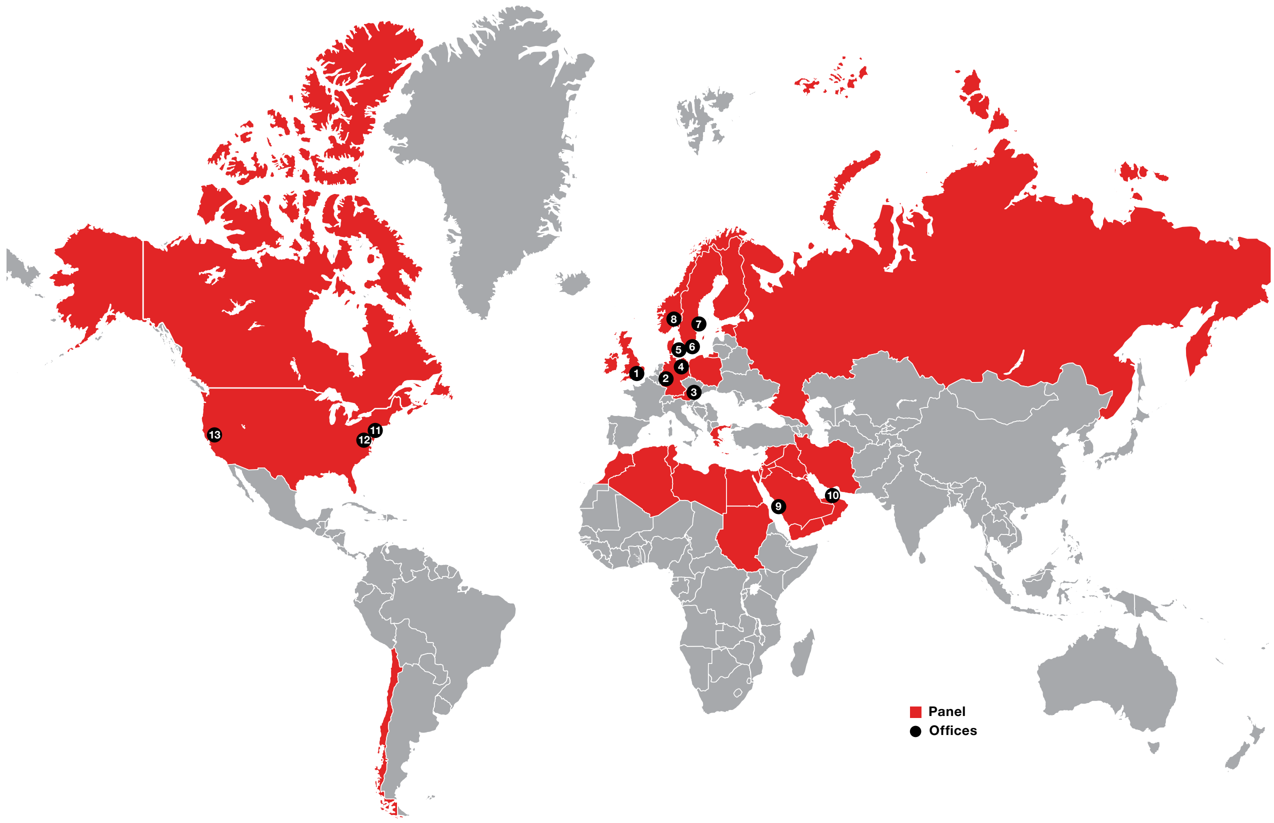
YouGov

Annual Report and Accounts 2008

Geographical Overview

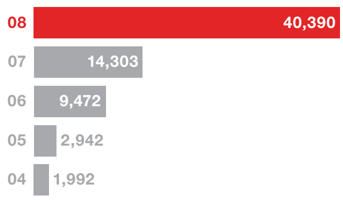


Highlights

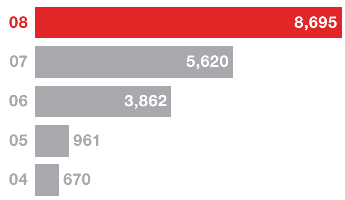
Key Performance Indicators (KPIs)

The Group manages its operational performance using a number of KPIs.

Turnover (£'000)



Normalised operating profit (£'000)*



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

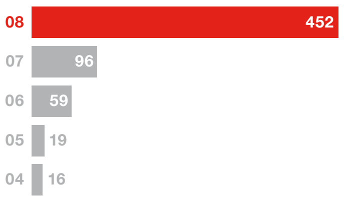
Offices

1 London
2 Cologne
3 Vienna
4 Berlin
5 Copenhagen
6 Malmo
7 Oslo
8 Stockholm
9 Jeddah
10 Dubai
11 New York
12 Washington
13 Palo Alto

> "YouGov is the **authoritative measure** of public opinion and consumer behaviour. It's our ambition to supply a **live stream of data** and insight into what people are thinking and doing **all over the world**, all of the time, so that companies, governments and institutions can better serve the people that sustain them."

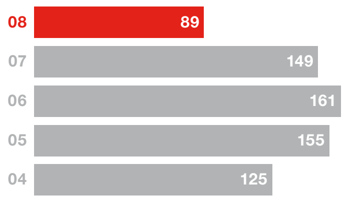
Stephan Shakespeare, Group Chief Innovation Officer and Co-Founder

Headcount



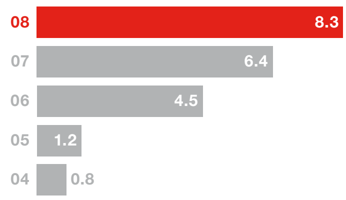
Based on year end headcount

Revenue per head (£'000)



Based on year end headcount

Normalised earnings per share (pence)



Restated for the 5:1 share split on 10 April 2007

Chairman's Statement

The financial year ended 31 July 2008 has been an eventful one for YouGov. Our results include the first contribution from our acquisitions of Polimetrix in the USA, psychonomics in Germany and Zapera in Scandinavia in August 2007. Today, the Group has a clear precence in the world's three largest market research markets.

Group turnover for the year increased by 183% to £40.4m, against £14.3m in 2007. YouGov achieved good organic growth of 38% in its UK and Middle East markets and organic revenue in the acquired businesses rose by 28% on a pro forma basis. Normalised operating profit increased by 55% to £8.7m from £5.6m, in line with our statement on 11 August 2008. Our normalised earnings per share grew to 8.3p from 6.4p. Importantly, our balance sheet remains strong with cash balances of £13.4m as at 31 July 2008.

YouGov is known for delivering accurate data and valuable insight through its quality online panels. Only through mass engagement with people online is it possible to produce research on a timely basis which conveys what people are thinking, be that on political topics or consumer brands. Our vision is ultimately to provide clients with access to real-time data and analysis on a global basis, through a single interface, 'The YouGov Screen'.

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.

The Directors are not recommending the payment of a dividend.

Expansion and becoming a global business

The organic growth of YouGov's existing businesses over the last 5 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 3 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.

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 with 1.2 million members. Polimetrix's 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, has brought us a substantial base of large-scale blue-chip client relationships in the world's third largest research market with expertise in sectors such as financial services, insurance and pharmaceuticals. Although the business is predominantly offline it is already moving more of its research online and rolling out YouGov's data services products. However, psychonomics' traditional business, while producing steady revenue growth, delivered lower than expected profitability this year reflecting a combination of higher than anticipated investment costs and lower matching revenue growth.

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 roll out YouGov's products regionally. Scandinavia is a natural market for YouGov, with among the highest levels of broadband internet penetration in the world.

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.

"The financial year ended 31 July 2008 has been an eventful one for YouGov. Today the Company is now positioned in the world's three largest market research markets."

Board and management changes

In the past year we have seen some significant changes in the Board. In March 2008, Peter Kellner, President, stood down from the Board but he continues to be very actively involved in YouGov as President of the Company, leading our political polling in the UK.

In August 2008, Panos Manolopoulos, Managing Director International Business Development, stood down from the Board.

Also in August 2008, Katherine Lee resigned as Chief Financial Officer for personal reasons. She has been replaced by Alan Newman who has a long track record of success with a number of professional service firms.

As we progressed through the last year it became obvious to the Board that to control our rapid growth we needed significantly to strengthen the management team. Accordingly, new CEO's with substantial management experience have been appointed to lead each of the Scandinavian and UK businesses and new Finance Directors were appointed in Germany, Scandinavia and the USA. These 5 senior appointments combined with a new Group CFO will help the Company to establish more robust and consistent management and financial controls.

These additions to the team will also allow the Chief Executive, Nadhim Zahawi, to focus on monitoring the operations of our existing Business Units and co-ordinating the activities of our worldwide group of companies.

Prospects

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.

I take this opportunity on behalf of the Board to thank all our Group companies and their staff for their hard work and perseverance through the year and look forward to the realisation of their efforts in 2009.

Roger Parry
Chairman
10 October 2008

The YouGov Group

April
2000

YouGov launch

YouGov launches in a blaze of publicity at the Atrium in Westminster, London. The event is attended by the great and the good of the political world.

April
2005

YouGov floats on AIM

YouGov places 2.25 million new ordinary shares raising in the region of £3m to fund future growth.

July
2005

YouGovME

YouGov moves into the Middle East region at the request of HSBC Middle East. YouGovME, based in Dubai, builds the first online consumer panel in the region.

July
2006

Siraj

YouGovME acquires Siraj, a traditional market research agency with a host of blue-chip clients. This complementary acquisition adds significantly to YouGov's position as the fastest growing market research agency in the region.

December
2006

August
2007

Polimetrix
YouGov announces the acquisition of a 32% stake in Polimetrix Inc, a US based company with offices in Palo Alto, California and Washington DC. Polimetrix is much like YouGov in its earlier years. The company has a panel of approximately 1.1 million people across the US and Canada.

psychonomics
YouGov acquires psychonomics, a business based in Cologne in Germany. psychonomics is amongst Germany's top 10 full service market research institutes.

Polimetrix
YouGov acquires the remaining 68% in Polimetrix, bringing its holding up to 100%.

Zapera
YouGov announces the acquisition of Zapera, a business headquartered in Denmark with other offices in Sweden, Finland and Norway. Zapera is amongst the leading internet based market research institutes in the Nordic region.

Revenue UK (£'000)
12,574

Revenue Germany and Central Europe (£'000)
11,992

Revenue Middle East and North Africa (£'000)
7,671

Revenue Scandinavia and Northern Europe (£'000)
6,507

Revenue North America (£'000)
2,830

The YouGov Group
continued

YouGov
Region: UK

YouGov was launched in April 2000 and quickly gained a reputation for accuracy with its political polling results.

Today, YouGov is a full service research company primarily using online panels to provide quantitative and qualitative research across a range of specialisms. These include consumer markets, financial services, technology and telecoms, media, politics and the public sector. YouGov's full service offering spans added value consultancy, syndicated and product offers, omnibus and field and tab services.

YouGov is considered the pioneer of online market research and was the only research company named in the 2007 Deloitte Technology Fast 50. Through panel management expertise, flexibility and an innovative approach to recruitment, YouGov operates a quality panel of over 200,000 UK members representing all ages, socio-economic groups and other demographic types, with excellent response rates. YouGov also specialises in growing and maintaining dedicated panels of specialist consumer and professional audiences.

YouGov dominates Britain's media polling and is one of the most quoted research agencies in Britain. Its well documented and published track record demonstrates the accuracy of its survey methods and quality of its client service work.

YouGov Consulting
In 2007, YouGov launched its consulting offer with the aim of adding further understanding and perspective to the data supplied to clients, and offering resultant strategic advice.

The consulting business is structured into teams of sector specialists and a dedicated qualitative team.

YouGov Consulting combines research expertise and in-depth sector knowledge to help clients to identify, analyse and understand their markets, offering actionable insight that adds competitive business advantage.

Case study: DebtTrack
With the crisis in financial markets which began in the USA in 2007 spreading rapidly to the UK and affecting lending and savings activity, YouGov's Financial Services Consulting team launched DebtTrack to provide up-to-date and authoritative evidence on consumer reactions to these unprecedented events. Launched in June 2008, this is the first large scale regular tracking survey of the nation's financial health.

