YouGov plc

Full year results for year ended 31 July 2008

13 October 2008

Financial highlights

- Turnover up 183% to £40.4m (2007: £14.3m)
- Organic revenue growth of 38% in UK and Middle Eastern businesses
- Proforma* organic revenue growth of 28% in acquired businesses
- Normalised** operating profit rose 55% to £8.7m (2007: £5.6m)
- Exceptional costs of £1.2m due to abortive acquisition, as previously announced
- Reported profit before taxation down 29% to £4.0m (2007: £5.6m) reflecting increased amortisation and exceptional item. Profit after taxation up 6% to £5.3m (£5.0m)
- Normalised earnings per share up 30% to 8.3p (6.4p)
- Strong cash balance of £13.4m at 31 July 2008 compared to £4.1m at 31 July 2007

Operational highlights

- Three acquisitions completed in Germany, Scandinavia and USA, extending international reach and allowing delivery of EMEA and North American research to global clients
- Acquisitions have introduced a wider range of clients, products and expertise including a strong client base in Germany and Scandinavia, sector specialisms and syndicated products in Germany and valuable panel assets in Scandinavia and USA
- Integration of the businesses yielding benefits through product rollout
- UK's new sector specialist teams winning strategic projects from large research buyers including Asda, Unilever and News International
- 2008 London Mayoral election polls demonstrated once again accuracy of YouGov's online methodologies for measuring opinion
- Ground breaking agreement with CBS to conduct the first ever online Presidential Election forecasts commissioned by a US TV network
- Global panel size increased from 260,000 in 14 countries to 1,750,000 across 31 countries
- Establishment of integrated technology platform using leading edge survey software developed by our US business supported by Group data centres in Berlin and Palo Alto

* Proforma organic growth is based on estimated revenues of the acquired subsidiaries for the year ended 31 July 2007

** Normalised operating profit is defined as Group Operating Profit after adding back IFRS translation costs, IFRS holiday pay accrual and integration costs

Commenting on the results, Nadhim Zahawi, Chief Executive, said:

"The 2008 financial year has been one of significant revenue growth with the contribution from the three acquisitions made last year combining with good organic growth. The acquisitions have added new geographies, extended our client base, introduced new products and grown our panel. We have also invested across the business to strengthen our research teams and develop our infrastructure to provide an enlarged platform for future growth. This investment resulted in unexpected extra costs and margin pressure; in response to this we have put in place new financial controls across the Group.

"Looking to the future, we continue to monitor the macroeconomic situation with interest however we do expect online market research to carry on increasing its proportion of research spend and believe that YouGov will continue to win market share by developing products to meet the demand for accurate, real time research. We are in a strong financial position and expect to continue to deliver revenue growth while investing prudently to ensure that we generate attractive future returns."

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YouGov plc

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EXTRACTS FROM CHAIRMAN AND CHIEF EXECUTIVE STATEMENTS

Introduction

The financial year ended 31 July 2008 has been one of both acquisitive and organic growth. In driving our revenues ahead, we achieved significant organic growth of 38% from our UK and Middle Eastern businesses. Our results include the first contribution from our acquisitions of Polimetrix in the USA, psychonomics in Germany and Zapera in Scandinavia in August 2007. These businesses grew organic revenue by 29% on a proforma basis. We now have a clear presence in the UK, Germany and North America; the top three market research markets.

Normalised operating profit increased by 55% to £8.7m from £5.6m, in line with our trading statement on 11 August 2008. Importantly, our balance sheet remains strong with cash balances of £13.4m as at 31 July 2008.

The year has seen investment in all companies to strengthen research teams and integrate and develop internal infrastructure - providing us with a platform to support our future growth. While the Group achieved good revenue growth, this investment increased our cost base and resulted in margin pressure as explained in August.

Early in 2008, we engaged in detailed discussions about a significant acquisition which fitted closely with our growth strategy. However, it became clear at a late stage that this acquisition could not be financed on acceptable commercial terms in the current financial market conditions. The termination of negotiations led to a significant write-off of professional fees which is included in exceptional costs for the year.

Expansion and becoming a global business

The organic growth of YouGov businesses over the last five years has been strong and our new businesses are growing well. More and more clients have come to recognise the commercial value of the market insight provided by the YouGov methodology and online research, which offers increased accuracy and speed with improved cost efficiency.

This year, the UK custom research business introduced sector specialist teams ("YouGov Consulting") to support clients' strategic market research needs. It has succeeded in winning large projects with blue chip clients, including Asda, Unilever and News International, for which YouGov UK would not have been considered previously. This specialisation is helping to build our recurring income stream.

Our proprietary product, BrandIndex, has established itself further in providing definitive insights into the mood of the consumer. Following the three acquisitions and their integration, we now have a BrandIndex offering in the UK, Germany, USA and Scandinavia. We have also launched an international version of the UK's online Omnibus survey.

The Middle East business has continued to grow its qualitative research and developed its quantitative capabilities during the year as well as expanding its reach across the region, notably in Saudi Arabia.

Our new subsidiaries share our culture of innovation and entrepreneurship and have given us a strong footprint across the world. They have introduced a wider range of clients, products and expertise into the Group. The management team has been busy integrating the businesses and cross-pollinating ideas and best practice. As part of this process we plan a re-branding exercise in 2009 which will bring the new businesses within the global YouGov identity while preserving their individual names within their local markets.

