For Immediate Release **19 September 2018**

Cello Health plc
('Cello' or the 'Group')

Interim Results for the six months to 30 June 2018

Global Cello Health brand delivers strong growth

Cello Health plc (AIM: CLL), the healthcare-focused advisory group, today announces its interim results for the six month period to 30 June 2018.

Group Financial Highlights

- Revenue unchanged at £78.5m (2017: £78.7m)
- Gross profit up 3.9% to £51.0m (2017: £49.1m)
- Constant currency gross profit growth of 7.3%
- Like-for-like[1] constant currency gross profit growth of 3.0%
- Cello Health gross profit growth of 11.7%
- Headline profit before tax[2] up 9.3% to £5.1m (2017: £4.6m)
- Headline operating margin[3] improves to 10.4% (2017: 10.0%)
- Headline basic earnings per share up 5.5% to 3.62p (2017: 3.43p)
- Statutory profit before tax up 23.5% to £3.3m (2017: £2.7m)
- Statutory basic earnings per share up 9.3% to 2.36p (2017: 2.16p)
- Net debt at 30 June 2018 of £5.4m (30 June 2017: £6.8m)
- Interim dividend up 4.8% to 1.10p (2017: 1.05p)

[1] Like-for-like comparisons remove the impact of acquisitions and results from start-ups in 2017 (see note 3)
[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

Divisional Financial Highlights

H1	Cello Health			Cello Signal		
£'000	2018	2017	% Growth	2018	2017	% Growth
Segmental gross profit	31,378	28,087	11.7%	19,459	19,851	-2.0%
Headline operating profit	5,659	4,876	16.1%	1,244	1,197	3.9%
Headline operating margin	18.0%	17.4%		6.4%	6.0%	

Operating Highlights

- Increasing profile of the Cello Health brand
- Continued strong like-for-like constant currency growth in Cello Health
- Planned office openings in Philadelphia, Boston and Germany
- Signal successfully building healthcare capability and client base
- Board changes deepen health focus
- Acquisition of the healthcare assets of First Light

Mark Scott, Chief Executive, commented: "Cello Health is successfully building its early stage asset development advisory platform for biotech clients, as well as growing its core later stage and post launch franchise with pharmaceutical clients. The depth and breadth of client relationships held by Cello Health under Master Service Agreements (MSAs) is impressive, underpinning revenue visibility. The leadership team is actively engaged with increasing the size of the global service platform, including Signal's communications capabilities. Signal, and particularly Pulsar, is rapidly building its healthcare franchise. The vision of developing Cello Health into a leading global advisor to healthcare and related clients is taking shape. As the Board goes through a substantial change, I wish to thank Allan Rich, Will David and Paul Hamilton for their key contributions to the development of the business from its founding to today."

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Notes to Editors

Cello Health plc is a global healthcare-focused advisory Group comprised of a set of leading clinical, commercial advisory and digital delivery capabilities. Cello Health plc currently services 24 of the top 25 pharmaceutical clients globally, as well as a wide range of biotech, diagnostics, devices and other key non-healthcare clients.

Cello Health plc enables clients to commercialise, differentiate their assets, and drive brand success in ever more complex global markets. The business delivers its services through nearly 1,000 highly skilled professionals, utilising latest thinking, technology and digital solutions.

Cello Health plc delivers its services from an office network in the UK, USA, and Asia, with hub offices in New York City, Philadelphia PA, London, Edinburgh, Farnham and Cheltenham.

For further information, please visit: https://cellohealthplc.com

Chairman's Statement

Overview

During the half year, the Group has continued to make good progress in delivering its strategy. The renaming of the Group to Cello Health plc has given increased focus to the business, which continues to develop and extend its broad client base comprising a wide range of global pharmaceutical clients and earlier stage biotech businesses. Revenue visibility remains good, underpinned by a wide range of MSAs, the majority of which are in the large pharmaceutical or biotech community. The proportion of business being won and serviced in the core US market continues to increase as planned.

