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Contact: Chris Havemann (Chief Executive)
Andrew Cooper (Managing Director)
Research Now
Tel: +44 (0)20 7091 7800
Corporate Website: www.researchnow.co.uk

Alistair Mackinnon-Musson
Philip Dennis
Hudson Sandler
Tel: +44 (0)20 7796 4133
Email: rn@hspr.com

Photographs: Available from Hudson Sandler, as above

Research Now plc

Maiden Preliminary Results and Opening of German Business

The Board of Research Now, a leading European online fieldwork provider to the market research industry, is pleased to announce its maiden Preliminary results for the year to 31 October 2005 and the opening of a new office in Germany.

“Fieldwork” is the collection of survey data via personal interviews – a process that Research Now undertakes online from its panel of over 700,000 potential respondents – making Research Now the owner of one of the largest online research panels in Europe.

Highlights:

- Results higher than City expectations at IPO
- Successful IPO on AIM (August 2005)
- Turnover more than five times last year
- Profit before tax nearly 10 times last year
- Basic earnings per share increased to 5.5p (2004: 0.7p)
- At year end, Group’s ‘Valued Opinions’ consumer panels consisted over 700,000 members across eight countries, with 300,000 members in the UK
- Sales offices now established in Australia and the US
- New German office (Hamburg) announced today

Commenting, Chris Havemann, Chief Executive, said:

“I am delighted by the way last year progressed and also with our successful IPO – attracting such solid and prestigious investors”.

“I believe the market for online fieldwork in Europe will continue to expand rapidly, given the ‘cheaper, faster, better’ nature of obtaining consumer data this way. Being one of Europe’s leading players in online fieldwork, we are extremely well positioned to take advantage of the industry’s continued structural shift away from traditional face to face and telephone survey methods. Trading so far in the new financial year has continued to be excellent and we look forward to the future with great confidence and excitement.”

Notes to Editors:

ABOUT Research Now

- Research Now is a leading European online fieldwork and panel specialist in the market research industry
- Research Now owns the “Valued Opinions” (www.valuedopinions.co.uk) family of research panels across Europe (UK, Germany, France, Spain, Italy, Republic of Ireland and Austria) and Australia, comprising over 700,000 panellists, including the flagship UK panel of over 300,000 consumers (at 31 October 2005)
- Research Now has a broad base of research agency clients, with blue chip ‘end user’ corporate clients
- Traditionally, market research fieldwork surveys have been undertaken on either a ‘face to face’ basis or via the telephone. There is, however, a structural shift underway in the research industry, towards performing fieldwork online - largely a result of it often being **cheaper, faster** and **better** than traditional survey methods
- In the US, online survey research has grown from constituting only approximately 9% of the total US survey research market in 2000 to being an estimated 29% of the market in 2005, representing a growth rate of circa 30% per annum over the past five years. The European online market lags the US at only circa 4% market share in 2005 - but it is rapidly increasing and is showing a similar growth rate to that experienced in the US
- The worldwide market research industry is worth an estimated total US \$21.5 billion. Of this total, fieldwork is a significant component, with online research being the fastest growing segment of it.

CHAIRMAN'S STATEMENT

I am proud to report Research Now's maiden results as a public company, following our Admission to AIM in August 2005. Sales and profits for the year ended 31 October 2005 both exceeded expectations at the time of our flotation. Sales of £3.6m were more than 500% of the prior year and profit before tax of £0.5m was ten times the equivalent performance in the 2004 financial year.

During the year, the Company established itself as one of the leading players in the online fieldwork and panel market in Europe and expanded into new markets in Australia and America as a result of client demand. The Company also significantly broadened its client base during the period and I am extremely pleased to note that our sales were derived from a diversified range of more than 100 different clients in many industry sectors and that much of the Group's revenue came from repeat business.

The Group's flotation on the AIM market in August last year proved to be very successful. The float was more than twice subscribed, attracting an impressive register of institutional investors and successfully raising £9.2m, substantially more than had initially been sought, of which £2.5m (gross of expenses) was raised for the Company and the balance used to provide an exit for our angel investors.