YouGov is at an important stage in its maturity as it transitions to becoming a truly global company. In straightforward trading terms the past year has been very successful but as announced in our August statement, the financial result was affected by an abortive acquisition and inadequate monitoring and management of overall costs across the Group, particularly in the second half of the year. We have faced some difficult challenges and learned important lessons this year as our Group has grown and become more complex and diverse. The Board has taken clear steps to respond to these so as to ensure more robust management and financial controls across the Group.

We have strengthened our management team to reflect our growth and to improve controls with the appointment of Alan Newman as the new Group CFO, on a permanent basis and five senior appointments to our subsidiaries. New CEO's with substantial management experience have been appointed to lead the Scandinavian and UK businesses and new Finance Directors were appointed in Germany, Scandinavia and the USA.

Polimetrix, our US subsidiary and former associate company, is at an early stage of commercial development. It has brought us leading edge survey technology which we are rolling out across the Group as well as the asset of a large US online panel. Its strength in political polling should provide a platform for brand extension, just as YouGov has achieved in the UK. We expect that its forthcoming work for CBS on the 2008 US Presidential election will demonstrate this.

psychonomics in Germany, the world's third largest research market, brings a substantial base of blue chip client relationships with expertise in sectors such as financial services, insurance and healthcare. Although the business is predominantly offline it is already moving more of its research online and rolling out YouGov's data services products.

Zapera in Scandinavia is an innovative online business which brings us new products, a strong Nordic client base and extends our geographic reach whilst having an infrastructure through which to rollout YouGov's products regionally. Scandinavia is a natural market for YouGov, with among the highest levels of broadband internet penetration in the world.

Financial performance

Group turnover for the year increased by 183% to £40.4m, against £14.3m in 2007. The revenue of £20.8m from the newly acquired businesses contributed 145% to the Group's revenue growth. On a proforma basis, these businesses achieved organic revenue growth of 28%, with Germany growing by 13%, Scandinavia by 44% and USA by 89%. The Group's gross margin increased from 81% to 83%.

Normalised operating profit increased by 55% to £8.7m from £5.6m in the year to July 2007. Normalised earnings per share rose by 30% to 8.3p from 6.4p. Normalised profit before taxation rose 67% to £9.5m from £5.7m in the year to July 2007.

Reported profit before tax fell from £5.6m to £4.0m reflecting the exceptional item of £1.2m and the increase in amortisation charges relating to purchased intangibles.

Substantial investments were made during the year across all the group's businesses to support continued revenue growth, the integration of the acquired businesses and development of the Group's infrastructure assets, panels and people. This expenditure added approximately £2m in the year out of the total increase of £19m in the Group's operating costs. Overall, the Group's operating margin (defined as Group operating profit as a percentage of Group revenue) fell from 39% to 20% reflecting the lower margins in the acquired businesses as well as the investments made in the existing businesses.

Analysis of Operating Profit and Earnings per Share:

Normalised operating profit	**31 July 2008 £'000**	**31 July 2007 £'000**
Group operating profit	7,867	5,573
Normalisation adjustments:		
One off IFRS transition costs	59	-
Holiday pay	229	47
Integration	540	-
Normalised operating profit	8,695	5,620
Earnings per share	**p**	**p**
Basic EPS	4.9	6.2
Net effect of adjustments for amortisation, share based payments, imputed interest and exceptional items	2.8	0.1
Adjusted EPS	7.7	6.3
Net effect of normalisation adjustments	0.6	0.1
Normalised EPS	8.3	6.4

Basic earnings per share for the year are 4.6p on a fully diluted basis compared to 5.9p for the year to 31 July 2007.

With the benefit of the share placing, the Group generated net cash of £9.5m this year, compared to an outflow of £1.1m in 2006/7. £3.1m of this was generated from operations (before paying interest and tax) compared to £4.8m in the year ended 31 July 2007. Net cash as at 31 July 2008 was £13.4m (2007: £4.1m).

The Group had an overall tax credit of £1.3m this year compared to a £0.6m charge in 2007 due to a deferred tax credit of £2.0m, of which £0.9m related to the deferred tax associated with the amortisation of intangible assets acquired in the new subsidiaries and a further £0.6m related to the revaluation of said deferred tax liabilities. The underlying effective tax rate for the

Group increased from 11% to 16% as the proportion of Group operating profits in the Middle East (0% tax rate) decreased.

Following the acquisitions and the associated capital raising in August 2007, the Group's net assets increased substantially from £12.2m to £59.6m. Property, plant and equipment increased by £1.7m to £2.2m reflecting the addition of acquired fixed assets, a new freehold property from which the Middle Eastern business operates as well as continued investment in IT infrastructure. Intangible assets and goodwill rose to £50.6m from £1.4m due to the acquisitions. This includes an increase of £32.4m in goodwill and £1.2m in the technology infrastructure which supports the Group's online business model. The Group's share of investments accounted for using the equity method reduced from £4.5m to £0.2m. This reflected the change of Polimetrix from associate to subsidiary.

The Directors are not recommending the payment of a dividend.

Since the year end we have reached agreement with the selling shareholders of Zapera to vary the terms of the deferred consideration such that the earn-out payment in respect of the year ended 31 July 2008 will be satisfied by a cash payment of £1.55m instead of the issue of £2.25m worth of YouGov shares.