The senior team is focused on attracting and retaining top-class talent in order to expand the capacity of the business and, at the same time, targeting acquisitions that can be incorporated into the Cello Health brand. Cello Signal continues to make good inroads into the health sector to complement its non-health activities. Cello Signal provides digital, social media and branding expertise, which complements Cello Health's scientifically led commercial capabilities. The combination of scientifically led commercial advisory skills with an increasing early stage asset development capability and communications delivery skills, enables Cello to differentiate itself in the global market for healthcare services.

Following the retirement of Paul Hamilton and Will David as Non-Executive Directors, we recently welcomed Clifford Tompsett and Jo LeCouilliard as Non-Executive Directors of the Group. Clifford and Jo bring a wealth of experience of the pharmaceutical sector to the Group, which will help shape the growth ambitions of the business. I am also pleased to announce that Julia Ralston, CEO of Cello Health in the US, will shortly be appointed to the Board, bringing the executive team up to four people. Julia's presence on the Board will ensure appropriate levels of governance and control around our expanding US business.

Finally, after 13 years as a Non-Executive Director, and over ten years as Chairman, it is with much regret that I also wish to announce my planned retirement from the Board in the coming months.

Following almost two years as a Non-Executive Director, Chris Jones will in due course be appointed Chairman of the Group to help guide the next stage of the Group's growth plan. In the meantime, the Board has commenced the search process for an additional Non-Executive Director to fill Chris' current role, which will maintain the number of non-executives at four.

I am personally very proud of what we have achieved over the past 13 years and am confident that the Group can fulfil its full potential over the coming years.

Financial Review

Gross profit for the six months to 30 June 2018 increased 3.9% to £51.0m (2017: £49.1m) on unchanged revenue of £78.5m (2017: £78.7m). Reported like-for-like gross profit growth was 0.4% (constant currency growth rate of 3.0%). Headline operating profit was up 10.3% to £5.3m (2017: £4.8m). The headline operating margin was 10.4% (2017: 10.0%). Headline pre-tax profit was £5.1m (2017: £4.6m). Further detail on these numbers is provided in the operating review.

The reported tax charge for the period is £0.8m (2017: £0.5m). This incorporates a headline tax rate of 24.7% (2017 full year: 28.2%). The headline tax rate has dropped to reflect the lower US tax rate in the period. This headline tax rate is expected to remain at this level for the foreseeable future.

The Group has 29.8% of its total gross profit earned in the US from US domiciled businesses, and which is therefore denominated in dollars. As such the Group carries a certain amount of foreign exchange risk. The average dollar conversion rate into sterling in the period was $1.38 (2017: $1.26). Given the relative weakness of the dollar in the period, gross profit would have been approximately £1.4m higher in constant currency, and operating profits would also have been approximately £0.3m higher. For the full year, with the dollar recently strengthening, the Group expects this impact to reduce. The average rate for the whole of 2017 was $1.29, and our current forecast average rate for 2018 is $1.32.

Headline basic earnings per share were up 5.5% to 3.62p (2017: 3.43p). Statutory earnings per share were up 9.3% to 2.36p (2017: 2.16p).

The Group's net debt at 30 June 2018 was £5.4m (31 December 2017: net cash of £1.6m; 30 June 2017: net debt of £6.8m). This increase in net debt in the period is consistent with management expectations and relates to seasonal cash flows that occur in the Signal business. The Group expects to experience strong positive cash flow in the second half as it has done in the past. Total debt facilities are £24.0m and expire in March 2022.

The acquisition of certain assets and staff contracts of First Light Public Relations Limited ("First Light"), a UK based healthcare communications business, was completed on 7 September 2018 for an undisclosed sum. The team of ten are now part of Cello Health Communications and are based in London. The First Light team delivers communication programmes for pharmaceutical and medical technology clients both in the UK and Internationally.

The Group has deferred consideration obligations in respect of the acquisitions in 2017 of Defined Health Research Inc and Cancer Progress LLC ("Defined Health") and Advantage Health Inc ("Advantage Healthcare") Such obligations are estimated to total around $6.3m, payable substantially in cash between 2019-2021.

The interim dividend rises 4.8% to 1.10p (2017: 1.05p). The interim dividend is payable on 2 November 2018 to all shareholders on the register on 5 October 2018. The Group continues an unbroken record of annual dividend growth since it began paying dividends in 2006.

