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Research Now plc

Preliminary Results in line with market expectations

The Board of Research Now, the international online fieldwork and panel specialist, is pleased to announce its unaudited Preliminary Results for the year ended 31 October 2007.

Highlights

- Revenue of £25.8m, up 168% including OpenVenue
- Organic revenue growth of 100%
- Adjusted profit before tax* of £2.5m up 79%
- Reported profit before tax of £0.3m
- Adjusted basic EPS* up 34% to 11.9p
- Basic EPS of (3.2)p
- Successful integration of OpenVenue acquisition
- Client numbers more than doubled to 750
    - strong repeat business at 79% of revenue
- Rapid geographical expansion continued
    - Own panels in 28 countries
    - 11 offices covering the Americas, Europe, Asia Pacific

Commenting, Chris Havemann, Chief Executive said:

"Research Now ended the 2007 financial year strongly, with all our business units performing well. Trading since period end has also remained brisk. We remain positive on the prospects for online research generally and believe the Group is well positioned to deliver further profitable growth in the year ahead."

** Adjusted results are stated before non-recurring items and interest accretion and foreign currency translation adjustment on contingent consideration. The EPS reconciliation is shown on page 13.*

Chairman's statement

The financial year to 31 October 2007 was one of significant progress, the most noteworthy achievement being that we have now clearly established ourselves as one of the leading global players in the rapidly growing market for the provision of online fieldwork for market research. This was a strategic objective that I referred to in my Statement on last year's results.

The Group's revenues in the year were £25.8 million, of which £6.6 million related to the post-acquisition sales of OpenVenue, the Canadian market leading fieldwork business that we acquired in February 2007. Excluding OpenVenue, sales were £19.2 million, representing organic growth of 100% on the previous year (£9.6 million), an outstanding achievement.

As I reported at the time of our Interim results, our profits this year were affected by the financial impact of the disruption arising from a tragic incident in our offices in January 2007. The Group's London offices were requisitioned for a month by the Metropolitan Police, forcing the head office and our UK operation to relocate to temporary accommodation and subsequently to move permanently to new premises. The ensuing non-recurring items reduced profit by about £0.5 million. Adding this back, operating profit for the year would have been £2.8 million, an increase of 100% over 2006, a significant achievement in the context of a further considerable step-up during the year in our investment in panels, people and marketing. IFRS profit before tax was £0.3 million compared to £1.4 million in 2006. However, this was after £1.6 million of non-cash accounting adjustments for the contingent consideration payable in relation to OpenVenue.

We have always had a strong focus on client service – it is core to our business model as we believe the best way to grow sales is to have satisfied clients. We operate a group-wide client feedback scheme on every project undertaken and I am delighted that scores continue to be at all time highs in every location.

OpenVenue bedded down well into the Group. The company has performed in line with our expectations and the acquisition has been earnings enhancing in the year. As important are OpenVenue's high calibre staff and reputation for great quality. These have given us an outstanding platform to develop our North American business, implement new IT processes and realise efficiencies across the Group. We have a number of projects in hand for 2008 which are all designed to leverage our global scale and improve profits still further.

During the year we continued to strengthen the senior management team across the Group. In particular, I am delighted that Nathan Runnicles joined us in October as Chief Financial Officer. Nathan comes to us with considerable relevant experience of the media sector. In September we were joined by Kristine Willett as our new Group Financial Controller and we have also strengthened the accounting function in all our key locations. We are already seeing some of the benefits of this significant upgrading of our finance team internationally.

I am also pleased to report that we recently completed a Placing to raise £7 million for the Group which has strengthened our balance sheet and will enable us to finance further investment in panels, people and IT to fuel our anticipated organic growth.

At the time of our 2006 report, we had 145 staff – this had increased to 321 at year end, due both to the acquisition of OpenVenue and to further significant organic growth. As I travel round the Group, I am tremendously struck by the quality of our people – we can justly claim to have some of the best people in our market in every continent.

As well as high levels of technical expertise and enthusiasm, our staff also share a commitment to the Research Now culture, which I believe to be the core of our success; this is a culture that puts outstanding client service at the heart of our proposition. I am proud of all our people and would like to take this opportunity of thanking them for all their great work and support during the last year.

