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Research Now plc

Preliminary Results

The Board of Research Now, the international online fieldwork and panel specialist, is pleased to announce its audited Preliminary Results for the year ended 31 October 2008.

Highlights

- Group revenues of £41.2m, up 60% (2007: £25.8m)
- Underlying revenue growth of 40%
- Repeat business generated 83% of revenues
- Client numbers grew from 750 in 2007 to over 1,000 in 2008
- Operating profit of £6.3m (2007: £2.3m), with margins increased to 15.3%
- Profit before tax of £5.7m, up from £0.3m in 2007
- Basic EPS of 21.8p (2007: 3.2p loss per share)
- Adjusted basic EPS of 23.9p, an increase of 100.8% (2007: 11.9p)*
- Strong free cash flow of £6.5 million after 2007's £0.4m outflow
- Debt free with year end cash of £7.8m (2007: £2.5m net debt)
- Panels operating across 36 countries and 411 staff in 7 countries
- Good start to 2009

Commenting, Chris Havemann, Chief Executive said:

"This past year has been hugely successful for Research Now. During 2008, we achieved financial results significantly ahead of expectations and consolidated our position as one of the leading global players in the online survey fieldwork industry.

We have had a good start to trading in the new financial year but, like most companies today, are naturally cautious about extrapolating these positive results. We remain focused on managing our operations to achieve profitable growth in 2009."

** Adjusted for 2007's non-recurring item, and the interest accretion and foreign currency translation adjustment on contingent consideration in both 2007 and 2008.*

Chairman's Statement

I am delighted to report on a year of significant achievement for Research Now. The financial year which ended on 31 October 2008 was one in which our three strategic objectives – establishing the company as a major global player in our market, investing in the best people and delivering first class client service – came together to deliver an outstanding set of financial results.

Group turnover for the year increased by 59.5% to £41.2m, compared to £25.8m in the previous year. This revenue growth represents not only the benefits of the continuing trend for researchers to use online fieldwork solutions but also, we believe, an increasing market share for Research Now. Indeed, during 2008, we consolidated our leadership position in Europe and Canada, became the leading provider in Australia and continued to see strong growth in the USA.

Our financial performance in the year was particularly impressive in terms of both profit and cash generation. Operating profit was up 123.2% at £6.3m, representing an operating profit margin of 15.3% against last year's adjusted operating profit of £2.8m and 10.9% margin. Cash flow was very encouraging: operating cash flow after spending on our proprietary panel network and fixed assets was £6.5m. These results reflect the benefit of the investments made in the four key areas of people, systems, products and panels, and I am confident represent a sound base for further growth.

Thanks to our strong operating cash flow and a share placing in January 2008 that raised £7.0m (before expenses), we repaid the debt facility taken out to part-finance the acquisition of OpenVenue in February 2007 and we ended the 2008 financial year with cash of £7.8m.

We continued to see substantial growth in our client base across all the sectors in which we operate, with a 33% increase in our client base to over 1,000. There are many positive statistics set out in Chris Havemann's CEO report which attest to our success in this area, but I would particularly like to pick out the fact that 83% of our turnover this year came from existing clients, a testimony to our philosophy of providing outstanding service.

As we announced in our Interim Statement, we introduced a new management structure on 1 November 2008 whereby three regional Managing Directors now report to Chris Havemann, with full profit responsibility for results in their respective geographies. Also reporting to Chris are a number of senior managers with responsibility for functions that need to be integrated globally such as panel management, key account management, IT and marketing. We have made good progress introducing this new approach and I believe that it will be an important tool in enabling us to achieve the next stage of our growth.

The earn-out for the acquisition of OpenVenue finished on 31 October 2008 and I am delighted that the founders, Jeff Karry and John Visser, are both staying with the Group and have stepped up to major roles in our new management structure.

As we also announced in our Interim Statement, our co-founder, Andrew Cooper, left the business on 31 October 2008. I would like to take this opportunity to thank him for his outstanding contribution to the Group. His drive and determination have been a key factor in getting us to where we are today and he leaves behind a strong team well equipped to take the company forward.

As I say every year, our most important asset is our people. We have continued to build our resources and, at the time of writing, have over 400 staff across our 17 offices in seven countries worldwide. We are committed to ensuring that each employee lives and breathes the company's values and that wherever our clients engage with Research Now across the world, they have a similar experience. We have a great team of people and I should like to thank them for their enthusiasm, dedication and client service during the last year.

