For Immediate Release **September 2016**

Cello Group plc
Interim Results for the six months to 30 June 2016

Progress with growth strategy

Cello Group plc (AIM: CLL; "Cello", "The Group"), the healthcare focused strategic marketing group, today announces its interim results for the six month period to 30 June 2016.

Group Financial Highlights

- Revenue up 5.0% to £80.9m (2015: £77.0m)
- Gross profit up 4.0% to £43.5m (2015: £41.9m)
- Like-for-like[1] gross profit growth of 2.7%
- Headline profit before tax[2] £4.2m (2015: £4.2m)
- Headline operating margin[3] 10.2% (2015: 10.5%)
- Headline basic earnings per share 3.54p (2015: 3.61p)
- Statutory operating loss of £0.8m (2015: profit of £1.9m) after additional provision for VAT of £2.1m (2015: £1.1m)
- Statutory basic loss per share 1.08p (2015: earnings of 1.18p)
- Net debt reduced to £4.8m (June 2015: £9.8m)
- VAT dispute with HMRC fully settled
- Interim dividend up 19.0% to 1.00p (2015: 0.84p), reflecting new dividend policy now in place – full year pay out ratio to increase to c.40% of headline earnings per share

Divisional Financial Highlights

H1	Cello Health			Cello Signal		
£'000	2016	2015	% Growth	2016	2015	% Growth
Segmental gross profit	22,162	21,683	2.21%	20,774	19,993	3.91%
Headline operating profit	3,906	4,310	(9.4)%	1,641	950	72.7%
Headline operating margin	17.6%	19.9%		7.9%	4.8%	

Operating Highlights

- **Continued rapid evolution of Cello Health as a global business**
- **Ongoing expansion of Cello Health US as the primary growth driver**
- **Successful consolidation of Cello Signal behind a single client facing brand**
- **Large new Signal clients won in 2015 flowing through into 2016 results**
- **Pulsar, the Group's social media analytic software product, growing strongly and operationally profitable**

Mark Scott, Chief Executive, commented: "Following the resolution of the long standing VAT dispute with HMRC, the Group is energetically pursuing its growth ambitions, supported by a strong balance sheet. Cello Health has the potential to become a global leader in the growing healthcare advisory services space and rapid progress is being made towards this goal. Cello Signal's potential as a powerful growth and profit engine for the Group in the digital solutions space is now also taking shape. Overall, the Group is well placed to fulfil its growth ambitions."

This announcement contains inside information

[1] Like-for-like comparisons remove the impact of acquisitions and results from start-ups in 2015
[2] Headline measures are stated before non-headline charges (see note 3)
[3] Headline operating margin is defined as headline operating profit as a percentage of segmental gross profit

Enquiries:

Cello Group plc (www.cellogroup.com)	
Mark Scott, Chief Executive	020 7812 8460
Mark Bentley, Group Finance Director	
Cenkos Securities	
Bobbie Hilliam	020 7484 4040
Buchanan	
Sophie McNulty, Jamie Hooper, Madeline Seacombe	020 7466 5000

Notes to Editors (www.cellogroup.com)

Cello is a healthcare-focused strategic marketing group.

The Group's strategy is to create value for shareholders by building a leading global healthcare advisory business under the Cello Health brand, and a leading digital communications solutions business under the Cello Signal brand.

Cello has annualised revenues in excess of £150m, annualised gross profit in excess of £85m and employs over 900 professional staff.

Chairman's Statement

Overview

The Group has continued to make solid progress in pursuing its growth strategy. The building blocks to more rapidly expand both Cello Health and Cello Signal are now firmly established.

Cello Health continues to grow its core pharmaceutical offer behind the Cello Health brand, adding significant new blue chip clients in both the US and the UK. The operational benefits of closer integration are beginning to be realised, in the form of shared property and back office integration. The strategy of establishing Cello Health US as the primary driver of future growth is making rapid progress.

Cello Signal has successfully integrated its core client proposition behind the Cello Signal brand, developing its digital and data offer which is being purchased by large corporates globally. Pulsar, Cello Signal's proprietary social media analytic software product, continues to grow at an impressive pace and is now profitable. 2017 will see the product launched in the US market.