As anticipated, losses of £0.5m were incurred from continued investment in start-up activity. This is disclosed below headline operating profit. The start-up losses in 2018 relate solely to the recent launch of Pulsar in the US market. The Group expects start-up losses of this type to be minimal in 2019. Results from start-up operations are not allocated to a segment.

Restructuring charges were nil in the first half of the year and are currently expected to be low in the second half. In 2017 as a whole, such charges amounted to £1.9m.

The following table summarises the adjustments made to calculate headline operating profit. The acquisition related costs of £1.0m (2017: £0.6m) relate to necessary accounting charges for the deferred consideration arising from the acquisition of Defined Health and Advantage Healthcare in 2017.

	2018 £m	**2017 £m**
Headline operating profit	5.3	4.8
VAT provision	-	0.3
Restructuring costs	-	(0.3)
Start-up losses	(0.5)	(0.8)
Share option charges	(0.2)	(0.2)
Acquisition related costs	(1.0)	(0.6)
Amortisation	(0.1)	(0.3)
Statutory operating profit	3.5	2.9
Net finance costs	(0.2)	(0.2)
Statutory profit before tax	3.3	2.7

Operating Review

Cello Health

	H1 2018 £'000	H1 2017 £'000	Full year 2017 £'000
Segmental gross profit	31,378	28,087	60,150
Headline operating profit	5,659	4,876	10,639
Headline operating margin	18.0%	17.4%	17.7%

Cello Health had a strong first half of the year, with strong performances in both the UK and the US. Overall, segmental gross profit increased by 11.7% to £31.4m (2017: £28.1m) and like-for-like constant currency gross profit growth was 7.2%. The business combines a core focus on growing its position with large pharmaceutical clients, underpinned by MSAs, with a growing capability in the early stage biotech area.

The Consulting and Insight capabilities of Cello Health grew like-for-like gross profit by more than 10.0%. Insight in the UK had a very strong first half as record levels of bookings from the prior year were delivered in the period. This level of activity has now normalised in the second half, with some slowing of bookings as a consequence of the new GDPR regime coming into force. The Consulting practice also had a very busy first half in the UK. Investment in additional capacity in both these capabilities is ongoing and is a priority in the second half to enable continued fast rates of growth in 2019.

The Communications capability has continued to grow strongly particularly in the US, with core clients continuing their long-term pre-launch communications development programmes. A ten-person team from First Light were recently acquired to enlarge the UK-based servicing capacity of the Communications capability, based in one of our existing London offices.

Following the expiry of a lease, we recently completed our consolidation of operations into our core London office structures, ensuring full utilisation of all central office space and maximising coordination of client teams. This will help with margin enhancement efforts across the business.

The US acquisitions made in 2017 continue to perform in line with expectations and are contributing fully to the ongoing programme of enhancing the client offer under the Cello Health brand. Investment will be also be made in the US in the second half with the opening of a central Philadelphia office to complement the existing hub office in Yardley, PA. A permanent office in Boston is also planned to open shortly. Overall, the US domiciled operations contributed 45.2% of Cello Health's gross profits in the first half (H1 2017: 42.6%).

Plans are also progressing for the opening of a German office in the near future to further develop the European client base of Cello Health.

The investment made in new business activity has continued to drive awareness of the Cello Health brand. The Cello Health brand was present at a number of industry conferences during the period, notably at the 2018 BIO International Convention in Boston. This programme of brand development is ongoing, alongside a vigorous programme of client outreach. Cello Health continues to invest in a global new business team which continues to successfully grow the market share of the business.

The management team of Cello Health continue to focus on growing the professional capacity of the business, with headcount globally increasing by 5% over the past 12 months. Supported by a graduate recruitment programme and training process under the Cello Academy banner, Cello Health continues to successfully attract and retain top talent from the industry.

Cello Signal

	H1 2018 £'000	H1 2017 £'000	Full year 2017 £'000
Segmental gross profit	19,459	19,851	40,961
Headline operating profit	1,244	1,197	3,872
Headline operating margin	6.4%	6.0%	9.5%

Cello Signal has had a good first six months and is on track to meet financial expectations of increased productivity and hence a raised operating profit margin. The slight decline in gross profit is attributable largely to the reduction in unprofitable activity on the West Coast of the US in 2017. This has also contributed to an overall increase in operating margin.