Despite the depressing macro-economic picture, there are grounds for optimism for the prospects for the online research sector as a whole. The wider market research industry has historically shown relative resilience during previous economic downturns, as clients have tended to continue commissioning market research in order to aid their decision-making. Over and above this, the research industry continues to transition away from traditional ‘offline’ face-to-face and telephone data collection techniques, in favour of more cost-effective, faster and higher quality ‘online’ data collection - such as that provided by Research Now. We anticipate this trend will continue for some years to come, not least in Europe and Asia Pacific, where the online share of the survey research marketplace is still well below levels now reached in the USA. Research Now should therefore continue benefitting from this substitution effect in the medium to longer term and grow its market share, even if visibility in the short term is limited.

Finally given the current state of the worldwide economy, we are not complacent about remaining immune to global events and will continue to manage the business accordingly.

Geoff Westmore
Chairman

Chief Executive Officer's Statement

Overview

This past year has been hugely successful for Research Now. During 2008, we achieved financial results significantly ahead of expectations and consolidated our position as one of the leading global players in the online survey fieldwork industry.

All our business units performed well in 2008, with all delivering significant and profitable growth. European sales grew strongly, up 44% to £21.0m (2007: £14.6m) on the back of continued rapid growth in the UK market, combined with a tremendous performance from our younger French and German businesses, both of which have exciting growth prospects in the years ahead, as markets in Continental Europe continue to transition online. European revenues accounted for only 51% of the Group in 2008 – down from 57% in 2007, reflecting the increasingly global nature of our business today.

With the acquisition of OpenVenue in February 2007, the Group strengthened its position in North America, by some way the largest marketplace for online survey data collection in the world. I am therefore delighted to report a very strong performance in North America during 2008, with reported revenues up 80% to £16.9m (2007: £9.4m). On an underlying basis, adjusting for the OpenVenue acquisition and at constant exchange rates, growth was 34%, reflecting market share gains in the US and continued success in Canada where OpenVenue (re-branded Research Now) remains the market leader. In total, North America represented 41% (2007: 36%) of Group revenues in the year.

In 2008, revenues in Asia Pacific nearly doubled to £3.2m (2007: £1.8m) fuelled primarily by the continued success of our market-leading Australian business, together with entry into other markets in the region late in the financial year. Asia Pacific revenues made up the remaining 8% (2007: 7%) of the Group's total sales of £41.2m for the year.

Client Focus

Research Now serves market researchers. Our role is to provide this industry with high quality, timely and accurate data which allows them to solve their research problems, in turn helping their clients make better business decisions.

During 2008, we served over 1,000 clients across the globe, up significantly from around 750 in 2007, with significant new business wins in all of our core sales territories. We also won new clients in geographic markets where we own online research panels but had no established local sales presence, namely Spain, Italy, Republic of Ireland, the Netherlands, Denmark, Switzerland, Korea, Singapore, Japan and New Zealand. Many of these markets offer growth prospects for the future, building on initial wins this past year.

As mentioned in the Chairman's statement, repeat business remains a prime engine of our continued growth and a bellwether of the success of our focus on client service. To this end, 83% of our revenues in 2008 were derived from clients served by the Group prior to the year, reflecting our success in retaining clients, many of whom are choosing to do more of their fieldwork online than ever before, taking advantage of the speed, cost-effectiveness and quality advantages increasingly accessible. Approximately 23% of total Group revenues were from multi-wave or tracking studies, with the balance of 77% being custom ad hoc projects, a split consistent with prior periods.

Research Now serves four key market segments, each of which continued to grow last year. The single largest segment is small and medium market research agencies, which represented 51% of Group revenues in 2008. These agencies typically lack their own online fieldwork capabilities and partner with Research Now in order to meet their online data needs. The Group also provides outsourced data collection capabilities to large, vertically integrated market research agencies, collectively making up 28% of Group revenues. Other types of intermediary, including media, advertising and PR agencies and management consulting firms continue to be a source of growth, contributing 15% of Group revenues in 2008. Finally, direct fieldwork business with corporate clients, leveraging their own research capabilities, made up the remaining 6% of Group sales.

Client concentration remains low. Our largest single client accounted for only 7% of revenue in 2008, while our top 10 clients contributed 39%.

Investment

The Group continued to invest in a number of key areas during 2008, providing a platform for future growth which should also help us emerge from the recession in the strongest possible competitive position.

