

Understanding People

Annual Report
and Accounts 2005

YouGov is a research company using online panels to provide research for public policy, market research and stakeholder consultation.

In the 2005 general election, YouGov added to its record of accuracy. It was the only polling company that consistently, and correctly, showed Labour narrowly ahead of the Conservatives throughout the campaign. YouGov's figures for both Labour and the Conservatives were accurate to within 1 point in each of the 9 surveys conducted during the final 20 days of the campaign.

www.yougov.com

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Highlights

£2.94m
Turnover

£996,000
Pretax profit

5.8p
Basic earnings per share

Financial Highlights

Turnover up 48% from £1.99 million to
£2.94 million

Operating profits up 43% from £670,000 to
£961,000

Earnings per share has increased from
4.2p to 5.8p

Operational Highlights

Successful flotation on the London Stock
Exchange (AIM)

Launch of **YouGov** Middle East, based in Dubai

Expansion of client base

Consistent accuracy of **YouGov** surveys in the
UK's 2005 general election

Chairman's Statement

YouGov confirmed its record for accurately gauging the ebbs and flows of British politics in the 2005 UK General Election campaign

The flotation on the London Stock Exchange's AIM attracted a remarkable amount of media interest. Funds raised £3 million

YouGov won the high profile British Election Survey contract to perform the daily tracking surveys throughout the 2005 General Election campaign

Introduction

There are many ways to judge the performance of any company. Two are: how good is the service it provides? How good is its financial performance? These two things should, but do not always, go together. In the 2004/05 financial year, YouGov can report success on both fronts. It extended its client base and confirmed its record for accurately gauging the ebbs and flows of British politics, especially during the 2005 UK General Election campaign; and it achieved significant growth in both turnover and profits. YouGov's business performance throughout the year has been ahead of expectation.

The biggest single financial event for the Company was its flotation on the London Stock Exchange's Alternative Investment Market (AIM) on 25 April 2005. This attracted a remarkable amount of media interest for a company of YouGov's size – a testament to the high profile that the Company has achieved. The flotation secured £3 million of new money, to be used to help YouGov expand both organically and through acquisition.

Financial performance

Turnover increased by 48% to £2.94 million (£1.99 million in 2003/04). Profits before tax rose 47% to £996,000 and earnings per share improved by 38% to 5.8p. The business remains highly cash generative and during the year operations generated £1.1 million in cash flow.

On 31 July 2005, YouGov's fixed assets totalled £63,000 (2004: £51,000) and its current assets £4.6 million (2004: £1.5 million), including £3.8 million in cash or on deposit. Current liabilities stood at £870,000 (2004: £603,000). Overall net assets stood at £3.7 million (2004: £930,000).

The directors are not recommending the payment of a dividend, which is consistent with statements made at the time of flotation and reflects the age of the Company and the opportunities for further development. All dividends charged in the profit and loss account were paid prior to the float.

Operational highlights

Key projects during the year

For the May 2005 general election, the prestigious, academic British Election Study (BES) had 2 components, face-to-face and online research. YouGov won the contract for the online research and provided daily tracking surveys throughout the campaign, as well as major studies of political attitudes before the campaign started and after election day. YouGov conducted more surveys for the media than any other Company. Its final, election day survey reported each party's share accurately to within one percentage point and, importantly, YouGov's figures for both Labour and the Conservatives were also consistently accurate to within one point in each of the nine surveys conducted during the final 20 days of the campaign.

Although YouGov's political surveys achieved a high profile, these contributed only a small share of the Company's turnover. Overall, two-thirds of YouGov's work in the financial year was commercial market research, while just one quarter was opinion research (including political surveys). One-tenth of YouGov's turnover was stakeholder research.

Working for more than 130 clients during the year, up from 100 last year, YouGov's client base was wide and varied, reflected by four particular projects:

- The ABI Pensions and Savings Index, which was launched in October 2003, is a quarterly barometer of the public's confidence and attitudes towards saving. During the year, YouGov produced quarterly quantitative research for the ABI.
- For the Commission for Racial Equality (CRE) YouGov was required to investigate awareness/understanding and attitudes of 'Britishness', discrimination and integration and compare opinions between white and non-white ethnic groups. The research was executed by way of ad hoc and bespoke surveys.
- YouGov was asked by the London Borough of Lewisham to set up an online and branded website and proprietary panel to engage Lewisham residents in an ongoing consultation with the Council on issues covering satisfaction with service, attitudes and opinion about a range of topical issues and new Council proposals.
- YouGov was engaged by ASDA to perform research designed to investigate consumer purchasing behaviour and attitudes towards in-store promotions and the effectiveness of client pricing and promotions strategy.

At the heart of YouGov's work is its panel of 98,000 respondents

Panel expansion

At the heart of YouGov's work is its panel of respondents – recruited to enable YouGov to draw representative research samples. During the course of the year, the number of panel members for whom YouGov had extensive demographic information grew from around 65,000 to more than 98,000. The Company has devoted, and will continue to devote, substantial resources to maintaining and expanding the panel, and to keeping the level of 'churn' – the proportion of panel members lost through non-participation in a 12 month period – as low as possible. In the last year, the degree of 'churn' was just 15%. In addition, YouGov also established online panels in the United States and the Middle East.

Omnibus revenues have increased by more than 200% in the year

Presenting BrandIndex – syndicated daily tracking of more than 1,100 consumer brands across measures of brand perception. 500,000 online interviews will be conducted per annum

The omnibus survey has been a core area of performance improvement for YouGov, with revenues during the year increasing by more than 200%.

Future development

Products

Before the end of 2005, YouGov will be launching a new research product, BrandIndex, which will provide daily tracking of around 1,100 consumer brands in 32 sectors across seven different measures of brand perception. This will be the first time that short- and long-term effects on brand profile are measured and reported on a daily basis – a response to the greater focus both on the importance of brand equity and up-to-the-moment data. The product, which reports using an easy-to-use online tool, is aimed at CEOs, brand managers, the research community and fund managers and financial investors.

YouGov has been actively developing BrandIndex over the past 14 months. The Board believes that the product has the potential to significantly change the way companies, marketers and investors measure brand equity. Most tracking studies currently available are conducted on a quarterly basis, sometimes monthly and rarely on a weekly basis with none tracking perception of brands on a daily basis.

While not necessarily on the scale of BrandIndex, YouGov expects to launch at least 1 new product per year.

The Middle East is one of the world's most exciting growth markets

YouGov is considering targeted acquisitions

Overseas expansion

The Middle East is one of the world's most exciting growth markets and YouGov believes there are good opportunities for its online market research techniques in the region. In 2004, at the request of HSBC Middle East, YouGov built a specialist panel of business men and women across the GCC countries (Gulf Co-operation Council) and established the first Middle East Business Confidence Index (MEBCI) for the bank. On the back of the success of MEBCI YouGov established a joint venture, approval of which was granted by the board on 25 July 2005, with a majority stake, and has subsequently launched YouGov ME Fz LLC, based in Dubai Media City, which will have the first online consumer panel in the region.