Financially, debt levels remain moderate and continue to drop following an excellent working capital performance in the period. Accordingly, we are pleased to increase returns to shareholders in the form of higher dividends.

Financial Review

Gross profit for the six months to 30 June 2016 increased 4.0% to £43.5m (2015: £41.9m) on revenue up 5.0% to £80.9m (2015: £77.0m). Like-for-like gross profit growth was 2.7%. Headline operating profit was £4.4m (2015: £4.4m). Headline operating margins were 10.2% (2015: 10.5%). Headline pre-tax profit was £4.2m (2015: £4.2m). Further detail on these numbers is provided in the operating review.

The reported tax charge is £0.1m (2015: £0.7m). This represents a headline tax rate of 27.6% (2015: 26.4%).

Headline basic earnings per share were 3.54p (2015: 3.61p). Statutory loss per share was 1.08p (2015: earnings of 1.18p).

The Group currently earns around $3.5m a year in operating profits from US domiciled businesses. In addition, some UK domiciled Group businesses also do work in the US, with a proportion of this work billed in US Dollars. Accordingly, there is some foreign exchange risk, and such risk is hedged by the Group's debt being largely denominated in US Dollars, as well as the maintenance of a US Dollar denominated overdraft. There remains some residual US Dollar exposure, and over the first half of the year the average US Dollar/Pound rate strengthened from 1.51 to 1.41. The Group calculates that the benefit of this in the first half of the year is around £0.3m of operating profit.

The Group's net debt at 30 June 2016 was £4.8m (31 December 2015: £4.2m; 30 June 2015: £9.8m). This is a strong performance which reflects excellent working capital management over the period. Total debt facilities are £24.0m.

Following a review of the dividend policy and in view of the robust financial position, the expectation is that the full year payout ratio will be increased to around 40% of headline earnings per share. Accordingly, the interim dividend rises 19.0% to 1.00p (2015: 0.84p). The interim dividend is payable on 4 November 2016 to all shareholders on the register on 7 October 2016. The Group continues an unbroken record of annual dividend growth since it began paying dividends in 2006.

On 16 May 2016, the Group was pleased to announce that the dispute with HMRC regarding the VAT status of certain suppliers to charity clients had been resolved, and the uncertainty generated by the issue had been removed. It was also announced that a charge of £2.1m would be recognised in the period. The total amount due to HMRC has been settled in full in the second half of the year. The Group is now in ongoing discussions with clients regarding recovery of these balances.

Costs of £0.5m were incurred from continued investment in start-up activity. This is disclosed below headline operating profit. The majority of the losses relate to the investment in Cello Health Bioconsulting Inc., which is currently loss making but which has a good pipeline of projects and proposals for the second half of the year. In addition, as disclosed previously, the Group made a payment of £0.9m to the prior employer of the senior staff hired to establish this business. Legal costs associated with resolving this issue were £0.2m.

Restructuring costs of £0.7m were incurred within the Cello Health Consumer business, and Cello Signal. In the case of Cello Signal, operating margins have improved as a result of the elimination of redundant roles following consolidation of the business behind the Signal brand. In the case of the Cello Health Consumer business, corrective cost action following the cessation of certain client contracts has left this business now trading profitably on a monthly basis.

The following table summarises the adjustments made to calculate headline operating profit. The acquisition related costs of £0.5m (2015: £0.5m) relate to necessary accounting charges arising from the acquisition of iS Healthcare Dynamics Limited in 2014.

	2016 £m	2015 £m
Headline operating profit	4.4	4.4
VAT provision	(2.1)	(1.1)
Restructuring costs	(0.7)	(0.3)
Start-up losses	(0.5)	(0.2)
Bio Consulting settlement	(1.1)	
Share option charges	(0.1)	(0.1)
Acquisition related costs	(0.5)	(0.5)
Amortisation	(0.2)	(0.3)
Statutory operating (loss)/profit	(0.8)	1.9
Net finance costs	(0.1)	(0.2)
Statutory (loss)/profit before tax	(0.9)	1.7

Operating Review

Cello Health

	H1 2016 £'000	H1 2015 £'000	Full year 2015 £'000
Segmental gross profit	22,162	21,683	44,496
Headline operating profit	3,906	4,310	8,779
Headline operating margin	17.6%	19.9%	19.7%

The four underlying capabilities of Cello Health are Cello Health Insight, Cello Health Consulting, Cello Health Communications and Cello Health Consumer. Cello Health overall had a good six months, with the core pharmaceutical orientated offer performing very well both in the UK and in the US. All capabilities have therefore performed well with the exception of certain aspects of Cello Health Consumer. The client base is stable and consists of the vast majority of all large global pharmaceutical businesses. There is also a growing Bio-tech client base, particularly in the US, which represents a major source of potential growth for Cello Health. Overall, segmental gross profit increased by 2.2% to £22.2m (2015: £21.7m) and like-for-like gross profit growth in the first half of 2016 was 1.5%.