Review of operations

Our UK operations have grown strongly with revenues rising by 52% to £12.6m in the year ending 31 July 2008 from £8.3m in the year ending 31 July 2007. Operating profit increased by 11% to £3.9m in the current year compared to £3.5m in the year ending 31 July 2007. The investment in specialist research teams to achieve the revenue growth impacted the amount of operating profit generated. We focused our bespoke research offering on key sectors: consumer, financial services, media, telecoms and technology, political and public sector. In a short space of time, the teams have won very significant projects from blue chip clients; evidence that our model is capable of winning a larger share of a client's budget.

Our Data Services offering has continued to go from strength to strength. The Omnibus team has introduced a suite of products including an International, London, Scotland and B2B Omnibus to improve its client offering. BrandIndex continues to be a core product of the Group and a significant amount of work has been done to scale this internationally.

We launched a new subsidiary in the year, YouGovAlpha, which is contributing as expected. YouGovAlpha is a market research agency with services tailored to the specific needs of fund managers and investment professionals. The Group has been using panels in new ways and developing primary research to gain insights into financial markets. During the year YouGov plc provided research services on an arm's length basis totalling £2.7 m (2007: £0.5m) to Privero Capital Advisors Inc, a US hedge fund advisor, in which Stephan Shakespeare and Balshore Investments (the family trust of Nadhim Zahawi's family) each own 25%.

We announced in March 2008 a joint venture with Numis and Four Capital Partners to form a hedge fund to exploit investment opportunities identified using our proprietary real time research capability. However, prevailing financial market conditions were not conducive to the launch of this fund and we have agreed to disband the joint venture.

The London Mayoral elections in May 2008 proved yet again that we continue to pioneer online research and demonstrate its greater degree of accuracy compared to traditional methodologies. We were the only pollster that predicted the outcome exactly, a testament to our technology, methodology and research experience.

In the Middle East, revenues grew 18% to £7.7m from £6.5m in the year ending 31 July 2007. Operating profit increased by 6% to £3.8m from £3.6m last year. This was driven by a strengthened research team that has extended our geographic reach across the Middle East. Our Middle East online panel has doubled in size and now includes panellists in almost every country in the region.

Our Scandinavian operations achieved record revenues in the period, contributing £6.5m to Group revenues and £1.0m of operating profit in the year. We have opened a new office in Finland and the sales teams have worked very hard with Group development teams to launch BrandIndex regionally.

Germany contributed £12.0m of revenue and £0.7m of operating profit in the year. The operating profit performance was disappointing and due in part to difficulties in forecasting and controlling costs which have now been addressed. The business is growing its online offering with online panels in Germany and Austria and begun to rollout Group data products such as BrandIndex, Omnibus and PeopleIndex. Germany has a strong custom research offering structured along similar sectors as the UK and their collaboration has begun to yield pan-European project revenues. Further leveraging on their expertise, our Group marketing function and European IT data centre will now be coordinated by the German operations.

Our USA operations continued to grow significantly, achieving revenue of £2.8m in its first full year under YouGov ownership. As expected, the USA generated an operating loss of £0.1m for the year as the business is still in the early phase of growth. The core market research offering of data services, public affairs and academic research achieved revenue growth of over 100%. We have developed a strong polling capability, reflected in our recent partnership with The Economist and CBS for polling in the upcoming US presidential elections. The team is focused on widening its research offering and product development, hiring a number of senior people to strengthen the market research and product teams. BrandIndex has been rolled out in the USA. The USA IT development team has played an instrumental part in Group research and development and worked with our UK development team on the next version of BrandIndex.

Following the year end, we entered into our first international partnerships in Turkey and Greece. In Turkey, following a successful trial with Estima, a respected research agency, the company has been awarded a BrandIndex license. In Greece, YouGov has set up YouGovHellas, a joint venture with a local partner in which it will own 51%.

Prospects and market conditions

Innovation is core to our business, and we will continue to leverage our high quality panel and technology to develop products and services that are smarter and more focused on client needs in a changing marketplace. With the speed at which global events now unfold, clients will demand reliable daily data and we need to be positioned to meet that demand. We are already seeing the value of daily data with the work we have done with the investment community.

The core YouGov methodology of using sophisticated online polling to analyse consumer behaviour and predict voting and other intentions is continuing to demonstrate its effectiveness. It is accurate, quick and cost efficient – qualities that are all attractive and important to clients.

YouGov is now well established in the UK, Northern Europe and the Middle East and is financially strong, with significant cash resources. Our US operation is growing rapidly but is still relatively small and we remain committed as a top priority to growing our activities in the world's largest market research territory.

The global market research market in 2007 reached $28 billion and is demonstrating continuing growth. We expect online market research to carry on increasing its proportion of research spend with market forecasts predicting that global online research will have grown 21% to $4.3 billion in 2008. We believe that market conditions remain favourable for YouGov to continue to gain market share and are excited by the many opportunities to expand our online market research model and meet demand for innovative research products.

Following a year of rapid growth, and against the background of recent macroeconomic developments, we believe it is appropriate to take a conservative approach to this year with the focus on organic growth of the enlarged Group. We expect to continue to deliver revenue growth while recognising that the Group still needs to invest in people and infrastructure in order to integrate our businesses further and generate attractive future returns.

Publication of Non-Statutory Accounts

The financial information relating to the year ended 31 July 2008 set out below does not constitute the Group's statutory accounts for that year, but have been extracted from the statutory accounts, which received an unqualified auditors' report and which have not yet been filed with the Registrar of Companies.