DebtTrack gives users a quarterly snapshot of how a representative cross section of the population are coping with debt commitments, bills and other financial stress indicators, and with the potential impact of financial shocks. Clients also obtain unique access to a parallel tracker of a group of people in financial difficulty who are interviewed every 2 months to measure how their financial circumstances are changing, what is driving change and how they are coping.

In a period of extreme financial uncertainty and deteriorating personal finances, YouGov's DebtTrack provides lenders, regulatory and industry bodies and those involv ed in debt management with crucial data to help them understand the current situation and gain insight into developments in the near future.

Clients of DebtTrack include the Council of Mortgage Lenders, which is using it to track developments in the mortgage market and the impact of changes in economic circumstances on potential mortgage default. The Department for Business, Enterprise and Regulatory Reform (BERR) will be using the data to feed into policy work to support the UK Over-indebtedness Taskforce. The Insolvency Service, an agency of BERR, is using DebtTrack for insight into current and potential levels of personal insolvency. R3, the Association of Business Recovery Professionals, is using it to help their members to determine levels of people in financial difficulty and how many people might be seeking assistance in negotiating repayment schedules with creditors.

Case study: News International

The YouGov Media Consulting team has been in operation for less than a year but is already establishing itself as a serious player in the media research industry. The highlight of 2008 was undoubtedly being commissioned by News International Insight to manage one of the largest research contracts in publishing.

The Times, The Sunday Times, The Sun and News Of The World are four of the most iconic brands in the newspaper industry and a thorough understanding of their brand health and the impact of marketing activity is vital for the strategic development of the business.

YouGov created a panel of 50,000 newspaper readers, from which daily samples will be drawn to provide continuous brand tracking for News International's national brands, involving over 100,000 interviews per annum; nearly 3 times the size of the print industry's research gold standard, the National Readership Survey (NRS). In addition YouGov Media Consulting will handle News International's new consumer panels, the Premium Panel and UK Heartbeat, featuring over 100 surveys a year, and the development of other engaging online insight applications. These panels will provide insight for News International's editorial teams, marketing, and the commercial division.

"This is a significant vote of confidence in both YouGov's ability to manage projects of this size and the new business model that the Consulting unit is developing. The Media Consulting division will be looking to build more strategic partnerships of this nature in the year ahead."

David Lucas, Head of Media Consulting, YouGov

The YouGov Group
continued

YouGovSiraj
Region: Middle East and North Africa (MENA)

YouGov expanded into the Middle East at the request of HSBC Middle East in July 2005 and built the first online consumer panel in the area. In July 2006, YouGov acquired Siraj, a traditional market research agency with a host of blue-chip clients, to become YouGovSiraj.

Today, YouGovSiraj is a leading full service research company with a boutique philosophy and a wealth of regional experience. It operates in the Gulf Co-operation Council area, Levant, North Africa and Turkey, offering both qualitative and quantitative research; online, CATI and face-to-face.

YouGovSiraj embraces new technology to deliver fast, accurate and cost-effective results. It has arguably the strongest qualitative division in the MENA region and has pioneered online research with the region's largest pure research panel of over 140,000 members.

The company's ultimate goal is to represent truthfully and accurately the MENA region and its people, priding itself on first class analysis that offers clients unparalleled insight. The teams of curious, passionate, and forward-thinking researchers strive to break away from stereotypes in a constant quest for greater knowledge.

YouGovSiraj is the region's most quoted research company and is trusted by the media for accuracy and impartiality. By sharing its knowledge and remaining socially responsible, the company aims to be a force for good throughout the area.

Case study: travel and tourism research

YouGovSiraj started its specialist travel and tourism department towards the end of 2007 and has already established itself as a serious player in the industry.

It has developed the Travel Tracker, a MENA-wide research study, looking in detail at travel and tourism trends. The first wave was launched in January 2008 and was quoted heavily in the press. It obtained the opinions of almost 3,500 business and leisure travellers across 20 countries in the MENA region. The scope extended from trends in travel habits and budgets to attitudes to the use of new products, including mobile phones in aircraft. The survey has been of particular interest to airlines, hotel chains and tourism associations.

Due to its success, wave 2 of the survey is in progress with results planned to be launched at the Business Travel Show, where YouGovSiraj is the research partner. Whilst the core of the survey will remain the same, it will cover additional topics around travel, leisure, accommodation and the environment.

The team's knowledge and experience have brought many interesting projects such as brand development, campaign evaluation, advertising sophistication and travel trend studies. The client list includes mainstream, low cost and all premium airlines as well as tourism associations. Due to popular demand, YouGovSiraj is planning to set up a brand tracking study for airlines in the region.

"...their expert understanding of the market and tourism sector was invaluable to the set up of the project and the interpretation of the research findings."

Nicky Cronin, International Insight Specialist, Visit Britain

"...a rare find especially in our industry and region. We have already started to scope additional projects regarding customer satisfaction and brand audit with the team."

Alison Mckie, Director of Marketing, Kayala Airlines, Saudi Arabia

YouGovPolimetrix
Region: North America

Polimetrix was founded in 2004 by Stanford Professor Douglas Rivers and became an associate in December 2006 when YouGov acquired a 32% stake. YouGov acquired the remaining 68% in August 2007 to expand its presence in the USA and Canada.

Polimetrix has offices in California, New York and Washington DC. It currently has 30 employees whose collective expertise covers survey research, marketing, applied statistics, and Web technologies.

Polimetrix combines innovative data collection technology with large scale databases and advanced analytic techniques to provide cutting edge survey research applications. It operates a panel of over 1.2 million members and conducted over 3.3 million interviews during 2007.

The company is primarily active in the public affairs, university and government sectors. Its clients include political campaign consultants, media organisations, market research agencies, corporate public affairs groups, academics and non-profit organisations.

Polimetrix is working to expand its service offering to include consulting, brand and market research, and to grow the business into a multi-service agency.

MetLife

SIG SUSQUEHANNA

OMD INSIGHTS • IDEAS • RESULTS

ELEMENT The Element Agency

UBC United BioSource Corporation

Case study: CBS

Polimetrix was commissioned by CBS News, one of the leading national US television networks, to build a national electoral vote model that would give viewers unique insights into the state of the 2008 presidential race. CBS's national political surveys are among the best known and most respected polls in the US and are conducted using its own telephone facility in its Manhattan Studios, typically using a sample size of around 1,000.

During the 2008 US presidential campaign, these polls tracked a close race between Barack Obama and John McCain. However, as the election outcome is determined by which states each candidate wins and not their national popular vote the sample of 1,000 is too small to predict how the Electoral College vote will split.

The CBS Election Unit therefore turned to Polimetrix to interview a total of 75,000 of its panellists to model the electoral vote distribution across the 50 American states. This is conducted 3 times during the presidential campaign between September and November 2008. The Polimetrix approach covers many more interviews than CBS could conduct through its phone facility and demonstrates the exciting potential of online surveys for political polling in the US.

CBS

The YouGov Group
continued

YouGovPsychonomics
Region: Germany and Central Europe

psychonomics AG, a multi-service research agency, was founded in 1991 as a spin-off of Cologne University. It has a history of consistent growth in revenue and is one of the top 10 German market research agencies. psychonomics has been a pioneer in developing online research in the German market.

The company became a member of the YouGov Group in August 2007 and its business activities cover the German speaking as well as Central and Eastern European countries. psychonomics employs a team of 130 highly qualified researchers and consultants at offices in Cologne, Berlin, Vienna and Klagenfurt, providing the full spectrum of techniques for market and organisational research and consultancy services.

The company works across a range of markets, specialising in the healthcare, insurance and financial services sectors, including comprehensive annual tracking studies and frequent surveys analysing key markets, segments and customers. Its specialist areas also include service quality assessment, insurance business consulting and Great Place to Work, which evaluates workplace relations and helps businesses to improve these.

psychonomics helps its client base of multinational corporations to manage successful long-term business relationships with their investors, customers, employees, distributors and the public.

The company believes its expert sector knowledge and methods can be effectively combined with YouGov's renowned online methodology to enable clients to make effective informed decisions in real time.

Case study: DER SPIEGEL

DER SPIEGEL is Europe's highest circulation news magazine, with 6.03 million readers and a circulation of almost 1 million per week.

Quality Channel, the SPIEGEL Group's online marketing association, commissioned psychonomics to test the effectiveness of streaming adverts (particularly short clips of 10-15 seconds) compared to equivalent formats on TV.

psychonomics began the comprehensive programme of research using 3 different samples from its online panel. The first sample provided the baseline measurement, the 2 other samples were simultaneously surveyed with one asked to watch a film online and the other a TV show.

Participants were told they would be rating the film/show, which allowed the adverts to be tested in realistic conditions. The streaming advert was placed on the film website, thus competing with the site's content as well as with banner adverts on the same page and the TV advert was shown in the commercial break.

Both sets of participants completed online surveys designed to measure their aided/unaided recall and recognition of the advert, brand awareness and image, and buying disposition.

The results and analysis provided Quality Channel with invaluable insights for their media planning and marketing strategy.

DER SPIEGEL
SPIEGEL-Leser wissen mehr.

Quality Channel

> "The psychonomics team transformed our brief into a professional and creative research design and provided us with valuable analyses."

Anja Manouchehri, Project Leader, Market Research, Spiegel-Verlag

YouGovZapera
Region: Scandinavia and Northern Europe

Zapera was founded in January 2000 in Denmark as a pure online business backed by Nordic venture capitalists. At that time, the Nordic region already benefited from high internet penetration which facilitated a rapid adoption of online research.

Zapera has achieved annual profitable growth rates of approximately 40% per annum. 2 very successful acquisitions added to its expansion and Zapera became a member of the YouGov Group in August 2007.

Today, Zapera covers the whole Nordic region with offices in Oslo, Stockholm, Malmø, Copenhagen, Kolding and Helsinki. In total the company has almost 100 employees and always strives to identify, recruit and develop the best research professionals.

Zapera operates a panel of more than 140,000 members covering Finland, Poland, Estonia, Sweden, Denmark and Norway. Over the years, the company has become recognised as the pioneer in online research provision, conducting more than 10,000 online surveys – by far the most comprehensive in the Nordic region.

Its solid track record and team of highly skilled research professionals has helped to achieve a significant list of Nordic blue-chip clients.

SAS MSD BERLINGSKE MEDIA TeliaSonera Scandic

Case study: Läkerol

Zapera is one of the key research providers for Läkerol, a leading refreshment brand that is celebrating its centenary in 2009.

In 2007, Läkerol commissioned Zapera to conduct a large, two stage research project to help the brand develop two new pastille product variants. The study comprised both qualitative and quantitative concept and product testing.

The development process began with Zapera conducting online focus groups with Läkerol consumers to discuss future pastille variants. After the completion and analysis of the extensive programme of focus groups, Läkerol's internal development team used the findings to develop new pastille variants containing real pieces of fruit.

Concept testing began and was later integrated with a use test. Respondents were sent samples of the new product variants by postal mail, and subsequently completed online questionnaires. Additional sensory tests were also conducted.

As a result, Läkerol Pomegranate and Pitaya were launched in May 2008 and positioned as 'functional pastilles', emphasising the health benefits associated with the 2 ingredients as a key selling point.

Läkerol makes people talk®

"We always work very methodically when developing and launching new products and we rely on Zapera's services to a large extent."

Fredrik Sjöström, International Brand Manager, Läkerol

Global Products

BrandIndex

YouGov Omnibus

BrandIndex

BrandIndex was launched in the UK in October 2005 as a revolutionary brand tracker that offers its clients daily reporting online.

BrandIndex measures public perception of more than 1,100 consumer brands across 32 sectors, on a 7 point profile: general impression, 'buzz', quality, value, corporate reputation, customer satisfaction and whether respondents would recommend the brand to a friend. 2,000 British adults aged 18+ are interviewed daily, giving more than half a million interviews per year.

In any sector, things will be happening every single day: a new product is launched, an advertising campaign begins, a PR disaster occurs. Whatever the event, brand owners want to know its precise effect on their own and their competitor brands. By subscribing to BrandIndex they obtain immediate access to real time data on all the brands that it tracks across all sectors.

