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## **Research Now plc**

### **INTERIM RESULTS**

The Board of Research Now, the leading European online fieldwork provider to the market research industry, is pleased to announce its Interim results for the six months to 30 April 2007.

#### **Highlights**

- Turnover nearly trebled to £9.9m (H1 2006: £3.5m)
- OpenVenue acquisition performing to expectations
- Panel reach expanded to 25 countries
- Client base trebles – while repeat business reaches 80%
- Building a global business: nearly 50% of revenue is now outside the UK

#### **Commenting, Geoff Westmore, Chairman, said:**

“Research Now experienced further dramatic growth in organic sales and through the acquisition of OpenVenue, the market leader in Canada, we made good progress in the pursuit of our ambition to become a leading global provider of online fieldwork and access panels for market researchers.”

#### **Chris Havemann, Chief Executive, added:**

“We ended the first half of the year with record sales months in March and again in April. The second half has started very strongly with further record sales months in May and June. The market for online fieldwork continues to grow strongly in Europe, North America and Asia, and Research Now is well positioned to become one of the leading global players. I expect to see continued strong growth in the second half of this year and in 2008.”

## **INTERIM STATEMENT**

### **Overview**

The first half was a period of significantly contrasting fortunes for Research Now. On the one hand, the Company experienced further dramatic growth in organic sales and through the acquisition of OpenVenue, the market leader in Canada, made good progress in the pursuit of our ambition to become a leading global provider of online fieldwork and access panels for market researchers.

On the other hand, the half year was overshadowed by a tragic incident in January resulting in the Group's London offices being requisitioned for a month by the Metropolitan Police as a major crime scene. This forced Research Now to relocate its head office and UK operation to temporary accommodation and subsequently to move to new premises. To the extent the Group's IT systems worked without interruption, supporting record first half sales, the disaster recovery plans worked well. As announced on 4 May 2007, however, there was a financial impact from this upheaval, in terms of unbudgeted costs and a temporary loss of sales momentum, which reduced profit before tax by about £0.5m, most of which occurred during the first half.

The effects of the above incident were compounded by the subsequent identification, announced on 3 July 2007, of previously unrecorded first half operating costs of buying in third-party panels, totalling £0.6m. The disruption to the accounts department and consequential personnel changes following the incident, undoubtedly obscured the existence of the panel costs being omitted. Needless to say, steps have already been taken to strengthen the accounting function and also to appoint a permanent Chief Financial Officer.

### **Europe's leading online fieldwork and access panel specialist**

The Chairman's Statement at the Interim results last year reported that Research Now was focusing on its objective of becoming Europe's leading specialist in online fieldwork and access panels. On the back of a further dramatic increase in organic revenue, the Group achieved that objective during the first half of the current financial year.

Despite the recent difficulties outlined above, we must not lose sight of the fact that sales grew tremendously in the first half and were on budget. In strategic terms, therefore, the bar has been raised and the Group's aim now is to become one of the leading global providers of online fieldwork and access panels for market researchers.

### **OpenVenue – Research Now's first acquisition**

A key part of the global strategy was the acquisition of OpenVenue, the market leading online fieldwork company in Canada, which completed on 6 February 2007. The financial results since acquisition have been very encouraging and integration is proceeding well; most importantly, the Group now has a significant platform in North America on which to drive further growth in that key region.

### **Financial results**

Group turnover in the six months to 30 April 2007 nearly trebled to £9.9m, from £3.5m in the first half of the previous year. Of that, OpenVenue contributed £1.8m to Group sales since its acquisition. Excluding OpenVenue, Research Now's organic growth was 130% over the first half in 2006, with all territories demonstrating strong increases in sales during this period.

The client base has expanded rapidly and Research Now completed projects for more than double the number of clients in this half – 340 – compared with the first half of 2006 (150 clients), while OpenVenue added a further 134. The client base is broad, with the largest client accounting for less than 10% of sales and the largest ten clients in the period together representing only one-third of sales.

Client satisfaction remains high, evidenced by consistently outstanding client feedback scores and levels of repeat business. Existing clients accounted for 80% of first half sales (excluding OpenVenue) by value and 51% by number. The Group saw growth across its product range, both ad hoc and tracker (ie repeat surveys) and the Board was pleased to win a larger number of higher value projects, which shows the confidence that Research Now's clients have in its delivery capability.

Our client base comprises market research agencies, both multi-national and smaller national operators, and other users of fieldwork, including media and advertising agencies and consultancies. Sales to all these segments increased in the period.