Cello Health Insight in particular had an excellent first six months of the year both in the US and the UK, with new clients coming into the income pipeline as well as a notable increase in quantitative research which is more long term and recurring in nature than the more project based nature of the qualitative research offering.

Following the cessation of certain contracts within the Cello Health Consumer division in the UK, action has been taken to align the cost base with current demand. The early signs are that the UK business has stabilised and it is now trading in monthly profit, albeit at a reduced margin that will affect Group profits both this year and next. In the US, this same activity area has continued to trade strongly and resource is being reallocated to further develop this opportunity behind new contract wins.

If the restructured UK element of Cello Health Consumer is excluded from the calculations, then the like-for-like gross profit growth from the three other core clinically-led capabilities of Cello Health, where the client base is predominantly large pharmaceutical organisations, was 6.0%. On this basis, operating margins from this part of the business were 20.8%. Despite the negative impact of the consumer unit, operating margins across the whole of Cello Health remained healthy and competitive at 17.6% (H1 2015: 19.9%, FY 2015: 19.7%). Operating profits were therefore £3.9m for the first half (2015: £4.3m).

Cello Health US has continued to grow well, with strong performances from the Research and Communications capabilities in New York, Philadelphia, Chicago and San Francisco. Several new material clients have commenced work during this period. The Consulting business is smaller, but getting good traction as the investment in the new Cello Health BioConsulting business starts to generate returns and the business pitches for and wins new projects for new clients. Cello Health intends to build a strong practice in the Biotech area, which will account for a material proportion of the overall healthcare market. Cello Health BioConsulting in the US continued to be loss making in the first half but is gaining momentum with a robust pipeline of proposals and prospects. With further planned investment in this territory, the strategic goal of the US being the largest geographical revenue contributor to Cello Health is within reach.

Cello Health has also recently added significant professional resource in the digital solutions area, enabling provision of digital services to clients, both in the US and UK. The recent launch of Pulsar Health as a focused social media research offering to clients has already shown rapid traction.

Cello Health continues to extract the benefits of being a unified business. In the second half of the year, the Consulting and Communications businesses in the UK will move to a single office in Farnham housing over 120 people. This will encourage collaboration as well as being more efficient.

Cello Signal

	H1 2016	**H1 2015**	**Full year 2015**
	£'000	**£'000**	**£'000**
Segmental gross profit	20,774	19,993	41,555
Headline operating profit	1,641	950	3,952
Headline operating margin	7.9%	4.8%	9.5%

The benefits of the integration process behind the Cello Signal brand are beginning to flow, after an extended period of rationalisation. This is reflected in solid growth and an improved profit margin. The core proposition of Cello Signal of solving complex digital communications and social media challenges is proving to be powerful with large clients. Segmental gross profit increased by 3.9% to £20.8m (2015: £20.0m) and like-for-like gross profit growth in the first half of 2016 was 4.1%.

In the UK the business is now clustered into three office hubs, located in Edinburgh, Cheltenham and London, enabling development of more integrated client solutions and greater efficiency of delivery. This is now allowing the business to look to expand into the US market more energetically, with 2017 set to see a focused push to accelerate this US organic expansion process.

In the first half of the year, the Edinburgh hub traded very well, with income secured from new clients won in the final quarter of 2015 flowing well into 2016. In the Cheltenham hub, a further new material client has delivered significant incremental income in the first half of the year although some of this income will not be repeatable in the future. The improvement in these two locations has significantly driven the considerable overall improvement in first half performance. Performance in Signal's research division based in London has also been very strong.