Firstly, we continued to strengthen our senior management team in all regions of the world. In London, we appointed Phil Rance, who joined us from the AA and is now our Managing Director, Europe. Our French business is now led by Sebastien Croizard, formerly at Frost and Sullivan. In our North American business, we made a number of senior appointments including Adam Portner and David Bilicic, who joined as Senior Vice Presidents, Client Development along with Steve Rosen and Lynn Crawford, our new Finance and HR Directors for North America respectively. In Sydney, Peter Blansjaar, our new Operations Director, Asia Pacific, joined from Nielsen.

Our new management structure, with three regional managing directors responsible for Europe, North America and Asia Pacific, became effective at the beginning of the new financial year and is bedding down well. Since the year end, we have also appointed Miles Worne, who will join us from Cadbury in March 2009, in the newly created role of Managing Director, Business Development. Miles will take on worldwide responsibility for our panel network, corporate marketing and new proposition development, supporting our regional teams.

The Group also continued to invest heavily across the year in new systems. As reported in our Interim statement, our new intranet workflow management system, “PRISM”, was rolled out in both Europe and North America during the first half. It has already delivered considerable benefits in terms of managing more effective project workload allocation across our operations teams and also providing enhanced management information. Future developments of PRISM will see further software automation within our key operational processes, driving greater efficiencies across the business.

We have also invested in a new IBM DB2 database platform to support our online panels, with the first of our panels successfully migrated to it in November, just after year end. The new DB2-based infrastructure will support continued growth in the volume of panel interviews we are able to deliver, along with future development initiatives including enhanced panellist profiling and experience.

Our proprietary global panel network, “Valued Opinions”, was expanded still further during 2008, with eight new Asian panels launched in the second half. Our Asian expansion includes a new panel in China, launched following our announcement in September of an agreement to form a joint venture with local Chinese partners. Research Now will hold 75% of this venture, providing us with entry into one of the world’s fastest growing research markets.

Spanning 36 countries, Valued Opinions is now more geographically extensive than any of the proprietary networks of our key competitors, providing us with a strong platform in all key regions of the world. Over the year, the Group delivered 567 projects that involved three or more countries (2007: 305 projects) reflecting the strength of our operational capabilities in delivering complex multi-country projects. During 2008, the Group also made its first foray into the area of specialty panels, announcing a partnership with Reed Business Information to develop panels for the business-to-business research sector. This is a new dimension of opportunity and one we expect to contribute positively to our results in 2010 and beyond.

Innovation through technology remains a key area of differentiation for the Group. While retaining our day-to-day focus on delivering high quality data on time, we continued to enhance our data collection tools during 2008, leveraging our understanding of research client needs and development resources across the business.

In the first, half we rolled out a new suite of media tools, based on technologies including Flash. This enables us to enhance our data collection offer and also improve panel respondent experience. With around 86 full-time staff dedicated to survey programming across our four main operational hubs (London, Toronto, San Francisco and Sydney), full-service data collection remains a particular strength of Research Now and one of the reasons for our relative strength in serving smaller agencies, non-traditional and corporate clients (who tend to lack their own survey programming capabilities). "Full-service" fieldwork revenues represented 61% of total Group revenues in 2008, with the remaining 39% derived from "sample-only" projects (where our clients retain responsibility for their own survey programming and hosting).

We also developed our mobile data collection capabilities in 2008, using both SMS and Java ME technologies to take advantage of the "any time, any place, any where" possibilities for data collection, via mobile and smart-phone devices. A number of clients ran exploratory mobile projects with us during 2008, and we anticipate further growth as we develop these products in 2009. Finally, we began to leverage the online behavioural data collection possibilities within our panel during 2008 and are currently exploring opportunities in areas such as advertising effectiveness testing.

Leading on Quality

At the core of our servicing model is the ability to respond promptly to client requests with accurate feasibility assessment and pricing, worldwide. Once projects are won, our Operations teams have the experience, training and tools to ensure successful and on-time delivery. We follow each and every project with a client satisfaction survey, track key metrics carefully and seek to address any issue that might surface. In general, our entire orientation and philosophy is to never let the client down and always do whatever we can to make them successful. We believe this approach secured market share gains for us during 2008.

We also aim to provide a higher quality panel product than our competitors. This advantage has primarily stemmed from investing sufficiently in panel recruitment to ensure our panels remain responsive and fresh, extensively profiling our panellists in order to be able to target survey invitations for which they are likely to qualify, offering flexible direct incentives so that our panel members feel valued and using technology such as rich media wherever possible to improve the survey experience itself.

