HALO Trust, Hearst Magazines, Hilti, International Cancer Research, Michelmores, Nestle, Nokia, Oliver Bonas, ONS, Pizza Express, Prostate Cancer UK, Quality Meat Scotland, Reckitt Benckiser, Royal British Legion, Russell Brands, Scottish Government, SingTel (Asia), Spar, The Ritz Carlton, Unilever, Visit England and Wells and Young.

Talking Taboos Foundation

Building on its 2012 research programme into the area of self-harm amongst teenagers, the Group has invested in the launch of an independent charity to support the continuation of such activity on a sustainable basis. The Talking Taboos Foundation will be launched later in 2013, chaired by Vincent Nolan.

Current Trading and Outlook

The robust trading that the Group has experienced in the first half of the year has continued over the summer period. The Board remains confident that full year expectations will be met.

Allan Rich,
Chairman
18 September 2013

Condensed Consolidated Income Statement
For the six months ended 30 June 2013

	Notes	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Continuing operations				
Revenue	5	71,548	62,616	135,141
Cost of sales		(37,163)	(30,762)	(70,046)
Gross profit	5	34,385	31,854	65,095
Administration expenses		(32,332)	(29,971)	(63,079)
Operating profit	5	2,053	1,883	2,016
Finance income	6	10	25	76
Finance costs	6	(285)	(319)	(712)
Profit on continuing operations before taxation	5	1,778	1,589	1,380
Taxation	7	(722)	(514)	(1,224)
Profit on continuing operations after taxation		1,056	1,075	156
Loss from discontinued operations	10	-	(235)	(516)
Profit/(loss) for the year		1,056	840	(360)
Attributable to:				
Owners of the parent		1,059	825	(386)
Non-controlling interests		(3)	15	26
		1,056	840	(360)

		Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Basic earnings/(loss) per share				
From continuing operations	11	1.30p	1.37p	0.16p
From discontinued operations	11	0.00p	(0.30)p	(0.65)p
Total	11	1.30p	1.06p	(0.49)p
Diluted earnings/(loss) per share				
From continuing operations	11	1.29p	1.32p	0.16p
From discontinued operations	11	0.00p	(0.30)p	(0.65)p
Total	11	1.29p	1.03p	(0.49)p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2013

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Profit/(loss) for the year	1,056	840	(360)
Other comprehensive income:			
Exchange differences on translation of foreign operations	39	(78)	(287)
Total comprehensive income for the year	1,095	762	(647)
Total comprehensive income attributable to:			
Owners of the parent	1,098	747	(673)
Non-controlling interests	(3)	15	26
Total comprehensive income for the year	1,095	762	(647)
Total comprehensive income attributable to owners of the parent arises:			
From continuing operations	1,098	982	(164)
From discontinued operations	-	(235)	(509)
Total comprehensive income attributable to owners of the parent	1,098	747	(673)

Condensed Consolidated Balance Sheet
As at 30 June 2013

	Notes	Unaudited At 30 June 2013 £'000	Unaudited At 30 June 2012 £'000	Audited At 31 December 2012 £'000
Goodwill	12	71,498	73,746	71,028
Intangible assets		1,964	2,065	1,790
Property, plant and equipment		2,272	2,397	2,289
Deferred tax assets		566	580	463
Non-current assets		76,300	78,788	75,570
Trade and other receivables		28,013	26,944	29,935
Cash and cash equivalents		3,449	1,221	4,148
Current assets		31,462	28,165	34,083
Trade and other payables		(24,285)	(22,235)	(29,717)
Current tax liabilities		(1,306)	(762)	(582)
Borrowings		(2,030)	(852)	(498)
Provisions		(116)	(360)	(108)
Obligations under finance leases		(19)	(31)	(23)
Derivative financial instruments		-	(34)	(5)
Current liabilities		(27,756)	(24,274)	(30,933)
Net current assets		3,706	3,891	3,150
Total assets less current liabilities		80,006	82,679	78,720
Borrowings		(12,739)	(13,958)	(12,320)
Provisions		(230)	(158)	(280)
Obligations under finance leases		(13)	(31)	(26)
Deferred tax liabilities		(479)	(656)	(498)
Non-current liabilities		(13,461)	(14,803)	(13,124)
Net assets		66,545	67,876	65,596
Equity				
Share capital	14	8,268	8,226	8,226
Share premium		18,224	18,188	18,188
Merger reserve		28,322	29,640	28,228
Capital redemption reserve		50	50	50
Retained earnings		11,302	11,375	10,636
Share-based payment reserve		418	274	343
Foreign currency reserve		(85)	85	(124)
Equity attributable to equity holders of parent		66,499	67,838	65,547
Non-controlling interests		46	38	49
Total equity		66,545	67,876	65,596