We saw strong trading across all our territories in the second half of the year and I am pleased to be able to say this trend has continued into the current financial year. Whilst mindful that, at the time of writing, the prognosis for the world economy in 2008 is gloomy, I believe that in an economic downturn the trend towards undertaking market research fieldwork online will accelerate, largely because it has shown itself to be more efficient and cost effective than the alternative, traditional face to face and telephone methods. I am therefore confident that we are well positioned for another year of significant progress.

Geoff Westmore
Chairman

CEO's statement

Overview

This past year has been one of tremendous growth for Research Now. As the Chairman has noted in his statement, during 2007 we achieved the objective we set ourselves, namely of becoming a global player in the online fieldwork services market.

Our businesses in all territories made major strides in 2007 and all experienced significant and profitable growth. European sales almost doubled (from £8.3 million in 2006 to £14.6 million), driven by continuing growth from our core UK business, exciting progress in Germany, where we have established ourselves as one of the leading players, and solid growth in France.

North America, with sales of £9.4 million, accounted for 36% of Group sales, a reflection not only of the benefits from our OpenVenue acquisition but also of Research Now's success in the US, where organic sales grew to £2.8 million (2006: £1.0 million). Our Australian business saw sales grow nearly six-fold to £1.8 million and is now a market leader there.

OpenVenue Acquisition

In February, the Group completed the acquisition of Samplenet e-Research Solutions (which traded as OpenVenue), Canada's premier online fieldwork and panel company. With one third of its business in the US at the time of acquisition, OpenVenue provided a ready-made platform for the accelerated rollout of our US business. We were delighted to welcome its directors, Jeff Karry and John Visser into the Group, as our Senior Vice Presidents for North American Operations and Business Development respectively and indeed to welcome the entire Toronto team.

Integration of OpenVenue has gone well. Branding is now fully aligned and from next month we will trade in Canada as Research Now. Exchanges of staff between our London and Toronto offices have driven "best practice" information sharing between the two teams and operational integration is ongoing with good progress towards systems integration and standard processes worldwide. Above all, high client satisfaction levels were maintained on both sides of the Atlantic throughout the year.

Client Service

Clients in the market research industry rely on timely, high quality accurate survey data collection from their fieldwork suppliers. Our success is predicated on continuing to retain this core focus, while developing our range of data collection products, expanding our geographic reach and ensuring that we help our clients solve their research problems.

This past year has seen dramatic expansion of our client base, with around 750 clients served over the year (2006: 300), of which 171 relate to OpenVenue. Notwithstanding this headline success in winning new clients, repeat business continues to fuel our rapid growth, with 79% of revenues in 2007 derived from clients which the combined Group served prior to the year. Client concentration remains low, with our largest single client representing a mere 7% of turnover and our top ten being 26%. Approximately 74% of revenues in the period were from custom ad hoc projects, while tracking or multi-wave studies accounted for the remaining 26%.

The Group serves clients in a number of distinct market segments, all of which are growing. Small and medium market research agencies, contributing 52% of revenues, are the single largest segment reflecting the need of smaller agencies to partner with external suppliers such as ourselves for their online data collection needs. Global market research agencies form a significant individual segment of our Group's revenues, representing approximately 29% of our business in 2007. The Group also continued to build its business with non-market research agency clients during 2007, not least working directly with corporate clients (7%) and other agencies (typically media, PR or advertising agencies and consulting firms) which made up the remaining 12%.

International Expansion
This past year has been one of building our global footprint. At the beginning of the year we had ten offices: London, Paris, New York, San Francisco, Chicago, Hamburg, Frankfurt, Athens, Sydney and Melbourne. During 2007 we added our Toronto office through the OpenVenue acquisition, gaining a major new sales capability in Canada and also an East Coast service delivery hub for our entire North American business. The Group now has service delivery hubs in all key regions of the research world, ensuring that we can meet client needs in their respective time zones.

One of our key strategic aims for 2007 was to expand our business substantially in the sizeable North American marketplace. We achieved this objective, with North America accounting for 36% of our sales over the financial year. Equally, the Group's sales proposition became increasingly international as the year progressed, in response to client demand for global opinion.