Our People

At year end on 31 October 2008, the Group had 411 employees based in seven countries, up from 321 employees 12 months earlier. I would like to thank all of our staff for their hard work and dedication during 2008, serving clients and delivering another year of terrific success for Research Now. I am highly fortunate to lead such a talented and committed team.

Outlook
Our strategy in the last three years has been to invest in people, panels and technology to build a market leading business with a global reach. As already noted, we have seen the benefits of these investments in our financial results in 2008. The nature of our business is such that most of our investments have an immediate impact on our profits. We are aware of the importance of managing the Group for the future and not just for the near term, and we intend to continue to make the investments needed in areas such as management information systems, panel infrastructure, senior management and new products, that are necessary to take us to the next stage of our growth.

However, we are mindful that our sector is unlikely to be immune to the effects of the global recession. We continue to monitor our sales pipeline closely and in the event that we begin to experience a prolonged shortfall in our expected rate of sales growth, will make the necessary reductions in our cost base. We will also continue our focus on working capital management to build on the progress in 2008.

We have had a good start to trading in the new financial year but, like most companies today, are naturally cautious about extrapolating these positive results. We remain focused on managing our operations to achieve profitable growth in 2009.

Chris Havemann
Chief Executive Officer

CFO's statement

Reporting basis

The Group's financial statements for the year ended 31 October 2008 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Revenue

On a regional basis, the Group's revenue was split as follows:

	Year ended 31 October	
	2008	**2007**
	£'000	**£'000**
Europe	21,048	14,635
The Americas	16,899	9,379
Asia Pacific	3,216	1,793
	41,163	25,807

Reported revenue increased by 59.5% to £41.2 million. Underlying revenue growth was 40.0%.

Each of the European operations achieved significant growth as revenues increased by 43.8% and 41.9% on a reported and underlying basis respectively. The UK had a strong year achieving 30.3% growth fuelled by new client wins, in particular from non-traditional buyers of fieldwork and growth in key accounts. Continental Europe more than doubled its revenues as the operations became more established in their markets and were better positioned to benefit from the continuing substitution to online fieldwork from the traditional offline methods, coupled with new client wins.

The Americas' reported revenues were up 80.2% in the period to £16.9 million. On an underlying basis, the Americas' revenues increased by 34.2% with strong performances from both the Canadian and US operations, with US sales in particular benefitting from the Group's investment in a larger US domestic panel and the expansion of the Group's key client relationships into the US. Asia Pacific had another excellent year with revenues up 62.4% on an underlying basis to £3.2 million led by Australian sales and the Group's first inroads into other markets in the region.

Underlying revenue growth is calculated by taking the increase in 2008 over 2007 proforma revenue at constant exchange rates. The 2007 proforma revenue is calculated on the basis that any operations acquired during 2007 were owned for the full year.

Gross margin

The gross margin increased by 62.8% to £31.3 million. The gross margin percentage increased to 76.0% (2007: 74.5%) reflecting the benefit of the Group's continued investment in its proprietary panel network. During the year, eight new country panels were launched and investment increased in markets such as the US and Canada to mitigate the cost of buying in sample from third party suppliers, which Group wide amounted to £4.8 million during the year.

The Group's panel investment plans for 2009 will focus not only on maintaining the proprietary panel network in 36 countries but on extending the scale and breadth of panel coverage in those markets that best support the Group's growth opportunities and provide scope to improve gross margins, for example the USA and Germany.

Adjusted results
To assist the understanding of the underlying performance of the Group, operating profit, profit before tax and earnings per share are also disclosed prior to the impact of non-recurring items costs associated with the disaster recovery operation actioned in the prior year, which includes incremental property costs, additional staff costs and other associated costs (2008: £nil/ 2007: £0.5 million), and the accounting treatment for contingent consideration liabilities (2008: £0.4 million/ 2007: £1.6 million).

Operating profit and margin
Operating profit more than doubled to £6.3 million (2007 adjusted: £2.8 million). The operating margin increased to 15.3% (2007 adjusted: 10.9%) reflecting management control over the rate of investment in the Group's operations and the operational gearing in the Group's business model.

Staff costs as a percentage of revenue decreased to 42.0% (2007: 45.2%) as headcount additions became more closely aligned to revenue growth. Average headcount in the year was up 35.6% to 351 (2007: 259) and the Group ended the year with 411 employees (2007: 321). Variable staff costs, defined as performance–linked compensation and contractors, amounted to 24.0% of staff costs. The cost under IFRS2 for employee share option schemes was £0.2 million (2007: £0.1 million).