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2013

	Notes	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Net cash generated from operating activities before taxation	15	291	(1,146)	6,835
Tax paid		(372)	(1,002)	(1,874)
Net cash generated from operating activities after taxation		(81)	(2,148)	4,961
Investing activities				
Interest received		5	4	26
Purchase of property, plant and equipment		(503)	(767)	(1,432)
Sale of property, plant and equipment		2	63	75
Expenditure on intangible assets		(160)	(144)	(358)
Purchase of subsidiary undertakings		(828)	(1,682)	(2,037)
Net cash used in investing activities		(1,484)	(2,526)	(3,726)
Financing activities				
Dividends paid to equity holders		(476)	(429)	(1,386)
Repayment of borrowings		(3,000)	(800)	(3,800)
Repayment of loan notes		(84)	(617)	(461)
Drawdown of borrowings		3,024	4,000	5,500
Increase in overdrafts		1,616	206	-
Capital element of finance lease payments		(17)	(37)	(50)
Interest paid		(253)	(588)	(911)
Net cash generated/(used) in financing activities		810	1,735	(1,108)
Movements in cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalents		(755)	(2,939)	127
Exchange gains/(losses) on cash and bank overdrafts		56	(10)	(149)
Cash and cash equivalents at the beginning of the period		4,148	4,170	4,170
Cash and cash equivalents at end of the period		3,449	1,221	4,148

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2013

Statement of changes in equity for the six months ended 30 June 2013:

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Share-based Payment Reserve £'000	Currency Exchange Reserve £'000	**Attributable to Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2013	8,226	18,188	28,228	50	10,636	343	(124)	**65,547**	49	**65,596**
Profit for the period	-	-	-	-	1,059	-	-	**1,059**	(3)	**1,056**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	39	**39**	-	**39**
Total comprehensive income in the period	-	-	-	-	1,059	-	39	**1,098**	(3)	**1,095**
Transactions with owners:										
Shares issued	42	36	94	-	-	-	-	**172**	-	**172**
Credit for share-based incentives	-	-	-	-	-	75	-	**75**	-	**75**
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	83	-	-	**83**	-	**83**
Dividends paid	-	-	-	-	(476)	-	-	**(476)**	-	**(476)**
Total transactions with owners	42	36	94	-	(393)	75	-	**(146)**	-	**(146)**
As at 30 June 2013	**8,268**	**18,224**	**28,322**	**50**	**11,302**	**418**	**(85)**	**66,499**	**46**	**66,545**

Statement of changes in equity for the six months ended 30 June 2012:

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Share-based Payment Reserve £'000	Currency Exchange Reserve £'000	**Attributable to Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2012	7,853	18,104	28,742	50	10,389	209	163	**65,510**	613	**66,123**
Profit for the period	-	-	-	-	825	-	-	**825**	15	**840**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	(78)	**(78)**	-	**(78)**
Total comprehensive income in the period	-	-	-	-	825	-	(78)	**747**	15	**762**
Transactions with owners:										
Shares issued	373	84	898	-	-	-	-	**1,355**	-	**1,355**
Credit for share-based incentives	-	-	-	-	-	65	-	**65**	-	**65**
Changes in non-controlling interests in share holdings	-	-	-	-	590	-	-	**590**	(590)	**-**
Dividends paid	-	-	-	-	(429)	-	-	**(429)**	-	**(429)**
Total transactions with owners	373	84	898	-	161	65	-	**1,581**	(590)	**991**
As at 30 June 2012	**8,226**	**18,188**	**29,640**	**50**	**11,375**	**274**	**85**	**67,838**	**38**	**67,876**