The development of the Cello Signal offer for health clients continues to make progress, with a pleasing number of new health-related clients won across the business, ranging from regulatory clients (EFPIA), to government and social health work (Scottish Government), to consumer health work (Reckitt Benckiser; BUPA), to work on prescription pharmaceuticals (Novo Nordisk; Celgene; Sanofi). An increasing number of joint pitches are being made and won in cooperation with Cello Health. In particular, Pulsar, in partnership with Cello Health Logic, has been an instrumental element within cross-Group client activity in the health area, as pharmaceutical and biotech clients begin to engage with social media as a key data source.

Client activity across the rest of Cello Signal was as expected, with the wide range of charity, financial services, government and utility clients all committing to solid levels of activity, largely driven by regulatory communications requirements. Overall visibility remains good, despite some evidence of slower decision making by certain UK clients.

Central Costs

Central costs, which are not allocated to a segment, have risen from £1.3m to £1.6m in the first half of 2018 to reflect the increased costs of running the necessary central functions in the US domiciled operations of the Group.

Outlook

The Group has continued to trade well over the summer period and overall visibility remains good. Accordingly, the Board remains confident of delivering a full year result in line with current market expectations.

Allan Rich,
Chairman
19 September 2018

Condensed Consolidated Income Statement
For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Continuing operations				
Revenue	4	78,514	78,653	169,292
Cost of sales		(27,503)	(29,569)	(66,807)
Gross profit	4	51,011	49,084	102,485
Operating expenses		(47,462)	(46,229)	(96,309)
Operating profit	4	3,549	2,855	6,176
Finance income	5	-	-	1
Finance costs	5	(218)	(157)	(360)
Profit from continuing operations before taxation		3,331	2,698	5,817
Taxation	6	(840)	(513)	(1,589)
Profit from continuing operations after taxation		2,491	2,185	4,228

	Notes	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Basic earnings per share	8	2.36p	2.16p	4.09p
Diluted earnings per share	8	2.32p	2.13p	4.03p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Profit for the period	2,491	2,185	4,228
Other comprehensive income/(expense):			
Exchange differences on translation of foreign operations	104	(138)	(238)
Total comprehensive income for the period	**2,595**	**2,047**	**3,990**

Condensed Consolidated Balance Sheet
As at 30 June 2018

	Notes	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Goodwill	9	73,172	72,998	72,954
Intangible assets		1,155	813	1,192
Property, plant and equipment		2,946	2,753	2,840
Deferred tax assets		1,352	1,239	1,081
Non-current assets		78,625	77,803	78,067
Trade and other receivables		44,309	45,284	54,520
Cash and cash equivalents		1,868	2,144	13,021
Current assets		46,177	47,428	67,541
Trade and other payables		(32,706)	(32,823)	(49,378)
Current tax liabilities		(412)	(1,143)	(438)
Borrowings		(112)	(8,906)	(59)
Obligations under finance leases		(11)	(14)	(14)
Current liabilities		(33,241)	(42,886)	(49,889)
Net current assets		12,936	4,542	17,652
Total assets less current liabilities		91,561	82,345	95,719
Trade and other payables		(1,125)	(486)	(1,400)
Borrowings		(7,136)	-	(11,333)
Obligations under finance leases		(29)	(10)	(3)
Deferred tax liabilities		(127)	(77)	(110)
Non-current liabilities		(8,417)	(573)	(12,846)
Net assets		83,144	81,772	82,873
Equity				
Share capital	10	10,516	10,412	10,501
Share premium		32,758	32,673	32,705
Merger reserve		25,446	25,446	25,446
Capital redemption reserve		50	50	50
Retained earnings		13,294	12,160	13,368
Share-based payment reserve		997	952	824
Foreign currency reserve		83	79	(21)
Total equity		83,144	81,772	82,873