Pulsar, the Group's proprietary social media intelligence platform has continued to grow software sales very strongly, making a first contribution to operating profits in the period. It now has over 240 licence holding clients. Plans are in development to launch Pulsar in the US and this is likely to happen in 2017. Renewals rates are good, and the product continues to evolve with the social media environment. We therefore expect Pulsar to continue to be profitable going forward, and to sustain a high growth rate.

Cello Signal is also building an impressive franchise in the tech client community with clients including Facebook, Spotify, EA, Activision, and HP in addition to its broader blue chip client base.

Full year Trading Outlook

The Group has had a solid first half, and expects to benefit from the usual second half weighting that has occurred in the past due to the nature of the work done for its clients. The Group also expects to benefit from the recent strengthening of the US Dollar against the Pound.

Overall momentum in both Cello Health and Cello Signal is strong, with clear growth strategies and the Board believes that full year expectations will be broadly achieved.

Allan Rich,

Chairman
13 September 2016

Condensed Consolidated Income Statement
For the six months ended 30 June 2016

	Notes	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Continuing operations				
Revenue	4	80,855	77,030	157,315
Cost of sales		(37,320)	(35,150)	(70,634)
Gross profit	4	43,535	41,880	86,681
Administration expenses		(44,301)	(40,007)	(81,543)
Operating (loss)/profit	4	(766)	1,873	5,138
Finance income	5	-	1	3
Finance costs	5	(126)	(184)	(387)
(Loss)/profit before taxation	4	(892)	1,690	4,754
Taxation	6	(47)	(675)	(1,707)
(Loss)/profit for the period		(939)	1,015	3,047
Attributable to:				
Owners of the parent		(939)	1,010	3,042
Non-controlling interests		-	5	5
		(939)	1,015	3,047

		Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
(Loss)/earnings per share				
Basic (loss)/earnings per share	8	(1.08)p	1.18p	3.54p
Diluted (loss)/earnings per share	8	(1.08)p	1.15p	3.44p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016

	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
(Loss)/profit for the period	(939)	1,015	3,047
Other comprehensive income:			
Exchange differences on translation of foreign operations	38	18	89
Total comprehensive (loss)/income for the period	(901)	1,033	3,136
Total comprehensive (loss)/income attributable to:			
Owners of the parent	(901)	1,028	3,131
Non-controlling interests	-	5	5
Total comprehensive (loss)/income for the period	(901)	1,033	3,136

Condensed Consolidated Balance Sheet
As at 30 June 2016

	Notes	Unaudited At 30 June 2016 £'000	Unaudited At 30 June 2015 £'000	Audited At 31 December 2015 £'000
Goodwill	9	74,237	73,364	73,673
Intangible assets		786	1,140	1,050
Property, plant and equipment		2,347	2,089	1,950
Deferred tax assets		765	992	879
Non-current assets		78,135	77,585	77,552
Trade and other receivables		41,193	37,824	43,683
Cash and cash equivalents		3,976	1,176	5,249
Current assets		45,169	39,000	48,932
Trade and other payables		(42,141)	(29,794)	(39,392)
Current tax liabilities		(1,296)	(1,858)	(1,823)
Borrowings		(155)	(692)	(232)
Provisions	10	-	(3,209)	(3,209)
Obligations under finance leases		(21)	(24)	(24)
Current liabilities		(43,613)	(35,577)	(44,680)
Net current assets		1,556	3,423	4,252
Total assets less current liabilities		79,691	81,008	81,804
Trade and other payables		(2,218)	(1,225)	(1,693)
Borrowings		(8,564)	(10,216)	(9,127)
Obligations under finance leases		(24)	(61)	(33)
Deferred tax liabilities		(105)	(155)	(133)
Non-current liabilities		(10,911)	(11,657)	(10,986)
Net assets		68,780	69,351	70,818
Equity				
Share capital	11	8,726	8,558	8,576
Share premium		19,099	18,796	18,834
Merger reserve		28,807	28,807	28,807
Capital redemption reserve		50	50	50
Retained earnings		11,451	12,587	13,860
Share-based payment reserve		603	568	635
Foreign currency reserve		44	(65)	6
Equity attributable to equity holders of parent		68,780	69,301	70,768
Non-controlling interests		-	50	50
Total equity		68,780	69,351	70,818