Acquisitions

Following its flotation, the Company is looking at acquisitions of companies with expertise in those areas which would complement and enhance YouGov's offering. Three criteria will inform our decisions. First, the companies we acquire will have an expertise and track record in specific sectors of market research. Second, their work will be enhanced by their association with YouGov. Third, their acquisition will help YouGov build a full service agency based on its core strength of online panel-based research. Areas of particular interest to us currently are fast-moving consumer goods (fmcg), healthcare and the financial sector.

Chairman's Statement continued

YouGov operates in a high growth market. Market research is forecast to be one of the fastest growing areas of media going forward

Prospects and outlook

Total Internet research spending worldwide is expected to exceed \$1.6 billion (\$1.1 billion in the US) in 2005, of which \$170 million is expected to arise in the UK. Worldwide expenditure is scheduled to reach \$4 billion by 2008. Total online research expenditure in the UK is forecast to reach around 7.5% of total market research expenditure of £1.2 billion in 2005. The UK is expected to remain the largest market for online research in Europe, with anticipated growth over the next three years of some 25% year on year.

The UK market estimates are supported by:

- Buyers of research envisage spending over one-third of their research budget in online research by 2006 (MRS and ESOMAR).
- Two-thirds of marketing companies now conduct research online and of those who do not, two-thirds plan to do so over the next 3 years (Research and Cambiar reports).
- The range of both research types and sectors for which the Internet is used to collect data will increase.

Statistics also suggest changes in the way that online research is commissioned, as an increasing number of end-clients are investing in their own panels and self-sufficiency in collecting, processing, analysing and reporting on data collected online. For YouGov, as a full service panel company with an online business model, there is an opportunity to utilise its expertise in panel management and online data collection methods to advise and work with blue chip clients who wish to invest in their online research self-sufficiency. At the same time, a number of non-market research suppliers have also entered the market offering a range of services including access to opt-in databases, data collection hosting services, software tools and applications for the management of research projects and it is our view that their services are likely to expand the online research market rather than contract this at the expense of market research agencies.

The Company is trading in line with the Board's expectations and has made a sound start to its current financial year. There is a growing demand for accurate online research and YouGov is well positioned to capitalise on this trend. Our intention is to expand both organically and by acquisition. We will look to grow our client base, especially bespoke customers; expand our services and research products; extend our geographical reach; and continue to manage our panel. The Company is well placed to achieve all of these objectives.

Management and staff

The excellence of our business is based upon the ability and dedication of some of our key staff. We have welcomed several new starters into the business over the last financial year and subsequent to the year end. The aggressive recruitment campaign provides the Company with a strong foundation upon which to grow organically.

We are sad to say farewell to Jonson Helps, our Financial Controller (formerly Financial Director). Jonson has been with the Company for 2 years and has supported the business through a period of substantial growth. Jonson was a key team member in the flotation process. For this we thank him and wish him well in his future pursuits.

We welcomed Katherine Lee as our Chief Financial Officer to the Board on 25 July 2005. Katherine comes to us from Grant Thornton and PricewaterhouseCoopers. Katherine has the key financial, people and strategic skills to support the Company in its future growth strategy.

In preparation for flotation, YouGov appointed 2 non-executive directors, Peter Bazalgette, Chief Creative Officer of The Endemol Group, and Anthony Foye, Finance Director of Informa plc. The appointment of these high calibre individuals provides additional skill, experience and robustness to an already strong board.



Peter Kellner
Chairman

Operating and Financial Review

YouGov is a market-leading research agency, developing the existing business and creating new products

Operating review

The business, its objectives and strategy

YouGov carries out online research using propriety software to produce accurate market research, political and media opinion polling and stakeholder consultation. The use of Internet-based research enables YouGov to provide accurate research using large sizes while keeping costs lower than traditional research companies that use telephone and face-to-face interview techniques.

The directors are positioning YouGov as a market-leading research agency by developing the existing business and creating new products. The directors will focus on increasing revenue streams in specific industry sectors. The directors also plan to adopt a strategy of making selective targeted acquisitions of small, successful competitors employing traditional research techniques, in particular where those companies have expertise and depth of knowledge within a specific industry area which will extend YouGov's capability in target areas for growth. Significant parts of the acquired businesses will be moved to YouGov's higher margin business model and the existing staff will be retained for their sector expertise.

Performance ahead of our expectations

Review of operations

YouGov's business performance throughout the year has been ahead of our expectation primarily because of increased volume.

During the period under review we have seen a substantial move by our more traditional competitors, to an online methodology. We still retain competitive advantage as we are first to market. We also have lower overheads than our competitors.

The profile of the YouGov brand and trademark continues to rise, not least because of the increased publicity we have received because of our flotation in April rapidly followed by the General Election in May, and our accurate prediction of results described in the chairman's statement. Our brand is strong and we strive to protect it. In August 2005 we received a published apology and a cash payment from the Times in relation to a defamation claim.

YouGov has outperformed the FTSE SmallCap sector in the period since flotation, reflecting our increased profile and the expectations of the market (see diagram on page 7). YouGov has seen an increase in the share price, since flotation from £1.35 to £1.70, a 26% increase in the 3 month period of share trading to 31 July 2005.

A comparable calculation of earnings per share has been reflected in the financial statements and our earnings per share has increased from 4.2p per share to 5.8p per share since last year, reflecting a 38% increase, demonstrating the success of the directors' growth strategy.

Our business, as any other, faces substantial risks, which the directors work hard to mitigate and address. As a leading online market research business, we are dependent upon the success of our technological investment and our ability to adapt to technological change. In relation to our political polling, the high profile nature of this work requires us to stake our reputation on the work that we perform. We operate under the requirements of the British Polling Council and Market Research Society and maintain high standards in the work that we perform.

YouGov has a number of core competencies, including the talent of its leadership team, our corporate reputation and the prominence of our brand. We retain substantial intellectual capital, not only in terms of our unique technological solutions, but also in the panel which we so successfully preserve.

We maintain an ongoing programme of research and development and investment in the intellectual capital. We protect our intellectual capital by using copyrights and trademarks. The directors have agreed that research and development is a priority for 2006.

Accounting policies

We apply a suite of regular accounting policies to assist us in reporting our financial position and results. Accounting policies are discussed in more detail on page 17.

The YouGov logo consists of the word "YouGov" in a bold, sans-serif font. The "Y" is red, the "o" is grey, and the rest of the letters are red. A registered trademark symbol (®) is located at the top right of the "v".

Operating and Financial Review continued

Financial review

The Board is pleased to report a strong balance sheet, following the receipt of funds raised upon flotation. Our liquidity is substantial, and we have taken steps during the year to eliminate debt from the balance sheet. At present our treasury policy is to maximise interest on deposits. We have recently renegotiated our rates with our bankers.