The Group has taken a prudent approach in light of the current economic environment to ensure it has fully provided for bad debt risk in the debtor book. At 31 October 2008, the debtor provision was £0.5 million (2007: £0.1 million). The Group's charge in relation to the amortisation of its panel investment was £2.1 million (2007: £1.3 million). The amortisation charge includes the remaining £0.1 million in respect of the Canadian panel capitalised upon the acquisition of OpenVenue in February 2007. The restatement under IAS 21 of foreign currency denominated intercompany loans led to an exchange gain in the year of £0.3 million (2007: £21,000 loss).

Finance costs
The Group's finance costs amounted to £0.8 million (2007: £2.0 million) reflecting the costs associated with the acquisition in February 2007 of OpenVenue.

Finance costs comprise interest on the Group's debt arrangements totalling £0.2 million (2007: £0.3 million), debt fee amortisation of £0.2 million (2007: £0.1 million), a £0.4 million (2007: £0.4 million) charge in respect of the interest accretion on the contingent consideration and a £28,000 gain attributable to the foreign currency translation adjustment on contingent consideration (2007: £1.3 million loss). Interest income was £0.1 million.

Profit before tax
Adjusted profit before tax increased 144.2% to £6.0 million (2007: £2.5 million). Reported profit before tax was £5.7 million (2007: £0.3 million).

Taxation
The reported tax charge for the year was £2.0 million (2007: £0.8 million) representing an effective tax rate of 34.7% (2007: 40.0%) on reported profits pre-interest accretion and the translation adjustment. The increase in the charge arose due to the growth in profitability of the international operations, in particular Canada where tax rates are higher than the UK's 28.0% rate. The decrease in the effective rate is attributable to the proportion of taxable profits earned in the UK compared with the prior financial year, when the Group was able to use brought forward tax losses to offset UK profit.

Earnings per share
On a weighted average basis of 16.9 million shares, adjusted earnings per share were up 100.8% to 23.9 pence (2007: 11.9 pence). On a fully diluted weighted average basis of 18.4 million shares, adjusted fully diluted earnings per share increased by 102.8% to 21.9 pence (2007: 10.8 pence).

The basic earnings per share was 21.8 pence (2007 basic loss per share: 3.2 pence).

Cash flow and liquidity risk
Net cash inflow from operating activities was strong at £9.9 million (2007: £2.1 million) as the Group's profit growth and focus on working capital management led to a £0.6 million working capital inflow in the year, despite the Group's increase in sales. The Group is unlikely to achieve an inflow in the current year as the 2008 result incorporated a non-recurring inflow of approximately £1.0 million arising from an improvement in the rate at which clients are invoiced.

Capital expenditure was £0.6 million (2007: £0.7 million) during the year. Planned investments to develop the Group's IT infrastructure and management information systems are expected to lead to capital expenditure increasing in the year ending 31 October 2009 to approximately £1.2 million. The Group's expenditure on maintaining and growing its existing panels and developing and launching new ones increased by £0.6 million to £2.4 million (2007: £1.8 million). A similar increase in spend is planned for the coming year to support the Group's growth objectives.

Free cash flow for the year was £6.5 million (2007: £0.4 million outflow), being net cash flow from operating activities, less capital expenditure and payments to acquire intangible assets.

In February 2008, the Group paid CAN$8.7 million in respect of the interim contingent consideration payment due to the vendors of OpenVenue. The consideration was satisfied by a cash payment of £2.2 million and the issuance of 868,139 ordinary shares. The final contingent consideration payment of CAN$9.8 million, of which at least half must be paid in cash, will be made in February 2009. The Group has part-hedged the cash element of the final contingent consideration through the purchase of CAN$3.9 million at an average exchange rate of CAN$1.93:UK£1.

Treasury, funding and exchange risk
Net cash, defined as cash and cash equivalents less bank borrowings (net of arrangement fees), other debt arrangements and obligations under finance leases, was £7.6 million at 31 October 2008 (2007: £2.5 million net debt).

In December 2007, the Group raised £7.0 million before expenses through the issuance of 2,333,334 ordinary shares to institutional investors. The net proceeds from the share placing were used to strengthen the balance sheet with the Group pre-paying its revolving credit facility (2007: £3.5 million), to repay and cancel the invoice discounting facility (2007: £0.6 million) and to fund the £2.2 million interim earn-out payment. The Group has retained its revolving credit facility which, at 31 October 2008, had a drawdown limit of up to £2.5 million available.