YOUGOV PLC

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2008

	Note	**31 July 2008 £'000**	31 July 2007 £'000
Group revenue	1	**40,390**	14,303
Cost of sales		**(7,037)**	(2,647)
Gross profit		**33,353**	11,656
Operating expenses		**(25,486)**	(6,083)
Group operating profit	1	**7,867**	5,573
Amortisation of intangibles		**(2,822)**	(15)
Group profit before exceptional items		**5,045**	5,558
Exceptional costs	2	**(1,200)**	-
Group profit before finance costs		**3,845**	5,558
Finance income		**500**	188
Finance costs		**(74)**	(2)
Imputed finance cost		**(318)**	-
Share of post tax profit/(loss) in joint ventures		**23**	(3)
Share of post tax loss in associate		**-**	(136)
Group profit before taxation	1	**3,976**	5,605
Tax credit/(expense)	3	**1,321**	(613)
Group profit after taxation	1	**5,297**	4,992
Attributable to:			
Equity holders of the parent company		**4,525**	4,198
Minority interests		**772**	794
		5,297	4,992
Earnings per share			
Basic earnings per share attributable to equity holders of the company	4	**4.9**	6.2*
Diluted earnings per share attributable to equity holders of the company		**4.6**	5.9*

*Restated assuming 5:1 share split on 10 April 2007 had been effective throughout the period.

YOUGOV PLC

CONSOLIDATED BALANCE SHEET

As at 31 July 2008

Assets	Note	31 July 2008 £'000	31 July 2007 £'000
Non current assets			
Goodwill		**33,500**	1,095
Intangible assets	**5**	**17,118**	343
Property, plant and equipment	**6**	**2,217**	499
Investments accounted for using the equity method		**194**	4,534
Deferred tax assets		**1,563**	20
Total non current assets		**54,592**	6,491
Current assets			
Trade and other receivables		**17,239**	5,693
Other short term financial assets		**35**	-
Current tax assets		**4**	-
Cash and cash equivalents		**13,406**	4,061
Total current assets	**7**	**30,684**	9,754
Total assets		**85,276**	16,245
Liabilities			
Current liabilities			
Lease liabilities		**3**	24
Provisions		**1,265**	-
Deferred consideration		**5,898**	-
Trade and other payables		**10,275**	3,470
Borrowings		**1,127**	-
Current tax liabilities		**1,048**	147
Total current liabilities	**8**	**19,616**	3,641
Net current assets		**11,068**	6,113
Non current liabilities			
Lease liabilities		**6**	-
Provisions		**15**	334
Deferred consideration		**1,152**	-
Deferred tax liabilities		**4,865**	56
Total non current liabilities	**9**	**6,038**	390
Total liabilities		**25,654**	4,031
Total net assets	**1**	**59,622**	12,214

YOUGOV PLC

CONSOLIDATED BALANCE SHEET

As at 31 July 2008

	31 July 2008 £'000	31 July 2007 £'000
Equity		
Issued share capital	**190**	135
Share premium	**29,156**	3,026
Merger reserve	**9,239**	-
Deferred consideration reserve	**1,438**	-
Foreign exchange reserve	**4,465**	(360)
Profit and loss reserve	**12,902**	7,953
Total equity attributable to shareholders of the parent company	**57,390**	10,754
Minority interests in equity	**2,232**	1,460
Total equity	**59,622**	12,214

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YOUGOV PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 July 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium account	Foreign exchange reserve	Merger reserve	Deferred consideration reserve	Profit and loss account	**TOTAL**	Minority interest	**TOTAL EQUITY**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2006	134	2,943	-	-	-	3,735	**6,812**	743	**7,555**
Changes in equity for 2007									
Exchange differences on translating foreign operations	-	-	(360)	-	-	-	**(360)**	(77)	**(437)**
Net income/(expense) recognised directly in equity	-	-	(360)	-	-	-	**(360)**	(77)	**(437)**
Profit for the period	-	-	-	-	-	4,198	**4,198**	794	**4,992**
Total recognised income and expense for the period	**-**	-	(360)	-	**-**	4,198	**3,838**	717	**4,555**
Dividends	-	-	-	-	-	(12)	**(12)**	-	**(12)**
Expenses offset against share premium	-	(19)	-	-	-	-	**(19)**	-	**(19)**
Issue of share capital for exercise of share options	1	102	-	-	-	-	**103**	-	**103**
Issue of share options	-	-	-	-	-	32	**32**	-	**32**
Balance at 31 July 2007	135	3,026	(360)	-	**-**	7,953	**10,754**	1,460	**12,214**
Changes in equity for 2008									
Exchange differences on translating foreign operations	-	-	4,825	-	-	-	**4,825**	-	**4,825**
Net income/(expense) recognised directly in equity	-	-	4,825	-	-	-	**4,825**	-	**4,825**
Profit for the period	-	-	-	-	-	4,524	**4,524**	772	**5,296**
Total recognised income and expense for the period	-	-	4,825	-	-	4,524	**9,349**	772	**10,121**
Expenses offset against share premium	-	(1,076)	-	-	-	-	**(1,076)**	-	**(1,076)**
Issue of share capital through exercise of share options	4	245	-	-	-	-	**249**	-	**249**
Issue of share capital through fundraising	39	26,961	-	-	-	-	**27,000**	-	**27,000**
Issue of share capital through allotment of shares in satisfaction of acquisition consideration	12	-	-	9,239	-	-	**9,251**	-	**9,251**
Deferred consideration as part consideration for acquisition	-	-	-	-	1,438	-	**1,438**	-	**1,438**
Issue of share options	-	-	-	-	-	425	**425**	-	**425**
Balance at 31 July 2008	**190**	**29,156**	**4,465**	**9,239**	**1,438**	**12,902**	**57,390**	**2,232**	**59,622**