Following its success in the UK market, BrandIndex expanded internationally in 2007. YouGov launched BrandIndex in the USA in December 2007 and this was quickly followed by Germany in January 2008. Sweden, Denmark and Norway all followed in April 2008 and Austria is planned for late 2008. In Turkey, BrandIndex was launched in collaboration with a local partner, the research agency Estima. Finland and the Middle East are both due to launch the revolutionary brand tracker in 2009.

The international expansion of BrandIndex is welcome news for marketing teams of global brands as perception of their brand and its competitors can be quickly and cost effectively measured across multiple countries simultaneously.

YouGov intends to continue expanding the reach of BrandIndex into new territories in the coming years.

Omnibus

YouGov has used its smart data collection methods to distinguish its omnibus service from those of other research agencies.

YouGov's online methodology enables its omnibus services to run daily and provide clients with results rapidly and cost effectively, offering more responses than competitors in one of the quickest turnaround times.

YouGov runs omnibus services worldwide, allowing clients to target one particular region, get a global snapshot or compare results across multiple countries.

As well as the nationally representative omnibus services, the size and diversity of the YouGov panels have allowed the Company to expand its omnibus offering to provide insight from specific target samples. The specialist consumer omnibus services range from city samples such as London to demographic and interest based samples such as Parents, Main Shopper, Sport and Employees. Clients can also reach business decision makers with YouGov's business-to-business omnibus offering. All of these services enable clients to focus their research on their target market and get answers from only the most relevant respondents.

Although omnibus services are typically quantitative, YouGov also offers a qualitative omnibus to generate additional insight, allowing clients to dig deeper into results and gain further perspective. YouGov has developed online qualitative research internationally, enabling clients to run global projects faster and more cost-effectively than ever before.

Specialist Businesses

YouGovAlpha

YouGov CENTAUR

YouGovStone

YouGovAlpha

YouGovAlpha is a consultancy providing research principally to the investment community. Its clients are investment management companies and, increasingly, private equity companies, to whom YouGovAlpha delivers both in-depth, bespoke reports as well as syndicated indices on the marketplace performance of companies and sectors.

Since the inception of YouGovAlpha in August 2007, the company has covered a wide range of sectors (from medical devices through to grocery retail) and markets (principally the UK, US and Europe) with its research and developed a number of techniques specific to the needs of its clients.

YouGovAlpha's investment banking clients deploy its services alongside their fundamental analysis as part of their investment management approach, while in the private equity sector, the company supports both commercial due diligence and company performance analyses.

YouGovCentaur

YouGovCentaur LLP is a joint venture between YouGov plc and Centaur Media plc which has developed specialist business-to-business research panels, covering Centaur's key trade publication audiences. The panels and the related research are drawn from a combination of YouGov's proven market research capabilities and Centaur's unparalleled market access to these sectors.

Panellists are recruited directly from the highly engaged readership of market leading magazines such as The Lawyer, Money Marketing, The Engineer and Marketing Week and are organised into 7 professional communities. The panels now number in the thousands, with a focus on seniority, affording clients unparalleled insight across UK and European industry.

YouGovCentaur's clients include over 200 research agencies and its offering includes; advisory groups of key senior executives, monthly industry omnibuses e.g. UK IFAs, focused business sample provision for clients' own research projects and client participation in all-reader magazine branded research, seen by up to 100,000 readers.

YouGovStone

YouGovStone is a specialised opinion research company, a joint venture between YouGov plc and Carole Stone. YouGovStone has developed Carole's highly successful networking business to create its own ThinkTank of over 3,000 opinion leaders drawn from the worlds of business, media, politics, academia, science and the arts. These 'influentials' respond to regular surveys on topics of public interest, providing detailed insights to YouGovStone clients into what opinion leaders think about key issues of the day.

The research is often supported by live events such as high profile debates, attended by members of the YouGovStone ThinkTank. The company also arranges lunches and dinners at which its research findings are discussed by members of the ThinkTank and other experts in the field.

Recent YouGovStone clients include SABMiller, the United States Embassy in London, Unilever, London's Evening Standard, the Educational Foundation Edge, Camelot plc, the National Lottery and Shelter.

Chief Executive Officer's Report

This year has been a turning point in YouGov's history with the acquisition of our overseas subsidiaries in August 2007. This is a stepping stone in our strategic aim to become a global player, capable of challenging the giants of the industry. We now have a strong presence in the UK, Germany and North America; the top 3 largest market research markets.

The transition has been both exciting and challenging. We have seen our headcount across the world grow from 96 to 452 full time staff. The management structure we created last year has been instrumental in managing this increase, ensuring communication around the Group and facilitating idea and knowledge sharing. We have been able to complete a number of initiatives together such as product rollouts and centralising Group marketing. I feel we have made important progress in learning to operate as 1 firm, and the number of collaborative Group projects we have in the pipeline convinces me we are building the future of the industry.

Each of our Group companies have performed well over the year, achieving their highest revenues over a 12 month period. However, the significant amount of investment in people and infrastructure across the Group resulted in margin pressure.

Managing and monitoring our costs so that we deliver growth profitably is a key challenge in a larger group. We have had to transition our new Group companies, all previously privately owned, to a reporting structure in line with public company standards and our Group reporting processes proved not to be as robust as they should be. We have addressed these challenges by strengthening our finance teams in our subsidiaries as well as at Group level.

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 business-to-business omnibus to improve client offerings. BrandIndex continues to be a core product of the Group and a significant amount of work has been done to scale this internationally.

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 operations revenues have grown by 18% from £6.5m in the year ending 31 July 2007 to £7.7m in the year ending 31 July 2008. Operating profit increased by 6% to £3.8m from £3.6m last year. This has been 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.

Polimetrix, psychonomics and Zapera have now been part of the Group for 12 months and have each played instrumental parts in our development. All 3 companies have rolled out YouGov products such as Omnibus and BrandIndex to their clients. I am very encouraged by the level of collaboration we have achieved which is paying dividends in a number of ways such as winning cross border projects, new product development and the integration of technology.

Our Scandinavian operations achieved record revenues in the period, contributing £6.5m to Group revenues and £1.0m of operating profit. The management team was strengthened during the year with the addition of a new CFO and in September 2008, a new CEO with international management experience at Carlsberg and Coca-Cola took over from the founding CEO. 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.

We launched a new UK subsidiary in the year, YouGovAlpha, which is contributing as expected. YouGovAlpha is a market

“The acquisition of our overseas subsidiaries in August 2007… is a stepping stone in our strategic aim to become a global player.”

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 provided research services totalling £2.7m (2007: £0.5m) on an arm’s length basis 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.

During the year we pursued a significant acquisition which did not complete, resulting in a one-off exceptional cost of approximately £1.2m in the period to 31 July 2008.

Following the end of the financial year 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 licence. In Greece, YouGov has set up YouGovHellas, a joint venture with a local partner in which we will own 51%.

Our future strategy

Our goal remains to be one of the leaders of the industry, being better than our competitors by focusing on higher quality of data gathering, faster and more timely research, better products and services, better organisational structure and a stronger public brand.

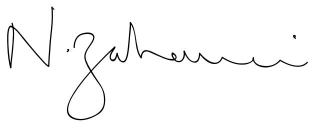
We maintain our commitment to an engaged quality panel delivering accurate data efficiently, reporting online where possible. We believe this is key in improving our offering to clients, giving them more value add by striving to move from being suppliers of quality data to suppliers of data driven insight.

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, 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.

YouGov aims to build a quality global panel delivering a series of core products through hubs, with a common culture of quality, engagement and innovation, but allowing for some local variation. Our emphasis is on syndicated products leveraging the YouGov methodology which will ultimately deliver a stream of fresh primary data.

This year, I focused much of my personal energies on ensuring that our new acquisitions were embedded into the Group as well as on the many new opportunities to grow our business. Although we have achieved a great deal to be proud of, I recognise that the detailed monitoring of the enlarged Group’s performance needed more attention. During the next year, I will focus even more on managing the business that we have built and ensuring the delivery of our Group’s financial as well as strategic goals.

I would like to recognise the tremendous effort that our staff have contributed in making a challenging year a success and look forward to the opportunities we are pursuing in 2009.



Nadhim Zahawi
Chief Executive Officer
10 October 2008

Chief Financial Officer's Report

The financial year to 31 July 2008 saw significant changes in the scale and structure of the Group's business resulting from the acquisition of 3 businesses in Europe and the United States.

Normalised operating profit

Normalised operating profit is set out below to present results for the years ended 31 July 2008 and 2007 on a comparable basis.

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 accrual	**229**	47
Integration costs	**540**	–
Normalised operating profit	**8,695**	5,620

Earnings per share	31 July 2008 pence	31 July 2007 pence
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

Normalised operating profit of £8.7m represents an increase of 55% against the £5.6m achieved in the prior year. This equates to a normalised operating margin of 22% (2007: 39%). Normalised EPS has increased 30% to 8.3p (2007: 6.4p).

Results

Revenues

Group revenues have grown by 183% from £14.3m to £40.4m reflecting the effect of the 3 acquisitions. These have transformed the geographical mix as shown in Figure 1.

Organic growth remained strong, at 38%, in our existing UK and Middle East businesses. Their revenues grew respectively by 52% from £8.3m to £12.6m and by 18% from £6.5m to £7.7m. The revenue of £20.8m from the newly acquired businesses contributed 145% to the Group's revenue growth. On a pro forma basis, these businesses achieved organic revenue growth of 28%, with Germany growing by 13%, Scandinavia by 44% and USA by 89%.

As anticipated following the acquisition of businesses with different operating models from our existing operations, our revenue per head fell to £89,000 from £149,000 in 2007/08. This also reflects the investment during the year in the resources to develop new areas of business, many of which are at an early stage in revenue generation.

Profit before taxation

The Group's profit before taxation reflects the effect of the acquisitions as well as the significant exceptional cost relating to an abortive acquisition. At an operating level the profit before exceptional items, interest and tax was £7.9m. As announced at the time of the 3 acquisitions, the companies all have lower operating profit margins than YouGov's UK and Middle East businesses due to their different operating models. Despite the addition of a significant offline research element in the German business which has higher direct costs of sales, the Group's gross margin increased from 81% to 83% with the benefit of higher online margins in the UK and Scandinavia.

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.

The Group's year-end headcount has substantially increased from 96 to 452 as a result of the enlargement and of continuing recruitment in the UK and Middle East.

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

Taxation

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

Assets

The Group's net assets increased substantially from £12.2m to £59.6m following the acquisitions and the capital raising undertaken in September 2007 to finance these.

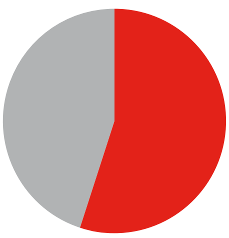
Property, plant and equipment increased by £1.7m to £2.2m, reflecting the addition of acquired fixed assets, a new freehold property from which the Middle Eastern business operates as well as continued investment in IT infrastructure.

Figure 1
Revenues are stated net of inter-segmental sales.

2007/08 Revenue

UK	£12.0m
Middle East	£7.7m
Germany	£12.0m
Scandinavia	£6.5m
USA	£2.3m

2006/07 Revenue



UK	£7.9m
Middle East	£6.4m

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.

Cash flow and working capital

Cash

The Group's cash balances increased from £4.1m to £13.4m, a net increase of £9.3m. Cash generated from operations (before paying interest and tax) was £3.1m compared to £4.8m in the year ended 31 July 2007. £26.2m was generated from the share placing of which £16.0m was used to pay the cash element of the acquisition considerations (net of cash acquired).

Current assets

Trade receivables increased from £4.9m to £11.8m due to the acquisitions and to organic revenue growth in UK and Middle East. Debtor days fell to 88 days at 31 July 2008 compared to 104 days at 31 July 2007.

Current liabilities

Group liabilities increased from £4.0m to £25.6m reflecting the business enlargement. These include £6.4m in deferred consideration payable in respect of psychonomics and Zapera if certain performance targets are met.

Corporate finance activity

Details of corporate finance activity in the year are summarised below.

On 7 August 2007, YouGov acquired the 68% of the share capital of Polimetrix Inc which it did not already own for $2.10 per share. The total consideration was $24.1m of which $8.6m was satisfied in cash and the remaining $15.5m being satisfied by the allotment of shares and the grant of options valued at $2.7m.