The majority of the Group's trade is denominated in the functional currencies of the jurisdiction in which trade is conducted. As the central overhead that supports the Group's operations and its panel network is incurred in the UK, the Group's reported earnings are exposed to currency fluctuations, in particular the US dollar. The Group has appointed external consultants to assist in the implementation of appropriate treasury policies and procedures, and to assess the need to enter into hedging contracts to manage the Group's foreign currency exposures in the year ending 31st October 2009.

Impairment review
The Group has carried out an annual impairment review of its investment of Open Venue and determined that no impairment is required.

Key Performance Indicators
The Key Performance Indicators (KPI's) of the Group are outlined in various sections of this review. Whilst there are many financial and operating measures regularly monitored by the Group, the primary financial metrics are:

- Underlying revenue growth: 40.0% (2007: 67.6%)
- Gross margin percentage: 76.0% (2007: 74.5%)
- Operating margin: 15.3% (2007 adjusted: 10.9%)
- Adjusted profit before tax: £6.0 million (2007: £2.5 million)
- Adjusted earnings per share: 23.9 pence (2007: 11.9 pence)
- Free cash flow: £6.5 million (2007: £0.4 million outflow)
- Cash conversion of profits: 108.3% (2007: 5.8%)

Dividend
As in prior periods, the Board has not declared a dividend for the year, believing it best to ensure the Group has a strong balance sheet to support the growth that the Directors expect to continue.

Annual General Meeting
The Group's Annual General Meeting will be held on 26 March 2009 at 9am at 3 Noble Street, London, EC2V 7EE.

Nathan Runnicles
Chief Financial Officer

Group Income Statement
for the year ended 31 October 2008

	Notes	2008 £'000	2007 £'000
Revenue	2	41,163	25,807
Cost of sales		(9,867)	(6,580)
Gross profit		31,296	19,227
Administrative expenses		(24,993)	(16,903)
Operating profit	2	6,303	2,324
Finance revenue		156	24
Finance costs	3	(771)	(2,005)
Profit before taxation		5,688	343
Tax expense		(2,000)	(788)
Profit/ (loss) for the year attributable to equity holders of the parent		3,688	(445)
Earnings per share (pence)			
Basic earnings/ (loss) per ordinary share	4	21.8p	(3.2)p
Diluted earnings/ (loss) per ordinary share	4	20.0p	(3.2)p
Adjusted Earnings per share* (pence)			
Basic earnings per ordinary share	4	23.9p	11.9p
Diluted earnings per ordinary share	4	21.9p	10.8p

All income and expenses relate to continuing activities.

** Adjusted for 2007's non-recurring item, as defined in the CFO report on page 9 and the interest accretion and foreign currency translation adjustment on contingent consideration in both 2007 and 2008.*

Group Statement of Recognised Income and Expense
for the year ended 31 October 2008

	Notes	2008 £'000	2007 £'000
Income and expense recognised directly in equity			
Deferred tax on share options		(144)	245
Current tax relief on items not charged to income statement		77	247
Gain on cash flow hedge taken to equity		-	2
Transfer to income statement on cash flow hedge – Administrative expenses		(2)	-
Exchange differences on retranslation of foreign operations		(5)	182
Exchange differences on retranslation of goodwill		(149)	2,822
Profit/ (loss) for the year		3,688	(445)
Total recognised income and expense for the year		3,465	3,053

Group Balance Sheet
at 31 October 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Property, plant and equipment		1,510	953
Intangible assets		20,875	20,214
Deferred tax assets		261	482
		22,646	21,649
Current assets			
Trade and other receivables	5	11,310	8,910
Inventories		329	60
Financial assets		35	40
Cash and cash equivalents		7,773	1,246
		19,447	10,256
Total assets		42,093	31,905
Current liabilities			
Trade and other payables		(9,096)	(6,021)
Other financial liabilities	7	(331)	(1,530)
Income tax payable		(1,684)	(166)
Provisions		(6,172)	(5,299)
		(17,283)	(13,016)
Long term liabilities			
Other financial liabilities	7	-	(2,243)
Provisions		-	(4,312)
		-	(6,555)
Total liabilities		(17,283)	(19,571)
Net assets		24,810	12,334
Capital and reserves			
Equity share capital	9	351	286
Share premium account	9	8,612	2,005
Merger reserve	9	6,970	4,802
Exchange reserve	9	2,792	2,946
Other reserves	9	(65)	(65)
Retained earnings	9	6,150	2,360
Equity attributable to shareholders of the parent		24,810	12,334