Statement of changes in equity for the year ended 31 December 2012:

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Share-based Payment Reserve £'000	Currency Exchange Reserve £'000	**Attributable to Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2012	7,853	18,104	28,742	50	10,389	209	163	**65,510**	613	**66,123**
Loss for the period	-	-	-	-	(386)	-	-	**(386)**	26	**(360)**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	(287)	**(287)**	-	**(287)**
Total comprehensive income for the period	-	-	-	-	(386)	-	(287)	**(673)**	26	**(647)**
Transactions with owners:										
Shares issued	373	84	898	-	-	-	-	**1,355**	-	**1,355**
Credit for share-based incentives	-	-	-	-	-	134	-	**134**	-	**134**
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	17	-	-	**17**	-	**17**
Changes in non-controlling interests in shareholdings	-	-	-	-	590	-	-	**590**	(590)	**-**
Transfer between reserves in respect of impairment	-	-	(1,412)	-	1,412	-	-	**-**	-	**-**
Dividends paid	-	-	-	-	(1,386)	-	-	**(1,386)**	-	**(1,386)**
Total transactions with owners	373	84	(514)	-	633	134	-	**710**	(590)	**120**
As at 31 December 2012	**8,226**	**18,188**	**28,228**	**50**	**10,636**	**343**	**(124)**	**65,547**	**49**	**65,596**

Notes to the Financial Information
For the six months ended 30 June 2013

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 2012 were approved by the Board of directors on 12 March 2013 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 18 September 2013 and has not been audited.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

There are no new IFRSs or IFRICs that are effective for the first time for the interim period that would be expected to have a material impact on the Group.

2. HEADLINE MEASURES

The Group believes that reporting non-GAAP or headline measures provides a useful comparison of business performance and reflects the way the business is controlled. Accordingly headline measures of operating profit, finance income, finance costs, profit before taxation and earnings per share exclude, where applicable, restructuring costs, start-up losses, amortisation of intangible assets, impairment charges, acquisition accounting adjustments, share option charges, fair value gains and losses on derivative financial instruments and other exceptional costs. Non-headline gains and losses are items that, in the opinion of the directors, are required to be disclosed separately, by virtue of their size or incidence, to enable a full understanding of the Group's financial performance.

A reconciliation between statutory and headline profit before taxation is presented in note 4. In addition to this a reconciliation between statutory and headline finance income and costs is presented in note 6 and a reconciliation between statutory and headline earnings per share is presented in note 11. Headline measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

3. SEASONALITY OF OPERATIONS

The Cello Health division is not materially influenced by seasonal factors. However, there are a number of clients in the Cello Consumer division who traditionally commission activity in the second half of the year leading to increased revenues for that period with respect to those clients.

4. RECONCILIATION OF PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION TO HEADLINE PROFIT BEFORE TAX

	Unaudited Six Months ended 30 June 2013 £'000	Unaudited Six Months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Profit from continuing operations before taxation	**1,778**	**1,589**	**1,380**
Restructuring costs	314	747	1,328
Start-up losses	217	335	787
Acquisition costs	66	-	-
Amortisation of intangible assets	545	431	876
Acquisition related employee remuneration expense	529	24	82
Share option charges	75	65	134
Impairment of goodwill	-	-	2,497
Fair value gain on derivative financial instruments	(5)	(21)	(50)
Headline profit before taxation	**3,519**	**3,170**	**7,034**
Headline profit before tax is made up as follows:			
Headline operating profit	3,799	3,485	7,720
Headline finance income	5	4	26
Headline finance costs	(285)	(319)	(712)
	3,519	3,170	7,034

5. SEGMENTAL INFORMATION

For management purposes, the Group is organised into two operating groups; Cello Health and Cello Consumer. These groups are the basis on which the Group reports internally to the plc's board of directors, who have been identified as the chief operating decision makers.