Profit before tax and goodwill amortisation for the six months was £0.16m (2006: £0.46m) after taking account of the events referred to above. The Board expects the costs of the disruption to Research Now's business in early 2007 to total £0.5m for the full year, of which the majority, £0.4m, occurred in the first half. In addition, previously unrecorded panel costs reduced profits before tax by a further £0.6m.

These panel costs arose principally from purchasing access to online panels in countries in which the Company had yet to build or complete building its own panels, primarily the USA and in Asia. This stems from the increasing trend for clients to commission multi-country projects, which naturally have a higher financial value to Research Now. The Board expects the negative impact on margins from buying in panels to diminish over time, as the Group replaces currently outsourced panels in various countries, with its own panels.

#### **Investment in platform for growth:**

- **Panels**

During the first half Research Now successfully launched panels in three new countries, being New Zealand, Switzerland and, most recently, the USA. The acquisition of OpenVenue brought into the fold the largest panel in Canada. As at today's date, Research Now has in-house panels in 25 countries and over the next year the Board aims to fill in several of the major gaps in the global map.

Research Now is also continuing to recruit to and refresh established panels to ensure it continues to meet clients' needs, which are becoming ever more sophisticated.

- **Staff and offices**

OpenVenue is based in Toronto, providing the Group with a major sales and delivery hub in North America, alongside Research Now's existing US offices in New York, San Francisco and Chicago. The Group now has 11 offices and, importantly, offers project delivery services in all major time zones.

During the period, Research Now also made further planned investments in staff in all its locations, in order to gear up the sales and delivery teams to take the business to the next level of growth. Staff numbers rose from 126 at the beginning of the year to 271 at 30 April 2007 (of whom 102 are represented by OpenVenue).

### **Dividend**

As indicated at the IPO, the Board currently proposes continued investment in growing the business and is not recommending a dividend at present.

### **Outlook**

Research Now ended the first half of the year with record sales months in March and again in April. The second half has begun very strongly, with further record sales months in May and June. The Board therefore expects significant profitable growth across all the Group's locations in the second half of the financial year, as sales continue to increase and the investments made in people and panels in the first half bear fruit.

Beyond 2007, the global market for online fieldwork is still developing and the Board looks forward to further profitable growth in 2008.

### **Notes to Editors:**

#### **ABOUT Research Now**

- Research Now is the leading European online fieldwork and panel specialist
- "Fieldwork" is the collection of survey data via personal interviews – a process that Research Now undertakes via the Internet
- Research Now owns the "Valued Opinions" family of online panels across 25 countries (UK, Germany, France, Italy, Spain, USA, Canada, Brazil, Switzerland, Republic of Ireland, Austria, Sweden, Poland, Denmark, The Netherlands, Norway, Finland, Portugal, Russia, the Czech Republic, Hungary, Belgium, Greece, Australia and New Zealand).
- Research Now's online panels are used by leading research agencies and some of the world's best known companies
- Research Now has 11 offices – London, New York, Chicago, San Francisco, Toronto, Frankfurt, Hamburg, Paris, Athens, Sydney and Melbourne
- Research Now is an independent public company quoted on the AIM market of the London Stock Exchange

**Research Now plc**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the six months ended 30 April 2007

	Notes	Six months to 30 April 2007 (Unaudited) £000	Acquisition From 6 February to 30 April 2007 (Unaudited) £000	Group total 6 months ended 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) As restated £000	Year to 31 October 2006 (Audited) As restated £000
Turnover		8,131	1,808	9,939	3,531	9,613
Cost of sales		(2,272)	(497)	(2,769)	(650)	(1,858)
Gross profit		5,859	1,311	7,170	2,881	7,755
Administrative expenses		(5,795)	(1,067)	(6,862)	(2,422)	(6,344)
Operating profit before goodwill	5	64	244	308	459	1,411
Goodwill amortisation	7			(391)		
Operating (loss)/profit				(83)	459	1,411
Interest receivable	4			18	26	58
Interest payable	4			(170)	-	-
(Loss)/profit on ordinary activities before taxation				(235)	485	1,469
Taxation				(50)	894	151
Retained (loss)/profit for the year				(285)	1,379	1,620
Basic (loss)/earnings per share	6			(2.1p)	10.7p	12.5p
Diluted (loss)/earnings per share	6			(2.0p)	10.1p	11.8p

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the six months ended 30 April 2007