The business remains highly cash generative. In the current year operations generated £1.1 million in cash flow.

Results

Sales have exceeded our expectations and represent growth of almost 50% compared with the prior year.

The revenue increase between 2004 and 2005 has been driven by changing market conditions which are favourable to online research. We estimate that online spend increased by up to 100% (compared with 2004) for bespoke research to approximately £150 million (estimated). YouGov has capitalised on this pattern of growth by focusing on organic growth to maximise key revenue streams: Omnibus revenues have increased by £700,000 to £1.1 million in 2005. We have seen an increase in the average value per project for bespoke work. We have seen clients commission a higher number of larger value projects through new clients including DTI, Uswitch, Rosco Research, CNN and Lewisham Council. We have seen an increase in annual revenues from key professional services agency clients. We have seen an increase in specific sector work – financial, media, healthcare, consumer, public sector (eConsultation/stakeholder research). As a result of the election we have won additional work compared to 2004 including Sky, the British Election Survey (with Essex University) and extra political opinion polling for the Sunday Times and the Daily Telegraph.

The operating margins are 34% for 2003/04 to 2004/05. This demonstrates that there is robust operation driving the successful growth in sales.

Overheads have increased on a like-for-like basis from £1.1 million to £1.5 million reflecting an increase in head count from 16 to 25 in the period. Excluded from other operating income and charges is £306,000 of flotation costs which have been offset against funds raised in the share premium account.

During 2005 in accordance with our policy the Board decided that the carrying value of our investment in HERO, a dormant company was unlikely to realise value, and as such a decision was made to write down the cost of the investment.

Taxation reflects charges at the effective rate of 30%. All dividends were paid to shareholders prior to flotation. No dividend is proposed for the year ended 31 July 2005.

Cash flow

The business has remained cash generative in the year to 31 July 2005, with operations generating cash balances of £1.1 million. This cash has been partially utilised in the payment of dividends £436,000, taxation £194,000, investment in infrastructure £31,000 and the repayment of loans to Chime Communications £264,000. The placing of 2,250,000 new shares has accessed net funds of £2,711,000 which the board will utilise in the execution of the Company's strategy.

Balance sheet

Fixed assets have increased reflecting an ongoing investment in infrastructure. Debts remain well managed and represent 80 debtor days reflecting a concerted management effort of cash collection and improved credit control procedures.

The increase in cash balances reflected new proceeds of the placement being £3.0 million less costs of £0.3 million to £2.7 million. During the year external loans of £264,000 were repaid to Chime Communications. The loan was originally extended as a start up working capital facility and the repayments of this loan represents a milestone in the Company's development.

The increase in share capital is as a result of the placement of 2,250,000 new shares, less the repurchase of the Chime shareholding.

Shareholder return

Share price performance

Source: Thomson Financial



The graph above shows the Group's total shareholder return from 19 April 2005 to 30 September 2005 together with the FTSE SmallCap and media and entertainment sector indices. The FTSE SmallCap index is considered to be the most appropriate comparative index for the Company.

Katherine Lee
Chief Financial Officer
10 October 2005

Board of Directors



Peter Kellner
Chairman

During the past 30 years Peter has been a columnist on a variety of newspapers, including the Times, Sunday Times, Independent, Observer, Evening Standard and New Statesman. He has also been a regular contributor to Newsnight (BBC2), A Week in Politics (Channel Four), Powerhouse (Channel Four), Analysis (Radio Four) and election night results programmes on television and radio. He has written, or contributed to, a variety of books and leaflets about politics, elections and public affairs. Peter takes an active interest in the day-to-day operations of the business and chairs all Board meetings. Peter graduated from Cambridge with a BA.



Nadhim Zahawi
Joint Chief Executive Officer and Co-founder

Nadhim was educated at Kings College School and University College London (BSc Chem-Eng.)., after graduating Nadhim worked in sales and marketing. Nadhim has specific experience in planning and education consultation, panel recruitment and management. He co-founded YouGov in April 2000.



Katherine Lee
Chief Financial Officer

Katherine is responsible for the day-to-day financial stewardship of Company resources and facilitates external and internal financial reporting. She previously worked at Grant Thornton UK LLP where she worked in Transaction Services, Corporate Finance. Prior to joining Grant Thornton, Katherine worked at PricewaterhouseCoopers in Sydney and Leeds. Katherine graduated from Sheffield University with a BSc in Psychology.



Peter Bazalgette
Non-Executive Director

Peter is Chief Creative Officer of The Endemol Group where he oversees the creation of content across the international television and multimedia production company. He sits on the Endemol Group executive board. He is a former non-executive director of Channel Four Television Corporation. Peter graduated with a BA in Law from Cambridge University in 1976. He was appointed Non-Executive Director of YouGov on 2 March 2005.



Stephan Shakespeare
Joint Chief Executive Officer and Co-founder

Stephan is responsible for developing new research methodologies. Stephan has an MA from Oxford University. He was a headmaster in Los Angeles, and a head of special needs in a Lambeth comprehensive. He has written extensively on education policy for a variety of national newspapers. Immediately prior to setting up YouGov, he was a political campaigner.



Panos Manolopoulos
Managing Director

Panos Manolopoulos is responsible for business development and market research services. Panos is a client-focused market research professional, with an established track record in business development, key account and project management and team leadership. He has previously worked for NOP, Taylor Nelson Sofres (TNS) and set up Lightspeed Research in Europe – the WPP online research agency. He has worked for clients in the telecoms, IT, financial, travel and leisure, FMCG, media/new media, utilities, automotive and consumer products verticals and has obtained an understanding of the business drivers in these industry sectors.



Anthony Foye
Non-Executive Director

Tony is Finance Director of T&F Informa plc having joined Taylor & Francis in 1987 as Group Chief Accountant. He was made Finance Director in 1994 and remained in the role following the merger with Informa. Anthony qualified as a chartered accountant with Haines Watts in 1986 and has a BA in Accountancy Studies from Huddersfield Polytechnic. He was appointed Non-Executive Director of YouGov on 1 March 2005.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2005.

Principal activities

YouGov carries out online research using proprietary software to produce accurate market research, political and media opinion polling and stakeholder consultation. The use of Internet-based research enables **YouGov** to produce accurate research using larger sample sizes while keeping costs lower than traditional research companies that use telephone and face-to-face interview techniques.

Financial summary

The financial summary is discussed on page 6 of the operating and financial review.

Chime Communications share buy-back

275,000 ordinary 'A' shares of 1p were purchased from a shareholder, Chime Communications plc prior to flotation (these shares represented 2.4% of share capital). This transaction reflected the finalisation of Chime's support for **YouGov** in its start-up period. The share buy-back was enacted in January 2005. The consideration paid by **YouGov** plc was £170,000. The purchase is compliant with the Company's articles of association and with the Companies Act 1985 Section 164.