Six months ended 30 June 2013

	Cello Health £'000	Cello Consumer £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	25,230	45,926	-	71,156
Intersegment revenue	-	28	(28)	-
Total segmental revenue	25,230	45,954	(28)	71,156
Start-up revenue				392
Total revenue				71,548
Gross profit				
Segmental gross profit	17,341	16,742	-	34,083
Start-up gross profit				302
Total gross profit				34,385
Operating profit				
Headline operating profit (segment result)	3,739	1,216	(1,156)	3,799
Restructuring costs				(314)
Start-up losses				(217)
Acquisition costs				(66)
Amortisation of intangible assets				(545)
Acquisition related employee remuneration expense				(529)
Share option charges				(75)
Operating profit				2,053
Financing income				10
Finance costs				(285)
Profit from continuing operations before taxation				1,778
Other information				
Capital expenditure	99	402	2	503
Capitalisation of intangible assets	601	160	-	761
Depreciation of property plant and equipment	223	333	2	558

Six months ended 30 June 2012

	Cello Health £'000	Cello Consumer £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	24,235	37,776	-	62,011
Intersegment revenue	27	35	(62)	-
Total segmental revenue	24,262	37,811	(62)	62,011
Start-up revenue				605
Total revenue				62,616
Gross profit				
Segmental gross profit	16,441	15,000	-	31,441
Start-up gross profit				413
Total gross profit				31,854
Operating profit				
Headline operating profit (segment result)	4,106	265	(886)	3,485
Restructuring costs				(747)
Start-up losses				(335)
Amortisation of intangible assets				(431)
Acquisition related employee remuneration expense				(24)
Share option charges				(65)
Operating profit				1,883
Financing income				25
Finance costs				(319)
Profit from continuing operations before taxation				1,589
Other information				
Capital expenditure	332	452	-	784
Capitalisation of intangible assets	48	96	-	144
Depreciation of property plant and equipment	188	347	5	540

Year ended 31 December 2012

	Cello Health £'000	Cello Consumer £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	46,247	87,457	-	133,704
Intersegment revenue	100	88	(188)	-
Total segmental revenue	46,347	87,545	(188)	133,704
Start-up revenue				1,437
Total revenue				135,141
Gross profit				
Segmental gross profit	31,322	32,735	-	64,057
Start-up gross profit				1,038
Total gross profit				65,095
Operating profit				
Headline operating profit (segment result)	6,506	2,995	(1,781)	7,720
Restructuring costs				(1,328)
Start-up losses				(787)
Amortisation of intangible assets				(876)
Acquisition related employee remuneration expense				(82)
Share option charges				(134)
Impairment of goodwill				(2,497)
Operating profit				2,016
Financing income				76
Finance costs				(712)
Profit from continuing operations before taxation				1,380
Other information				
Capital expenditure	605	843	1	1,449
Capitalisation of intangible assets	102	256	-	358
Depreciation of property plant and equipment	391	728	8	1,127

6. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Finance income:			
Interest receivable on bank deposits	5	4	26
Headline finance income	5	4	26
Fair value gains on derivative financial instruments	5	21	50
Total finance income	10	25	76
Finance costs:			
Interest payable on bank loans and overdrafts	278	289	649
Interest payable in respect of finance leases	3	3	6
Finance costs paid on derivative financial instruments	4	27	57
Total and headline finance costs	285	319	712

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the period ended 30 June 2013 is based on management's estimate of weighted average annual tax rate expected for the full financial year. The estimated average annual tax rate used is 28.4% (2012: 30.2%).

