RESEARCH NOW !

The European Online Fieldwork and Panel Specialists

# Interim Results
# Six Months Ended 30 April 2006

# CONTENTS

# Chairman's Statement

Our excellent results for the six months to 30 April 2006 show the benefits of our single-minded focus on achieving our corporate objective: to be Europe's leading specialist in online fieldwork and access panels.

Sales for the six months of £3.53m were nearly three times those for the comparable period in 2005 (£1.26m), and were only a tad less than sales for the whole of the year to 31 October 2005 (£3.64m). Our profit before tax more than doubled to £0.54m (H1 2005: £0.26m).

Particularly satisfying is the quality of our client base; by way of illustration, our sales came from 155 different clients, compared to just over 100 in the whole of the prior year. Furthermore, whilst growing our client base, we maintained our obsession with the quality of our service, evidenced by the fact that 75% of our sales were from existing customers.

We have re-invested much of the benefit from our increasing revenue in initiatives to secure further growth. During the period, we opened offices in France, Germany and the US, to add to the Australia office which opened last September.

As flagged at the time of flotation, we also continued to launch new panels and now cover 19 countries, with new panels in Belgium, the Czech Republic, Denmark, Finland, Greece, the Netherlands, Norway, Poland, Portugal, Russia and Sweden.

We also continued recruiting high calibre people and at 30 April 2006 our total staff numbers stood at 71, compared to 46 six months earlier. The Group appointed key local personnel for our new sales offices in Hamburg, Paris and New York, whilst other new employees joined the Group in our existing London, Athens and Sydney offices. With continuing investment in our people, we expect staff numbers to reach around 100 by financial year end.

I intend to make a habit in every Chairman's Statement of paying tribute to our fantastic staff; we are first and foremost a people business operating in a people industry and we are fortunate to have some of the best people in the market! Thank you all.

The second half of the financial year has begun strongly, with continuing sales growth from both new and existing clients. The market for online field work in Europe is still developing and Research Now intends to be in the vanguard for many years to come.

**Geoff Westmore**
**Chairman**

**22 June 2006**

# Chief Executive's Review

### Overview

The six month period to 30 April 2006 has seen rapid and profitable growth for Research Now, with turnover rising to £3.53m, up 180% on the comparable half year (H1 2005: £1.26m). In the market, substitution of online fieldwork for traditional telephone and 'face to face' fieldwork gathers apace and we are well placed to capitalise on this trend.

During the period, our client base grew rapidly as new clients signed up, but equally satisfactorily, we enjoyed a high level of repeat business and strong growth in long term tracker projects.

### Results

Group turnover for the 6 months to 30 April 2006 rose to £3.53m (H1 2005: £1.26m) and profit before tax increased to £0.54m (H1 2005: £0.26m). Cash flow from operations rose sharply to £0.58m (H1 2005: outflow £(0.16)m) and the balance sheet was strengthened, with net cash balances rising to £1.97m (H1 2005: £0.19m overdraft).

Research Now delivered online fieldwork and panel services to over 150 clients in the first half compared to just over 100 in the whole of the last financial year. The quality and stability of the Group's earnings is being enhanced by both a broadening in the client base and the rising proportion of its revenues derived from continuous (tracking) research studies, which accounted for 24% of turnover during the period (H1 2005: 15%)

The majority of the Group's clients are market research agencies, although the Group also provides fieldwork to an array of well known corporate clients, media and advertising agencies and consultancies. During the period, the percentage of Group turnover derived from large international market research agencies, whilst rising in absolute terms to £0.97m, declined in percentage terms to 27% (H1 2005: 43%), reflecting our sales strategy and the increasingly broad nature of our client base.

### Investment in platform for growth

A significant proportion of revenue has been and continues to be reinvested in resources for the Group's future – expanding the depth and reach of online panels in Europe, and developing new sales channels in a number of key overseas markets.

With proprietary panels across 19 countries, Research Now has greater European panel coverage than any of its quoted competitors.

### New offices

At the beginning of 2005, Research Now served UK clients from a single office in London, supported by a technology team in Athens. In line with our stated strategy to increase returns from our online panels by selling access to them to new clients in different geographies, we have since opened a number of new international sales offices. Our Australian office and panel were launched in September 2005. In November 2005 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 markets in the USA and Canada. In February we opened an office in Hamburg to build sales in the developing German market, capitalising on our 118,000 strong German panel, whilst in April we announced the opening of our office in Paris. With Frankfurt and Melbourne opening recently, Research Now currently has offices in 8 cities.