YOUGOV PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2008

	Note	**31 July 2008 £'000**	31 July 2007 £'000
Cash flows from operating activities			
Profit after taxation	**1**	**5,297**	4,992
Adjustments for:			
Depreciation		**522**	111
Amortisation		**2,822**	15
Loss on disposal of fixed assets		**1**	-
Foreign exchange loss		**53**	-
Share option expense		**311**	-
Taxation expense recorded in profit and loss		**(1,321)**	613
Investment income		**(108)**	(232)
Increase in trade and other receivables		**(7,046)**	(2,000)
Increase in trade and other payables		**2,611**	1,307
Cash generated from operations		**3,142**	4,806
Interest paid		**(74)**	(2)
Income taxes paid		**(675)**	(960)
Net cash generated from operating activities		**2,393**	3,844
Cash flow from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(16,044)**	(681)
Acquisition of associate		**-**	(3,727)
Acquisition of joint venture		**-**	(34)
Other investments made		**(77)**	-
Proceeds from sale of property, plant and equipment		**8**	-
Purchase of property, plant and equipment		**(1,694)**	(467)
Purchase of intangible assets		**(1,441)**	(383)
Interest received		**500**	234
Settlement of deferred considerations		**(588)**	-
Net cash used in investing activities		**(19,336)**	(5,058)
Cash flows from financing activities			
Proceeds from issue of share capital		**26,174**	84
Loan repayments		**(15)**	-
Financing drawn down		**172**	-
Proceeds from sale of financial assets		**75**	-
Net cash generated from financing activities		**26,406**	84
Net increase/(decrease) in cash, cash equivalents and overdrafts		**9,463**	(1,130)
Cash and cash equivalents at beginning of year		**4,061**	5,546
Exchange loss on cash and cash equivalents		**(118)**	(355)
Cash, cash equivalents and overdrafts at end of year		**13,406**	4,061

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2008

Nature of operations

YouGov plc and subsidiaries' ('the Group') principal activity is the provision of market research.

YouGov plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of YouGov plc's registered office is 50 Featherstone Street, London, EC1Y 8RT United Kingdom. YouGov plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

YouGov plc's annual consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

These annual consolidated financial statements have been approved for issue by the Board of Directors on 10 October 2008.

Basis of preparation

The consolidated financial statements of YouGov plc are for the year ended 31 July 2008. They have been prepared under the historical cost convention with the exception of certain non-current assets that are carried at fair value in accordance with the accounting policies set out below. The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU. All references to IFRS in these statements refer to IFRS as adopted by the EU.

The policies set out below have been consistently applied to all years presented and comparative information has been restated and represented under IFRS.

YouGov plc's consolidated financial statements have been prepared in accordance with UK's Generally Accepted Accounting Principles (GAAP) until 31 July 2007. The date of transition to IFRS was 1 August 2006. The comparative figures in respect of the year ended 31 July 2007 have been restated to reflect changes in accounting policies as a result of adaptation of IFRS. The Parent company financial statements are prepared under UK GAAP.

A conversion statement explaining reconciliation and description of the effect of the transition from UK GAAP to IFRS on equity, net income and cash flows has been in the full annual report.

The group has taken advantage of certain exemptions available under IFRS 1 First time adoption of International Financial Reporting Standards. The exemptions used are explained under the respective accounting policy.

The principal accounting policies of the Group are set out below and have been applied consistently in presenting the consolidated financial information.

Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 July 2008. Subsidiaries are entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The group obtains and exercises control through voting rights.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1 REVENUE AND PROFIT BEFORE TAXATION

Segmental Analysis

For internal reporting purposes the Group is organised into five operating divisions based on geographic lines – UK, Middle East & North Africa, Germany & Central Europe, Scandinavia & Northern Europe & North America. These divisions are the basis on which the Group reports its segmental information. The Group only undertakes one class of business, that of market research.

2008	UK £'000	Middle East & North Africa £'000	Germany & Central Europe £'000	Scandin-avia & Northern Europe £'000	North America £'000	Consolidation eliminations £'000	Consolid-ated £'000
Revenue							
External sales	11,962	7,670	11,960	6,488	2,310	-	40,390
Inter-segment sales	612	1	32	19	520	(1,184)	-
Total revenue	12,574	7,671	11,992	6,507	2,830	(1,184)	40,390

Inter-segment sales are priced on an arms length basis that would be available to unrelated third parties.