At the same time, we acquired 100% of the share capital of Zapera, a Scandinavian online research business for £5.3m of which £4.9m was satisfied in cash and £0.4m by the allotment of shares. A further £2m was used to settle Zapera's liabilities and a further earn-out was payable to the sellers if Zapera achieved certain financial hurdles for the year ended 31 July 2008. Since the year end, we have reached agreement with the vendors to vary the terms of this 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. An additional earn-out has been put in place for the 2 years ending 31 July 2010, which if met will result in a maximum additional £1.25m being payable, half in cash and half in Ordinary Shares.

On 27 July 2007, the Group announced the acquisition of the entire issued share capital of psychonomics for €20.75m of which €15.75m was satisfied in cash and the remaining €5m by the allotment of shares. The acquisition was completed on 10 September 2007 and the psychonomics vendors were also entitled to be paid the post-tax profits of the Company for the pre-completion period of 9 months ending 30 September 2007. Such amount is capped at €1.5m. In addition, an earn-out has been put in place for the 2 years ending 31 December 2008 which if certain financial targets are met will result in a maximum payment of €3m, either in cash or shares.

On 9 August 2007 the business of YouGovExecution Ltd (YGX) in which the Group held 50% was transferred to YouGovAlpha, a division of YouGov plc. The joint venture is being dissolved with a view to each party independently pursuing aspects of the YGX business.

Capital and equity

Share placing

On 6 September 2007, the Group undertook a placing to finance the 3 acquisitions of 19,285,714 new 0.2p Ordinary Shares to institutional investors at 140p per share. We also issued a total of 5,929,829 new shares as Acquisition Shares whilst 2,238,312 options were exercised by employees. These changes meant that share capital had grown to 94,876,425 by the balance sheet date.

Earnings per share

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. On an adjusted basis excluding amortisation, share-based payments, imputed interest and exceptional items, diluted earnings per share are 7.1p compared to 6.0p last year.

Alan Newman
Chief Financial Officer
10 October 2008

"Normalised operating profit of £8.7m represents an increase of 55% against the £5.6m achieved in the prior year."

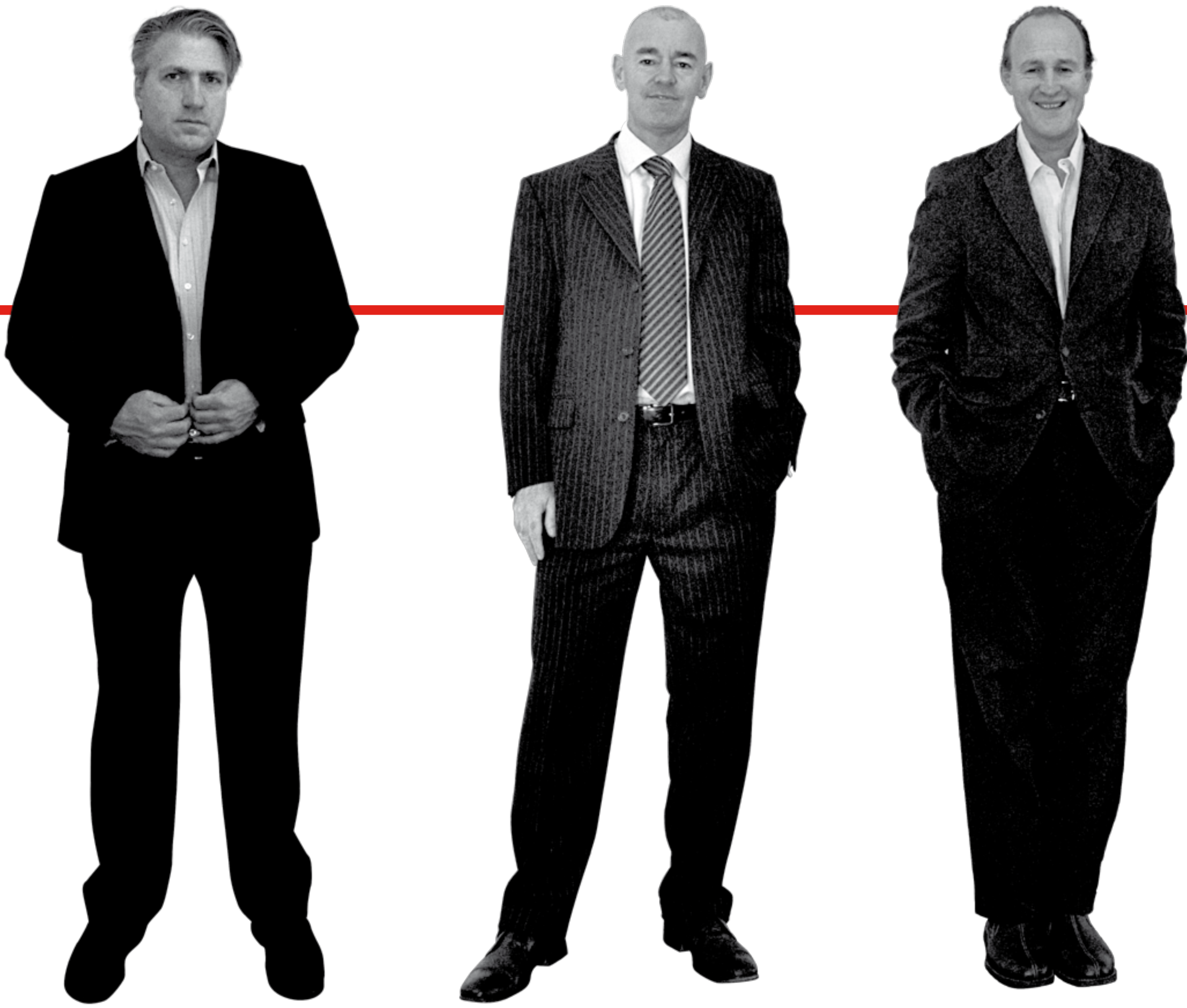
Board of Directors

Roger Parry
Non-Executive Chairman
Roger is also Executive Chairman of Media Square plc, the marketing communications group, and Non-Executive Chairman of Future plc, Johnston Press plc and Mobile Streams plc. He is Chairman of Shakespeare's Globe Trust. Roger was a journalist with BBC and ITV and a consultant with McKinsey & Co. He was CEO of More Group plc and Chairman and CEO of Clear Channel International.

Roger was educated at the universities of Oxford (Jesus College) (M.Litt Economics) and Bristol. (BSc Geology). He is the author of 3 books: People Businesses, Enterprise and Making Cities Work.

Nadhim Zahawi
Group Chief Executive Officer and Co-Founder
Nadhim is responsible for the corporate direction of YouGov. Previously, Nadhim was European Marketing Director for Smith & Brooks Limited with responsibility for merchandising brands such as Warner Bros, Disney and Barbie. He was a councillor with the London Borough of Wandsworth and has in-depth experience of public sector consultation and research within local government. Immediately prior to co-founding YouGov, he was a political campaign manager. He has a BSc in Chemical Engineering from University College, London.

Alan Newman
Chief Financial Officer
Alan has considerable experience in the media and communications sectors. He has been a Partner with Ernst & Young LLP and KPMG LLP where he led the TMT sector financial management consulting practice. Alan's previous corporate management roles include International Finance Director of Longman and Group Development Manager of MAI plc (now United Business Media). He has an MA in Modern Languages (French and Spanish) from Cambridge University.



Stephan Shakespeare
Group Chief Innovation Officer and Co-Founder
Stephan is responsible for YouGov's commercial development and strategy, including creating new research methodologies. Previously, Stephan was an educationist and writer. He was founding Principal of Landmark West Preparatory School in Los Angeles and he has written extensively on education policy for a variety of national newspapers. Immediately prior to co-founding YouGov, he was a political campaign manager. He has an MA in English Language and Literature from Oxford University.

Anthony Foye
Non-Executive Director
Tony is currently a freelance consultant working with various clients in the Media Industry. Until December 2007 he was CFO of Informa plc where he had held that position since its merger with Taylor & Francis in May 2004. Prior to this Tony held the CFO position at Taylor & Francis since he joined the Group in 1987. Tony qualified as a Chartered Accountant with Haines Watts and has a BA in Accountancy from Huddersfield Polytechnic.

Peter Bazalgette
Non-Executive Director
Peter is the former Chief Creative Officer of The Endemol Group and now acts as a media consultant and investor. He was also a Non-Executive Director of Channel Four Television Corporation. Peter graduated with a BA in Law from Cambridge University in 1976.

Directors' Report

For the year ended 31 July 2008

The Directors present their report and the audited financial statements for the year ended 31 July 2008.

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 pages 16 and 17 of the Chief Financial Officer's Report.

Future developments

Future developments are discussed in more detail in the Chairman's Statement on page 3.

Post balance sheet events

Post balance sheet events are discussed in more detail in note 29 on page 66 and in the Chairman's Statement on page 3.

Directors

Directors at any point during the year were:
Stephan Shakespeare
Nadhim Zahawi
Katherine Lee
Panos Manolopoulos
Peter Kellner
Peter Bazalgette
Anthony Foye
Roger Parry

All Directors served throughout the year, with the exception of Peter Kellner who resigned on 6 March 2008.

Katherine Lee resigned from the Board and the Company on 8 August 2008.

Panos Manolopoulos resigned from the Board on 11 August 2008.

Alan Newman was appointed as Chief Financial Officer and Company Secretary on 8 August 2008.

Directors' interests in shares

The interests of the Directors in the shares of the Company on 31 July 2008 and 31 July 2007 were as follows:

	31 July 2008 Number of shares	31 July 2007 Number of shares
Stephan Shakespeare[1]	**10,939,110**	13,457,760
Peter Kellner[2]	**898,670**	898,670
Nadhim Zahawi[3]	**10**	540,010
Katherine Lee	**52,000**	52,000
Peter Bazalgette	**200,945**	200,945
Anthony Foye	**140,065**	140,065
Panos Manolopoulos	**200,365**	66,910
Roger Parry	**25,000**	25,000

1. Includes 5 Ordinary Shares held by Stephan's wife, Rosamund.
2. As at the date of his resignation from the Board on 6 March 2008.
3. As at 31 July 2007 this included 540,000 held by Nadhim's wife, Lana Saib.

Directors' interests in share options

Name	Number of Ordinary Shares under option	Exercise period	Exercise price
Panos Manolopoulos	283,455	Until 31 December 2014	18p
Katherine Lee	700,000	Until 31 October 2015	34.1p and 29.5p
Total	**983,455**		

Further detail is provided in the Remuneration Report on pages 23 and 24.

During the year, the Group provided research services totalling £2.7m (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 a minority interest of 25%. These services were provided on an arm's length basis and on usual commercial terms.

Apart from this, no Director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business.

Employee involvement

The Company has continued its practise 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 3 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, our newsletter, 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 2008 the number of days credit taken for purchases by the Company was 34 days (2007: 35 days).

Substantial shareholders

At 31 July 2008 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Name	Shareholding	
Fidelity Investments	13,910,584	14.66%
Directors	11,557,635	12.18%
Balshore Investments	10,029,100	10.57%
Baillie Gifford	4,099,000	4.32%
Jupiter Asset Management	3,033,679	3.20%
T Rowe Price Global Investments	2,850,000	3.00%

Placing of shares

On 3 September 2007, the shareholders approved the placing of 25,215,543 shares of 0.2p each to fund the acquisition of Polimetrix, psychonomics and Zapera. Following their admission to trading on 6 September 2007 the Company's ordinary issued share capital was 92,638,113.

Key performance indicators

Key performance indicators are discussed in more detail on page 1.

Financial risks

The financial risks facing the Group are discussed in more detail on pages 26 and 27.

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 predominately 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 recycle where possible;
- ensure that paper used comes from reputable managed forests; and
- 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, marital status, ethnic origin, nationality, religion, disability, sexual orientation or age.

Charitable and political contributions

Donations to charitable organisations amounted to £15,850 (2007: £nil).

Donations to political organisations amounted to £nil (2007: £nil).

Directors' Report continued
For the year ended 31 July 2008

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 enquires, 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.

External auditors
The Board is recommending the appointment of PricewaterhouseCoopers as auditors and we would like to thank our outgoing auditors Grant Thornton for their help and professionalism over their term of office and their excellent support. Given the rapid growth of the business and the increasing international dynamics of the operations the Board felt it appropriate to undertake a rigorous review of our external auditors and in this context placed the audit out to tender with 4 external audit firms including Grant Thornton.