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2016

	Notes	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Net cash from/(used in) operating activities before taxation	12	3,269	(428)	8,247
Tax paid		(459)	(156)	(1,220)
Net cash from/(used in) operating activities after taxation		2,810	(584)	7,027
Investing activities				
Interest received		-	1	3
Purchase of property, plant and equipment		(957)	(391)	(814)
Sale of property, plant and equipment		17	9	16
Expenditure on intangible assets		(62)	(124)	(366)
Purchase of subsidiary undertakings		(248)	25	(200)
Net cash used in investing activities		(1,250)	(480)	(1,361)
Financing activities				
Proceeds from issuance of shares		192	61	117
Dividends paid to equity holders		(1,727)	(1,529)	(2,244)
Repayment of borrowings		(3,681)	(8,209)	(12,749)
Repayment of loan notes		(77)	(68)	(68)
Drawdown of borrowings		2,509	6,165	9,165
Increase in overdrafts		-	460	-
Capital element of finance lease payments		(12)	(14)	(42)
Interest paid		(105)	(148)	(325)
Net cash used in financing activities		(2,901)	(3,282)	(6,146)
Movements in cash and cash equivalents				
Net decrease in cash and cash equivalents		(1,341)	(4,346)	(480)
Exchange gains/(losses) on cash and bank overdrafts		68	(44)	163
Cash and cash equivalents at the beginning of the period		5,249	5,566	5,566
Cash and cash equivalents at end of the period		3,976	1,176	5,249

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2016

Statement of changes in equity for the six months ended 30 June 2016:

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Share-based Payment Reserve £'000	Foreign Currency Exchange Reserve £'000	**Total Attributable to Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2016	8,576	18,834	28,807	50	13,860	635	6	**70,768**	50	**70,818**
Loss for the period	-	-	-	-	(939)	-	-	**(939)**	-	**(939)**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	38	**38**	-	**38**
Total comprehensive (loss)/income in the period	-	-	-	-	(939)	-	38	**(901)**	-	**(901)**
Transactions with owners:										
Shares issued	150	265	-	-	-	-	-	**415**	-	**415**
Acquisition of non-controlling interest	-	-	-	-	25	-	-	**25**	(50)	**(25)**
Credit for share-based incentives	-	-	-	-	-	138	-	**138**	-	**138**
Tax on share-based payments recognised directly in equity	-	-	-	-	62	-	-	**62**	-	**62**
Transfer between reserves in respect of share options	-	-	-	-	170	(170)	-	**-**	-	**-**
Dividends paid (note 7)	-	-	-	-	(1,727)	-	-	**(1,727)**	-	**(1,727)**
Total transactions with owners	150	265	-	-	(1,470)	(32)	-	**(1,087)**	(50)	**(1,137)**
As at 30 June 2016	**8,726**	**19,099**	**28,807**	**50**	**11,451**	**603**	**44**	**68,780**	**-**	**68,780**

Statement of changes in equity for the six months ended 30 June 2015:

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Share-based Payment Reserve £'000	Foreign Currency Exchange Reserve £'000	**Total Attributable to Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2015	8,530	18,663	28,807	50	12,923	544	(83)	**69,434**	45	**69,479**
Profit for the period	-	-	-	-	1,010	-	-	**1,010**	5	**1,015**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	18	**18**	-	**18**
Total comprehensive income in the period	-	-	-	-	1,010	-	18	**1,028**	5	**1,033**
Transactions with owners:										
Shares issued	28	133	-	-	-	-	-	**161**	-	**161**
Credit for share-based incentives	-	-	-	-	-	111	-	**111**	-	**111**
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	96	-	-	**96**	-	**96**
Transfer between reserves in respect of share options	-	-	-	-	87	(87)	-	**-**	-	**-**
Dividends paid (note 7)	-	-	-	-	(1,529)	-	-	**(1,529)**	-	**(1,529)**
Total transactions with owners	28	133		-	(1,346)	24	-	**(1,161)**	-	**(1,161)**
As at 30 June 2015	**8,558**	**18,796**	**28,807**	**50**	**12,587**	**568**	**(65)**	**69,301**	**50**	**69,351**

Statement of changes in equity for the year ended 31 December 2015:

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Share-based Payment Reserve £'000	Foreign Currency Exchange Reserve £'000	**Total Attributable to Equity Shareholders £'000**	Non-Controlling Interest £'000	**Total Equity £'000**
At 1 January 2015	8,530	18,663	28,807	50	12,923	544	(83)	**69,434**	45	**69,479**
Profit for the year	-	-	-	-	3,042	-	-	**3,042**	5	**3,047**
Other comprehensive income:										
Currency translation	-	-	-	-	-	-	89	**89**	-	**89**
Total comprehensive income for the period	-	-	-	-	3,042	-	89	**3,131**	5	**3,136**
Transactions with owners:										
Shares issued	46	171	-	-	-	-	-	**217**	-	**217**
Credit for share-based incentives	-	-	-	-	-	204	-	**204**	-	**204**
Tax on share-based payments recognised directly in equity	-	-	-	-	26	-	-	**26**	-	**26**
Transfer between reserves in respect of share options	-	-	-	-	113	(113)	-	**-**	-	**-**
Dividends paid (note 7)	-	-	-	-	(2,244)	-	-	**(2,244)**	-	**(2,244)**
Total transactions with owners	46	171	-	-	(2,105)	91	-	**(1,797)**	-	**(1,797)**
As at 31 December 2015	**8,576**	**18,834**	**28,807**	**50**	**13,860**	**635**	**6**	**70,768**	**50**	**70,818**

Notes to the Financial Information
For the six months ended 30 June 2016

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2016 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 2015, 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 2015 were approved by the Board of directors on 16th March 2016 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 2016 and has not been audited.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, 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. SEASONALITY OF OPERATIONS

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

3. 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. 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. Accordingly headline measures exclude, where applicable, the effect of the following items:

i. Restructuring costs – these costs principally relate to redundancy costs.
ii. Charge for VAT payable and related costs – these costs relate to the VAT payable to HMRC in respect of certain charity clients. Further details are provided in note 10.
iii. Bioconsulting settlement and related costs – these costs relate to the payment made to the prior employer of senior staff hired to establish the business, in respect of post-employment restrictions.
iv. Start-up losses – these 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.
v. Amortisation of intangible assets – this is in respect of amortisation charged against separately indentifiable intangible assets acquired as part of a business combination.
vi. Acquisition related employee remuneration expense – costs with regards to deferred payments payable to vendors and certain employees of a company in accordance with the share purchase agreement of the acquired company. In accordance with IFRS 3 Business Combinations, these costs are recognised in the income statement by virtue of employment conditions in the relevant share purchase agreement
vii. Share option charges

Headline measures in this report are not defined terms under IFRS, and may not be comparable with similarly titled measures reported by other companies.

A reconciliation between statutory and headline profit before taxation is presented in below:

	Unaudited Six Months ended 30 June 2016 £'000	**Unaudited Six Months ended 30 June 2015 £'000**	**Audited Year ended 31 December 2015 £'000**
(Loss)/profit from continuing operations before taxation	**(892)**	**1,690**	**4,754**
Restructuring costs	693	318	694
Charge for VAT payable and related costs	2,053	1,100	1,301
Post-employment restrictions settlement and related costs	1,067	-	-
Start-up losses	518	157	1,037
Amortisation of intangible assets	146	301	445
Acquisition related employee remuneration expense	525	525	1,591
Share option charges	138	111	204
Headline profit before taxation	**4,248**	**4,202**	**10,026**
Headline profit before tax is made up as follows:			
Headline operating profit	4,374	4,385	10,410
Headline finance income	-	1	3
Headline finance costs	(126)	(184)	(387)
	4,248	4,202	10,026

In addition, a reconciliation between statutory and headline earnings per share is presented in note 8.