	UK £'000	Middle East & North Africa £'000	Germany & Central Europe £'000	Scandin-avia & Northern Europe £'000	North America £'000	Consolidation eliminations £'000	Consolid-ated £'000
Segment result							
Gross profit	10,778	5,673	8,835	5,540	2,234	293	33,353
Operating profit/(loss)	3,918	3,814	740	964	(73)	426	9,789
Unallocated corporate expenses							(1,922)
Operating profit							7,867
Amortisation of intangibles							(4,022)
Finance income							500
Finance costs							(74)
Imputed finance cost							(318)
Share of results of joint ventures							23
Profit before taxation							3,976
Tax expense							1,321
Profit after taxation							5,297
Other segment information							
Capital additions	697	1,153	625	113	115	16,769	19,472
Depreciation	158	40	254	31	47	(8)	522
Amortisation	115	33	81	199	12	2,382	2,822
Share based payments	64	-	-	-	247	-	311
Assets							
Segment assets	16,336	11,049	6,374	4,742	5,040	(6,764)	36,777
Investments in joint ventures	133	-	-	-	-	-	133
Unallocated corporate assets	-	-	-	-	-	-	48,366
Total assets	16,469	11,049	6,374	4,742	5,040	(6,764)	85,276
Liabilities							
Segment liabilities	7,926	1,115	5,235	3,829	1,730	(1,753)	18,082
Unallocated corporate liabilities	-	-	-	-	-	-	7,572
Total liabilities	7,926	1,115	5,235	3,829	1,730	(1,753)	25,654

2007	UK £'000	Middle East & North Africa £'000	Germany & Central Europe £'000	Scandinavia & Northern Europe £'000	North America £'000	Consolidation eliminations £'000	Consolidated £'000
Revenue							
External sales	7,880	6,423	-	-	-	-	14,303
Inter-segment sales	418	65	-	-	-	(483)	-
Total revenue	8,298	6,488	-	-	-	(483)	14,303

Inter-segment sales are priced on an arms length basis that would be available to unrelated third parties.

	UK	Middle East & North Africa	Germany & Central Europe	Scandinavia & Northern Europe	North America	Consolidation eliminations	Consolidated
Segment result							
Gross profit	6,836	4,885	-	-	-	(65)	11,656
Operating profit	3,515	3,631	-	-	-	8	7,154
Unallocated corporate expenses							(1,581)
Operating profit							5,573
Amortisation of intangibles							(15)
Finance income							188
Finance costs							(2)
Share of results of joint ventures							(3)
Share of results of associates							(136)
Profit before taxation							5,605
Tax expense							(613)
Profit after taxation							4,992
Other segment information							
Capital additions	671	179	-	-	-	-	850
Depreciation	97	14	-	-	-	-	111
Amortisation	12	3	-	-	-	-	15
Share based payments	37	-	-	-	-	-	37
Assets							
Segment assets	12,111	6,683	-	-	-	(6,403)	12,391
Investments in joint ventures	127	-	-	-	-	-	127
Investments in associates	-	-	-	-	3,727	-	3,727
Unallocated corporate assets	-	-	-	-	-	-	-
Total assets	12,238	6,683	-	-	3,727	(6,403)	16,245
Liabilities							
Segment liabilities	5,738	1,025	-	-	-	(2,732)	4,031
Unallocated corporate liabilities	-	-	-	-	-	-	-
Total liabilities	5,738	1,025	-	-	-	(2.732)	4.031

Differences between the origin and destination of revenue is material to the Group. Revenue by destination is presented below.

2008	**UK £'000**	**Middle East & North Africa £'000**	**Germany & Central Europe £'000**	**Scandin-avia & Northern Europe £'000**	**North America £'000**	**Consolidation eliminations £'000**	**Consolid-ated £'000**
Revenue by destination							
External sales	15,760	1,149	12,185	6,190	5,106	-	40,390
Inter-segment sales	555	581	3	33	12	(1,184)	-
Total revenue	16,315	1,730	12,188	6,223	5,118	(1,184)	40,390

Inter-segment sales are priced on an arms length basis that would be available to unrelated third parties.

2007	**UK £'000**	**Middle East & North Africa £'000**	**Germany & Central Europe £'000**	**Scandin-avia & Northern Europe £'000**	**North America £'000**	**Consolidation eliminations £'000**	**Consolid-ated £'000**
Revenue by destination							
External sales	13,003	1,249	37	-	14	-	14,303
Inter-segment sales	65	418	-	-	-	(483)	-
Total revenue	13,068	1,667	37	-	14	(483)	14,303

Inter-segment sales are priced on an arms length basis that would be available to unrelated third parties.

2 EXCEPTIONAL ITEMS

	31 July 2008 £'000	31 July 2007 £'000
Aborted acquisition costs	**1,064**	-
Restructuring costs	**136**	-
	1,200	-

3 TAX EXPENSE

The taxation charge represents:	**31 July 2008 £'000**	31 July 2007 £'000
Income tax at @ 28% (2007: 30%)	**700**	597
Adjustments in respect of prior periods	**(49)**	(19)
Total income tax charge	**651**	578
Origination and reversal of temporary differences:		
Current year	**(1,972)**	35
Prior year	**-**	-
Total deferred tax	**(1,972)**	35
Total income statement tax charge	**(1,321)**	613

The tax assessed for the year is lower than the standard rate of corporation tax in the UK.