### New panels

Reflecting client demand to deliver research projects across multiple countries in Europe, we have successfully launched nine new panels during the period: four in the Nordic Region (Sweden, Denmark, Norway and Finland); three in key Eastern European markets (Russia, Poland and the Czech Republic); along with the Netherlands and Portugal. Since the year end we have also launched panels in Belgium and Greece.

Combined with the Group's existing European panels in the UK, Germany, France, Spain, Italy, Austria, the Republic of Ireland, and Australia, Research Now is able to provide clients with a "one-stop-shop" solution for high quality online data collection across Europe and Australia.

Although customised to local market requirements, each of the new panels follows the successful 'Valued Opinions' template, which the Group originally pioneered in the UK.

### Staff

We appointed key local personnel for our new sales offices in Hamburg, Paris and New York during the period, whilst other new employees joined the Group in our existing London, Athens and Sydney offices. The number of full time employees in the business increased from 46 at the start of the year, to 71 by the period end. As a result, staff costs rose as a percentage of turnover from 38.7% (H1 2005) to 40.9%.

### Outlook

Over the remainder of 2006 we will maintain our focus on quality of delivery, make further investment in online panels and continue to develop client relationships from our expanding network of sales offices spanning North America, Europe and the Asia Pacific.

The second half of our 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**

**22 June 2006**

# Financial Review

**Results from operations**
The Group achieved sales of £3,531,000 in the half year, compared to £3,639,000 in the whole of the previous year. Operating profits of £515,000 were higher than the £510,000 earned in the previous year.

Sales have grown in successive half years as follows:

| Half Year Ended | Unaudited £000 |
|---|---|
| April 2004 | 241 |
| October 2004 | 460 |
| April 2005 | 1,259 |
| October 2005 | 2,380 |
| April 2006 | 3,531 |

Gross margin in the period was 81.6%, compared to 80.3% for the previous year. This increase is due to efficiency gains and a reduced reliance on other panel providers.

The main elements of administration expenses were as follows:

| | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|
| Staff costs (excluding non-executive directors) | **1,447** | 487 | 1,430 |
| Depreciation and panel amortisation | **317** | 70 | 319 |
| Other overheads | **602** | 150 | 664 |

Staff costs as a percentage of turnover have increased to 40.9% from 39.3% in the previous twelve months. This is as a result of our investment in new staff and sales offices during the period.

During the period the Group invested £322,000 (year to October 2005: £543,000) in new panellists. These amounts are written off over the first twelve months and the asset at the period end of £325,000 (31 October 2005: £258,000) is treated as a current asset.

Other overheads as a percentage of turnover have fallen to 17.0% in the period from 18.2% in the previous year.

# Financial Review

**Earnings before interest, tax, depreciation and amortisation (EBITDA)**
The company calculates EBITDA as follows:

| | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|
| Operating profit | **515** | 270 | 510 |
| Add back: | | | |
| Depreciation and panel amortisation | **317** | 70 | 319 |
| EBITDA | **832** | 340 | 829 |

The Group achieved an operating margin of 14.6% (year to 31 October 2005: 14.0%) and an EBITDA margin of 23.6% (year to 31 October 2005: 22.8%). These margins reflect the improvement in gross margins, partly offset by the increased staff costs.

## Taxation
No tax charge arises on the profit for the financial year. At 30 April 2006 the Group has approximately £2,979,000 (At 31 October 2005: £3,520,000) of losses available to carry forward to set against future taxable profits, subject to agreement with the Inland Revenue. The Group has recognised a deferred tax asset of £894,000 in relation to these losses. This has resulted in a tax credit to the Profit and Loss Account of £894,000 in the period.

The Group does not expect to pay any tax based on the profits for 2006.

## Earnings per share
Basic earnings per share of 11.1p (H1 2005: 3.0p) includes the impact of the exceptional deferred tax credit. The Group has calculated an adjusted earnings per share, excluding this credit, of 4.2p (H1 2005: 3.0p).

## Working capital
During the period the Group had cash inflows from operating activities of £581,000 (year to 31 October 2005: £249,000 outflow). The Group's cash position improved by £543,000 to £1,971,000 during the period. The Group has no debt.

## Pensions
The Group does not operate a defined benefit pension scheme and therefore at present there are no circumstances in which a future pension liability will be incurred.