Research and development

In order to maintain our position of technology leadership, we plan to launch a new product into the marketplace. The product is a subscription based brand tracking system, which we have called BrandIndex or YGX. Launch is scheduled for late October 2005. Our development investment in BrandIndex is to be recognised to the extent that it complies with the requirements of SSAP13.

Activity subsequent to the year end

Subsequent to the year end the ownership of **YouGov** Middle East based in Dubai was finalised. The directors are confident that the business is poised to start breaking into the market. On 25 July 2005 **YouGov** plc approved the acquisition of 52% of the issued share capital of **YouGov** MZ LLC a company incorporated in the UAE. Operations in Dubai present **YouGov** with an enviable opportunity to implement the **YouGov** methodology in the Middle Eastern hub of Dubai. A skeleton team has been established and training on **YouGov** methodology was scheduled for September 2005.

Future developments

YouGov plc is considering a number of potential acquisitions. **YouGov** seeks to enhance its competitive position by the selective acquisition of sector specialist market research companies, with substantial opportunity to convert the traditional methodology to **YouGov**'s online methodology. It is anticipated that acquisitions will be earnings enhancing. Future developments are discussed in more detail on page 3 of the Chairman's Statement.

Directors

Directors at any point during the year were:

Peter Kellner
Stephan Shakespeare
Nadhim Zahawi
Panos Manolopoulos
Katherine Lee
Jonson Helps
Peter Bazalgette
Anthony Foye

All directors served throughout the year apart from Peter Bazalgette, Anthony Foye, Panos Manolopoulos and Katherine Lee, who were appointed to the Board on 2 March 2005, 1 March 2005, 31 December 2004 and 25 July 2005 respectively.

In accordance with the Articles of Association members will be asked to confirm the appointment of the new directors at the AGM.

Directors' interest in shares

The interests of the directors in the shares of the Company 1 August 2004 and 31 July 2005 were as follows:

	31 July 2005 Number of shares	1 August 2004 Number of shares
Stephan Shakespeare	3,340,000	4,237,402 ¹
Peter Kellner	497,125	632,913
Nadhim Zahawi	108,002 ²	2
Katherine Lee	—	—
Peter Bazalgette	27,000	—
Anthony Foye	16,250	—

¹ Includes 1 Ordinary Share held by Stephan's wife, Rosamund

² Includes 108,000 Ordinary Shares held by Nadhim's wife, Lana Saib

Directors' interests in share options

Name	Number of Ordinary Shares under option	Exercise period	Exercise price
Peter Kellner	379,747	Until 4 June 2013	50p
Panos Manolopoulos	226,764	Until 31 Dec 2014	90p

Further detail is provided in the remuneration report on page 12.

No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Company's business.

Employee involvement

The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue.

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

Employee involvement and communication

Employees are encouraged to own shares in the Company, and 5 employees are shareholders and/or hold options under the Company's share option schemes. Information about the Company's affairs is communicated to employees through regular management meetings, intranet and social events.

Policy on supplier payments

The Company aims to pay all its suppliers within a reasonable period of their invoices being received and approved, provided that the supplier has performed in accordance with the relevant terms and conditions. At 31 July 2005 the number of days credit taken for purchases by the Company was 67 days (2004: 45).

Substantial shareholders

At 31 July 2005 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
Stephan Shakespeare	3,340,000 ¹	25
Balshore Investments Limited	3,339,998	25
Chase Nominees Limited	997,800	7
Bank of New York Nominees	982,745	7
Neil Bruce Copp	958,570	7
Goldman Sachs	522,050	4
Peter Kellner	497,125	4

¹: Includes one Ordinary Share held by Stephan's wife, Rosamund

Placing of shares

In April 2005, the Company successfully placed 2,250,000 new shares for trading on the London Alternative Investment Market (AIM) at 135p per share, a premium of 134p.

Social responsibility

The Company recognises the importance of respecting and supporting the communities in which it operates and, thus, improving the positive impact of business in society.

Ethical behaviour

YouGov expects its employees to exercise high ethical and moral standards at all times whilst representing the Company.

The environment

The Company recognises that the wise use of resources delivers both environmental and financial benefits. As part of our overall approach to Corporate Responsibility we aim to promote the maintenance of a healthy environment through responsible and sustainable consumption and production.

Our operations are predominantly office based, and here we try to minimise our impacts where practicable. As part of this policy we:

- Ensure that all waste is stored and disposed of responsibly, and recycled where possible.
- Ensure that paper used comes from reputable managed forests.
- Comply, where required, with the Packaging (Essential Requirements) Regulations and the Packaging Waste Regulations.

Health and safety

The Company takes all reasonable and practicable steps to safeguard the health, safety and welfare of its employees and recognises its responsibilities for the health and safety of others who may be affected by its activities.

Diversity in the workplace

The Company is committed to providing a working environment in which its employees are able to realise their potential and to contribute to business success irrespective of gender, material status, ethnic origin, nationality, religion, disability, sexual orientation or age.

Charitable and political contributions

Donations to charitable organisations amounted to £ nil. Donations to political organisations amounted to £ nil.

Insurance of Company officers

The Company has maintained insurance throughout the year for its directors and officers against the consequences of actions brought against them in relation to their duties for the Company.

Going concern

Having made enquiries, the directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Auditors

Grant Thornton UK LLP were appointed auditors on 30 March 2005 in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting to be held on 12 December 2005.

Annual General Meeting

The Annual General Meeting of the Company will be held on 12 December 2005.

Nadhim Zahawi
Joint Chief Executive Officer
On behalf of the Board
10 October 2005

Remuneration Report

The Remuneration Committee comprised at 10 October 2005 the 2 non-executive directors, Peter Bazalgette and Anthony Foye.

Remuneration Report

The Board have had full regard to the requirements set out in the Directors' Remuneration Report Regulations 2002 in preparing this report. A resolution will be put to the shareholders at the Annual General Meeting to be held on 12 December 2005 inviting them to consider and approve this report.

Compliance

The constitution and operation of the Committee is in compliance with the principles and best practice provisions as set out in the Combined Code and full consideration was given to these in determining the remuneration packages for the executive directors for 2005.

Policy on remuneration of executive directors

The Remuneration Committee reviews the performance of executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. In determining that remuneration the Remuneration Committee seeks to offer a competitive remuneration structure to maintain the high calibre of its Executive Board. The Committee believes that maintaining the Company's business growth and profit record requires an overall compensation policy with a strong performance-related element.

The main components of the executive directors' remuneration are:

1. Basic salary

Basic salary for each director is determined by the Remuneration Committee taking into account the performance of the individual and external market data. The Committee's policy is to review salaries annually.

2. Share options

The Company believes that share ownership by non business owner executive directors strengthens the link between their personal interests and those of the shareholders in respect of shareholder value.