Group Cash Flow Statement
for the year ended 31 October 2008

	Notes	2008 £'000	2007 £'000
Cash generated from operations	8	10,209	2,686
Taxation paid		(329)	(538)
Net cash flow from operating activities		9,880	2,148
Investing activities			
Interest received		156	24
Payments to acquire property, plant and equipment		(598)	(723)
Cash inflow on subsidiary acquisition		-	687
Payments to acquire subsidiary		(2,178)	(4,891)
Payments to acquire intangible assets		(2,784)	(1,828)
Net cash flow from investing activities		(5,404)	(6,731)
Financing activities			
Interest paid		(167)	(294)
Repayment of capital element of finance leases and hire purchase contracts		(232)	-
Proceeds from share issues		7,049	114
Share issue costs		(394)	
New borrowings		-	4,643
Repayment of borrowings		(4,143)	(500)
Fees on borrowings		(50)	(452)
Net cash flow from financing activities		2,063	3,511
Increase/ (decrease) in cash and cash equivalents		6,539	(1,072)
Effect of exchange rates on cash and cash equivalents		(12)	(63)
Cash and cash equivalents at the beginning of the year		1,246	2,381
Cash and cash equivalents at the end of the year	7	7,773	1,246

Notes

1. Basis of preparation

The Group's financial statements, from which the preliminary announcement has been extracted, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 October 2008 and applied in accordance with the Companies Act 1985. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2008.

The financial information set out in this preliminary announcement is audited. The annual report and accounts for 2007, prepared under IFRS, have been delivered to the Registrar of Companies and the annual report and accounts for the year ended 31 October 2008 will be delivered to the Registrar following the Group's forthcoming Annual General Meeting.

This financial information was approved by the Board of Research Now plc on 30 January 2009. The annual report and accounts for the year ended 31 October 2008 will be circulated in due course to all shareholders and copies will be available from the registered office of the Group at Elizabeth House, 39 York Road, London, SE1 7NQ and will also be accessible from the Investor section of the Group's website at www.researchnow.co.uk.

2. Segment revenue and segment result

The primary segment reporting format is determined to be geographical segments as the Group's risk and rates of return are affected predominantly by differences in the economic environment in the countries in which the Group operates. For management purposes the Group is organised into geographical operating divisions Europe, The Americas (North and South America) and Asia Pacific. These divisions are the basis on which the Group reports its primary segment information. The secondary segment is determined to be business segment. As the Group operates in only one business segment, the provision of on-line fieldwork services, no further analysis is provided.

	Segment revenue		Segment result	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Continuing operations				
Europe	21,048	14,635	2,994	1,347
The Americas	16,899	9,379	2,837	534
Asia Pacific	3,216	1,793	472	443
	41,163	25,807	6,303	2,324
Net finance costs			(615)	(1,981)
Profit before tax			5,688	343
Income tax expense			(2,000)	(788)
Profit/ (loss) for the year from continuing operations			3,688	(445)

3. Finance costs

	2008	2007
	£'000	£'000
Bank loans and overdrafts		
- interest	196	294
- amortisation of debt fees	225	82
Total finance costs calculated using the effective interest rate method	421	376
Foreign currency translation adjustment on contingent consideration	(28)	1,260
Interest accretion on contingent consideration	378	369
	771	2,005

4. Earnings per ordinary share (EPS)
Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year excluding any shares held by the Research Now Share incentive plan trust.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares and contingent consideration shares.

In order to facilitate a comparison between the current and the prior period's basic and diluted earnings per share, they are also presented using earnings before non-recurring items (see the Chief Financial Officer's report under "Adjusted results" section) and before interest accretion and foreign currency translation adjustment on contingent consideration.

The amounts for earnings per share from continuing operations on a reported and on an adjusted basis are as follows:

Basic and Diluted earnings per share

	2008	2007
Reported earnings (£'000)	3,688	(445)
Weighted average shares used in Basic EPS calculation ('000)	16,907	13,883
Basic EPS (pence)	21.8p	(3.2)p
Weighted average shares used in Diluted EPS calculation ('000)	18,468	13,883
Diluted EPS (pence)	20.0p	(3.2)p

For the year ended 31 October 2007 the weighted average number of shares used for Diluted EPS was the same as that used in the Basic EPS calculation, as the effect of increasing the weighted average number of shares would have been anti-dilutive.