4. SEGMENTAL INFORMATION

For management purposes, the Group is organised into two operating groups; Cello Health and Cello Signal. 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 2016

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	32,906	47,178	771	80,855
Intersegment revenue	11	16	(27)	-
Total revenue	32,917	47,194	744	80,855
Gross profit	22,162	20,774	599	43,535
Operating profit				
Headline operating profit (segment result)	3,906	1,641	(1,173)	4,374
Restructuring costs				(693)
Charge for VAT payable and related costs				(2,053)
Post-employment restrictions settlement and related costs				(1,067)
Start-up losses				(518)
Amortisation of intangible assets				(146)
Acquisition related employee remuneration expense				(525)
Share option charges				(138)
Operating loss				(766)
Finance costs				(126)
Loss from continuing operations before taxation				(892)
Other information				
Capital expenditure	686	271	-	957
Capitalisation of intangible assets	3	59	-	62
Depreciation of property plant and equipment	218	377	3	598

Six months ended 30 June 2015

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	30,453	46,290	287	77,030
Intersegment revenue	24	27	(51)	-
Total revenue	30,477	46,317	236	77,030
Gross profit	21,683	19,993	204	41,880
Operating profit				
Headline operating profit (segment result)	4,310	950	(875)	4,385
Restructuring costs				(318)
Charge for VAT payable and related costs				(1,100)
Start-up losses				(157)
Amortisation of intangible assets				(301)
Acquisition related employee remuneration expense				(525)
Share option charges				(111)
Operating profit				1,873
Financing income				1
Finance costs				(184)
Profit from continuing operations before taxation				1,690
Other information				
Capital expenditure	220	171	-	391
Capitalisation of intangible assets	4	120	-	124
Depreciation of property plant and equipment	214	400	3	617

Year ended 31 December 2015

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	63,553	92,768	994	157,315
Intersegment revenue	49	36	(85)	-
Total revenue	63,602	92,804	909	157,315
Gross profit	44,496	41,555	630	86,681
Operating profit				
Headline operating profit (segment result)	8,779	3,952	(2,321)	10,410
Restructuring costs				(694)
Charge for VAT payable and related costs				(1,301)
Start-up losses				(1,037)
Amortisation of intangible assets				(445)
Acquisition related employee remuneration expense				(1,591)
Share option charges				(204)
Operating profit				5,138
Financing income				3
Finance costs				(387)
Profit from continuing operations before taxation				4,754
Other information				
Capital expenditure	412	401	1	814
Capitalisation of intangible assets	16	350	-	366
Depreciation of property plant and equipment	411	773	6	1,190

5. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Finance income:			
Interest receivable on bank deposits	-	1	3
Finance costs:			
Interest payable on bank loans and overdrafts	124	182	383
Interest payable in respect of finance leases	2	2	4
Total finance costs	126	184	387

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the period ended 30 June 2016 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 27.6% (2015: 26.4%).

7. DIVIDEND

	Date Paid	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Final dividend 2014 – 1.80p per share	29 May 2015	-	1,529	1,529
Interim dividend 2015 – 0.84p per share	27 November 2015	-	-	715
Final dividend 2015 – 2.02p per share	27 May 2016	1,727	-	-
		1,727	1,529	2,244

An interim dividend of 1.00p (2015: 0.84p) per ordinary share is declared and will be paid on 4 November 2016 to all shareholders on the register on 7 October 2016. In accordance with IAS 10 *Events after the Balance Sheet Date*, this dividend has not been recognised in the accounts at 30 June 2016, but will be recognised in the accounting period ending 31 December 2016.

8. EARNINGS PER SHARE

	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
(Loss)/profit attributable to owners of the parent	(939)	1,010	3,042
Adjustments to earnings:			
Restructuring costs	693	318	694
Charge for VAT and related costs	2,053	1,100	1,301
Post-employment restrictions settlement and related costs	1,067	-	-
Start-up losses	518	157	1,037
Amortisation of intangible assets	146	301	445
Acquisition related employee remuneration expenses	525	525	1,591
Share-based payments charge	138	111	204
Tax thereon	(1,125)	(434)	(907)
Headline earnings for the period	3,076	3,088	7,407

	30 June 2016 number of shares	30 June 2015 number of shares	30 December 2015 number of shares
Weighted average number of ordinary shares used in basic earnings per share	86,903,491	85,497,199	86,023,367
Dilutive effect of securities:			
Share options	705,469	1,926,031	1,558,219
Deferred consideration shares	473,958	241,379	748,750
Weighted average number of ordinary shares used in diluted earnings per share	88,082,918	87,664,609	88,330,336
(Loss)/earnings per share			
Basic (loss)/earnings per share	(1.08)p	1.18p	3.54p
Diluted (loss)/earnings per share	(1.08)p	1.15p	3.44p

In addition to basic and diluted (loss)/earnings per share, headline earnings per share, which is a non-GAAP measure, has also been presented.