Directors' service contracts

On 18 April 2005 the Company entered into a service agreement with Peter Kellner. The contract provides for Peter to act as the Chairman of the Company, working 4 days a week at a salary of £135,000 per annum. The contract has no fixed term and is terminable by 12 months' notice in writing by either party. Under the contract, Peter is entitled to 25 paid working days holiday each year. He is subject to non-competition covenants for a period of 6 months and non-solicitation covenants for a period of 12 months following termination of his employment with the Company and to confidentially undertaking that is without limit in time.

On 18 April 2005 the Company entered into a service agreement with Nadhim Zahawi on terms identical to those of Peter Kellner set out in that paragraph above save that Nadhim was appointed as the Joint Chief Executive Officer of the Company working 5 days a week on a salary of £125,000.

On 18 April 2005 the Company entered into a service agreement with Stephan Shakespeare on terms identical to those of Peter Kellner save that Stephan was appointed as the Joint Chief Executive Officer of the Company working 5 days a week on a salary of £125,000.

On 18 April 2005 the Company entered into a service agreement with Panos Manolopoulos on terms identical to those of Peter Kellner save that Panos was appointed as the Managing Director of the Company on a salary of £98,777.04 and the contract is terminable by 6 months' notice in writing by either party.

On 25 July 2005 the Company entered into a service agreement with Katherine Lee on terms identical to those of Peter Kellner save that Katherine was appointed as the Chief Financial Officer of the Company on a salary of £80,000 and the contract is terminable by 6 months' notice in writing by either party.

Peter Bazalgette is engaged by the Company as a non-executive director on the terms of a letter of appointment dated 2 March 2005 for an initial fixed term of 3 years and terminable on 30 days' notice from either party. Peter receives a fee of £15,000 per annum.

Anthony Foye is engaged by the Company as a non-executive director on the terms of a letter of appointment dated 1 March 2005 for an initial fixed term of 3 years and terminable on 30 days' notice from either party. Anthony receives a fee of £15,000 per annum.

Save as set out above, there are no existing or proposed service contracts between any of the directors and the Company or any member of the Company.

The total aggregate remuneration (including benefits in kind and pension contributions) paid to the directors by all members of the Company for the year ending 31 July 2005 amounted to £282,000 (2004: £133,000).

No director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant in relation to the business of the Company and which was effected by the Company either: (i) during the current or immediately preceding financial year; or (ii) during any earlier financial year and which remains in any aspect outstanding or unperformed.

Policy on remuneration of non-executive directors

The remuneration of the non-executive directors is set by the Board as a whole.

Directors' emoluments

	2005 £'000	2004 £'000
Emoluments	282	133
	282	133

Peter Kellner, the Chairman of the Company, has share options on 379,747 'A' Ordinary Shares at an exercise price of £0.50 per share. These options were granted in 2003 with a 10 year period and can be exercised at any time within that period.

Panos Manolopoulos, the Managing Director of the Company, has share options over 226,764 Ordinary Shares at an exercise price of £0.90 per share. The option becomes exercisable in 4 equal tranches of 56,691 Ordinary Shares. The first tranche became exercisable on 31 December 2004. The other 3 tranches become exercisable on 31 October 2005, 31 October 2006 and 31 October 2007 respectively.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2005 £'000	2004 £'000
Emoluments	98	55

Corporate Governance Report

Application of the principles of good governance

The Board has reviewed the requirements of the Combined Code, as appended to the Listing Rules of the UK Listing Authority. The ways in which the Company applies and complies with the principles of the Code are described below and, in respect of remuneration, on page 12.

The Board

At 31 July 2005 the Board consisted of 5 executive directors and 2 non-executive directors, including a senior non-executive director. The names of the directors and their respective responsibilities are shown on pages 8 and 9.

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact amongst directors. High level decisions on such matters as strategy, financial performance and reporting, dividends, risk management, major capital expenditure, acquisitions and disposals are reserved for the Board or Board Committees. For its regular formal meetings, the Board receives appropriate information in advance from management.

The directors can obtain independent professional advice at the Company's own expense in performance of their duties as directors.

The Board formally approves the appointment of all new directors. All directors are required to submit themselves for re-election at the first Annual General Meeting following their appointment and subsequent to this at the Annual General Meeting on a rotational basis, which ensures that each director is submitted for re-election approximately every 3 years. Proposals to re-elect directors are set out in the Directors' Report on page 10 and in the Notice of the Annual General Meeting on page 28.

Board committees

Remuneration Committee – The Remuneration Committee was established at the time of flotation. The composition of the Remuneration Committee is shown on page 12 and the statement of the remuneration policy developed by the Committee and details of each director's remuneration are given within the Directors' Remuneration Report set out on page 12.

Audit Committee – The composition of the Audit Committee is shown below. The Audit Committee operates under terms of reference agreed by the whole Board and meets with the auditors to consider the Company's financial reporting in advance of its publication.

Board and committee attendance

The following table sets out the attendance of directors at Board and committee meetings during 2005.

Director	Board meetings Maximum 12	Remuneration Committee meetings Maximum 2	Audit Committee meetings Maximum 2
Peter Kellner	12	–	–
Nadhim Zahawi	12	–	–
Stephan Shakespeare	12	–	–
Katherine Lee*	2	–	–
Panos Manopoulos	12	–	–
Peter Bazalgette*	4	2	2
Anthony Foye*	4	2	2

*New directors in year who attended all possible meetings

Shareholder communications

The Board's assessment of the Company's position and prospects are set out in the chairman's statement on page 2 and the Operating and Financial Review on pages 5 to 7.

The executive directors meet regularly with institutional shareholders to discuss the Company's performance and future prospects. At these meetings the views of institutional shareholders are canvassed and subsequently reported back to the Board. The Annual General Meeting is used as a forum for communication with private shareholders.

Compliance with the Combined Code

The Board considers that the Company has worked hard towards compliance with the Combined Code. Full compliance has not yet been achieved and the Board and Audit Committee monitor the Company's compliance on a regular basis. The directors have commenced a detailed review of the effectiveness of the systems of internal control, including financial, operational, compliance and risk management. This assessment will result in a detailed action plan, which once actioned, will lead to full compliance.

Audit Committee

The Audit Committee comprises the 2 non-executive directors, Anthony Foye (its Chairman) and Peter Bazalgette. All members of the Committee have relevant financial experience due to the senior positions they hold or have held in the past.

The Audit Committee reports to the Board on any matters in respect of which it considers that action or improvement is needed, and makes recommendations as to the steps to be taken. In particular the Committee is responsible for:

- Ensuring that the financial performance of the Group is properly monitored and reported.
- Monitoring the formal announcements relating to financial performance.
- Meeting the auditors and agreeing audit strategy.
- Reviewing reports from the auditors and management relating to accounts and internal control systems.
- Making recommendations to the Board in respect of external auditor appointment and remuneration.