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Net cash (used in)/generated from operating activities before taxation	11	(2,071)	(8,263)	4,792
Tax paid		(1,166)	(409)	(2,066)
Net cash generated (used in)/from operating activities after taxation		(3,237)	(8,672)	2,726
Investing activities				
Interest received		-	-	1
Purchase of property, plant and equipment		(649)	(653)	(1,462)
Sale of property, plant and equipment		32	13	30
Expenditure on intangible assets		(302)	(182)	(409)
Purchase of subsidiary undertakings		-	(4,127)	(5,259)
Net cash used in investing activities		(919)	(4,949)	(7,099)
Financing activities				
Proceeds from issuance of shares		68	14,267	14,388
Dividends paid to equity holders		(2,563)	(2,478)	(3,575)
Net repayment of borrowings		(4,497)	(3,000)	(100)
Repayment of loan notes		(17)	(96)	(96)
Increase in overdrafts		70	-	-
Capital element of finance lease payments		(36)	(9)	(16)
Interest paid		(237)	(157)	(362)
Net cash generated (used in)/from financing activities		(7,212)	8,527	10,239
Movements in cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalents		(11,368)	(5,094)	5,866
Exchange gains/(losses) on cash and bank overdrafts		215	(228)	(311)
Cash and cash equivalents at the beginning of the period		13,021	7,466	7,466
Cash and cash equivalents at end of the period		1,868	2,144	13,021

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

Statement of changes in equity for the six months ended 30 June 2018:

	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**
At 1 January 2018	10,501	32,705	25,446	50	13,368	824	(21)	**82,873**
Profit for the period	-	-	-	-	2,491	-	-	2,491
Other comprehensive loss:								
Currency translation	-	-	-	-	-	-	104	104
Total comprehensive income in the period	-	-	-	-	2,491	-	104	2,595
Transactions with owners:								
Shares issued	15	53	-	-	-	-	-	68
Credit for share-based incentives	-	-	-	-	-	203	-	203
Tax on share-based payments recognised directly in equity	-	-	-	-	(32)	-	-	(32)
Transfer between reserves in respect of share options	-	-	-	-	30	(30)	-	-
Dividends paid (note 7)	-	-	-	-	(2,563)	-	-	(2,563)
Total transactions with owners	15	53	-	-	(2,565)	173	-	(2,324)
At 30 June 2018	**10,516**	**32,758**	**25,446**	**50**	**13,294**	**997**	**83**	**83,144**

Statement of changes in equity for the six months ended 30 June 2017:

	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**
At 1 January 2017	8,760	19,162	25,446	50	12,159	760	217	**66,554**
Profit for the period	-	-	-	-	2,185	-	-	**2,185**
Other comprehensive loss:								
Currency translation	-	-	-	-	-	-	(138)	**(138)**
Total comprehensive income in the period	-	-	-	-	2,185	-	(138)	**2,047**
Transactions with owners:								
Shares issued	1,652	13,511	-	-	-	-	-	**15,163**
Credit for share-based incentives	-	-	-	-	-	229	-	**229**
Tax on share-based payments recognised directly in equity	-	-	-	-	257	-	-	**257**
Transfer between reserves in respect of share options	-	-	-	-	37	(37)	-	**-**
Dividends paid (note 7)	-	-	-	-	(2,478)	-	-	**(2,478)**
Total transactions with owners	1,652	13,511	-	-	(2,184)	192	-	**13,171**
At 30 June 2017	**10,412**	**32,673**	**25,446**	**50**	**12,160**	**952**	**79**	**81,772**

Statement of changes in equity for the year ended 31 December 2017:

	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**
At 1 January 2017	8,760	19,162	25,446	50	12,159	760	217	66,554
Profit for the year	-	-	-	-	4,228	-	-	4,228
Other comprehensive loss:								
Currency translation	-	-	-	-	-	-	(238)	(238)
Total comprehensive profit for the period	-	-	-	-	4,228	-	(238)	3,990
Transactions with owners:								
Shares issued	1,741	13,543	-	-	-	-	-	15,284
Credit for share-based incentives	-	-	-	-	-	430	-	430
Tax on share-based payments recognised directly in equity	-	-	-	-	190	-	-	190
Transfer between reserves in respect of share options	-	-	-	-	366	(366)	-	-
Dividends paid (note 7)	-	-	-	-	(3,575)	-	-	(3,575)
Total transactions with owners	1,741	13,543	-	-	(3,019)	64	-	12,329
At 31 December 2017	10,501	32,705	25,446	50	13,368	824	(21)	82,873

Notes to the Financial Information
For the six months ended 30 June 2018

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2018 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 2017, 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 2017 were approved by the Board of Directors on 21 March 2018 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 2018 and has not been audited.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The adoption of IFRS 9 and IFRS 15 have not had a material impact on this interim financial information.