8. DIVIDEND

	Date Paid	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Interim dividend 2011 – 0.55p per share	06 January 2012	-	429	429
Final dividend 2011 – 1.17p per share	06 July 2012	-	-	957
Interim dividend 2012 – 0.58p	06 January 2013	476	-	-
		476	429	1,386

An interim dividend of 0.64p (2012: 0.58p) per ordinary share is declared and will be paid on 6 January 2014 to all shareholders on the register on 6 December 2013. In accordance with IAS 10 *Events after the Balance Sheet Date*, this dividend has not been recognised in the accounts at 30 June 2013, but will be recognised in the accounting period ending 31 December 2014. A final dividend of 1.42p (2012: 1.17p) per ordinary share was paid on 5 July 2013, to all shareholders on the register on 31 May 2013.

9. RESTRUCTURING COSTS, START-UP LOSSES AND ACQUISITION COSTS

Restructuring costs, start-up losses and acquisition costs have been separately disclosed in order to assist in understanding the financial performance of the Group.

Restructuring costs principally relate to redundancy costs.

Start-up losses are defined as the net operating result in the period of the trading activities that relate to new offices, new products, or new organically started businesses. Activities so defined will cease being separately identified where, in the opinion of the directors, the activities show evidence of becoming sustainably profitable or are closed, whichever is earlier. In any event start-up losses will cease being separately identified after two years from the commencement of the activity.

Acquisition costs relate to professional costs incurred in relation to acquisitions.

10. DISCONTINUED OPERATIONS

There are no discontinued operations in the current period. The loss from discontinued operations in the six months ended 30 June 2012 relates to Farm, Magnetic and Leapfrog in America Inc. Farm was a division of Tangible UK Limited, a wholly owned subsidiary of the Group. Magnetic was a division of Brightsource limited, a wholly owned subsidiary of the Group. Leapfrog in America Inc is a wholly owned subsidiary of the Group. The operations of Farm, Magnetic and Leapfrog in America Inc are included as discontinued operations in the prior year because their activities ceased during the year ended 31 December 2012.

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations,* the income statement for the six months ended 30 June 2012 has been re-presented to include income and expenses of the discontinued operations within (loss)/profit from discontinued operations.

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

	Unaudited Six months ended 30 June 2013 £'000	**Unaudited Six months ended 30 June 2012 £'000**	**Audited Year ended 31 December 2012 £'000**
Revenue	-	1,643	2,703
Cost of sales	-	(1,198)	(2,041)
Gross profit	-	445	662
Administrative expenses	-	(759)	(1,279)
Loss before tax from discontinued operations	-	(314)	(617)
Taxation	-	79	101
Loss in the period from discontinued operations	-	(235)	(516)
Loss for the period from discontinued operations is attributable to:			
Equity holders of the parent	-	(235)	(516)
Non-controlling interest	-	-	-
	-	(235)	(516)

	Unaudited Six months ended 30 June 2013 £'000	**Audited Six months ended 30 June 2012 £'000**	**Audited Year ended 31 December 2012 £'000**
Operating cash inflows	-	52	147
Investing cash outflows	-	(24)	(30)
Total cash flows	-	28	117

11. EARNINGS/(LOSS) PER SHARE

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Earnings attributable to owners of the parent	1,059	825	(386)
Loss from discontinuing operations	-	235	516
Earnings attributable to ordinary shareholders from continuing operations	1,059	1,060	130
Non-controlling interests	(3)	15	22
Earnings from continuing operations	1,056	1,075	152
Adjustments to earnings:			
Restructuring costs	314	747	1,328
Start-up losses	217	335	787
Acquisition costs	66	-	-
Amortisation of intangible assets	545	431	876
Acquisition related employee remuneration expense	529	24	82
Share-based payments charge	75	65	134
Impairment of goodwill	-	-	2,497
Fair value gain on derivative financial instruments	(5)	(21)	(50)
Tax thereon	(318)	(410)	(766)
Headline earnings attributable to ordinary shareholders	2,479	2,246	5,040