The effectiveness of the internal control systems is under constant review and a formal assessment of internal controls has commenced. The Audit Committee will monitor implementation of a series of detailed steps to improve the control environment. Although there was no formal internal audit during the year, the accounting functions were subject to periodic internal review.

Key control and procedures

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues, and has put in place an organisational structure with defined lines of responsibility and delegation of authority.

The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Group and the publishing sector as a whole along with associated financial risks.



Corporate Governance Report continued

The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures include:

- Detailed budgeting programme with an annual budget approved by the Board.
- Regular review by the Board of actual results compared with budget and forecasts.
- Regular reviews by the Board of year end forecasts.
- Establishment of procedures for acquisitions, capital expenditure and expenditure incurred in the ordinary course of business.
- Detailed budgeting and monitoring of costs incurred on the development of new products.
- Established procedures for credit evaluation of new and existing customers with credit insurance on material customer accounts.
- Reporting to, and review by, the Board of changes in legislation and practices within the sector and accounting and legal developments pertinent to the Company.
- Appointing experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

Auditor independence

The Audit Committee also undertakes a formal assessment of the auditors' independence each year which includes:

- Confirmation of the auditors' objectivity and independence in the provision of non-audit services to the Company by the use of separate teams to provide such services where appropriate.
- Discussion with the auditors of a written report detailing relationships with the Company and any other parties that could affect independence or the perception of independence.
- A review of the auditors' own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner.
- Obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

Any analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 1 of the accounts.

Risk management

The Board reviews risks facing the business on a regular basis. The following paragraphs demonstrate the key areas of identified risk.

Early stage of development – Although the Company has grown substantially since it was formed 5 years ago, it remains a relatively small company in an early stage of development. The Company faces competition from both large established international companies as well as small local businesses operating in the same sector.

Projected growth – The Company's plans incorporate substantial growth in the coming years. This growth will be in part dependent on the marketing and research budgets of target clients over which YouGov has little control. Additionally, while political polling activity is a relatively minor proportion of current and expected revenue, it should be noted that variations within the political cycle will mean some variation in this part of YouGov's revenue.

Competition – YouGov has developed a wholly Internet based research strategy which other large and established research organisations are also beginning to adopt. Some of these more established research organisations have well developed brands and substantial resources may be able to use these to compete effectively in developing online panels and competing software.

Staff – The success of YouGov will be influenced by the recruitment and retention of high calibre staff. Senior staff that manage key client relationships and those with software expertise are particularly important to the continuing development and smooth running of the Company. To mitigate this risk, YouGov is building account and project management teams for key clients and larger research projects. In this way the client relationship and project related knowledge are shared among a number of individuals rather than concentrated with one person.

Acquisitions – The directors plan to expand and develop the business through a strategy of targeted acquisitions. The risk exists that integration of any acquired business will be unsuccessful or that key employees or clients of the acquired business will be lost. Directors will attempt to mitigate this risk by careful due diligence and communication with the clients of target companies. The directors will also seek to communicate YouGov's strategy to staff and ensure that levels of remuneration and benefits are appropriate to retain key employees.

The Company may be unable to agree suitable terms with the shareholders of a target company and be forced to abandon an attempted takeover. This may happen after management have invested significant amounts of time and effort as well as accruing advisers' fees.

Technology and risk – A strong software platform is essential for carrying out online research. This software must be reviewed and updated on a regular basis to ensure that it does not become superseded by newer technologies in other companies. YouGov has sought to remain competitive in this area by recruiting an experienced team of software specialists with responsibility for developing the proprietary software systems. Employees in this area must provide 3 months' notice on departure and YouGov has developed a succession planning document with sufficient detail on the structure of proprietary software applications and the IT infrastructure to assist in an orderly transition period in the event of staff leaving. A disaster recovery plan is being worked on.

Internal controls – As the business transforms from a small private company to a listed we are improving our internal controls and systems of reporting.

Statement of Directors' Responsibilities

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors to the Members of YouGov plc

We have audited the financial statements of YouGov plc for the year ended 31 July 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the chairman's statement, the operating and financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London
10 October 2005

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The maintenance and integrity of the YouGov plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Principal Accounting Policies

Basis of preparation

The financial information has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The principal accounting policies of the Company have been applied consistently in dealing with items which are considered material in relation to the Company's financial information. The policies have remained unchanged from the previous year.

Turnover

Turnover is the total amount receivable by the Company for services provided, excluding VAT and trade discounts. Revenue is recognised on the date on which the delivery of findings is presented to a customer.

Where a contract extends over an accounting period revenue is recognised on a proportion of completion basis. Amounts invoiced in advance are recorded as accrued revenue and are released to revenue upon the stage of completion of the contract.

Polling fees

The Company invites Polling Club members to fill out polls for cash incentive. Although these amounts are not paid until a predetermined target value has accrued on a Polling Club member's account, an assessment of incentives likely to be paid is made and are recognised as a cost of sale in the period in which the service is provided.

Investments

Investments are included at cost less amounts written off. The carrying value is considered annually by the directors.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by annual instalments over their estimated useful economic lives. The rates generally applicable are:

Improvements to property	10% on straight line basis
Fixtures and fittings	25% on a reducing balance basis
Computer equipment	33% on straight line basis

Leased assets – operating leases

Operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Leased assets – finance leases

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the inception of the lease or contract. The total finance charges are allocated over the period of the lease or contract in such a way as to give a constant periodic charge on the outstanding liability.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Financial instruments

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the foreign exchange rates ruling at the balance sheet date. The Company does not use financial instruments to manage exposures to fluctuation in exchange rates.

Retirement benefits

The Company did not operate a pension scheme during the period.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the Profit and Loss account.

Research and development

Research expenditure is charged to profits in the period in which it is incurred. Development costs incurred on specific projects are recognised to the extent that it complies with the requirements of SSAP13, i.e. when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.

Profit and Loss Account

For the year ended 31 July 2005

	Note	2005 £'000	2004 £'000
Turnover		2,942	1,992
Cost of sales	2	(476)	(221)
Gross profit		2,466	1,771
Other operating income and charges	2	(1,505)	(1,101)
Operating profit	1	961	670
Interest receivable	3	51	8
Interest payable	3	(16)	—
Profit/loss on ordinary activities before taxation	1	996	678
Tax on profit on ordinary activities	5	(305)	(204)
Profit on ordinary activities after taxation		691	474
Equity dividends	6	(436)	(129)
Profit retained and transferred to reserves	17	255	345
Basic earnings per share (p)	7	5.8	4.2
Diluted earnings per share (p)		5.5	4.0

The accompanying accounting policies and notes form an integral part of these financial statements. All turnover and results arose from continuing operations.

There are no other historical cost, profits or other recognised gains and losses in the year.