## Financial instruments
During the period, the Group'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 Group'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**

**22 June 2006**

# Consolidated Profit and Loss Account

| for the six months ended 30 April 2006 | Notes | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|---|
| Turnover | | **3,531** | 1,259 | 3,639 |
| Cost of sales | | **(650)** | (282) | (716) |
| Gross profit | | **2,881** | 977 | 2,923 |
| Administrative expenses | | **(2,366)** | (707) | (2,413) |
| Operating profit | | **515** | 270 | 510 |
| Interest receivable | | **26** | 1 | 15 |
| Interest payable | | **-** | (15) | (1) |
| Profit on ordinary activities before taxation | | **541** | 256 | 524 |
| Taxation | 4 | **894** | - | - |
| Retained profit for the year | | **1,435** | 256 | 524 |
| Basic earnings per share | 5 | **11.1p** | 3.0p | 5.5p |
| Diluted earnings per share | 5 | **10.5p** | 3.0p | 5.2p |

The operating profit for the periods above 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

| 30 April 2006 | Notes | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Tangible assets | | **308** | 79 | 178 |
| | | **308** | 79 | 178 |
| **Current assets** | | | | |
| Stocks | | **33** | 29 | 37 |
| Debtors | | **2,294** | 980 | 1,663 |
| Deferred Tax | 4 | **894** | - | - |
| Cash at bank and in hand | 7c | **1,971** | 4 | 1,428 |
| | | **5,192** | 1,013 | 3,128 |
| **Creditors:** amounts falling due within one year | | **(1,486)** | (727) | (868) |
| **Net current assets** | | **3,706** | 286 | 2,260 |
| **Total assets less current liabilities** | | **4,014** | 365 | 2,438 |
| **Capital and reserves** | | | | |
| Called up share capital | | **260** | 168 | 258 |
| Share premium | | **1,895** | 810 | 1,772 |
| Profit and loss account | | **1,900** | (613) | 465 |
| Other reserve | | **(41)** | - | (57) |
| **Shareholders' funds** | | **4,014** | 365 | 2,438 |

# Consolidated Cash Flow Statement

| for the six months ended 30 April 2006 | Notes | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|---|
| Cash flow from operating activities | 7a | **581** | (163) | (249) |
| Returns on investment and servicing of finance | 7b | **26** | (14) | 14 |
| Taxation | 7b | **-** | - | - |
| Capital expenditure and financial investment | 7b | **(190)** | (70) | (196) |
| | | **417** | (247) | (431) |
| Cash inflow/(outflow) before financing | | **417** | (247) | (431) |
| Financing | 7b | **126** | 189 | 1,797 |
| Increase/(decrease) in cash in the period | | **543** | (58) | 1,366 |

# Reconciliation of Net Cash Flow to Movement in Net Funds

| | Notes | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|---|
| Increase/(decrease) in cash in the period | | 543 | (58) | 1,366 |
| New loans | | - | (189) | - |
| Movement in net funds in the period | | 543 | (247) | 1,366 |
| Opening net funds | | 1,428 | 62 | 62 |
| Closing net funds | 7c | 1,971 | (185) | 1,428 |

# Notes to the Accounts

## 1. Basis of preparation

The consolidated interim financial statements, which were approved by the board on 22 June 2006, have been prepared under the accounting policies set out on pages 19 and 20 of the Group's 2005 Annual Report.

The information relating to the half year ended 30 April 2006 is unaudited and does not constitute statutory accounts. The accounts for the period ended 31 October 2005 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. Taxation

| | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|
| UK Corporation tax charge on profits for the period | **-** | - | - |
| Exceptional deferred tax credit | **894** | - | - |
| Total tax credit | **894** | - | - |
| Factors affecting tax charge for the period: | | | |
| Profit on ordinary activities before taxation | **541** | 256 | 524 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (H1 2005: 19%, Year to 31 October 2005: 19%) | **162** | 48 | 100 |
| Tax losses (utilised)/not utilised | **(162)** | (48) | 512 |
| Tax relief on share options exercised | **-** | - | (612) |
| Current tax charge for the period | **-** | - | - |

At 30 April 2006, the Group had approximately £2,979,000 (30 April 2005: £609,000, 31 October 2005: £3,520,000) of losses available to carry forward to set against future taxable profits.

At 30 April 2006 the Group recognised a deferred tax asset of £894,000, being 30% of the taxable loss available at that date. This has resulted in an exceptional credit to the profit and loss account of £894,000 in the period.