One consequence of this was a decline in the Group's gross margin to 75% in the year (from 80% in 2006), reflecting an increased need to buy-in third party panels in those territories where we lacked our own panel assets, not least the US. In order to offset this and to ensure we continue to offer clients high quality panel reach worldwide, the Group invested significantly in building a number of new self-owned online panels in the Americas during the second half, not least our new US panel. Combined with our Canadian Web Perspectives panel acquired via OpenVenue and a number of new panels launched since period end, we can now offer clients proprietary online panel coverage across the USA, Canada, Mexico, Brazil, Argentina and Chile. At the time of writing, the Group owns panels in 28 countries worldwide.

The increasingly global nature of our business is an inexorable trend and we expect to undertake a number of initiatives in response to client demand in the Asia Pacific region during 2008, complementing our existing strong European and North American platform.

Our People
Our success over the past year and indeed our operational recovery after the traumatic incident in January 2007 are a testament to the outstanding team at Research Now. I would like to thank all our employees for their hard work and dedication over the past 12 months. Our high service model relies on the talents and commitments of our team across the globe and I believe this is one of the truly differentiating factors underpinning our continued success.

Outlook
Online survey data collection offers clients a more cost-effective, faster and generally higher quality solution than traditional offline techniques. In response, the global market research industry continues to move fieldwork survey data collection online, and we fully anticipate strong ongoing growth in our marketplace for some years to come, as this substitution trend continues.

Research Now ended the 2007 financial year strongly, with all our business units performing well. We are now fully global, with a broad client base and have a significant presence in six of the world's top eight research markets: the US, UK, France, Germany, Canada and Australia. Trading since period end has also remained brisk. Although the global macroeconomic outlook is perhaps less benign than for a number of years, we remain positive on the prospects for online research generally, and believe the Group is well positioned to deliver further profitable growth in the year ahead.

Chris Havemann
Chief Executive Officer

Finance Director's Review

Reporting basis

The Group's financial statements for the year ended 31 October 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In prior periods the financial statements were prepared under UK Generally Accepted Accounting Practices ("UK GAAP").

As part of the transition to IFRS, the Group has today, in a separate announcement, presented its income statement for the year ended 31 October 2006, together with restated balance sheets as at 1 November 2005 and 31 October 2006. The IFRS announcement provides reconciliations of, and explanations for, the restatement from UK GAAP to IFRS for the income statement for the year ended 31 October 2006 and the half year ended 30 April 2007 and, for the balance sheets as at 1 November 2005, 31 October 2006 and 30 April 2007. Full details of the Group's IFRS accounting policies are also included in the IFRS announcement.

For the year ended 31 October 2007, the impact on profit from the adoption of IFRS has been to reduce UK GAAP trading operating profit by £51,000.

Adjusted profit before tax for the year under IFRS was £2.5 million. This is stated before non-recurring items and non-cash charges for interest accretion (£0.4 million) and the unrealised foreign currency translation adjustment (£1.2 million) on OpenVenue's contingent consideration.

Under IFRS, the £1.2 million exchange movement during the year on the estimated contingent consideration is taken to the Income Statement reducing reported profit before tax. This is more than offset by an exchange gain of £2.8 million arising on the retranslation of the goodwill on the acquisition of OpenVenue which is taken to the Statement of recognised income and expenditure under IFRS. Also, under IFRS, certain material tax credits are now taken to the Statement of recognised income and expenditure whereas, under UK GAAP, they would have been taken to the Income Statement and reduced the Group's tax charge. These relate to tax deductions arising on the exercise of share options, in excess of the accounting charge reflected in the Income Statement in respect of those option exercises. The impact on the Group's tax charge is an increase of £0.4 million.

Revenue

The reported revenue growth was 168.5%. The effect of the acquisition of OpenVenue in February 2007, was to increase reported revenues by £6.6 million. Organic revenue growth, excluding acquired revenues, was 100.2%. On a regional basis the Group's revenue was split as follows:

	Year ended 31 October	
	2007	**2006**
	£'000	**£'000**
Europe	14,635	8,250
The Americas	9,379	1,039
Asia Pacific	1,793	324
	25,807	9,613

Each of the European operations achieved significant organic growth as regional revenues increased by 77.4%. The Americas' organic revenues, excluding the results post acquisition of OpenVenue, almost tripled in the year to £2.8 million. Asia Pacific had an excellent year with revenues up £1.5 million.