Balance Sheet

As at 31 July 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	8	63	52
Other investments	9	—	1
		63	53
Current assets			
Debtors	10	769	506
Cash at bank and in hand		3,796	977
		4,565	1,483
Creditors: amounts falling due within one year	11	(870)	(603)
		3,695	880
Total assets less current liabilities		3,758	933
Provisions for liabilities and charges	14	(11)	(3)
		3,747	930
Capital and reserves			
Called up share capital	15	133	113
Share premium account	16	2,913	371
Profit and loss account	16	701	446
		3,747	930

The financial statements were approved by the Board of Directors on 10 October 2005.



Katherine Lee
Chief Financial Officer

The accompanying accounting policies and notes form an integral part of these financial statements.

YouGov®

Cash Flow Statement

For the year ended 31 July 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	18	1,149	852
Returns on investments and servicing of finance			
Interest received		51	7
Interest paid		(16)	—
Net cash inflow from returns on investments and servicing of finance	35		7
Taxation		(202)	(44)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(28)	(62)
Cash received for disposal of assets		—	2
Net cash outflow from capital expenditure and financial investment		(28)	(60)
Equity dividends paid		(436)	(194)
Issue of shares		3,038	35
Cost of Issue		(306)	—
Payments to repurchase own share capital		(167)	—
Repayment of loans		(264)	—
Net cash inflow from financing		2,301	35
Increase in cash	19	2,819	596

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 July 2005

1 Turnover and operating profit

In the Board's opinion there are no discernable business segments and therefore there is no requirement to present segmental information.

The profit on ordinary activities before taxation is stated after:

	2005 £'000	2004 £'000
Auditors' remuneration:		
Audit services	26	4
Non-audit services	5	9
Depreciation:		
Tangible fixed assets, owned	17	11
Impairment of intangible fixed assets	–	87
Provisions for diminution in value:		
Write down of investment	2	–
Other operating lease rentals	55	53
Profit on sale of fixed assets	–	(1)

During the year costs of £306,000 relating to the flotation of the Company on the Alternative Investment Market were charged to the share premium account, this includes services provided by the current auditors of £42,000 and services provided by the previous auditors of £4,000.

In 2004 auditors' remuneration related to the previous auditor.

2 Other operating income and charges

	2005 £'000	2004 £'000
Cost of sales	476	221
Other operating income and charges:		
Selling and marketing	43	154
Administrative expenses	1,367	897
Establishment costs	95	50
	1,505	1,101

3 Net interest

	2005 £'000	2004 £'000
On other loans	(16)	–
Other interest receivable and similar income	51	8
	35	8

Notes to the Financial Statements continued

For the year ended 31 July 2005

4 Directors and employees

Staff costs during the year were as follows:

	2005 £'000	2004 £'000
Wages and salaries	812	555
Social security costs	97	63
	909	618

Directors' emoluments are set out in the remuneration report on page 12.

The average monthly number of employees and directors of the Company during the year was 20 (2004: 16).

The Company did not operate a company pension scheme in the period.

5 Tax on profit on ordinary activities

The tax charge represents:

	2005 £'000	2004 £'000
United Kingdom corporation tax at 30% (2004: 30%)	320	181
Adjustment in respect of prior period	(23)	20
	297	201
Origination and reversal of timing differences	8	3
Total deferred tax	8	3
Tax on profit on ordinary activities	305	204

	2005 £'000	2004 £'000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	299	203
Effect of:		
Expenses not deductible for tax purposes	22	3
Depreciation in excess of capital allowances	2	(4)
Marginal relief	(3)	—
Adjustments to tax charge in respect of prior periods	(23)	20
Other items	—	(21)
Current tax charge for period	297	201

6 Dividend

	2005 £'000	2004 £'000
'A' Ordinary Shares of 1p	200	—
'B' Ordinary Shares of 1p	92	52
'C' Ordinary Shares of 1p	95	53
'D' Ordinary Shares of 1p	49	24
	436	129

7 Earnings per share

	Earnings £'000	2005 Weighted average number of shares	Per Share amount pence	Earnings £'000	2004 Weighted average number of shares	Per Share amount pence
Profit attributable to ordinary shareholders	691			474		
Basic earnings per share						
Earnings attributable to ordinary shareholders	11,998,561		5.8	11,312,033		4.2
Dilutive effect of securities						
Options	661,578			434,814		
Diluted Earnings per share						
Adjusted earnings	12,660,139		5.5	11,746,847		4.0

8 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Improvement to leasehold property £'000	Total £'000
Cost				
At 1 August 2004	13	18	32	63
Additions during the year	13	15	—	28
At 31 July 2005	26	33	32	91
Depreciation				
At 1 August 2004	3	5	3	11
Provided in the year	4	9	4	17
At 31 July 2005	7	14	7	28
Net book amount at 31 July 2005	19	19	25	63
Net book amount at 31 July 2004	10	13	29	52

9 Investments

The Company's investments in the share capital of unlisted companies include the following:

	2005 £'000	2004 £'000
Participating interest	—	1
The movements are as follows:		
At 31 July 2004		1
Impairment		(1)
At 31 July 2005		—

Notes to the Financial Statements continued

For the year ended 31 July 2005

At 31 July 2004 the Company held 50% of the equity share capital of Health Experience Research Online Limited. This has been written off during the year to 31 July 2005 reflecting the directors' assumptions about the impairment in carrying value.

	Country of incorporation	Class of share capital held	Proportion held by parent company	Nature of business
Participating interest:				
Health experience Research Online Limited	UK	Ordinary	50%	Dormant
10 Debtors				
		2005 £'000	2004 £'000	
Trade debtors		690	465	
Other debtors		52	32	
Prepayments and accrued income		27	9	
		769	506	

The Company has a rent deposit deed which secures all monies due or that may become due to the Company's landlord. A deposit of £30,000 was paid to the landlord during 2004. The deposit is recoverable from the managing agent in October 2005.

11 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Other unsecured loans	—	264
Trade creditors	142	10
Directors' current account	—	31
Corporation tax	304	201
Social security and other taxes	115	85
Accruals	309	12
	870	603

Other unsecured loans

The other unsecured loan of £264,000 reflects monies received from Chime Communications plc. The purpose of this loan was as a working capital facility, the terms of which required the Company to repay the loan on demand. The implicit interest rate was 3%. This loan was repaid in January 2005.

Directors' current accounts

A number of loans were made by directors to help finance the Company. No interest was charged on these loans. The balance of these loans at the period end are set out below. These loans were repaid prior to 31 January 2005.

	2005 £'000	2004 £'000
To/(from) director	—	—
Stephan Shakespeare	—	31
Nadhim Zahawi	—	31

The maximum balance outstanding during each period was as below:

Stephan Shakespeare	—	120
Nadhim Zahawi	(120)	99
	(120)	219

12 Borrowings

Borrowings are repayable as follows:

	2005 £'000	2004 £'000
Within one year		
Other unsecured loans	—	264
	—	264

13 Financial instruments

The Company uses financial instruments, other than derivatives, comprising cash, liquid resources and various items, such as trade debtors, trade creditors etc, that arise directly from its operations. The Company has no borrowings or significant transactions in foreign currencies. The main purpose of these financial instruments is to raise finance for the Company's operations.