	Six months to 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) As restated £000	Year to 31 October 2006 (Audited) As restated £000
(Loss)/profit for the financial period	(285)	1,379	1,620
Currency translation differences on foreign currency net investments	54	-	(58)
Total gains and losses for the period	(231)	1,379	1,562

**Research Now plc**  
**CONSOLIDATED BALANCE SHEET**  
as at 30 April 2007

	30 April 2007 (Unaudited) £000	30 April 2006 (Unaudited) As restated £000	31 October 2006 (Audited) As restated £000
<b>Fixed assets</b>			
Tangible assets	1,083	308	548
Goodwill	7 16,392	-	-
	<u>17,475</u>	<u>308</u>	<u>548</u>
<b>Current assets</b>			
Stocks	77	33	43
Debtors	7,124	2,294	3,729
Deferred Tax	248	894	248
Cash at bank and in hand	9c 1,750	1,971	2,381
	<u>9,199</u>	<u>5,192</u>	<u>6,401</u>
<b>Creditors:</b> amounts falling due within one year	(7,297)	(1,486)	(2,633)
<b>Net current assets</b>	<u>1,902</u>	<u>3,706</u>	<u>3,768</u>
<b>Total assets less current liabilities</b>	19,377	4,014	4,316
<b>Creditors:</b> amounts falling due after more than one year	(2,697)	-	-
Provision for liabilities and charges	(7,609)	-	-
	<u>9,071</u>	<u>4,014</u>	<u>4,316</u>
<b>Capital and reserves</b>			
Called up share capital	286	260	260
Share premium	6,779	1,895	1,895
Profit and loss account	1,709	1,811	1,994
Other reserve	297	48	167
<b>Shareholders' funds</b>	8 <u>9,071</u>	<u>4,014</u>	<u>4,316</u>

**Research Now plc**  
**CONSOLIDATED CASH FLOW STATEMENT**  
for the six months ended 30 April 2007

	<i>Notes</i>	Six months to 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) £000	Year to 31 October 2006 (Audited) £000
Cash flow from operating activities	9a	(498)	581	1,366
Returns on investment and servicing of finance	9b	(74)	26	58
Capital expenditure and financial investment	9b	(316)	(190)	(538)
Taxation paid		(64)	-	-
Net cash paid for acquisition	9b	(3,936)	-	-
Cash (outflow) / inflow before financing		(4,888)	417	886
Financing	9b	3,662	126	125
(Decrease)/Increase in cash in the period		(1,226)	543	1,011

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<i>Notes</i>	Six months to 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) £000	Year to 31 October 2006 (Audited) £000
(Decrease) / increase in cash in the period		(1,226)	543	1,011
Other non-cash changes		(8)	-	(58)
		(1,234)	543	953
Increase in debt in the period		(3,575)	-	-
Opening net funds		2,381	1,428	1,428
Closing net (debt)/funds	9c	(2,428)	1,971	2,381

**Research Now plc**  
**NOTES TO THE ACCOUNTS**

**1. Basis of preparation**

The consolidated interim financial statements, which were approved by the board on 5 July 2007, have been prepared under the accounting policies set out on pages 20 and 21 of the Group's 2006 Annual Report except for the adoption of FRS 20. The accounts for prior periods have been restated to reflect adjustments required by FRS 20 "Share Based Payment".

The information relating to the half year ended 30 April 2007 is unaudited and does not constitute statutory accounts. The accounts for the period ended 31 October 2006 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

**2. Segmental information**

The Group's turnover and profit before taxation were all derived from its principal activity of market research fieldwork.

**3. Dividend**

The Board has not declared an interim dividend for the period.

**4. Interest**

	Notes	Six months to 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) £000	Year to 31 October 2006 (Audited) £000
Total interest receivable		18	26	58
Interest payable	a	(86)	-	-
Amortisation of professional fees relating to the raising of debt finance	b	(26)	-	-
Interest accretion on discounted contingent consideration	c	(58)	-	-
Total interest payable for the period		<u>(170)</u>	<u>-</u>	<u>-</u>

**Notes on interest charges**

a) Interest payable on two-thirds of the £4m Revolving Credit Facility with Royal Bank of Scotland has been fixed at a rate of 6.00% for a period of 2 years. Interest on the remainder of the facility is payable at a rate of 2.25% above Libor.

b) Fees in relation to the raising of the Revolving Credit Facility have been offset against the liability in the balance sheet and are being amortised over the term of the facility.

c) Interest accretion relates to the interest charge necessary to gross up the discounted liability in respect of the estimated deferred consideration due on the acquisition of Samplenet e-Research Solutions (OpenVenue).