	30 June 2013 number of shares	30 June 2012 number of shares	30 December 2012 number of shares
Weighted average number of ordinary shares in issue	82,568,384	79,388,465	80,720,587
Weighted average number of treasury shares	(237,000)	(237,000)	(237,000)
Weighted average number of shares held in employee benefit trusts	(969,114)	(1,624,515)	(1,367,378)
Basic weighted average number of ordinary shares	81,362,270	77,526,950	79,116,209
Dilutive effect of securities:			
Deferred consideration shares	129,674	2,873,040	1,540,918
Share options	295,872	-	-
Diluted weighted average number of ordinary shares	81,787,816	80,399,990	80,657,127
Further dilutive effect of securities:			
Share options	4,049,713	4,097,576	3,713,181
Contingent consideration shares to be issued	304,156	44,561	89,127
Fully diluted weighted average number of ordinary shares	86,141,685	84,542,127	84,459,435
Basic earnings/(loss) per share			
From continuing operations	1.30p	1.37p	0.16p
From discontinuing operations	0.00p	(0.30)p	(0.65)p
Total basic loss per share	1.30p	1.06p	(0.49)p
Diluted earnings/(loss) per share			
From continuing operations	1.29p	1.32p	0.16p
From discontinuing operations	0.00p	(0.30)p	(0.65)p
Total diluted loss per share	1.29p	1.03p	(0.49)p

In addition to basic and diluted earnings/(loss) per share, headline earnings per share and fully diluted earnings/(loss) per share, which are non-GAAP measures, have also been presented.

Fully diluted earnings/(loss) per share			
From continuing operations	1.23p	1.25p	0.15p
From discontinuing operations	0.00p	(0.30)p	(0.65)p
Total fully diluted loss per share	1.23p	0.98p	(0.49)p
Headline earnings per share			
Headline basic earnings per share	3.05p	2.90p	6.37p
Headline diluted earnings per share	3.03p	2.79p	6.25p
Headline fully diluted earnings per share	2.88p	2.66p	5.97p

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

Diluted earnings/(loss) per share is calculated by dividing earnings/(loss) 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.

The Group's potentially dilutive shares are shares expected to be issued as deferred consideration on acquisitions and share options issued but not exercised.

Fully diluted earnings/(loss) per share is calculated by dividing earnings/(loss) attributable to ordinary shareholders by the weighted average number of shares in issue during the year adjusted for all of the potentially dilutive ordinary shares expected to be issued in future period whether or not the conditions of the issue have substantially been met. This measure is presented to show the dilutive effect on earnings per share of all shares expected to be issued in the future.

Headline earnings per share is calculated using headline earnings for the year, which excludes the effect of restructuring costs, start-up losses, amortisation of intangibles, impairments charges, acquisition accounting adjustments, share option charges, fair value gains and losses on derivative financial instruments and other exceptional costs. The calculation also excludes non-controlling interests over which the Group has exclusive options to acquire in the future.

12. GOODWILL

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Cost			
At beginning of period	71,028	73,823	73,823
Goodwill arising on acquisitions in the period	133	-	-
Adjustment to fair value of deferred consideration	-	-	(8)
Impairment of goodwill	-	-	(2,497)
Exchange differences	337	(77)	(290)
At end of period	71,498	73,746	71,028

The adjustment to the fair value of deferred consideration relates to changes in estimate of deferred consideration payable under earn out arrangements for acquisitions before 1 July 2009 in accordance with the terms of the relevant acquisition agreements and therefore not accounted for in accordance with the provisions of IFRS 3 *Business Combinations* (as revised 2008).

13. ACQUISITIONS

Mash

On 25 January 2013, the Group acquired the entire share capital of Mash Health Limited ("Mash"), a healthcare communications consulting company based in the UK.

Mash has contributed £1.4m to revenue and £0.4m to profit before tax for the period between the date of acquisition and the balance sheet date. Had Mash been consolidated from 1 January 2013, the consolidated income statement for the period ended 30 June 2013 would show revenue of £71.8m and profit before tax of £1.8m.