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. NON-GAAP 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. The Group reports two types of non-GAAP measure, headline measures and like-for-like gross profit.

Headline measures

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, nature or incidence, to enable a full understanding of the Group's underlying 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. Net (credit)/charge for VAT payable and related costs – these costs relate to the VAT payable to HMRC in respect of certain charity clients. This is reported net of recovery from clients
iii. Employment settlement and related costs – these costs relate to the payment made to the prior employer of senior staff hired to establish the Cello Health BioConsulting 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 identifiable 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 purchase agreement of the acquired company or business. 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 – these costs represent the fair value of share options charged to the income statement and are separately identified due to their nature.

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 2018 £'000	**Unaudited Six months ended 30 June 2017 £'000**	**Audited Year ended 31 December 2017 £'000**
Profit from continuing operations before taxation	**3,331**	**2,698**	**5,817**
Restructuring costs	-	281	1,916
Net credit for VAT payable and related costs	-	(259)	(259)
Post-employment restrictions settlement and related costs	-	37	48
Start-up losses	465	832	1,350
Acquisition costs	-	139	243
Amortisation of intangible assets	131	261	510
Acquisition related employee remuneration expense	946	425	1,364
Share option charges	203	229	430
Headline profit before taxation	**5,076**	**4,643**	**11,419**
Headline profit before tax is made up as follows:			
Headline operating profit	5,294	4,800	11,778
Headline finance income	-	-	1
Headline finance costs	(218)	(157)	(360)
	5,076	4,643	11,419

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

Like-for-like gross profit follows:

Like-for-like gross profit measures adjusts reported gross profit for the following items:

i. They exclude the results of companies or businesses acquired in the current period
ii. They exclude the results of acquired companies or businesses in the current period to the extent that those companies or businesses were not in the Group in that prior period.
iii. They exclude the results from start-ups in the current period.
iv. They include the results from start-up operations in the prior period to the extent they are included within an operating segment in the current period.

Like-for-like measures are also calculated both with and without the impact of movements in currency. These measures are also disclosed in the table below.

	Growth	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000
Reported gross profit	**3.9 %**	**51,011**	**49,084**
Acquisitions		(1,658)	-
Start-ups		(174)	(118)
Like-for-like gross profit	**0.4 %**	**49,179**	**48,966**
Currency impact		1,278	-
Currency adjusted like-for-like gross profit	**3.0 %**	**50,457**	**48,966**

These measures can be allowed to the Group's operating segments (note 4) as follows:

	Growth	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000
Reported gross profit			
Cello Health	11.7 %	31,378	28,087
Cello Signal	(2.0)%	19,459	19,851
Other		174	1,146
Total	**3.9 %**	**51,011**	**49,084**
Like-for-like gross profit:			
Cello Health	3.1 %	29,720	28,817
Cello Signal	(3.4)%	19,459	20,149
	0.4 %	**49,179**	**48,966**
Currency adjusted like-for-like gross profit:			
Cello Health	7.2 %	30,902	28,817
Cello Signal	(2.9)%	19,555	20,149
Total	**3.0 %**	**50,457**	**48,966**

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.

Revenue and costs not included in one of these operating segments, for example central overheads and results from start-up operations, have not been allocated to an operating segment in line with the way they are reported to the chief operating decision makers.