I am delighted that Richard Dale agreed to join the board on the Group's admission to AIM as a non-executive director. Richard has a vast amount of experience in both the City and in the media industry, which will prove invaluable in the future development of the business.

The market for the online collection of survey data or fieldwork is growing rapidly. To a large extent this growth is as a result of an ongoing shift away from traditional 'face to face' or telephone interviews, to the use of online panels of respondents. The collection of survey data online is not only faster and provides more accurate results but is also far cheaper. In the US, the market for online fieldwork has grown by 30% p.a. over the last five years and now accounts for 29% of the total fieldwork market (2000: 9%). In Europe, the online market lags that of the US at only 4% of the total market but is showing similarly rapid growth patterns to that seen in the US over the last five years.

I would like to take this opportunity of thanking all those who have contributed to the success of the Company. Our clients, suppliers, advisors and investors have all been key to getting us to where we are today but I must single out for special mention our people. It is tempting to portray an online business as being about efficiency and seamless processes and, whilst this is true, quality and client service is at the heart of our business model. I would therefore like to thank all our employees for their outstanding efforts during the last year.

Trading in the new financial year to date has continued to be excellent and we look forward to the future with great confidence and excitement. We believe the market for online fieldwork in Europe is only just emerging and we see many opportunities to continue our successful growth story.

Geoff Westmore
Chairman
23 January 2006

CHIEF EXECUTIVE'S REVIEW

Overview

The year was one of great achievement as well as rapid and profitable growth for Research Now and I am pleased to say our results are considerably above what was expected at the time of the Group's IPO in August.

The float successfully raised £2.5m for the Company providing additional funding to exploit the growth opportunities in the market for online fieldwork. During the period, Research Now saw rapid growth on many fronts, not least in terms of delivering many more projects to support five-fold revenue growth, but also in terms of expanding our online panels, enhancing our IT systems and growing our team further.

The market for online fieldwork and panel services in Europe continues to expand, with the trend away from traditional telephone and 'face to face' fieldwork continuing in favour of online alternatives. The collection of survey data online is typically faster, more accurate and also more cost-effective than traditional techniques.

Results

Group turnover for the year to 31 October 2005 increased five fold to £3.6m (2004: £0.7m) and profit before tax increased to £0.52m (2004: £0.05m).

The Group's strong performance was due to a combination of adding new clients and also increasing sales to existing clients. Around 86% of Group revenue in the year was derived from custom ad-hoc projects, while the remainder was from ongoing tracking studies.

The number of full time employees in the business increased from 11 at the start of the year to 46 by the year end. Recruitment is a key area for the business; it is our firm belief that good people are at the heart of good delivery and as such we have recruited excellent staff from both within the market research industry and beyond. This has allowed us to grow rapidly while continuing to deliver high quality work to all our clients.

At the time of the float we stated that one of the areas we would focus on is developing our online consumer panels, both in the UK and internationally, and as such we made an investment of £0.54m in this area during the year.

Client Service

Research Now provides online fieldwork and panel services to a broad range of over 100 clients. The majority of these are market research agencies, although the Group also provides fieldwork to an array of well known blue chip and other corporate clients directly, along with a number of media and advertising agencies and consultancies. Our largest client in the year accounted for only 10% of turnover and our breadth of clients is further illustrated by the fact that the percentage of our turnover from large international market research agencies reduced from 43% in the first half of the financial year to 34% in the second half, while rising in absolute terms.

It is crucial to clients in the research industry that online survey data from fieldwork studies is of high quality and delivered on time - accordingly we seek to differentiate ourselves through our quality of delivery and our online research panels, with client retention a key indicator of our success.

During the year we continued to expand both the size and number of our branded 'Valued Opinions' panels and also continued to introduce additional panel profiling, spanning specialist areas such as healthcare, in order to increase the value and appeal of our panels to clients.