The main risk arising from the Company's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk and they are summarised below. This policy has remained unchanged from previous years.

It is and has been throughout the year under review, the Group policy that no trading in financial instruments shall be undertaken.

Short-term debtors and creditors have been excluded from all the following disclosures.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate profile

The financial assets at 31 July 2005 comprised £3,791,000 of cash accruing interest.

14 Provisions for liabilities and charges

	Deferred taxation £'000	
At 1 August 2004	3	
Provided during year in profit and loss account	8	
At 31 July 2005	11	

	2005 £'000	2004 £'000
Accelerated capital allowances	11	3

15 Share capital

	2005	2004
Authorised		
20,000,000 Ordinary Shares of 1p each	200,000	—
19,999,700 'A' Ordinary Shares of 1p each	—	199,997
100 'B' Ordinary Shares of 1p each	—	1
100 'C' Ordinary Shares of 1p each	—	1
100 'D' Ordinary Shares of 1p each	—	1
	200,000	200,000
Allotted, called up and fully paid	£	£
11,338,201 'A' Ordinary Shares of 1p each	—	113,381
2 'B' Ordinary Shares of 1p each	—	—
2 'C' Ordinary Shares of 1p each and	—	—
2 'D' Ordinary Shares of 1p each	—	—
13,338,207 Ordinary Shares of 1p each	133,381	—
	133,381	113,381

The 'B', 'C' and 'D' shares confer on their holders all those duties, obligations, rights, powers and privileges associated with the 'A' shares, except that the holders of 'B', 'C' and 'D' shares shall have no rights to receive notice of, to be present and speak at or to vote, either in person or by proxy, at any general meeting of the Company or by way of written resolution or have any rights as regards the capital of the Company. On 11 April 2005, subject to Admission the 'A', 'B', 'C' and 'D' shares were converted and re-classified into ordinary shares of 1p each.



Notes to the Financial Statements continued

For the year ended 31 July 2005

Allotments during the year ended 31 July 2005 were:

25,000 'A' Ordinary Shares of 1p each were issued at par
 275,000 'A' Ordinary Shares were cancelled following the buyback of shares from Chime Communications plc
 2,250,000 Ordinary Shares were allotted upon flotation of a premium of £1.34 per share

Total share options

Options have been granted for 1p ordinary shares

Name	Number of Ordinary Shares under option	Exercise period	Exercise price
Peter Kellner	379,747	Until 4 June 2013	50p
Panos Manopoulos	226,764	Until 31 December 2014	90p
Employees	55,067	Until 31 December 2014	90p
Total	661,578		

Peter Kellner, the Chairman of the Company, has share options on 379,747 'A' Ordinary Shares at an exercise price of £0.50 per share. These options were granted in 2003 with a 10 year period and can be exercised at any time within that period.

Panos Manopoulos, the Managing Director of the Company, has share options over 226,764 Ordinary Shares at an exercise price of £0.90 per share. The option becomes exercisable in four equal tranches of 56,691 Ordinary Shares. The first tranche became exercisable on 31 December 2004. The other three tranches become exercisable on 31 October 2005, 31 October 2006 and 31 October 2007 respectively.

16 Share premium account and reserves

The Company	Share premium account £'000	Profit and loss account £'000
At 1 August 2004	371	446
Repurchase of 'A' Ordinary Shares	(167)	—
Retained profit for the year	—	255
Premium on allotment during the year	3,015	—
Cost of issue of shares	(306)	—
At 31 July 2005	2,913	701

The balance on the share premium account may not be distributed legally under section 263/264 of the Companies Act 1985.

17 Reconciliation of movements in shareholders funds

	2005 £'000	2004 £'000
Profit on ordinary activities after taxation	691	474
Dividends	(436)	(129)
Profit for the financial year	255	345
Net issue of share capital	2,732	35
Repurchase of own share capital	(170)	—
Net increase in shareholders' funds	2,817	380
Opening shareholders' funds	930	550
Closing shareholders' funds	3,747	930

18 Net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	961	670
Depreciation	17	11
Impairment of intangible fixed assets	—	87
Profit on sale of tangible fixed assets	—	(1)
(Increase)/decrease in debtors	(263)	135
Increase/(decrease) in creditors	434	(50)
Net cash inflow from operating activities	1,149	852

19 Reconciliation of net cash flow to movement in net cash

	2005 £'000	2004 £'000
Increase in cash in the year	2,819	596
Repayment of loans	264	—
Movement in net cash in the year	3,083	596
Net cash at 1 August 2004	713	117
Net debt at 31 July 2005	3,796	713

20 Capital commitments

The Company had no capital commitments at 31 July 2005 (31 July 2004: nil).

21 Leasing commitments

	2005 Plant and equipment £'000	2004 Plant and equipment £'000	2005 Land and buildings £'000	2004 Land and buildings £'000
In less than 1 year	—	—	—	—
Between 1 and 2 years	2	—	—	—
Between 2 and 3 years	—	2	—	—
Between 3 and 4 years	—	—	53	—
In five years or more	—	—	—	53
	2	2	53	53

22 Related party transactions

The value of the dividends received by Rosamund Shakespeare was £26,504 in 2004 and £47,256 in 2005. Rosamund Shakespeare received a salary from the Company for administrative services. The value of these services totalled £5,667 for the year ended 2005 (2004: £4,167).

Notice of Annual General Meeting

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at MWB Business Exchange, 10 Greycoat Place, Victoria, London, SW1P 1SB on 12 December 2005, at 10 a.m. for the following purposes:

1. To receive, approve and adopt the Company's annual accounts for the financial year ended 31 July 2005, together with the directors' report and the auditors' report on those accounts.
2. To reappoint Grant Thornton UK LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.
3. To reappoint as a director Stephan Shakespeare retiring by rotation in accordance with the Company's articles of association.
4. To reappoint as a director Katherine Lee who, having been appointed a director by the directors since the last Annual General Meeting, would in accordance with the Company's articles of association vacate office at the conclusion of this meeting unless reappointed.
5. To reappoint as a director Panayiotis Manolopoulos who, having been appointed a director by the directors since the last Annual General Meeting, would in accordance with the Company's articles of association vacate office at the conclusion of this meeting unless reappointed.

By Order of the Board



Stephan Shakespeare
Company Secretary
10 October 2005

Registered office:
1 West Smithfield
London
EC1A 9JU

Notes to Members

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 6 p.m. on 10 December 2005 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6 p.m. on 10 December 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. The register of directors' interests kept by the Company under section 325 of the Companies Act 1985 will be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.



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1 West Smithfield
London EC1A 9JU

T. +44 (0)20 7618 3010
F. +44 (0)20 7618 3025