Headline earnings per share			
Headline basic earnings per share	3.54p	3.61p	8.61p
Headline diluted earnings per share	3.49p	3.52p	8.39p

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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 (loss)/earnings per share is calculated by dividing (loss)/profit 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.

Headline earnings per share is calculated using headline earnings for the period, 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 the charge for VAT and related costs.

9. GOODWILL

	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Cost			
At the beginning of period	86,052	85,775	85,775
Additions	-	-	-
Exchange differences	564	(32)	277
At the end of the period	86,616	85,743	86,052
Amortisation			
At the beginning and the end of the period	12,379	12,379	12,379
Net book value			
At the end of the period	74,237	73,364	73,673
At the beginning of the period	73,673	73,396	73,396

10. PROVISIONS

	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
At the beginning of period	3,209	2,109	2,109
Additions	1,979	1,100	1,100
Utilised in the period	(5,188)	-	-
At the end of the period	-	3,209	3,209

The whole provision relates to VAT payable to HMRC in respect of certain supplies to charity clients. In accordance with IAS 37 Provisions, contingent liabilities and contingent assets potential recovery from clients has not been recognised.

During the period, agreement has been reached with HMRC with regards to the amount payable and this has now been substantially settled. Given this agreement the provision has been recognised and the amount payable has been included in trade and other payables on the balance sheet.

11. SHARE CAPITAL

	Unaudited At 30 June 2016 £'000	Unaudited At 30 June 2015 £'000	Audited At 31 December 2015 £'000
Allotted, issued and fully paid			
87,262,162 ordinary shares of 10p each	8,726	8,558	8,576

Between 1 January 2015 and 30 June 2016 the following shares were issued:

During the six months ended 30 June 2016 1,275,248 (year ended 31 December 2015: 347,001) were issued to certain employees of the Group in relation to the share option schemes at exercise prices of althoughbetween 31.5p and 42.0p per share.

The Group owned 453,000 of its own shares over the whole period and these shares are held as treasury shares. The company has a right to re-issue these shares at a later date.

On 14 May 2015, 109,529 new ordinary shares of 0.10p each were issued at 91.3p to vendors of iS Healthcare Dynamics Limited, pursuant to the terms of the share purchase agreement of that company.

On 6 June 2016, 226,642 new ordinary share of 0.10p each were issued at 98.4p to vendors of Opticomm Media Limited pursuant to the terms of the share purchase agreements of that company.

12. CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
(Loss)/profit on continuing operations before taxation	(892)	1,690	4,754
Financing income	-	(1)	(3)
Finance costs	126	184	387
Depreciation	598	617	1,190
Amortisation of intangible assets	334	479	818
Share-based payment expense	138	111	204
Profit on disposal of property, plant and equipment	(15)	(5)	(6)
Increase in acquisition related employee remuneration payable	525	125	1,039
(Decrease)/increase in provisions	(3,209)	1,100	1,100
Operating cash flow before movements in working capital	(2,395)	4,300	9,483
Decrease/(increase) in trade and other receivables	2,463	2,193	(3,693)
Increase/(decrease) in trade and other payables	3,201	(6,921)	2,457
Net cash from/used in operating activities before taxation	3,269	(428)	8,247

13. NET DEBT

Net debt comprises of:	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Bank overdraft	-	460	-
Bank loans	8,564	10,216	9,127
Loan notes	155	232	232
Finance leases	45	85	57
Cash and cash equivalents	(3,976)	(1,176)	(5,249)
Net debt	4,788	9,817	4,167

Movements in net debt can be analysed as follows:

Net decrease in cash and cash equivalents	1,341	4,346	480
Repayment bank loans	(3,681)	(8,209)	(12,749)
Repayment loan notes	(77)	(68)	(68)
Drawdown of bank loans	2,509	6,165	9,165
Increase in overdrafts	-	460	-
Capital element of finance lease payments	(12)	(14)	(42)
Movements in net debt from cash flows	80	2,680	(3,214)
Other movements:			
Foreign exchange	541	(55)	189
Total movement in net debt in the period	621	2,625	(3,025)
Net debt at the beginning of the period	4,167	7,192	7,192
Net debt at the end of the period	4,788	9,817	4,167