The differences are explained below:

	31 July 2008		31 July 2007	
	£'000	**%**	£'000	%
Profit before tax	**3,976**		5,605	
Profit before tax multiplied by standard rate of corporation tax in the UK of 28% (2007: 30%)	**1,113**	**28.0%**	1,682	30.0%
Impact of change in tax rate in the period	**61**	**1.5%**	-	-
Expenses not deductible for tax purposes	**546**	**13.7%**	12	0.2%
Capital allowances in excess of depreciation	**(24)**	**(0.6%)**	(45)	(0.8%)
Other temporary differences	**26**	**0.7%**	-	-
Tax deduction in respect of share options exercised	**(52)**	**(1.3%)**	-	-
IFRS 2 and share options adjustment	**85**	**2.1%**	-	-
Utilisation of tax losses	**137**	**3.4%**	-	-
Overseas earnings not assessable to UK corporation tax	**(1,078)**	**(27.1%)**	(1,052)	(18.8%)
Variation in overseas tax rates	**(40)**	**(1%)**	-	-
Adjustment in respect of prior periods	**(49)**	**(1.2%)**	(19)	(0.3%)
Research & development tax deduction	**(74)**	**(1.8%)**	-	-
Total income tax charge for the year	**651**	**16.4%**	578	10.3%
Current year deferred tax adjustment	**(1,972)**	**(49.6%)**	35	0.6%
Total income statement tax charge for the year	**(1,321)**	**(33.2%)**	613	10.9%

4 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. Shares held in employee share trusts are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

The adjusted earnings per share has been calculated to reflect the underlying profitability of the business by excluding the amortisation of intangible assets, share based payments, imputed interest, exceptional items and any related tax effects.

	31 July 2008 £'000	31 July 2007 £'000
Earnings	**4,525**	4,198
Add: amortisation of intangible assets	**2,822**	15
Add: share based payments	**311**	47
Add: imputed interest	**318**	-
Add: exceptional items	**1,200**	-
Tax effect of the above adjustments	**(2,133)**	(14)
Adjusted retained profit	**7,043**	4,246

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	31 July 2008	31 July 2007
Number of shares		
Weighted average number of shares during the period: ('000 shares)		
- Basic	**91,688**	67,351*
- Dilutive effect of share options	**7,829**	3,462*
- Diluted	**99,517**	70,813*
Basic earnings per share (in pence)	**4.9**	6.2
Adjusted basic earnings per share (in pence)	**7.7**	6.3
Diluted earnings per share (in pence)	**4.6**	5.9
Adjusted diluted earnings per share (in pence)	**7.1**	6.0

The adjustments have the following effect:

Basic earnings per share	**4.9**	6.2
Amortisation of intangible assets	**3.1**	-
Share based payments	**0.3**	0.1
Imputed interest	**0.4**	-
Exceptional items	**1.3**	-
Tax effect of the above adjustments	**(2.3)**	-
Adjusted earnings per share	**7.7**	6.3

	31 July 2008	31 July 2007
Diluted earnings per share	**4.6**	5.9
Amortisation of intangible assets	**2.8**	-
Share based payments	**0.3**	0.1
Imputed interest	**0.3**	-
Exceptional items	**1.2**	
Tax effect of the above adjustments	**(2.1)**	-
Adjusted diluted earnings per share	**7.1**	6.0

* Restated for 5:1 share split on 10 April 2007.

5 INTANGIBLE ASSETS

The following table shows the significant additions and disposals of intangible assets.

	Consumer panel £'000	Software Development £'000	Customer contracts & lists £'000	Patents & trade marks £'000	Order backlog £'000	Development costs £'000	Total £'000
Gross Carrying Amount	-	5	-	-	-	-	5
Accumulated amortisation	-	(2)	-	-	-	-	(2)
Carrying amount at 1 August 2006	**-**	3	**-**	**-**	**-**	**-**	**3**
Gross Carrying Amount	124	208	-	28	-	-	360
Accumulated amortisation	(9)	(8)	-	-	-	-	(17)
Carrying amount at 31 July 2007	**115**	200	**-**	**28**	**-**	**-**	**343**
Gross Carrying Amount	6,252	1,698	5,276	6,168	390	218	20,002
Accumulated amortisation	(1,147)	(443)	(436)	(456)	(390)	(12)	(2,884)
Carrying amount at 31 July 2008	**5,105**	**1,255**	**4,840**	**5,712**	**-**	**206**	**17,118**

Consumer panels are the core asset from which our internet based revenues are generated. These are being amortised over their useful economic life of five years. The key component of the balance at 31 July 2008 relates to those panels acquired through acquisition, the remaining amortisation period for these is four years.

Software development costs represent the web based infrastructure which supports both our online panels and the portals for our online products such as BrandIndex. These are being amortised over their useful lives which are estimated at between three and five years. The key component of the balance at 31 July 2008 relates to that development which was acquired through acquisition, the remaining amortisation period for this is four years.

Customer contracts and lists only arise on the acquisition of an entity and are the valuation of the client relationships that have been built. These are being amortised over their useful lives which are estimated at between ten and eleven years. The remaining amortisation periods for these assets are between nine and ten years.

Patents and trademarks represent the costs of acquiring brands, protecting our existing brands from copyright and the intellectual property which supports our products and methodologies. Amortisation rates range from non amortisation up to fifteen years. The key component of the balance at 31 July 2008 relates to those patents and trademarks acquired through acquisition, the remaining amortisation period for these are between four and fourteen years.

6 PROPERTY, PLANT AND EQUIPMENT

The following table shows the significant additions and disposals of property, plant and equipment.