Adjusted earnings per share

	2008	2007
Reported earnings (£'000)	3,688	(445)
Non-recurring items net of tax	-	465
Interest accretion on contingent consideration	378	369
Foreign currency translation adjustment on contingent consideration	(28)	1,260
Adjusted earnings	4,038	1,649
Adjusted Basic EPS (pence)	23.9p	11.9p
Adjusted Diluted EPS (pence)	21.9p	10.8p

A reconciliation between the shares used in calculating Adjusted Basic and Diluted earnings per share is as follows:

	2008	2007
	'000	'000
Weighted average shares used in Basic EPS calculation	16,907	13,883
Dilutive share options outstanding	701	822
Potential share issue for contingent consideration on acquisition	860	618
Weighted average shares used in Adjusted Diluted EPS calculation	18,468	15,323

Adjusted Diluted EPS excludes those share options that have an exercise price in excess of the average share price for the year ended 31 October 2008.

5. Trade and other receivables

	2008	2007
	£'000	£'000
Trade receivables	9,588	6,396
Prepayments and accrued income	1,722	2,514
	11,310	8,910

Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment. As at 31 October 2008, trade receivables at nominal value of £523,000 (2007: £64,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2008	2007
	£'000	£'000
At 1 November 2007	64	10
Charge for the year	492	54
Amounts written off	(33)	-
Unused amounts reversed	-	-
At 31 October 2008	523	64

As at 31 October 2008 the analysis of trade receivables are:

	Total	Neither past due nor impaired	Past due or impaired		
			31 – 60	61 – 90	90 – 230
	£'000	£'000	£'000	£'000	£'000
Trade receivables	10,111	6,849	1,895	671	696
Provision	(523)	-	-	-	(523)
	9,588	6,849	1,895	671	173

6. Bank loans

	2008	2007
	£'000	£'000
£3,500,000 revolving credit facility	-	3,500
Debt Fees	-	(370)
	-	3,130
Analysed as		
Current instalments due on revolving credit facility (net of fees)	-	887
Non-current obligations due on revolving credit facility (net of fees)	-	2,243
	-	3,130

For presentational purposes, unamortised debt fees have been disclosed within financial assets for the year ended 31 October 2008 (2008: £194,000). For the year ended 31 October 2007, unamortised debt fees were £370,000.

The revolving credit facility is secured by a fixed and floating charge over the Group's assets. The facility expires on 31 March 2011 and was fully pre-paid during the year. The loan bears interest at LIBOR +2.25%. At 31 October 2008 the Group had available £2.5 million of undrawn borrowing facility.

7. Reconciliation of movements in net (debt)/ funds:

	1 November 2007	Cash flow	Exchange differences	Non-cash move-ments	31 October 2008
Cash and cash equivalents	1,246	6,539	(12)	-	7,773
Finance Lease obligations	-	232	-	(563)	(331)
Loans	(3,500)	3,500	-	-	-
Unamortised debt fees	370	50	-	(225)	195
Invoice Discounting	(643)	643	-	-	-
	(2,527)	10,964	(12)	(788)	7,637

8. Reconciliation of profit for the year to net cash flow from operating activities

	2008	2007
Operating activities	£'000	£'000
Adjustments to reconcile profit for the year to net cash inflow from operating activities		
Profit/ (loss) for the year	3,688	(445)
Tax expense	2,000	788
Net finance costs	615	1,981
Operating profit	6,303	2,324
Depreciation of property, plant and equipment	611	471
Amortisation of intangible assets	2,228	1,346
Share-based payments	171	99
Increase in inventories	(269)	(17)
Increase in trade and other receivables	(2,202)	(3,971)
Increase in trade and other payables	3,036	1,867
Movement in provisions	331	567
Net cash flow from operating activities	10,209	2,686

9. Reconciliation of movements in equity

	Equity share capital	Share premium	Merger Reserve	Exchange Reserve	Other reserves	Retained earnings	Share-holder equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 October 2007	286	2,005	4,802	2,946	(65)	2,360	12,334
Total recognised income and expense for the year	-	-	-	(154)	-	3,619	3,465
Shares issued during the period	47	6,953	-	-	-	-	7,000
Share issue costs	-	(394)	-	-	-	-	(394)
Exercise of options	1	48	-	-	-	-	49
Shares issued for deferred consideration	17	-	2,168	-	-	-	2,185
Share option reserve	-	-	-	-	-	171	171
At 31 October 2008	351	8,612	6,970	2,792	(65)	6,150	24,810

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