The provisional fair value of the net assets at the acquisition date is as follows:

	Fair value £'000
Client relationships	531
Property, plant and equipment	15
Trade and other receivables	712
Cash and cash equivalents	694
Trade and other payables	(565)
Deferred tax liability	(124)
Net assets acquired	1,263
Goodwill arising on acquisition	133
	1,396

The fair value of trade and other receivables include trade receivables with a fair value of £567,000. The gross contractual amount of trade receivables is equal to the fair value.

Goodwill comprises the value of expected synergies and other opportunities arising from the acquisition, management know how, the skilled work force employed by Mash and other intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the consideration paid is as follows:

	£'000
Cash consideration	500
Issue of ordinary shares	127
Deferred consideration	769
	1,396

As part of the consideration for the acquisition of Mash deferred consideration is payable. The amount to be paid is dependent on the profits earned by Mash in the year to 31 December 2013. The fair value of this consideration at the acquisition date was £175,000 and at 30 June 2013 is £175,000. The maximum amount of deferred contingent consideration payable is £175,000. Any changes to the fair value of deferred contingent consideration in the future will be recognised in the income statement.

In addition to the deferred consideration, acquisition related employee remuneration of up to £700,000 is also payable to the vendors of Mash. This remuneration is also dependent on the profits earned by Mash in the year to 31 December 2013 and is recognised in the income statement over that period.

Newhaven
On 14 June 2013, the Group acquired the trade and certain assets of Newhaven Communications. The net assets acquired and consideration paid were immaterial.

14. SHARE CAPITAL

	Unaudited At 30 June 2013 £'000	Unaudited At 30 June 2012 £'000	Audited At 31 December 2012 £'000
Authorised:			
100,000,000 ordinary shares of 10p each	10,000	10,000	10,000
Allotted, issued and fully paid			
82,683,959 ordinary shares of 10p each	8,268	8,226	8,226

During the interim period the following shares were issued:

On 30 April 2012, 486,219 new ordinary shares of 10p each were issued at a value of 39.7p to vendors of businesses previously acquired by the Group and certain employees of the Group. These shares were issued pursuant to the terms of minority share purchases under the share purchase agreements in relation to Blonde Digital Limited, Stripe PR and Communications Limited and Opticomm Media Limited.

On 23 May 2012, 3,248,580 new ordinary shares of 10p each were issued at 35.8p to vendors of businesses previously acquired by the Group and certain employees of the Group. These shares were issued pursuant to the share purchase agreements in relation to Fenix Media Limited (which trades as Face Group) and Red Kite Consulting Group Limited.

On 28 January 2013, 333,332 new ordinary shares of 10p each were issued at 38.2p to vendors of Mash Health Limited pursuant to the terms of the share purchase agreement of that company.

On 10 May 2013, 89,122 new ordinary shares of 10p each were issued at 50.0p to certain employees of the Group. These shares were issued pursuant to the share purchase agreements in relation to Red Kite Consulting Group Limited.

15. CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Profit on continuing operations before taxation	1,778	1,589	1,380
Loss on discontinued operations before taxation	-	(314)	(617)
Financing income	(10)	(25)	(76)
Finance costs	285	319	712
Depreciation	558	540	1,127
Amortisation of intangible assets	659	431	876
Impairment of goodwill	-	-	2,497
Share-based payment expense	75	65	134
Acquisition related employee remuneration expense	529	24	82
Acquisition costs	66	-	-
(Profit)/loss on disposal of property, plant and equipment	-	(44)	120
Decrease/(increase) in receivables	2,599	2,162	(879)
(Decrease)/increase in payables	(6,248)	(5,893)	1,479
Net cash inflow/(outflow) from operating activities	291	(1,146)	6,835

16. NET DEBT

	At 1 January 2013 £'000	Cash flow £'000	Foreign exchange £'000	At 30 June 2013 £'000
Cash and cash equivalents	4,148	(755)	56	3,449
Overdrafts	-	(1,616)	-	(1,616)
Loan notes	(498)	84	-	(414)
Bank loans	(12,320)	(24)	(395)	(12,739)
Finance leases	(49)	17	-	(32)
	(8,719)	(2,294)	(339)	(11,352)