Reflecting client demand to deliver research projects across multiple countries, we launched new panels at the beginning of the year in Germany, France, Spain and Italy, enabling us to provide a one stop shop solution for the 'Big 5' European economies. Later in the year, new panels were also recruited and launched to cover Austria, Australia and the Republic of Ireland.

Our total number of panellists reached 707,000 by year end.

Although localised, each of the new panels follows the successful 'Valued Opinions' template, which the Group originally pioneered in the UK. Cared for by our native language panel support teams based in London, our panels are used solely for research purposes, with panel members earning a range of incentives designed to maintain high response rates. Panellists are highly profiled and regularly screened in order to enable us to provide clients with fast turnaround, accurate and dependable fieldwork.

At the beginning of the year, Research Now served UK clients from a single office in London. In line with our stated strategy at IPO to increase returns from our existing panels by selling access to them to new clients in different geographies, we have since opened a number of new international sales offices.

New Office

In September the Group opened a sales office in Australia, providing access to our Australian and European consumer panels to clients based in the Asia Pacific region. In November, just after our year end, we announced the opening of our office in New York and the appointment of a new team to drive sales of European interview data to the sizeable and relatively developed market in the USA and Canada. Today we are announcing the opening of a new office in Hamburg to build sales in the developing German market, capitalising on our 118,000 strong German panel and our ability to deliver one-stop-shop international projects to German clients.

Outlook

We believe the market for online fieldwork in Europe will continue to expand rapidly, with the cost-effectiveness, speed and quality of online data collection continuing to drive substitution of traditional fieldwork methods.

RESEARCH NOW!

The European Online Fieldwork and Panel Specialists

During 2005, Research Now established itself as one of the leading players in this attractive market. In 2006 we will maintain our focus on quality of delivery, continue investing in our online panels and continue to establish sales channels in selected overseas markets where we are not currently active and where we believe returns will be highest. The new financial year has begun well and we are well positioned to continue to take advantage of the rapid growth in the online fieldwork market in 2006.

Chris Havemann
Chief Executive
23 January 2006

FINANCIAL REVIEW

Admission to AIM

The Company placed 1,925,000 new ordinary shares at a price of 130 pence per share and was admitted to trading on AIM on 4 August 2005. The company raised £1,746,000 net of costs from this issue of ordinary shares.

Results for operations

The Group achieved sales of £3,639,000 (2004 £701,000) and operating profits of £510,000 (2004 £51,000).

Sales growth in successive half years is as follows:

| Half Year Ending | Unaudited £000 |
|------------------|----------------|
| April 2004 | 241 |
| October 2004 | 460 |
| April 2005 | 1,259 |
| October 2005 | 2,380 |

Gross margins improved to 80.3% (2004 72.2%) due to the reduction in work commissioned from other panel providers and efficiency gains. This increase in margin represented more than half of our expenditure on panels of £543,000.

The main elements of administration expenses are as follows:

| | 2005 £000 | 2004 £000 |
|---|--------------|--------------|
| Staff costs (excluding non-executive directors) | 1,430 | 295 |
| Depreciation and panel amortisation | 319 | 3 |
| Other overheads | 664 | 157 |

Staff numbers have risen during the year but staff costs as a percentage of turnover have fallen to 39.3% (2004 42.1%). We were pleased to introduce a share incentive plan to all staff as part of the flotation process.

During the year the company invested £543,000 (2004 £nil) in new panellists. Such amounts are written off over the first twelve months and the asset at year end of £258,000 (2004 £nil) is treated as a current asset.