**5. Earnings per share**

| | Unaudited six months to 30 April 2006 | | | Audited year to 31 October 2005 | | |
|---|---|---|---|---|---|---|
| | **Profit £000** | **Weighted average number of shares** | **Pence per share** | Profit £000 | Weighted average number of shares | Pence per share |
| Basic earnings per share Earnings attributable to ordinary shareholders | **1,435** | **12,926,300** | **11.1p** | 524 | 9,481,584 | 5.5p |
| Dilutive effect of securities: Share Options | | **769,110** | | | 560,705 | |
| Diluted earnings per share | | **13,695,410** | **10.5p** | | 10,042,289 | 5.2p |
| Adjusted base earnings per share | | | **4.2p** | | | 5.5p |
| Adjusted diluted earnings per share | | | **3.9p** | | | 5.2p |

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue in 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.

The 2005 half year basic and diluted earnings per share of 3.0p have been calculated as £256,000 of profit divided by the 8,399,885 weighted average shares in issue.

Adjusting the 2006 half year profit attributable to shareholders for the exceptional deferred tax credit would result in a basic earnings per share of 4.2p, and a diluted earnings per share of 3.9p. There is no adjustment to prior periods.

## 6. Reconciliation of movements in shareholders' funds

| | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|
| Profit for the period | **1,435** | 256 | 524 |
| New share capital subscribed | **2** | - | 90 |
| Premium on shares issued during the period (net of expenses) | **123** | - | 1,772 |
| Own shares purchased | **16** | - | (57) |
| Net addition to opening shareholders' funds | **1,576** | 256 | 2,329 |
| Opening shareholders' funds | **2,438** | 109 | 109 |
| Closing shareholders' funds | **4,014** | 365 | 2,438 |

## 7. Cash flows

| | **Six months to 30 April 2006 (Unaudited) £000** | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|
| a) Reconciliation of operating profit to net cash inflow from operating activities | | | |
| Operating profit | **515** | 270 | 510 |
| Depreciation | **62** | 7 | 34 |
| Amortisation of panel expenditure | **255** | - | 285 |
| Amortisation of share options | **16** | - | 8 |
| (Increase)/decrease in stocks | **4** | (26) | (34) |
| (Increase)/decrease in debtors | **(563)** | (725) | (1,150) |
| (Increase) in panel expenditure | **(322)** | - | (543) |
| Increase in creditors | **614** | 311 | 641 |
| Net cash flow from operating activities | **581** | (163) | (249) |

## 7. Cash flows – continued

| | Six months to 30 April 2006 (Unaudited) £000 | Six months to 30 April 2005 (Audited) £000 | Year to 31 October 2005 (Audited) £000 |
|---|---|---|---|
| b) Analysis of cash flows for headings netted in the cash flow | | | |
| **Returns on investment and servicing of finance** | | | |
| Interest received | 26 | 1 | 15 |
| Interest Paid | - | (15) | (1) |
| **Net cash inflow from returns on investment and servicing of finance** | 26 | (14) | 14 |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | (190) | (70) | (196) |
| **Net cash outflow from capital expenditure and financial investment** | (190) | (70) | (196) |
| **Financing** | | | |
| Receipts from issue of equity shares | 126 | - | 2,618 |
| Equity share issue expenses | - | - | (756) |
| Purchase of own shares | - | - | (65) |
| New loans | - | 189 | - |
| **Net cash inflow from financing** | 126 | 189 | 1,797 |

| | At 1 November 2005 £ | Cash flow £ | Other non-cash changes £ | **At 30 April 2006 £** |
|---|---|---|---|---|
| c) Analysis of net funds | | | | |
| Cash in hand, at bank | 1,428 | 543 | - | **1,971** |
| Total | 1,428 | 543 | - | **1,971** |

# DIRECTORS, SECRETARY AND ADVISERS

**Directors**

Geoff Westmore (Non-executive Chairman)
Chris Havemann (Chief Executive Officer)
Andrew Cooper (Managing Director)
Charles Fairbairn (Non-executive Director)
Richard Dale (Non-executive Director)

**Company Secretary**

Simon Healey

**Business Address of the Directors and Registered Office of the Company**

66 South Lambeth Road
London SW8 1RL

**Telephone number of registered office**

020 7091 7800

**Nominated Adviser and Broker**

Canaccord Adams Limited
1st Floor, Brook House
27 Upper Brook Street
London W1K 7QF

**Solicitors to the Company**

Bircham Dyson Bell
50 Broadway
London SW1H 0BL

**Auditors**

Baker Tilly
2 Bloomsbury Street
London WC1B 3ST

**Public Relations Advisers**

Hudson Sandler
29 Cloth Fair
London EC1A 7NN

**Registrars**

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Research Now plc, 66 South Lambeth Road, London SW8 1RL
www.researchnow.co.uk

Company Registration No. 3975073

Perivan Financial Print 207179