Gross margin
The reported gross profit increased by £11.5 million to £19.2 million. The gross profit percentage ("gross margin") decreased to 74.5% (2006: 80.1%) reflecting the combined impact of the acquisition of OpenVenue (a higher proportion of whose business involves the purchase of third party panels in the USA) and the increased purchase of third-party panels by the rest of the Group reflecting the higher incidence of larger scale and more complex international projects, in particular involving Asia and the USA.

During the second half of the year the gross margin was 76.0%, up from 72.1% in the first half, as the Group benefited from the investment in owned panels, and tighter control over third party panel and rewards costs. The Group is continuing to invest in building its own panels to mitigate the cost of buying in from third party suppliers.

Adjusted results
To assist the understanding of the underlying performance of the Group in the year, operating profit, profit before tax and earnings per share are also disclosed prior to the impact of non-recurring items (£0.5 million) and the accounting treatment for contingent consideration liabilities (£1.6 million).

Operating profit and margin
Adjusted operating profit doubled to £2.8 million (2006: £1.4 million). The adjusted operating margin declined to 10.9% (2006: 14.1%) reflecting the continued investment in the Group's international owned-panels and operations in order to drive and support organic revenue growth, offset in part by the post-acquisition contribution from OpenVenue of £0.7 million. Reported operating profit increased by 71.0% to £2.3 million.

Staff costs as a percentage of revenue increased to 45.2% (2006: 42.7%) as headcount grew to 321 employees at year end. The Group's charge in relation to the amortisation of its panel investment was £1.4 million (2006: £0.6 million). The amortisation charge includes £0.3 million in respect of the Canadian panel capitalised upon the acquisition of OpenVenue. It is the Group's policy to amortise over twelve months the cost of recruiting new panellists, being the average estimated active panel membership period.

Finance costs
The Group's finance costs amounted to £2.0 million (2006: £nil) reflecting the costs associated with the acquisition of OpenVenue. Interest on the Group's new debt arrangements totalled £0.3 million, amortisation of debt fees amounted to £0.1 million, a £0.4 million charge in respect of the interest accretion on the contingent consideration and a £1.2 million charge attributable to the foreign currency translation adjustment on contingent consideration.

Profit before tax
Adjusted profit before tax increased 78.6% to £2.5 million (2006: £1.4 million). Reported profit before tax was £0.3 million.

Taxation
The reported tax charge for the year was £0.8 million representing an effective tax rate of 40.0% (2006: 18.3%) on reported profits pre-interest accretion and the translation adjustment. The increase in the charge arose due to the growth in overseas profitability, notably North America through OpenVenue, where tax rates are in excess of UK corporation tax and the impact of non deductible items, especially the amortisation of certain intangible assets.

The Group has £0.8 million of tax losses carried forward (2006: £2.0 million) of which £0.4 million relates to pre-IPO options. Whilst the tax charge under IFRS in the Group's reported Income Statement does not incorporate the benefit related to the losses arising on pre-IPO options, the Group is able to benefit from the losses in the calculation of the actual tax amount payable.

Earnings per share
On a weighted average basis of 13.9 million shares, adjusted earnings per share were 11.9 pence (2006: 8.9 pence). On a fully diluted weighted average basis of 15.3 million shares, adjusted fully diluted earnings per share were 10.8 pence (2006: 8.4 pence). Basic loss per share was 3.2 pence (2006 basic earnings per share: 8.4 pence).

Cash flow and Debt
Net cash flow from operating activities was £2.6 million (2006: £2.1 million). Capital expenditure was £0.7 million (2006: £0.5 million). The Group's investment in maintaining and growing its existing panels and developing and launching new ones increased to £1.8 million (2006: £0.7 million).

Net debt, defined as cash and cash equivalents less bank borrowings (net of arrangement fees), other debt arrangements and obligations under finance leases, was £2.5 million at 31 October 2007 (2006: £2.4 million net cash).

The cash consideration arising on the acquisition of OpenVenue was primarily funded by a new £4.0 million revolving credit facility. The facility was fully drawn at the time of acquisition and remained so throughout the remainder of the year. The facility is a four year facility with six monthly repayments of £0.5 million that commenced in September 2007. As at 31 October 2007 the drawn facility was £3.5 million.

In addition, an invoice discounting facility was arranged to fund the costs of the acquisition and support the Group's working capital position. As at 31 October 2007 the drawn facility was £0.6 million.