To reduce the level of subjectivity during the selection process a list of 9 criteria was compiled against which each audit firm candidate was reviewed. The 9 criteria selected were those we regarded as most important in identifying the firm which will help YouGov over the next stage of its evolution. The Board also had regard to the Financial Reporting Councils paper 'The Audit Quality Framework' which is designed to assist Audit Committees when reviewing audit effectiveness as set out in the combined code.

The 5 main drivers of audit quality highlighted in the framework are:
1. Culture within the audit firm
2. Skills and personal qualities of audit partners and staff
3. Effectiveness of the audit process
4. Reliability and usefulness of the audit reporting
5. Factors outside the control of auditors affecting the audit

Further guidance was provided from the 'Smith Guidance' issued by the Financial Reporting Council in March 2008 'Guidance on Auditor choice'.

We can report to the shareholders that the Board reached the recommendation based on the highest score against the 9 criteria mentioned with each candidate firm interviewed by the Audit Committee and after detailed reviews of the audit proposal. There were no contractual obligations which restricted our choice and Grant Thornton was appointed on 30 March 2005.

Annual General Meeting
The Annual General Meeting of the Company will be held on 11 December 2008 at 50 Featherstone Street, London EC1Y 8RT.

Alan Newman
Chief Financial Officer and Company Secretary

On behalf of the Board
10 October 2008

Remuneration Report
For the year ended 31 July 2008

The Remuneration Committee comprised at 31 July 2008 the two Non-Executive Directors, Peter Bazalgette and Anthony Foye.

Remuneration Report
A resolution will be put to the shareholders at the Annual General Meeting to be held on 11 December 2008 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 as if it were followed and full consideration was given to these in determining the remuneration packages for the Executive Directors for 2008/09.

This is not a remuneration report as defined by Company law.

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
Nadhim Zahawi is employed by the Company as Chief Executive Officer under the terms of a service agreement dated 18 April 2005, working 5 days a week for a salary of £138,000 per annum. The contract has no fixed term and is terminable by 12 months' notice in writing by either party. Under the contract, Nadhim 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 a confidentially undertaking that is without limit in time.

Stephan Shakespeare was employed by the Company as Chief Innovations Officer under the terms of a service agreement dated 18 April 2005, working 5 days a week for a salary of £138,000 per annum. The terms of Stephan's contract are identical to those of Nadhim.

Katherine Lee was employed by the Company as Chief Financial Officer under the terms of a service agreement dated 25 July 2005, working 5 days a week for a salary of £115,000 per annum. The terms of Katherine's contract were identical to those of Nadhim. Katherine resigned as a Director on 8 August 2008.

Peter Kellner is employed by the Company as President under the terms of a service agreement dated 18 April 2005, working 4 days a week for a salary of £138,000 per annum. The terms of Peter's contract are identical to those of Nadhim. Peter resigned as a Director on 6 March 2008.

Panos Manolopoulos is employed by the Company as Managing Director International Development under the terms of a service agreement dated 18 April 2005, working 5 days a week for a salary of £115,000 per annum. The terms of Panos's contract are identical to those of Nadhim with the exception that the contract is terminable by 6 months' notice in writing by either party. Panos resigned as a Director on 11 August 2008.

Peter Bazalgette is engaged by the Company as a Non-Executive Director on the terms of a letter of appointment dated 2 March 2005 terminable on 30 days' notice from either party. Peter receives a fee of £23,000 per annum.

Remuneration Report continued

For the year ended 31 July 2008

Anthony Foye is engaged by the Company as a Non-Executive Director on the terms of a letter of appointment dated 1 March 2005 terminable on 30 days' notice from either party. Anthony receives a fee of £23,000 per annum.

Roger Parry is engaged by the Company as a Non-Executive Director and Chairman on the terms of a letter of appointment dated 6 February 2007 terminable on 30 days' notice from either party. Roger receives a fee of £50,000 per annum and an annual bonus of £25,000 at the discretion of the Board.

Alan Newman was appointed Chief Financial Officer and Company Secretary on 8 August 2008. Service agreement details and remuneration are in the stages of being finalised.

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 2008 amounted to £804,000 (2007: £1,269,000).

As described in note 28 to the Accounts and in the Directors' Report, Stephan Shakespeare and Nadhim Zahawi (through his family trust) each have an interest in a significant contract to provide research services to Privero Capital Advisors Inc. Except for this, 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

Directors' emoluments including benefits in kind and pension contributions paid by the Company during the financial year are disclosed below:

	2008 £'000	2007 £'000
Emoluments	**804**	1,269
	804	1,269

Peter Kellner, formerly the President of the Company, at the start of the period had share options over 1,898,735 Ordinary Shares at an exercise price of £0.10 per share. These options were exercised in full on 20 December 2007.

Panos Manolopoulos, Managing Director International Development, at the start of the period had share options over 566,910 Ordinary Shares at an exercise price of £0.18 per share. All of which are now exercisable. Panos exercised 283,455 of these options on 1 November 2007. On 28 November 2007 Panos sold 150,000 shares at £1.40 per share. Following this sale Panos owns 200,365 shares. Panos has 283,455 options outstanding which are exercisable at his discretion.

Katherine Lee, the former Chief Financial Officer of the Company, has share options over 700,000 Ordinary Shares at an exercise price of £0.341 and £0.295 per share. The options became exercisable in equal tranches on 31 October 2005, 31 October 2006 and 31 October 2007. The fourth tranche due to become exercisable on 31 October 2008 will expire due to Katherine's resignation from the Company. Katherine is free to exercise the first three tranches.

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

	2008 £'000	2007 £'000
Emoluments	**138**	276

Corporate Governance Report

For the year ended 31 July 2008

The Board

At 31 July 2008 the Board consisted of 4 Executive Directors and 3 Non-Executive Directors, including a senior Non-Executive Director. The names of the Directors and their respective responsibilities are shown on pages 18 and 19.

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 three years. Proposals to re-elect Directors are set out in the Notice of the Annual General Meeting on page 77.

Board Committees

Remuneration Committee

The Remuneration Committee was established at the time of flotation. The composition of the Remuneration Committee is shown below 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 pages 23 and 24.

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 2007/08.

	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Director	Maximum 15 (incl. 4 by phone)	Maximum 2	Maximum 4
Stephan Shakespeare	11	–	–
Nadhim Zahawi	15	2	–
Katherine Lee	14	–	4
Panos Manolopoulos	10	–	–
Peter Kellner	6	–	–
Peter Bazalgette	8	2	4
Anthony Foye	9	2	4
Roger Parry	10	–	–

Shareholder communications

The Board's assessment of the Company's position and prospects are set out in the Chairman's Statement on pages 2 and 3 and the Chief Financial Officer's Report on pages 16 and 17.

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 Group continues to work 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. YouGov does not need to comply with the Combined Code as it is listed on the AIM Index.

The Directors have completed a detailed review of the effectiveness of the systems of internal control, including financial, operational, compliance and risk management. This assessment has resulted in a detailed action plan, which is substantially implemented. We continue to work towards full compliance.

Audit Committee

The Audit Committee comprises the two 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; and
- 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 the 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. As the business continues to grow we keep the Group's need for an internal audit function under constant review.

Corporate Governance Report continued

For the year ended 31 July 2008

Key controls 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 media sector as a whole along with associated financial risks.

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;
- appraisal and approval of proposed acquisitions by the Board;
- detailed budgeting and monitoring of costs incurred on the development of new products;
- 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; and
- 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; and
- 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 to 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 8 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.

Middle East

We undertake business in the Middle East region. This exposes the Group to currency risk, inflationary risk and political instability risk. In addition, we have a concentration of revenue in a small number of high value contracts. We manage those risks by investing in the local currency of Dubai and by having influential local partners. We keep abreast of the local political situation.

Currency fluctuations

The Group is exposed to currency risk as the Group operates in multiple geographic regions. This manifests itself in different forms. We seek to reduce this risk by invoicing in local currency thus reducing exposure in normal trading. The Group is exposed to currency translation risk in the consolidation of accounting records. The main reporting currencies of Group subsidiaries are sterling, US dollar, euro, Danish kroner and United Arab Emirates (UAE) dirham. The Group does not hedge translational risk.

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.

Competition

YouGov has developed an 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 and may be able to use these to compete very 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 has built account and project management teams for key clients and larger research projects. In this way the client relationships and project related knowledge are shared among a number of individuals rather than concentrated with 1 person.

Internationalisation

YouGov now has wide geographical spread. Monitoring and reporting these businesses' performance relies upon the operation of key controls. There is a risk that these controls may not operate effectively in each jurisdiction.

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.

Integration risk

Whenever investment is made in a new business there is a risk that our integration plans fail or are delayed. We mitigate this risk by putting together specialist cross-functional integration teams consisting of individuals with the appropriate knowledge and skills to undertake such a task.

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 in place and is reviewed by the Audit Committee annually.

Chairman's commitments

Our Chairman is engaged as Executive Chairman for Media Square plc. This consumes a substantial amount of Roger Parry's time, but this time commitment does not interfere with Roger's ability to be Non-Executive Chairman for YouGov plc.

Statement of Directors' Responsibilities

For the year ended 31 July 2008

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard (IAS) 1 requires that IFRS financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's (IASB) 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation is achieved by compliance with applicable IFRS. A fair presentation also requires an entity (and the Directors of an entity) to:

- select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors have made the decision to prepare the parent Company financial statements under UK Accounting Standards (UK Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit and loss for the period. In preparing these 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; and
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Directors are aware: there is no relevant audit information of which the Company's auditors are unaware; and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Board

Alan Newman
10 October 2008

Report of the Independent Auditors (to the Members of YouGov plc)

For the year ended 31 July 2008

We have audited the group financial statements of YouGov plc for the year ended 31 July 2008 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and notes to the financial statements. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of YouGov plc for the year ended 31 July 2008.

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 auditor's 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 Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, CEO's and CFO's review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the CEO and CFO's review's and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the Group'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 group 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 group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 July 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London, 10 October 2008

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	3	**(1,200)**	–
Group profit before finance costs		**3,845**	5,558
Finance income	4	**500**	188
Finance costs	4	**(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)	5	**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	7	**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.

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

Consolidated Balance Sheet

For the year ended 31 July 2008

	Note	31 July 2008 £'000	31 July 2007 £'000
Assets			
Non-current assets			
Goodwill	9	**33,500**	1,095
Intangible assets	10	**17,118**	343
Property, plant and equipment	11	**2,217**	499
Investments accounted for using the equity method	12	**194**	4,534
Deferred tax assets	20	**1,563**	20
Total non-current assets		**54,592**	6,491
Current assets			
Trade and other receivables	13	**17,239**	5,693
Other short term financial assets	14	**35**	–
Current tax assets	20	**4**	–
Cash and cash equivalents	15	**13,406**	4,061
Total current assets		**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	16	**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	20	**4,865**	56
Total non-current liabilities	17	**6,038**	390
Total liabilities		**25,654**	4,031
Total net assets	1	**59,622**	12,214
Equity			
Issued share capital	22	**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

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

These financial statements were approved by the Board of Directors on 10 October 2008.

Alan Newman
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 July 2008

	Attributable to equity holders of the Company								
	Share capital £'000	Share premium account £'000	Foreign exchange reserve £'000	Merger reserve £'000	Deferred consideration reserve £'000	Profit and loss account £'000	**Total £'000**	Minority interest £'000	**Total equity £'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 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 recognised directly in equity	–	–	4,825	–	–	–	**4,825**	–	**4,825**
Profit for the period	–	–	–	–	–	4,524	**4,524**	772	**5,296**
Total recognised income 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**

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	2	**522**	111
Amortisation	2	**2,822**	15
Loss on disposal of fixed assets	2	**1**	–
Foreign exchange loss	2	**53**	–
Share option expense	2	**311**	–
Taxation (credit)/expense recorded in profit and loss	5	**(1,321)**	613
Investment income	4	**(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	15	**13,406**	4,061

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

Principal Accounting Policies 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 and are detailed on pages 71 to 76.

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 provided in note 30.

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 (see note 12) 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.

Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition at 1 August 2006. Accordingly the classification of the combination (acquisition) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

The transitional provisions used for past business combinations apply equally to past acquisitions of interests in associates and joint ventures.

Associates and joint ventures

Entities whose economic activities are controlled jointly by the Group and by other venturers independent of the Group are accounted for using the equity method. Associates are those entities over which the Group has significant influence (defined as the power to participate in the financial and operating decisions of the investee but not control or joint control over those policies) but which are neither subsidiaries nor interests in joint ventures. The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting, which under investments in associates and investments joint ventures are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate or joint venture less any impairment in the value of individual investments.

However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of associates and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts.

Market research

Revenue arises from the provision of market research services. Within this revenue stream are syndicated and non-syndicated services.

Syndicated services

Syndicated services are the consistent provision of data over a specified period of time. Revenue is recognised from the point in time at which access passwords have been made available to the customer. Revenue is recognised in equal monthly instalments over the life of the contract.

Non-syndicated services

Non-syndicated services vary in size and complexity. Revenue is recognised from the point in time at which the customer has contracted the service. Revenue is recognised on each contract in proportion to the level of services performed by reference to the project manager's estimates and time records against budgeted and assigned resource. Revenue is recognised on long term contracts, if the outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses.

Interest

The Company receives interest income for cash funds that are held on short term instant access deposit. Where interest receipts are received after the balance sheet date the interest due is accrued for the requisite period at the prevailing rate on the deposit.

Non-cash transactions

The Group enters into contracts for the provision of market research services in exchange for advertising rather than for cash or other consideration.

When barter transactions are agreed the value of the work provided to the counterparty is equal in value to that which would be provided in an ordinary cash transaction.

As required by IAS 18.9 the value of advertising receivable in all significant barter transactions is ensured to be reliably measurable by referencing to the counterparty's rate card.

Principal Accounting Policies of the Consolidated Financial Statements continued

For the year ended 31 July 2008

Panel incentive costs

The Company invites polling club members to fill out surveys for a cash or points based 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 (present obligation) is made based upon the result of past panellist behaviour and is recognised as a cost of sale in the period in which the service is provided where settlement is expected to result as an outflow of resources (payment).

Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Exceptional items

Items are highlighted as exceptional in the income statement when separate disclosure is considered helpful in understanding the underlying performance of the business.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Dividends

Dividends are recognised when the shareholders right to receive payment is established.

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. If the Group's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities of the acquired entity exceeds the cost of the business combination this value is recognised immediately in the income statement.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are valued at either the directly attributable costs or using valuation methods such as discounted cash flows and replacement cost in the case of acquired intangible assets.

The Directors estimate the useful economic life of each asset and use these estimates in applying amortisation rates. The Directors periodically review economic useful life estimates.

Intangible assets are stated at cost net of amortisation and any provision for impairment.

Directors conduct an impairment review of intangible assets where necessary. Where an impairment arises, losses are recognised in the income statement.

Amortisation of intangible assets is shown on the face of the Income Statement.

Intangible assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair value of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives. Amortisation rates applicable to intangible assets acquired as part of a business combination are typically:

Intangible asset	Amortisation period
Consumer panel	5 years
Software development	5 years
Customer contracts and lists	10–11 years
Patents and trademarks	5–15 years
Order backlog	1 year

Intangible assets generated internally

Internally generated intangible assets are only capitalised where they meet all of the following criteria stipulated by IAS 38:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale.
- The Group intends to complete the intangible asset and use or sell it.
- The Group has the ability to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits.
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Internally generated intangible assets are capitalised at their directly attributable cost. Development costs not meeting the criteria for capitalisation are expensed as incurred.

Amortisation rates applicable to internally generated intangible assets are typically:

Intangible asset	Amortisation period
Consumer panel	5 years
Software development	3 years
Patents and trademarks	not amortised
Research and development	project by project basis

Consumer panel

Where a consumer panel or list is acquired as part of a business combination the cost of the asset is recognised at its fair value to the Group at the date of acquisition. The fair value is calculated by an independent expert. Amortisation is charged to write off the panel acquisition costs over a 5 year period, this being the Directors' estimate of the average active life of a panellist.

Internally generated consumer panel costs reflect the direct cost of recruiting new panel members. Only third party costs are considered for capitalisation. Consumer panel costs are split between enhancement and maintenance of the asset. Enhancement costs are capitalised whilst maintenance costs are expensed. The split is based on management estimates derived from current levels of panel churn. Amortisation is charged to write off the panel acquisition costs over a 5 year period, this being the Directors' estimate of the average active life of a panellist.

The consumer panel is the core asset from which our online revenues are generated.

Software development

Where software is acquired as part of a business combination the cost of the asset is recognised at its fair value to the Group at the date of acquisition. The fair value is calculated by an independent expert. Amortisation is charged to write off the software over a 5 year period, this being the Directors' estimate of the useful life of the software.

Principal Accounting Policies of the Consolidated Financial Statements continued

For the year ended 31 July 2008

Where software is developed internally, directly attributable costs including employee costs incurred on software development along with an appropriate portion of relevant overheads are capitalised as software development. Amortisation commences upon completion of the asset. Amortisation is charged to write off the software over a 3 year period, this being the Directors' estimate of the useful life of the software.

Capitalised software includes our panel management software and our BrandIndex platform which are key tools of our business.

Software development also includes purchased off-the-shelf software.

Customer contract and lists

Where a customer contract or list is acquired as part of a business combination the cost of the asset is recognised at its fair value to the Group at the date of acquisition. The fair value is calculated by an independent expert.

Customer contracts and lists are amortised over a useful economic life based on Directors' estimates.

Patents and trademarks

Where a patent or trademark is acquired as part of a business combination the cost of the asset is recognised at its fair value to the Group at the date of acquisition. The fair value is calculated by an independent expert.

Patents and trademarks acquired as part of a business combination are amortised over a useful economic life based on Directors' estimates.

Patents and trademarks acquired on an ongoing basis to protect the YouGov brand and its products are included at cost and are not amortised, as the trademarks are indefinite in their longevity. The patents are subject to an annual impairment review.

Order backlog

Due to the nature of their businesses, Polimetrix, Zapera and psychonomics all tend to have a certain level of secured orders (order backlog) or quotations that have been accepted, and are awaiting commencement, completion or delivery. The fair value of these assets has been calculated by discounting the present value of the future anticipated cash inflow at the time of acquisition. Order backlogs are only recognised as an intangible asset when acquired as part of a business combination.

Amortisation is provided over the period in which it will take to fulfil these secured orders.

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment and depreciation

Property, plant and equipment is carried at cost net of depreciation and any provision for impairment. No depreciation is charged during the period of construction. Leasehold property is included in property, plant and equipment only where it is held under a finance lease. Borrowing costs on property, plant and equipment under construction are capitalised during the period of construction based on specific funds borrowed. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their estimated useful economic lives.

Asset	Depreciation rate
Freehold property	50 years
Leasehold property improvements	Straight line over the life of the lease
Fixtures and fittings	25% on a reducing balance
Computer equipment	33% per annum straight line
Motor vehicles	25% or the life of the lease

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Financial assets

Financial assets are divided into the following categories: cash and cash equivalents, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and other financial assets are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards if ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables are stated at their nominal value.

Borrowings and lease liabilities are recorded at the proceeds received, net of any issue costs. Finance charges are accounted for on an effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Principal Accounting Policies of the Consolidated Financial Statements continued

For the year ended 31 July 2008

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. In addition, bank overdrafts which are repayable on demand are included.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares issued/allotted directly to acquire another entity meeting the specific requirements of section 131 of the Companies Act 1985. The conditions of the relief include:
  - Securing at least 90% of the nominal value of equity of another Company.
  - The arrangement provides for allotment of equity shares in the issuing Company.
- Deferred consideration reserve represents the total value of equity that may be issued should specific earn-out agreements be achieved.
- Foreign exchange reserve represents the differences arising from translation of investments in overseas subsidiaries.
- Profit and loss reserve represents retained profits.

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. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and associates and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries and associates are taken directly to the 'Foreign currency reserve' in equity.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations will exclude translation differences that arose before the date of transition to IFRS but will include later translation differences.

Employee benefits

Equity settled share-based payment.

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 August 2006 are recognised in the financial statements.

This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to 'profit and loss reserve'.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Contingent consideration

Future anticipated payments to vendors in respect of earn outs are based on the Directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with Directors' estimates. When consideration payable is deferred, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future at a rate equivalent to a UK 10 year treasury gilt, this being, in the Director's opinion the most appropriate barometer for a risk free rate.

Imputed interest

When the outflow of cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is the present value of all future payments determined using an imputed rate of interest. The imputed rate of interest used is the UK 10 year treasury gilt, this being, in the Director's opinion the most appropriate barometer for a risk free rate. The difference between the present value of all future payments and the nominal amount of the consideration is recognised as an interest charge. Imputed interest is shown within finance costs in the profit and loss.

Critical accounting estimates and judgements

In the process of applying the Group's accounting policies the Directors are required to make estimates and adjustments that may affect the financial statements. The Directors believe that the estimates and judgements applied in the financial statements are reasonable.

Estimates and judgements are evaluated on a regular basis and are based on historical experience (where applicable) and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. These estimates, by definition, will rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Where estimates and judgements have been made, the key factors taken into consideration are disclosed in the appropriate note in these financial statements.

Income taxes

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions/calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different to what is initially recorded, such differences will impact the income tax and deferred tax provisions. Income taxes are disclosed fully in note 5.

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amount is based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present values of these cash flows. The estimates used in the impairment review are fully disclosed in note 9.

Intangible assets

The Group is required to identify and assess the useful life of intangible assets and determine if there is a finite or indefinite life. Judgement is required in determining if an intangible asset has a finite life and the extent of this finite life in order to calculate the amortisation charge on the asset. The Group tests at each reporting date whether intangible assets have suffered any indicators of impairment, in accordance with the accounting policy. The recoverable amount of cash-generating units have been determined based on discounted future cash flows. These calculations require estimates to be made. Where there is no method of valuation for an intangible asset, management will make use of a valuation technique to determine the value of an intangible if there is no evidence of a market value. In doing so certain assumptions and estimates will be made. Intangible assets are fully disclosed in note 10.

Principal Accounting Policies of the Consolidated Financial Statements continued

For the year ended 31 July 2008

Panel incentive provision

The Group is required to assess the likelihood that panel incentives earned by polling club members will be redeemed and maintain a provision to cover this potential liability. Factors taken into consideration include the absolute liability, redemption rates and panel activity rates. Whilst historical data can indicate trends and behaviours it is not an indication of the future. In arriving at the carrying value of the provision certain assumptions and estimates have to be made. The estimates used in the calculation of the provision are fully disclosed in note 18.

Deferred taxation

Judgement is required by management in determining whether the Group should recognise a deferred tax asset. Management consider whether there is sufficient certainty that its tax losses available to carry forward will ultimately be offset against future earnings, this judgement impacts on the degree to which deferred tax assets are recognised. Deferred taxation is disclosed fully in note 20.

Contingent consideration

As part of the acquisitions, contingent consideration is payable to selling shareholders groups based on the future performance of the businesses. Judgement is required in estimating the magnitude of contingent consideration and the likelihood of payment. Contingent consideration is disclosed fully in note 17.

Standard and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied on these financial statements were in issue but not yet effective.

Standard and interpretation		Effective for in reporting periods starting on or after
IAS 1	Presentation of financial statements	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 27	Consolidated and separate financial statements (revised 2007)	1 July 2009
IAS 32	Presentation and IAS 1 presentation and financial statements – puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 39	Financial instruments: recognition and measurement – eligible hedged items	1 July 2009
IFRS 1/IAS 27	First time adoption of International Financial Reporting Standards/ consolidated and separate financial statements – costs of investment in a subsidiary, jointly controlled entity or associate	1 January 2009
IFRS 2	Amendment to IFRS 2 share based payment – vesting conditions and cancellations	1 January 2009
IFRS 3	Business combinations (revised 2008)	1 July 2009
IFRS 8	Operating segments	1 January 2009
IFRIC 12	Service concession arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	IAS 19 – the limit on a delivered benefit asset minimum funding requirements and their interaction	1 January 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008
	Improvements to IFRSs	1 January 2009/1 July 2009

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial of the Group except for additional disclosure and the presentational effects of IAS 1 and IFRS 8.