## 5. Exceptional Item

As reported in the Chairman's Statement, operating profit in the current year has been impacted adversely by £500,000 in relation to a tragic incident in January 2007. These business disruption costs comprise the short term negative impact on trading in the UK in January and February, the costs of relocating the Group's London office from our previous headquarters to temporary and subsequently to new permanent offices, and the costs of rebuilding the Group's finance operations. In the six months ended 30<sup>th</sup> April 2007, the non-insured impact of the event amounted to £435,841, of which £250,618 will be treated as exceptional items for accounting purposes in the Group's financial statements for the year ending 31<sup>st</sup> October 2007.

## 6. Earnings per share

	Unaudited six months to 30 April 2007			Audited year to 31 October 2006 (As restated)		
	Loss £000	Weighted Average number of shares	Pence Per Share	Profit £000	Weighted Average number of shares	Pence Per share
Basic (loss)/ earnings per share	(285)	13,562,627	(2.1p)	1,620	12,971,111	12.5p
Earnings attributable to ordinary shareholders						
Dilutive effect of securities:						
Share options		946,281			781,253	
Diluted (loss)/earnings per share		14,508,908	(2.0p)		13,752,364	11.8p
Adjusted basic earnings per share			4.0p			10.6p
Adjusted diluted earnings per share			3.7p			10.0p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue during the period, determined in accordance with the provisions of FRS 22: '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 of 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. In accordance with FRS 22, the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share does not take into account any estimate of the number of shares that may be issued to satisfy the additional consideration payable to former shareholders of OpenVenue in 2008 and 2009.

Adjusting the 2007 half year profit attributable to shareholders for the business disruption costs referred to in Note 5 and adding back goodwill arising on the acquisition of OpenVenue would result in a basic earnings per share of 4.0p, and a diluted earnings per share of 3.7p.

The adjusted earnings per share relating to the year ended 31st October 2006 is after adjusting for the exceptional deferred tax credit of £248,000. Profits attributable to shareholders have also been restated in the half year ended 30 April 2006 and year ended 31 October 2006 for the prior year adjustment relating to the adoption of FRS 20 – share based payments.

## 7. Acquisition of OpenVenue

Research Now completed the acquisition of the entire share capital of Samplenet e-Research Solutions Inc., which trades as OpenVenue on 6th February 2007. The initial consideration of approximately C\$11.25m was split equally between cash and shares, although various adjustments to the purchase price arising from agreed mechanisms in the sale and purchase agreement have led to the subsequent reduction in cash consideration. The impact of the acquisition on the balance sheet of the Group is set out below:

	£'000
Fair value of shares issued	4,860
Cash consideration	4,338
Acquisition costs	600
Total initial consideration	<u>9,798</u>
Contingent consideration	<u>7,551</u>
Total consideration	17,349
Less net assets acquired	<u>(566)</u>
Goodwill arising on acquisition	<u>16,783</u>
Amortisation for period to 30 April 2007	(391)
Goodwill at 30 April 2007	16,392

Net assets acquired have been adjusted in accordance with the requirements of FRS 7. The adjustments made are as follows:

- Purchased goodwill of £378,000 relating to previous acquisitions by OpenVenue has been written off
- Research Now's accounting policy for revenue recognition has been applied, resulting in an increase in net assets acquired of £44,000.
- A revaluation of the leasehold improvements capitalised previously was made following the relocation of the office premises in Toronto, resulting in a reduction in net assets acquired of £10,000.
- OpenVenue did not historically attribute a value to its panel. As part of the fair value exercise, Research Now has valued OpenVenue's panel and an associated contract to acquire panellists which was terminated on 31 March 2007. As a result, net assets acquired were increased by £224,000.

Additional cash or share consideration may be payable dependent upon the achievement of certain OpenVenue gross margin performance targets for the periods ending 31 October 2007 and 31 October 2008.

In respect of the year ending 31 October 2007, additional consideration of C\$0.65 per C\$1 of gross margin achieved by OpenVenue will be payable up to a maximum additional consideration of C\$15.0m, provided that OpenVenue exceeds a minimum gross margin target of C\$10.8m. For the year ending 31 October 2008, additional consideration of C\$0.60 per C\$1 of gross margin achieved by OpenVenue will be payable up to a maximum additional consideration of C\$15.2m, provided that OpenVenue exceeds a minimum gross margin target of C\$11.9m. The total consideration for this two year earn-out period is subject to an overall cap of C\$25m (£10.8m). Such conditional consideration will be satisfied 50% in cash and 50% in new Research Now shares, or such higher proportion in cash as Research Now elects.