Post balance sheet event
In December 2007, the Group raised approximately £7.0 million before expenses by means of a share placing, issuing a total of 2,333,334 ordinary shares to institutional investors. The net proceeds of the placing have been used to strengthen the balance sheet to ensure that the Group is adequately funded for the growth that the Directors expect to experience in future, and to provide sufficient funds for the Group, if it elects to do so, to pay the first instalment of the OpenVenue contingent consideration fully in cash.

Annual General Meeting
The Group's Annual General Meeting will be held on 26 March 2008 at 11am at 3 Noble Street, London, EC2V 7EE.

Nathan Runnicles
Chief Financial Officer

Research Now plc

Group income statement (unaudited)
for the year ended 31 October 2007

	Notes	2007 £'000	2006 £'000
Revenue	2	25,807	9,613
Cost of sales		(6,580)	(1,910)
Gross profit		19,227	7,703
Administrative expenses		(16,903)	(6,344)
Operating profit	2	2,324	1,359
Finance revenue		24	58
Finance costs	3	(2,005)	-
Profit before taxation		343	1,417
Tax expense		(788)	(259)
(Loss) / profit for the year attributable to equity holders of the parent		(445)	1,158
Earnings per share (pence)			
Basic earnings per ordinary share	4	(3.2)p	8.9p
Diluted earnings per ordinary share	4	(3.2)p	8.4p
Adjusted earnings per share* (pence)			
Basic earnings per ordinary share	4	11.9p	8.9p
Diluted earnings per ordinary share	4	10.8p	8.4p

** Adjusted for non-recurring items and interest accretion and foreign currency translation adjustment on contingent consideration*

Group statement of recognised income and expense (unaudited)
for the year ended 31 October 2007

	2007 £'000	2006 £'000
Income and expense recognised directly in equity		
Exchange differences on retranslation of foreign operations	188	(58)
Deferred tax on share options	245	-
Tax on share options	247	410
Gain on cash flow hedge taken to equity	2	-
Exchange difference on retranslation of goodwill	2,816	-
(Loss) / profit for the year	(445)	1,158
Total recognised income and expense for the year	3,053	1,510

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Group balance sheet (unaudited)

At 31 October 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Property, plant and equipment		953	524
Intangible assets		20,214	412
Deferred tax assets		482	248
		21,649	1,184
Current assets			
Trade and other receivables		8,910	3,341
Inventories		60	43
Financial assets		40	-
Cash and cash equivalents		1,246	2,381
		10,256	5,765
Total assets		31,905	6,949
Current liabilities			
Trade and other payables		(6,021)	(2,203)
Other financial liabilities	6	(1,530)	-
Income tax payable		(166)	(97)
Provisions		(5,299)	(405)
		(13,016)	(2,705)
Long term liabilities			
Other financial liabilities	6	(2,243)	-
Provisions		(4,312)	-
		(6,555)	-
Total liabilities		(19,571)	(2,705)
Net assets		12,334	4,244
Capital and reserves			
Equity share capital	8	286	260
Share premium account	8	2,005	1,895
Merger reserve	8	4,802	-
Exchange reserve	8	2,946	(58)
Other reserves	8	(65)	(65)
Retained earnings	8	2,360	2,212
Shareholders' equity	8	12,334	4,244

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Group cash flow statement (unaudited)
for the year ended 31 October 2007

	Notes	2007 £'000	2006 £'000
Cash generated from operations	7	2,686	2,102
Taxation paid		(538)	-
Net cash flow from operating activities		2,148	2,102
Investing activities			
Interest received		24	58
Payments to acquire property, plant and equipment		(719)	(525)
Cash inflow on subsidiary acquisition		687	-
Payments to acquire subsidiary		(4,887)	-
Payments to acquire intangible assets		(1,828)	(749)
Net cash flow from investing activities		(6,723)	(1,216)
Financing activities			
Interest paid		(294)	-
Proceeds from share issues		118	125
New borrowings		4,643	-
Repayment of borrowings		(500)	-
Fees on new borrowings		(452)	-
Net cash flow from financing activities		3,515	125
(Decrease) / Increase in cash and cash equivalents		(1,060)	1,011
Effect of exchange rates on cash and cash equivalents		(75)	(58)
Cash and cash equivalents at the beginning of the year		2,381	1,428
Cash and cash equivalents at the end of the year		1,246	2,381

Research Now plc

Notes

1. Basis of preparation
The principal accounting policies are set out in the Group's IFRS transition release, that was issued today. This preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and applied in accordance with the provisions of the Companies Act 1985.