IFRS 3 will have no retrospective impact on the Group accounting for business combinations but will impact the accounting treatment for any future acquisitions that the Group makes, specifically transaction costs no longer being able to be classified as part of the consideration cost but taken directly to the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2008

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 and 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	Scandinavia & Northern Europe £'000	North America £'000	Consolidation eliminations £'000	Consolidated £'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 arm's length basis that would be available to unrelated third parties.

2008	UK £'000	Middle East & North Africa £'000	Germany & Central Europe £'000	Scandinavia & Northern Europe £'000	North America £'000	Consolidation eliminations £'000	Consolidated £'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**

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

1 Revenue and profit before taxation continued

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 arm's length basis that would be available to unrelated third parties.

	UK £'000	Middle East & North Africa £'000	Germany & Central Europe £'000	Scandinavia & Northern Europe £'000	North America £'000	Consolidation eliminations £'000	Consolidated £'000
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**

1 Revenue and profit before taxation continued

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	Scandinavia & Northern Europe £'000	North America £'000	Consolidation eliminations £'000	Consolidated £'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 arm's length basis that would be available to unrelated third parties.

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 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 arm's length basis that would be available to unrelated third parties.

	31 July 2008 £'000	31 July 2007 £'000
The profit before taxation is stated after charging		
Auditors remuneration:		
Audit of associates of the Company pursuant to legislation (including outside the UK)	**115**	33
Other services pursuant to such legislation (including outside the UK)	**22**	4
Taxation	**28**	7
Corporate finance transactions and proposed transactions	**400**	–
Other advisory services	**10**	7
Depreciation and amortisation		
Plant, property and equipment, owned	**509**	114
Plant, property and equipment, held under finance lease	**13**	12
Amortisation of intangibles	**346**	9
Amortisation of intangibles acquired on acquisition	**2,476**	–
Loss on disposal of property, plant and equipment	**1**	13
Other operating lease rentals:		
Plant and machinery	**59**	3
Land and buildings	**1,046**	243
Other expenses		
Exchange differences	**53**	–
Share based payment expenses	**311**	–
Research and development expenditure expensed	**11**	–
Charitable and political donations	**16**	–

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

2 Staff numbers and costs

Staff costs (including Directors) charged to administrative expenses during the year were as follows:

	31 July 2008 £'000	31 July 2007 £'000
Wages and salaries	**15,072**	3,596
Social security costs	**2,069**	275
Share based payments	**311**	37
Other benefits	**302**	126
Pension costs	**153**	–
Holiday pay accrual	**338**	47
	18,245	4,081

Pension costs arise only in our Scandinavian business. Contributions are made on behalf of employees to defined contribution schemes at statutory rates for the respective country.

The average number of employees of the Group during the year was as follows:

	31 July 2008 Number	31 July 2007 Number
Key management personnel	**24**	8
Administration and operations	**377**	68
	402	76

Specific disclosures in relation to compensation for key management personnel (defined as entity directors and/or Chief Executive Officers) who held office during the year was as follows:

	31 July 2008 £'000	31 July 2007 £'000
Short-term employee benefits	**2,390**	1,150
Post-employment benefits	**19**	–
Share-based payments	**7**	37
	2,416	1,187

Disclosure of Directors' remuneration including share options are included in the Remuneration Report on pages 23 and 24.

3 Exceptional items

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

4 Finance income and costs

	31 July 2008 £'000	31 July 2007 £'000
Interest receivable from bank deposits	**476**	188
Other interest receivable	**24**	–
Total finance income	**500**	188
Interest payable on bank loans and overdrafts	**73**	2
Interest on obligations under hire purchase and finance leases	**1**	–
	74	2
Finance cost of deferred consideration	**318**	–
Total finance cost	**392**	2

5 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)**	**(1.0)**	–	–
Adjustment in respect of prior periods	**(49)**	**(1.2)**	(19)	(0.3)
Research and 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

6 Dividend

No dividend was paid or proposed during the year (2007: £nil).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

7 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
Group profit after taxation attributable to equity holders of the parent Company	**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:

	31 July 2008 pence	31 July 2007 pence
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

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

	31 July 2008 pence	31 July 2007 pence
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

8 Business combinations

Acquisition of psychonomics

The acquisition of 100% of the issued share capital of psychonomics AG ('psychonomics') was announced on 7 August 2007. psychonomics is a leading market research agency incorporated in 1992 and has its head office in Cologne with offices in Vienna and Berlin.

The fair value of the consideration payable for the entire issued share capital of psychonomics was £17.5m with a further £0.4m of professional fees bringing the total consideration to £17.9m. This was satisfied by the issue of shares to the value of £3.5m (priced at the mid-market price on the transaction date of 156p per Ordinary Share, being not materially different from the closing bid price), with the balance at completion being paid in cash, of £10.7m.

The psychonomics sellers are entitled to be paid the pre-completion profits of psychonomics for the calendar year 2007 calculated in proportion to the number of months elapsed prior to completion. Such amount is capped at €1.5m (£1m). An earn-out has also been put in place for the 2 financial years ending 31 December 2008. Under this earn-out, based on financial targets being met, a maximum of a further €3m (£2.1m) will be payable, either in cash or shares (priced at the mid-market price on the transaction date of 156p per Ordinary Share, being not materially different from the closing bid price). Aggregate earn-out consideration of £3.1m has been discounted to a net present value of £2.9m with the resulting discounting charge of £0.2m being taken to the income statement over the earnout period. In addition to the purchase price payable, £0.35m of shares (226,430 shares priced at the mid-market price on the transaction date of 156p per Ordinary Share, being not materially different from the closing bid price) are to be issued for a psychonomics employee incentivisation programme.

Professional fees of £30k for due diligence, and £387k for other professional fees were incurred.

The amounts recognised for each class of psychonomics assets, liabilities, and contingent liabilities recognised at the acquisition date are as follows:

	Acquiree's carrying amount before combination £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Intangible assets	48	7,458	7,506
Property, plant and equipment	421	(13)	408
Investments accounted for using the equity method	25	(25)	–
Trade and other receivables	6,470	(2,766)	3,704
Short term financial assets	87	23	110
Cash and cash equivalents	218	–	218
Trade and other payables	(6,204)	2,538	(3,666)
Current tax payable	(33)	(22)	(55)
Borrowings	(136)	–	(136)
Deferred tax liability	(71)	(3,464)	(3,535)
Net assets	825	3,729	4,554
Goodwill arising on acquisition			13,313
			17,867

Fair value adjustments have been made to align psychonomics' accounting policies with those of YouGov and to account for the intangible assets and attributable deferred taxation of the business which are recognised upon acquisition.

	£'000
Total consideration, analysed as:	
Cash	10,684
Equity	3,532
Employee share scheme	353
Deferred consideration	2,881
Acquisition expenses	417
	17,867
Net cash outflow arising on acquisition:	
Cash consideration paid	10,684
Cash and cash equivalents acquired	(218)
	10,466

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

8 Business combinations continued

Ownership and control passed to YouGov plc on 7 August 2007 and psychonomics has been consolidated within the Group financial statements from August 2007.

The goodwill arising on the acquisition of psychonomics is attributable to the anticipated synergies expected to be derived from the combination and value of the workforce of psychonomics which cannot be recognised as an intangible asset under IAS38 'Intangible Assets'.

Since the acquisition psychonomics has contributed £12.1m to Group revenue and £0.2m to the Group profit after taxation for the year ended 31 July 2008.

Acquisition of Zapera

Zapera.com A/S ('Zapera') is an online research agency with offices in Denmark, Sweden and Norway and specialises in healthcare, pharmaceutical and brand research.

The consideration payable for the acquisition of 100% of the issued share capital of Zapera on 7 August 2007 was cash of £4.9m and the allotment of 264,026 shares to the value of £412k (priced at the mid-market price on the transaction date of 156p per Ordinary Share, being not materially different from the closing bid price). In addition, YouGov applied £1.9m towards the repayment of loan capital, the acquisition of bank debt and the payment of deferred consideration pursuant to a previous acquisition made by Zapera.

Additional consideration of £2.25m will become payable to the sellers subject to certain financial hurdles for the 12 month period to 31 July 2008 being met by Zapera. Consideration will be settled by way of the issue of equity priced at the average mid-market closing price of trading of the YouGov shares over the 10 day period to the date falling 1 working day prior to that on which the earn-out equity is to be issued. The two original founders are entitled to an additional earn-out payment of (in aggregate) £1.25m depending on the financial performance for the 12 month periods to each of 31 July 2009 and 2010. Any such earn-out payment to the founders will be satisfied 50% in cash and 50% in Ordinary Shares priced in the same manner as the initial earn-out. Aggregate earn out consideration of £3.5m has been discounted to a net present value of £3.3m with the resulting discounting charge of £0.2m being taken to the income statement over the earn-out period.

Professional fees of £86k for due diligence, and £32k for other professional fees were incurred.

The amounts recognised for each class of Zapera assets, liabilities, and contingent liabilities recognised at the acquisition date are as follows.

	Acquiree's carrying amount before combination £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Goodwill	2,466	(2,466)	–
Intangible assets	–	3,556	3,556
Property, plant and equipment	126	–	126
Deferred tax asset	139	103	242
Trade and other receivables	604	(10)	594
Cash and cash equivalents	6	–	6
Provisions	(172)	(257)	(429)
Trade and other payables	(815)	(133)	(948)
Deferred consideration	(555)	555	–
Long term borrowings	(1,485)	1,463	(22)
Deferred tax liability	–	(987)	(987)
Net assets	314	1,824	2,138
Goodwill arising on acquisition			8,495
			10,633

8 Business combinations continued

Fair value adjustments have been made to align Zapera's accounting policies with those of YouGov and to account for the intangible assets and attributable deferred taxation of the business which are recognised upon acquisition.

	£'000
Total consideration, analysed as:	
Cash	4,930
Equity	412
Deferred consideration	3,260
Acquired liabilities	1,913
Acquisition expenses	118
	10,633
Net cash outflow arising on acquisition:	
Cash consideration paid	4,930
Cash and cash equivalents acquired	(6)
	4,924

Ownership and control passed to YouGov plc on 7 August 2007 and Zapera has been consolidated within the Group financial statements from August 2007.

The goodwill arising on the acquisition of Zapera is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Since the acquisition Zapera has contributed £6.5m to Group revenue and £0.5m to the Group profit after taxation for the year ended 31 July 2008.

Acquisition of Polimetrix

Polimetrix Inc ('Polimetrix') is an online market research agency.

Under the terms of a pre-existing option surviving from the time that we acquired our initial stake in Polimetrix, YouGov and YouGovAmerica had the right to purchase the 68% of Polimetrix not owned by YouGovAmerica. The terms of the option meant that it would only vest if YouGov acquired another market research business based in the US. The option expired in June 2007 but both parties agreed that the fixed price per share would remain in force.

The merger of Polimetrix and YouGovAmerica, effected on 7 August 2007, resulted in the acquisition of such 68% at a price of $2.10 per share. For tax structuring purposes the acquisition was effected by merging Polimetrix with a YouGov acquisition vehicle. The total consideration payable was £14.6m of which £8.1m was satisfied in cash, £5.3m in equity in YouGov (priced at the mid-market price on the transaction date of 156p per Ordinary Share, being not materially different from the closing bid price). £1.1m of the shares will only be issued one year following completion provided there are no claims made by YouGov under the merger agreement (priced at the mid-market price on the transaction date of 156p per Ordinary Share, being not materially different from the closing bid price). The Acquisition Shares are subject to selling restrictions for a period of 12 months from the date of completion. YouGov also took on the Polimetrix share option scheme which was valued at £0.1m.

Professional fees of £140k were incurred.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

8 Business combinations continued

The amounts recognised for each class of Polimetrix's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

	Acquiree's carrying amount before combination £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Intangible assets	–	5,657	5,657
Property, plant and equipment	82	(35)	47
Deferred tax asset	–	1,046	1,046
Trade and other receivables	202	–	202
Cash and cash equivalents	3,565	–	3,565
Trade and other payables	(360)	–	(360)
Deferred tax liability	–	(2,395)	(2,395)
Net assets	3,489	4,273	7,762
Goodwill arising on acquisition			7,030
			14,792

Fair value adjustments have been made to align Polimetrix's accounting policies with those of YouGov and to account for the intangible assets and attributable deferred taxation of the business which are recognised upon acquisition.