	Freehold property	Leasehold property Improve-ments	Computer equipment	Fixtures & fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Amount	-	54	91	52	22	219
Accumulated depreciation	-	(13)	(31)	(16)	(4)	(64)
Carrying amount at 1 August 2006	**-**	**41**	**60**	**36**	**18**	**155**
Gross Carrying Amount	-	196	174	215	50	635
Accumulated depreciation	-	(21)	(42)	(56)	(17)	(136)
Carrying amount at 31 July 2007	**-**	**175**	**132**	**159**	**33**	**499**
Gross Carrying Amount	946	273	651	861	102	2,833
Accumulated depreciation	-	(70)	(259)	(250)	(37)	(616)
Carrying amount at 31 July 2008	**946**	**203**	**392**	**611**	**65**	**2,217**

The freehold property represents 100% of the total cost of a suite of offices in Dubai. At 31 July 2008 we had a contractual commitment to settle outstanding monies on this asset purchase of £288k (AED 2.1m).

Included within motor vehicles are assets held under lease purchase agreements with a net book value of £34k (2007 £33k). The depreciation charge on these assets for the year was £13k (2007: £12k).

All property, plant and equipment disclosed above are free from restrictions on title. No property, plant and equipment either in 2008 or 2007 has been pledged as security against the liabilities of the Group.

7 TRADE AND OTHER RECEIVABLES

	31 July 2008	31 July 2007
	£'000	£'000
Trade receivables	**11,802**	4,927
Amounts owed by related parties	**210**	139
Other receivables	**719**	30
Prepayments and accrued income	**4,329**	607
Shareholder loans	**179**	-
	17,239	5,703
Provision for trade and other receivables	**-**	(10)
	17,239	5,693

The ageing of the current trade receivables is as follows:

	31 July 2008	31 July 2007
	£'000	£'000
Within payment terms	**6,853**	1,950
Not more than three months	**2,325**	2,104
More than three months but not more than six months	**1,543**	302
More than six months but not more than one year	**935**	496
More than one year	**146**	75
	11,802	4,927

The average credit period taken is 88 days (2007: 104 days]. The Group's trade receivables are stated after allowances for bad and doubtful debts. This allowance is determined by considering all past due balances and by reference to past default experience.

The Directors consider that the carrying value of trade and other receivables approximates their fair value. Concentrations of credit risk do exist with certain clients with which we have trading relationships but none have a history of default and all command a certain stature within the marketplace which minimises any potential risk of default. Material balances (defined as >£250k (2007: >£100k) represent 41% of trade receivables (2007: 31%).

At 31 July 2008 £433k (DKK 4.1m) (2007: £nil) of the trade and other receivables of Zapera.com A/S was used as security against a loan and revolving overdraft facility held by Zapera.com A/S.

At 31 July 2008 psychonomics AG had the option to borrow €300k (£236k) which is secured against the trade and other receivables of the business. At 31 July 2008 £nil had been drawn down.

psychonomics AG has secured a value of up to €280k (£220k) in the event of default on rental payments against its trade and other receivables.

8 CURRENT LIABILITIES

	31 July 2008	31 July 2007
	£'000	£'000
Lease liabilities	**3**	24
Provisions	**1,265**	544
Trade payables	**1,538**	490
Accruals and deferred income	**6,902**	2,436
Other payables	**1,788**	-
Bank loan and overdraft	**1,127**	-
Current tax payable	**1,048**	147
Deferred consideration on acquisition of subsidiary	**5,898**	-
Shareholder loan	**47**	-
	19,616	3,641

The average credit period taken for trade purchases is 34 days (2007: 35 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

The bank loans and overdraft are secured by a fixed charge (to a maximum of DKK 4.1m (£433k) against the trade receivables of Zapera.com A/S. The rate of interest payable on this debt is between 7.75% and 7.9%.

The Group has sufficient financial risk management policies in place to ensure that all trade payables are settled within the respective credit period.

9 NON-CURRENT LIABILITIES

	31 July 2008	31 July 2007
	£'000	£'000
Lease liabilities	**6**	-
Provisions	**15**	-
Deferred consideration on acquisition of subsidiary	**1,152**	334
Deferred tax liability	**4,865**	56
	6,038	390

At 31 July 2008 deferred consideration relating to the purchase of the trade and assets of Siraj is included under current liabilities. This amount is fixed at AED 2.5m (£344k),

At 31 July 2008 deferred consideration relating to the acquisition of Zapera.com A/S and psychonomics AG were included within both current and non-current liabilities.

Deferred consideration in respect of earnouts is based on the Directors' best estimates of future obligations, which are dependent upon future performance of the interests acquired and assume that profitability targets are met. Deferred consideration is included within current liabilities or non-current liabilities as appropriate.

10 PROVISIONS

	Panel incentives £'000	**Total £'000**
At 1 August 2007	1,193	1,193
Provided during the year	2,009	2,009
Utilised during the year	(1,102)	(1,102)
Released during the year	(820)	(820)
At 31 July 2008	**1,280**	**1,280**
Included within current liabilities	1,265	1,265
Included within non-current liabilities	15	15
	1,280	1,280

The panel incentive provision represents the Directors best estimate of the future liability in relation to the value of panel incentives that have accrued in the panelists virtual accounts by 31 July 2008. The provision of £1,280k represents 30% of the maximum potential liability of £4,223k (2007: £542k representing 35% of the total liability of £1,556k). Variables considered when arriving at an appropriate percentage of the total liability are panel churn rates, panel activity rates, current payment volume and the time value of money. Whilst each geographical panel is considered separately a consolidated provision of 30% (2007: 35%) is consistent with our internal historical data and the breadth of maturities of panels within the Group.