The financial information set out in this preliminary announcement is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The annual report and accounts for 2006, prepared under UK GAAP, have been delivered to the Registrar of Companies and the annual report and accounts for the year ended 31 October 2007 will be delivered to the Registrar following the Group's forthcoming Annual General Meeting.

2. Segment revenue and operating profit

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.

	Revenue		Operating Profit	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Continuing operations				
Europe	14,635	8,250	1,347	1,274
The Americas	9,379	1,039	534	147
Asia Pacific	1,793	324	443	(62)
	25,807	9,613	2,324	1,359

3. Finance costs

	2007 £'000	2006 £'000
Bank loans and overdrafts		
- Interest	294	-
- amortisation of debt fees	82	-
Total finance costs calculated using the effective interest rate method	376	-
Foreign currency translation adjustment on contingent consideration	1,260	-
Interest accretion on contingent consideration	369	-
	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.

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.

In order to facilitate a comparison between the current and the prior period's basic and diluted earnings per share, they are also presented on an adjusted basis, using earnings before non-recurring items 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 EPS

	2007	**2006**
Reported earnings (£'000)	(445)	1,158
Weighted average shares used in Basic EPS calculation ('000)	13,883	12,971
Basic EPS (pence)	(3.2)p	8.9p
Weighted average shares used in Diluted EPS calculation ('000)	13,883	13,752
Diluted EPS (pence)	(3.2)p	8.4p

The weighted average number of shares used for Diluted EPS is the same as that used in the Basic EPS calculation, as the effect of increasing the weighted average number of shares would be anti-dilutive.

Adjusted EPS

	2007 £'000	**2006 £'000**
Reported earnings (£'000)	(445)	1,158
Non-recurring items net of tax	465	-
Interest accretion on contingent consideration	369	-
Foreign currency translation adjustment on contingent consideration	1,260	-
Adjusted earnings	1,649	1,158
Adjusted Basic EPS (pence)	11.9p	8.9p
Adjusted Diluted EPS (pence)	10.8p	8.4p

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

	2007 '000	**2006 '000**
Weighted average shares used in Basic EPS calculation	13,883	12,971
Dilutive share options outstanding	822	781
Potential share issue for contingent consideration on acquisition	618	-
Weighted average shares used in adjusted Diluted EPS calculation	15,323	13,752

5. Business combination

On 6 February 2007 the Group acquired 100% of the voting shares of Samplenet e-Research Solutions Inc (which trades as OpenVenue), a private company based in Toronto, Canada. The company is involved in the provision of online fieldwork and access panels for market researchers in North America. The consideration of £16,726,000 consists of an initial payment of £9.7m satisfied by a combination of cash and equity as shown below, plus additional consideration payable in February 2008 and February 2009.

Book values under IFRS and final fair values of the assets, liabilities and contingent liabilities as at the date of acquisition were as follows:

	Book value	**Fair value adjustments**	**Fair value to Group**
	£'000	**£'000**	**£'000**
Non-current assets			
Property, plant and equipment	130	(10)	120
Intangible assets	390	(32)	358
	520	(42)	478
Current assets			
Trade and other receivables	1,345	45	1,390
Cash and short-term deposits	687	-	687
	2,032	45	2,077
Total assets	2,552	3	2,555
Current liabilities			
Trade and other payables	(1,877)	-	(1,877)
Provisions	-	(123)	(123)
Total liabilities	(1,877)	(123)	(2,000)
Net assets	675	(120)	555
Goodwill arising on acquisition			16,171
Consideration			16,726

Discharged by:	**£'000**
Initial consideration	
Fair value of shares issued (1,115,322 shares at 432.5p, being the market value of the shares at the date of acquisition)	4,820
Cash	4,281
Costs associated with the acquisition, settled in cash	614
Total initial consideration	9,715
Contingent consideration	
Payable February 2008	3,511
Payable February 2009	3,500
Total contingent consideration	7,011
Total consideration	16,726

The adjustments made to net assets are as follows:

Intangible assets
a) Purchased goodwill of £378,000 relating to previous acquisitions made by OpenVenue has been written off.

b) OpenVenue did not historically attribute a value to its panel. As part of the fair value exercise, Research Now has valued OpenVenue's panel at £346,000. This is being amortised over twelve months.