Other overheads as a percentage of turnover have fallen to 18.2% (2004 22.4%). During the year there was an increase in trade marketing and costs associated with becoming and being a public company. The Group opened offices in London, Athens and Brisbane during the period. The board constantly seeks internal efficiencies consistent with the growth of the business.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

The company calculates EBITDA as follows:

| | 2005 £000 | 2004 £000 |
|-------------------------------------|--------------|--------------|
| Operating profit | 510 | 51 |
| Add back: | | |
| Depreciation and panel amortisation | 319 | 3 |
| EBITDA | 829 | 54 |

The Company achieved an operating margin of 14.0% (2004 7.3%) and an EBITDA margin of 22.8% (2004 7.7%). Such margins reflect the higher margins being achieved by the UK business being offset by the costs of operations and panels in the start-up territories in which we operate.

Taxation

No tax charge arises on the profit for the financial year. At 31 October 2005 the Company has approximately £3,520,000 of losses available to carry forward to set against future taxable profits, subject to agreement with the Inland Revenue.

Working Capital

The Company's operational cash position has been strengthened by the placing in August 2005. At 31 October 2005, the Company had cash of £1,428,000 (2004 £62,000). The Company has no debt. At the end of the financial year the Company had net current assets of £2,260,000 (2004 £93,000).

During the year the Company had cash outflows from operating activities of £249,000 (2004 £75,000). This outflow reflects the investment in new panellists. In addition there were capital expenditures principally on computer equipment and new office space of £196,000.

Pensions

The Company does not operate a defined benefit pension scheme and therefore at present there are no circumstances in which the Company will face a future pension liability.

Financial Instruments

During the period, the Company's financial instruments, comprised cash and various items such as trade creditors that arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations. The Company's policy is, and was throughout the period under review, not to trade in financial instruments.

Dividend

As indicated at the IPO the directors currently propose continued investment in growing the business and are not proposing to recommend a dividend at present.

Chris Havemann
Chief Executive
23 January 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2005

| | Notes | 2005 £000 | 2004 £000 |
|--|-------|--------------------------|------------------|
| Turnover | 3 | 3,639 | 701 |
| Cost of sales | | (716) | (195) |
| Gross Profit | | <u>2,923</u> | <u>506</u> |
| Administration expenses | | (2,413) | (455) |
| Operating Profit | | <u>510</u> | <u>51</u> |
| Interest receivable | | 15 | 2 |
| Interest payable | | (1) | - |
| Profit on ordinary activities before taxation | | <u>524</u> | <u>53</u> |
| Taxation | | - | - |
| Retained profit for the year | | <u><u>524</u></u> | <u><u>53</u></u> |
| Basic earnings per share | 4 | 5.5p | 0.7p |
| Diluted earnings per share | 4 | 5.2p | 0.7p |

The operating profit for the year arises from the Group's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2005

| | Notes | 2005 £000 | 2004 £000 |
|---|-------|--------------|--------------|
| Fixed Assets | | | |
| Tangible assets | | 178 | 16 |
| | | <u>178</u> | <u>16</u> |
| Current Assets | | | |
| Stocks | | 37 | 3 |
| Debtors | | 1,663 | 255 |
| Cash at bank and in hand | 7 | 1,428 | 62 |
| | | <u>3,128</u> | <u>320</u> |
| Creditors: Amounts falling due within one year | | <u>(868)</u> | <u>(227)</u> |
| Net current assets | | <u>2,260</u> | <u>93</u> |
| Total assets less current liabilities | | <u>2,438</u> | <u>109</u> |
| Capital and reserves | | | |
| Called up share capital | | 258 | 168 |
| Share premium | | 1,772 | 810 |
| Special Reserve | | - | - |
| Profit and loss account | | 465 | (869) |
| Other reserve | | (57) | - |
| Shareholders' funds | | <u>2,438</u> | <u>109</u> |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2005

| | Notes | 2005 £000 | 2004 £000 |
|---|-------|--------------|--------------|
| Cash flow from operating activities | 5 | (249) | (75) |
| Returns on investments and servicing of finance | 6 | 14 | 2 |
| Taxation | | - | - |
| Capital expenditure and financial investment | 6 | (196) | (18) |
| | | <u>(431)</u> | <u>(91)</u> |
| Cash outflow before financing | | (431) | (91) |
| Financing | 6 | <u>1,797</u> | <u>122</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

| | 2005 £000 | 2004 £000 |
|--|--------------|--------------|
| Increase in cash in the period | 1,366 | 31 |
| Movement in net funds in period | <u>1,366</u> | <u>31</u> |
| Net funds at 1 November 2004 | 62 | 31 |
| Net funds at 31 October 2005 | <u>1,428</u> | <u>62</u> |