Six months ended 30 June 2018

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	42,766	35,124	624	78,514
Intersegment revenue	16	55	(71)	-
Total revenue	42,782	35,179	553	78,514
Gross profit	31,378	19,459	174	51,011
Operating profit				
Headline operating profit (segment result)	**5,659**	**1,244**	**(1,609)**	**5,294**
Start-up losses				(465)
Amortisation of intangible assets				(131)
Acquisition related employee remuneration expense				(946)
Share option charges				(203)
Operating profit				3,594
Finance costs				(218)
Profit from continuing operations before taxation				3,331
Other information				
Capital expenditure	354	331	23	708
Capitalisation of intangible assets	-	302	-	302
Depreciation of property plant and equipment	344	268	3	615

Six months ended 30 June 2017

	Cello Health £'000	Cello Signal £'000	Consolidated and Unallocated £'000	Group £'000
Revenue				
External sales	39,875	37,506	1,272	78,653
Intersegment revenue	-	25	(25)	-
Total revenue	39,875	37,531	1,247	78,653
Gross profit	28,087	19,851	1,146	49,084
Operating profit				
Headline operating profit (segment result)	**4,876**	**1,197**	**(1,273)**	**4,800**
Restructuring costs				(281)
Recovery of VAT from clients				259
Post-employment restrictions settlement and related costs				(37)
Start-up losses				(832)
Acquisition costs				(139)
Amortisation of intangible assets				(261)
Acquisition related employee remuneration expense				(425)
Share option charges				(229)
Operating profit				2,855
Finance costs				(157)
Profit from continuing operations before taxation				2,698
Other information				
Capital expenditure	456	196	1	653
Capitalisation of intangible assets	-	182	-	182
Depreciation of property plant and equipment	303	337	9	649

Year ended 31 December 2017

	Cello Health £'000	Cello Signal £'000	Consolidation Adjustments and Unallocated £'000	Group £'000
Revenue				
External sales	85,465	81,905	1,922	169,292
Intersegment revenue	25	133	(158)	-
Total revenue	85,490	82,038	1,764	169,292
Gross profit	60,150	40,961	1,374	102,485
Operating profit				
Headline operating profit (segment result)	**10,639**	**3,872**	**(2,733)**	**11,778**
Restructuring costs				(1,916)
Net charge for VAT payable and related costs				259
Employment settlement and related costs				(48)
Start-up losses				(1,350)
Amortisation of intangible assets				(243)
Acquisition-related employee remuneration expense				(510)
Share option charges				(1,364)
Impairment of goodwill				(430)
Operating profit				**6,176**
Financing income				1
Finance costs				(360)
Profit before tax on continuing operations				**5,817**
Other information				
Capital expenditure	851	608	3	**1,462**
Capitalisation of intangible assets	-	409	-	**409**
Depreciation of property, plant and equipment	646	647	11	**1,304**

5. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Finance income:			
Interest receivable on bank deposits	-	-	1
Finance costs:			
Interest payable on bank loans and overdrafts	217	156	357
Interest payable in respect of finance leases	1	1	3
Total finance costs	218	157	360

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the period ended 30 June 2018 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 24.7% (2017: 25.2%).

7. DIVIDEND

	Date Paid	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Final dividend 2016 – 2.40p per share	26 May 2017	-	2,478	2,478
Interim dividend 2017 – 1.05p per share	3 November 2017	-	-	1,097
Final dividend2017 – 2.45p per share	25 May 2018	2,563	-	-
		2,563	2,478	3,575

An interim dividend of 1.10p (2017: 1.05p) per ordinary share is declared and will be paid on 2 November 2018 to all shareholders on the register on 5 October 2018. In accordance with IAS 10 Events after the Balance Sheet Date, this dividend has not been recognised in the accounts at 30 June 2018, but will be recognised in the accounting period ending 31 December 2018.

8. EARNINGS PER SHARE

	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Profit attributable to owners of the parent	2,491	2,185	4,228
Adjustments to earnings:			
Restructuring costs	-	281	1,916
Net credit for VAT and related costs	-	(259)	(259)
Post-employment restrictions settlement and related costs	-	37	48
Start-up losses	465	832	1,350
Acquisition costs	-	139	243
Amortisation of intangible assets	131	261	510
Acquisition related employee remuneration expenses	946	425	1,364
Share-based payments charge	203	229	430
Impairment of goodwill	-	-	-
Tax thereon	(416)	(658)	(1,629)
Headline earnings for the period	3,820	3,472	8,201