Property, plant and equipment
A revaluation of leasehold improvements capitalised previously was made following the relocation of the office premises in Toronto, as agreed before acquisition, resulting in a reduction in net assets acquired of £10,000

Trade receivables
Research Now's accounting policy for revenue recognition has been applied, resulting in an increase in net assets acquired of £44,000.

Provisions
An adjustment has been made to reflect additional costs of terminating a contract, as agreed before acquisition, to acquire panellists. A provision of £123,000 has been made to reflect the total liability remaining under the contract.

The total consideration was calculated as follows:

Initial consideration
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 a subsequent reduction in cash consideration.

Contingent consideration
Additional cash or share consideration is payable dependent upon the achievement of certain OpenVenue gross margin performance targets for the year ended 31 October 2007 and the year ending 31 October 2008.

In respect of the year ended 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 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$25.0m. Such contingent 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 contingent consideration has been discounted using an appropriate rate of interest representing the equivalent debt funding rate available to the Group.

6. Other financial liabilities

	2007 £'000	2006 £'000
Current		
Invoice discounting facility	643	
Current instalments due on revolving credit facility (net of fees)	887	-
	1,530	-
Non-current		
Non-current obligations due on revolving credit facility (net of fees)	2,243	-

Bank loans

	2007 £'000	2006 £'000
Revolving credit facility	3,500	-
Unamortised Debt Fees	(370)	-
	3,130	-
Analysed as		
Current	887	-
Non-current	2,243	-
	3,130	-

The invoice discounting facility is based on certain of the Group's UK trade debts and is secured by a first fixed charge over those trade debts and a floating charge over the Group's assets. The facility can be terminated at any time after 30 January 2008 by either party giving six months notice.

The £3,500,000 revolving credit facility is secured by a fixed and floating charge over the Group's assets. The facility expires on 31 March 2011 and is repayable in instalments of £500,000 every six months starting on 30 September 2007. The loan bears interest at LIBOR + 2.5%. This facility was fully drawn down at 31 October 2007.

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

	2007 £'000	2006 £'000
Adjustments to reconcile (loss) / profit for the year to net cash flow from operating activities		
(Loss) / profit for the year	(445)	1,158
Tax expense	788	259
Net finance costs	1,981	(58)
Operating profit	2,324	1,359
Depreciation and impairment of property, plant and equipment	471	159
Amortisation and impairment of intangible assets	1,346	615
Share-based payments	99	191
Increase in inventories	(17)	(6)
Increase in trade and other receivables	(3,971)	(1,936)
Increase in trade and other payables	1,867	1,720
Movement in provisions	567	-
Net cash flow from operating activities	2,686	2,102

8. Reconciliation of movements in equity

	Equity share capital £'000	Share premium £'000	Merger Reserve £'000	Exchange Reserve £'000	Other reserves £'000	Retained earnings £'000	Share-holder equity £'000
At 31 October 2005	258	1,772	-	-	(65)	453	2,418
Total recognised income and expense for the year	-	-	-	(58)	-	1,568	1,510
Share option reserve	-	-	-	-	-	191	191
Exercise of warrants	2	123	-	-	-	-	125
At 31 October 2006	260	1,895	-	(58)	(65)	2,212	4,244
Total recognised income and expense for the year	-	-	-	3,004	-	49	3,053
Shares issued on acquisition	22	-	4,802	-	-	-	4,824
Share option reserve	-	-	-	-	-	99	99
Exercise of options	4	110	-	-	-	-	114
At 31 October 2007	286	2,005	4,802	2,946	(65)	2,360	12,334

Equity share capital
The balance held in equity share capital relates to the nominal value of the Company's equity share capital, comprising 2p ordinary shares.

Share premium
The balance held in share premium represents the excess of cash received or the fair value of shares issued over the nominal value on the issue of the Company's equity share capital.

Merger reserve
The share premium on the shares issued on the acquisition of OpenVenue qualifies for merger relief and is therefore being held in a merger reserve.

Exchange reserve
The exchange reserve holds all exchange differences taken directly to reserves.

Other reserves
Other reserves relates to shares owned by the Research Now Share Incentive Plan Trust which are classified as Treasury Shares.

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