An estimate of the total consideration payable in respect of the two years ending 31 October 2008 has been made for the purposes of preparing this statement. It has been assumed that the consideration will be payable equally in cash and shares. The cash component of the contingent consideration has been discounted using a composite rate of interest, 6.58%, reflecting the actual interest cost payable under the Revolving Credit Facility after taking into account the interest rate protection put in place.

Goodwill arising on the acquisition has been capitalised and is being amortised through the profit and loss account over 10 years, which is a period considered by the directors to be appropriate.

## 8. Reconciliation of movements in shareholders' funds

The adoption of FRS 20 - share based payments requires a prior year adjustment to be made in respect of unexercised employee share options. This has decreased the profit and loss reserve by £191,000. Of this £158,000 is attributable to the year ended 31 October 2006 with the remaining £33,000 being an adjustment to the year ended 31 October 2005 and therefore the opening profit and loss reserve. In addition there has been an equal credit to share option reserve for all of the same accounting periods with the result that there has been no change to shareholders' funds in any of those periods.

	Six months to 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) As restated £000	Year to 31 October 2006 (Audited) As restated £000
Opening shareholders' funds			
As previously reported	4,316	2,438	2,438
Prior year adjustment - profit and loss	-	(33)	(33)
- share option reserve		33	33
Opening shareholders' reserves	<u>4,316</u>	<u>2,438</u>	<u>2,438</u>
Profit for the period	(285)	1,379	1,620
Transfer to share option reserve	76	56	158
New share capital subscribed	26	2	2
Premium on shares issued during the period (net of expenses)	4,884	123	123
Movement on exchange reserve	54	-	(58)
Own shares purchased	-	16	33
Closing shareholders' funds	<u>9,071</u>	<u>4,014</u>	<u>4,316</u>

## 9. Cash flows

	Six months to 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) As restated £000	Year to 31 October 2006 (Audited) As restated £000
a) Reconciliation of operating profit to net cash inflow from operating activities			
Operating (loss)/profit	(83)	459	1,411
Depreciation	201	62	168
Amortisation of panel expenditure	503	255	606
Non cash charge for share options	76	72	191
Amortisation of goodwill	391	-	-
(Increase)/decrease in stocks	(34)	4	(6)
(Increase)/decrease in debtors	(4,466)	(563)	(1,936)
Panel expenditure	(429)	(322)	(736)
Increase in creditors	3,343	614	1,668
Net cash flow from operating activities	<u>(498)</u>	<u>581</u>	<u>1,366</u>

	Six months to 30 April 2007 (Unaudited) £000	Six months to 30 April 2006 (Unaudited) £000	Year to 31 October 2006 (Audited) £000
b) Analysis of cash flows for headings netted in the cash flow			
<b>Returns on investment and servicing of finance</b>			
Interest received	13	26	58
Interest paid	(87)	-	-
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>(74)</b>	<b>26</b>	<b>58</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(316)	(190)	(538)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(316)</b>	<b>(190)</b>	<b>(538)</b>
<b>Acquisitions &amp; disposals</b>			
Investment in subsidiary undertakings	(4,338)	-	-
Acquisition fees	(285)	-	-
Cash acquired with subsidiaries	687	-	-
<b>Net cash outflow from acquisitions</b>	<b>(3,936)</b>	<b>-</b>	<b>-</b>
<b>Financing</b>			
Receipts from issue of equity shares	50	126	125
New loans	4,000	-	-
Debt fees	(388)	-	-
<b>Net cash inflow from financing</b>	<b>3,662</b>	<b>126</b>	<b>125</b>

	At 1 November 2006 £'000	Cash flow £'000	Other non-cash changes £'000	At 30 April 2007 £'000
c) Analysis of net funds				
Cash in hand, at bank	2,381	(631)	-	<b>1,750</b>
Invoice discount facility	-	(603)	-	<b>(603)</b>
Revolving credit facility	-	(3,575)	-	<b>(3,575)</b>
<b>Total</b>	<b>2,381</b>	<b>(4,809)</b>	<b>-</b>	<b>(2,428)</b>

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