NOTES TO THE ACCOUNTS

1. Publication of non-statutory accounts and basis for preparation

The financial information contained in this preliminary announcement does not constitute statutory accounts for the year ended 31 October 2005. The financial information for the year ended 31 October 2004 is derived from the statutory accounts for that period which have been delivered to the Registrar and include an audit report which was unqualified and did not contain a statement under either Section 237(2) or Sections 237(3) of the Companies Act 1985. The statutory accounts for the year ended 31 October 2005 will be finalised on the basis of the financial information presented by the directors in the preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Availability of accounts

Once finalised, a copy of the report and accounts will be circulated to all shareholders and copies of this report made available from the Company's head office, 66 South Lambeth Road, London SW8 1RL.

3. Segmental analysis

The Company's turnover and profit before taxation were all derived from its principal activity in the United Kingdom.

4. Earnings per share

| | Profit for the year £000 | Weighted average number of shares | Pence per share |
|---|--------------------------------|--|--------------------|
| Basic earnings per share | 524 | 9,481,584 | 5.5p |
| Earnings attributable to ordinary shareholders | | | |
| Dilutive effect of securities: | | | |
| Share options | | 560,705 | |
| Diluted earnings per share | | <u>10,042,289</u> | 5.2p |

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, determined in accordance with the provisions of FRS 14: 'Earnings per share'.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all the potentially dilutive ordinary shares, these being share options granted where the exercise price is less than the average price of the Company's ordinary shares during the year.

The 2004 basic and diluted earnings per share of 0.7p have been calculated as £53,000 of profit divided by the 7,845,679 weighted average shares in issue.

5. Reconciliation of operating profit to net cash inflow from operating activities

| | 2005 £000 | 2004 £000 |
|---|--------------|--------------|
| Operating profit | 510 | 51 |
| Depreciation | 34 | 4 |
| Amortisation of panel expenditure | 285 | - |
| Amortisation of share options | 8 | - |
| (Increase) in stocks | (34) | (3) |
| (Increase) in debtors | (1,150) | (231) |
| (Increase) in panel expenditure | (543) | - |
| Increase in creditors | 641 | 104 |
| | <hr/> | <hr/> |
| Net cash flow from operating activities | (249) | (75) |
| | <hr/> <hr/> | <hr/> <hr/> |

6. Reconciliation of cash flows for headings netted in the cash flow

| | 2005 £000 | 2004 £000 |
|--|--------------|--------------|
| Returns on investments and servicing of finance | | |
| Interest received | 15 | 1,361 |
| Interest paid | (1) | - |
| | <hr/> | <hr/> |
| Net cash inflow from returns on investments and servicing of finance | 14 | 1,361 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (196) | (18) |
| | <hr/> | <hr/> |
| Net cash outflow from capital expenditure and financial investment | (196) | (18) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Financing | | |
| Receipts from issue of equity shares | 2,618 | 122 |
| Equity share issue expenses | (756) | - |
| Purchase of own shares | (65) | - |
| | <hr/> | <hr/> |
| Net cash inflow from financing | 1,797 | 122 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. Analysis of net funds

| | At 1 November 2004 £000 | Cash flow £000 | Other non cash changes £000 | At 31 October 2005 £000 |
|-----------------------|----------------------------------|-------------------|--------------------------------------|----------------------------------|
| Cash in hand, at bank | 62 | 1,366 | - | 1,428 |
| Total | <u>62</u> | <u>1,366</u> | <u>-</u> | <u>1,428</u> |

- ENDS -