	30 June 2018 number of shares	30 June 2017 number of shares	31 December 2017 number of shares
Weighted average number of ordinary shares used in basic earnings per share	105,618,591	101,128,482	103,373,430
Dilutive effect of securities:			
Share options	1,474,249	1,459,014	1,370,660
Deferred consideration shares	476,706	77,790	216,243
Weighted average number of ordinary shares used in diluted earnings per share	107,569,546	102,665,286	104,960,333
Basic earnings per share	2.36 p	2.16 p	4.09 p
Diluted earnings per share	2.32 p	2.13 p	4.03 p

In addition to basic and diluted earnings/(loss) 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	3.62 p	3.43 p	7.93 p
Headline diluted earnings per share	3.55 p	3.38 p	7.81 p

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding 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 per share is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding 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 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Cost			
At the beginning of period	90,270	87,149	87,149
Additions	-	3,626	3,946
Exchange differences	218	(461)	(825)
At the end of the period	90,488	90,314	90,270
Amortisation			
At the beginning and the end of the period	17,316	17,316	17,316
Net book value			
At 31 December 2017	73,712	72,998	72,954
At 1 January 2016	72,954	69,833	69,833

10. SHARE CAPITAL

	Unaudited At 30 June 2018 £'000	Unaudited At 30 June 2017 £'000	Audited At 31 December 2017 £'000
Allotted, issued and fully paid			
105,163,342 ordinary shares of 10p each	10,516	10,412	10,501

Between 1 January 2017 and 30 June 2018 the following shares were issued:

During the six months ended 30 June 2018 151,185 (year ended 31 December 2017: 1,148,939) were issued to certain employees of the Group in relation to the share option schemes at exercise prices of between 10.0p and 85.0p 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 1 February 2017, 5,154,640 new ordinary shares of 10.0p each were issued at a placing price of 97.0p to new and existing shareholders.

On 1 February 2017, 398,904 new ordinary shares of 10.0p each were issued at 100.3p to vendors of Defined Health Research Inc. and Cancer Progress LLC, pursuant to the terms of the asset purchase agreement with those companies.

On 17 February 2017, 10,309,279 new ordinary shares of 10.0p each were issued at a placing price of 97.0p to new and existing shareholders.

On 2 May 2017, 403,903 new ordinary shares of 10.0p each were issued at 123.0p to vendors of iS Healthcare Dynamics Limited and certain employees of the Group, pursuant to the terms of the share purchase agreement of iS Healthcare Dynamics Limited.

11. CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Profit on continuing operations before taxation	3,331	2,698	5,817
Financing income	-	-	(1)
Finance costs	218	157	360
Depreciation	615	649	1,304
Amortisation of intangible assets	346	470	912
Share-based payment expense	203	229	430
Profit on disposal of property, plant and equipment	(28)	(13)	(21)
(Decrease)/increase in acquisition related employee remuneration payable	946	(1,879)	(940)
Operating cash flow before movements in working capital	5,631	2,311	7,861
Decrease/(increase) in trade and other receivables	9,720	2,463	(6,105)
(Decrease)/increase in trade and other payables	(17,422)	(13,037)	3,036
Net cash (used in)/generated from operating activities before taxation	(2,071)	(8,263)	4,792

12. NET DEBT

	Unaudited Six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
Net debt comprises of:			
Bank loans	7,136	8,847	11,333
Loan notes	42	59	59
Finance leases	40	24	17
Bank overdraft	70	-	-
Cash and cash equivalents	(1,868)	(2,144)	(13,021)
Net debt	5,420	6,786	(1,612)
Movements in net debt can be analysed as follows:			
Net increase/(decrease) in cash and cash equivalents	11,368	5,094	(5,866)
Net repayment bank loans	(4,497)	(3,000)	(100)
Repayment loan notes	(17)	(96)	(96)
Increase in overdraft	70	-	-
Capital element of finance lease payments	(36)	(9)	(16)
Other movements:			
New finance leases	59	-	-
Foreign exchange	85	(275)	(606)
Movements in net debt/(funds) in the year	7,032	1,714	(6,684)
Net debt at the beginning of the period	(1,612)	5,072	5,072
Net debt/(funds) at the end of the period	5,420	6,786	(1,612)