	£'000
Total consideration, analysed as:	
Cash	8,108
Equity	5,306
Deferred consideration	1,086
Acquired liabilities	122
Acquisition expenses	170
	14,792
Net cash outflow arising on acquisition:	
Cash consideration paid	4,260
Cash and cash equivalents acquired	(3,565)
	695

Ownership and control passed to YouGov plc on 7 August 2007 and Polimetrix has been consolidated within the Group financial statements from August 2007.

The goodwill arising on the acquisition of Polimetrix Inc is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Since the acquisition Polimetrix has contributed £2.8m to Group revenue and (£0.3m) to the Group profit after taxation for the year ended 31 July 2008.

9 Goodwill

Goodwill can be summarised as follows:

	Siraj FZ LLC £'000	Polimetrix Inc £'000	Zapera.com AS £'000	psychonomics AG £'000	Other £'000	Total £'000
Carrying amount at 1 August 2006	1,171	–	–	–	–	1,171
Carrying amount at 31 July 2007	1,090	–	–	–	5	1,095
Carrying amount at 31 July 2008	**1,113**	**7,172**	**9,808**	**15,388**	**19**	**33,500**
Carrying amount at 1 August 2006	1,171	–	–	–	–	1,171
Entity creation costs	–	–	–	–	5	5
Net exchange differences	(81)	–	–	–	–	(81)
Carrying amount at 31 July 2007	1,090	–	–	–	5	1,095
Additions:						
Through business combinations	–	7,030	8,495	13,313	–	28,838
Entity creation costs	–	–	–	–	14	14
Net exchange differences	23	142	1,313	2,075	–	3,553
Carrying amount at 31 July 2008	**1,113**	**7,172**	**9,808**	**15,388**	**19**	**33,500**

Other goodwill represent legal fees incurred in the establishment of UK based subsidiaries.

In accordance with the Group's accounting policy, the carrying values of goodwill and other intangible assets are reviewed annually for impairment. The 2008 impairment was undertaken as at 31 July 2008. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows derived from assets using an initial projection period of 3 years for each cash generating unit. After the initial projection period (years 4 to 10 inclusive) growth rates of 5% (10% for Polimetrix Inc) have been assumed which is conservative both in comparison with historical performance (across all geographies) and annual growth rates in the internet based market research sector. Annual growth rates of 2% have been assumed in perpetuity beyond year 10.

The weighted average cost of capital used by the Group to discount the future cash flows to their present value is 9.25% (2007: 9.25%) with the exception of Zapera.com AS where a WACC of 8.38% is applied. All businesses are debt free with the exception of Zapera.com AS.

The impairment reviews supported the carrying values of goodwill.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

10 Intangible assets

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

	Consumer panel £'000	Software development £'000	Customer contracts and lists £'000	Patents and trademarks £'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**
Carrying amount at 1 August 2006	–	3	–	–	–	–	3
Additions:							
Separately acquired	124	70	–	28	–	–	222
Internally developed	–	133	–	–	–	–	133
Amortisation	(9)	(6)	–	–	–	–	(15)
Carrying amount at 31 July 2007	115	200	–	28	–	–	343
Additions:							
Separately acquired	523	328	–	23	–	3	877
Internally developed	–	349	–	–	–	215	564
Through business combinations	5,303	719	4,671	5,448	390	–	16,531
Amortisation	(1,138)	(390)	(436)	(456)	(390)	(12)	(2,822)
Reclassification	–	38	–	–	–	–	38
Net exchange differences	302	11	605	669	–	–	1,587
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 5 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 4 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 4 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 10 and 11 years. The remaining amortisation periods for these assets are between 9 and 10 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 15 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 4 and 14 years.

11 Property, plant and equipment

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

	Freehold property £'000	Leasehold property improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'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**
Carrying amount at 1 August 2006	–	41	60	36	18	155
Additions:						
Separately acquired	–	189	114	137	27	467
Disposals	–	(11)	–	(1)	–	(12)
Depreciation	–	(26)	(42)	(31)	(12)	(111)
Reclassified	–	(18)	–	18	–	–
Carrying amount at 31 July 2007	–	175	132	159	33	499
Additions:						
Separately acquired	946	77	277	380	14	1,694
Acquired through acquisitions	–	2	263	265	60	590
Disposals	–	–	–	–	(7)	(7)
Depreciation	–	(51)	(242)	(194)	(35)	(522)
Reclassified	–	–	(38)	–	–	(38)
Net exchange differences	–	–	–	1	–	1
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.

12 Investment accounted for using the equity method

	31 July 2008 £'000	31 July 2007 £'000
Total fixed asset investments comprise		
Interest in subsidiaries (a)	**–**	–
Interest in joint ventures (b)	**133**	131
Interest in associates (c)	**–**	3,727
Interest in investment completed post year end (d)	**61**	676
	194	4,534

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

12 Investment accounted for using the equity method continued

(a) Interests in subsidiaries

At 31 July 2008 the Group had interests in the following subsidiaries:

	Subsidiary	Country of incorporation	Class of share capital held	Proportion held: By parent Company	Proportion held: By the Group	Nature of the business
YouGovM.E. FZ LLC	Subsidiary	UAE	Ordinary	78%	78%	Market Research
psychonomics AG	Subsidiary	Germany	Ordinary	100%	100%	Market Research
Comema AG*	Subsidiary	Germany	Ordinary	0%	50%	Market Research
Service Rating GmbH	Subsidiary	Germany	Ordinary	0%	60%	Market Research
psychonomics Field GmbH	Subsidiary	Germany	Ordinary	0%	70%	Market Research
GPW Deutschland GmbH	Subsidiary	Germany	Ordinary	0%	100%	Market Research
Great Workplace Research & Consulting GmbH	Subsidiary	Austria	Ordinary	0%	95%	Market Research
Zapera.com A/S	Subsidiary	Denmark	Ordinary	100%	100%	Market Research
Zapera Sweden AB	Subsidiary	Sweden	Ordinary	0%	100%	Market Research
Zapera Receptor Norway AS	Subsidiary	Norway	Ordinary	0%	100%	Market Research
Zapera Finland OY	Subsidiary	Finland	Ordinary	0%	100%	Market Research
BUZ ApS	Subsidiary	Denmark	Ordinary	0%	51%	Market Research
YouGovAmerica Holdings LLC	Subsidiary	USA	Ordinary	100%	100%	Holding Co
YouGov America Inc	Subsidiary	USA	Ordinary	0%	100%	Market Research
YouGovStone Limited	Subsidiary	England	Ordinary	51%	51%	Market Research
YouGovAlpha Limited	Subsidiary	England	Ordinary	100%	100%	Market Research
YouGovEurope Holdings Limited	Subsidiary	England	Ordinary	100%	100%	Holding Co
YouGovAmerica Holdings Limited	Subsidiary	England	Ordinary	100%	100%	Holding Co

* The shareholding of Comema AG is only 50%. Control is gained by having a greater presence on the Board of Directors than the other partner and as such has been consolidated as a subsidiary.

YouGovEurope Holdings Limited and YouGovAmerica Holdings Limited were not active at 31 July 2008 and have therefore been excluded from the consolidated financial statements.

All subsidiaries have co-terminus year ends.

(b) Interest in joint ventures

At 31 July 2008 the Company had interests in the following joint ventures:

	Joint venture	Country of incorporation	Class of share capital held	Proportion held: By parent Company	Proportion held: By the Group	Nature of the business	Financial year end
YouGovExecution Limited	JV	England	Ordinary	50%	50%	Primary research for the investment community	31 July
YouGovCentaur LLP	JV	England	Ordinary	50%	50%	Specialist business to business research	30 June

YouGovExecution has not traded in the year to 31 July 2008. The decision was made (as disclosed as a post balance sheet event in our previous annual statements) to dissolve the business, which we are in the process of doing now. This process will be complete by the end of the calendar year 2008.

The Group's share of the assets and liabilities of YouGovCentaur LLP are:

	31 July 2008 £'000	31 July 2007 £'000
Revenue	**76**	–
Operating profit	**9**	(9)
Non-current assets	**21**	1
Current assets	**77**	107
Current liabilities	**(20)**	(21)
Non-current liabilities	**(75)**	(71)
Capital commitments	**–**	–
Contingent liabilities	**–**	–

12 Investment accounted for using the equity method continued

The Group's share of the assets and liabilities of YouGovExecution Limited are:

	31 July 2008 £'000	31 July 2007 £'000
Revenue	**13**	270
Operating profit	**3**	15
Non-current assets	**–**	6
Current assets	**164**	174
Current liabilities	**(47)**	(69)
Capital commitments	**–**	–
Contingent liabilities	**–**	–

Additional capitalised costs of £13k (2007: £4k) represent legal fees in relation to the incorporation of the entities. The value is determined on the basis of the cost to the Group.

(c) Interest in associates

The Group acquired the outstanding 68% of its associate (as at 31 July 2007) Polimetrix in August 2007. Refer to note 8 'Business Combinations' for details of this transaction.

(d) Interest in investments completed post year end

Capitalised costs relate to legal and professional fees incurred in the incorporation of entities which complete after the balance sheet date. Please refer to note 29 'post balance sheet events' for details. At 31 July 2007 the cost represented a non refundable deposit paid to the shareholders of psychonomics AG.

13 Trade and other receivables

	31 July 2008 £'000	31 July 2007 £'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 £'000	31 July 2007 £'000
Within payment terms	**6,853**	1,950
Not more than 3 months	**2,325**	2,104
More than 3 months but not more than 6 months	**1,543**	302
More than 6 months but not more than 1 year	**935**	496
More than 1 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.

Notes to the Consolidated Financial Statements continued
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13 Trade and other receivables continued

	31 July 2008 £'000	31 July 2007 £'000
Movement on the Group provision for impairment of trade receivables as follows:		
Provision for receivables impairment at 1 August 2007	**10**	10
Provision released in the year	**(10)**	–
Provision for receivables impairment at 31 July 2008	**–**	10

The creation and release of the provision for impaired receivables has been included in the income statement. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

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.

14 Other short-term financial assets

	31 July 2008 £'000	31 July 2007 £'000
Available-for-sale financial assets	**35**	–
	35	–

The expiry dates of other short term financial assets is as follows:

	31 July 2008 £'000	31 July 2007 £'000
Not more than three months	**35**	–
	35	–

Other short-term financial assets represent corporate bonds that present the Group with opportunity for return through interest income and trading gains. They have a fixed maturity of less than three months. The investment was held at cost at 31 July 2008. Fair value of the asset was not materially different from its historical cost.

15 Cash and cash equivalents

	31 July 2008 £'000	31 July 2007 £'000
Cash and cash equivalents		
Cash at bank and in hand	**13,406**	4,061
	13,406	4,061

Cash and cash equivalents are held at either variable rates or at rates fixed for periods of no longer than 3 months.

16 Current liabilities

	31 July 2008 £'000	31 July 2007 £'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 AS. The rate of interest payable on this debt is between 7.8% 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.

17 Non-current liabilities

	31 July 2008 £'000	31 July 2007 £'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 AS and psychonomics AG were included within both current and non-current liabilities. These are discussed further in note 8 'Business Combinations'.

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.

18 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**

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

18 Provisions continued

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.

19 Obligations under finance leases

	31 July 2008 £'000	31 July 2007 £'000
Amounts payable under finance leases:		
Within 1 year	**3**	24
Between 1 and 2 years	**3**	–
Between 2 and 5 years	**3**	–
In 5 years or more	**–**	–
	9	24
Less: amounts due for settlement within 1 year (shown under current liabilities)	**(3)**	(24)
Amount due for settlement after 1 year	**6**	–

It is the Group's policy to lease certain assets such as motor vehicles under finance leases. The lease terms on these agreements vary as does the interest rate attributable to the agreement.

Lease agreements are denominated in the local currency of the jurisdiction where the asset is held.

The total value of the future minimum lease payments and the net present value of these are not materially different.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

20 Deferred taxation assets and liabilities

	Balance 1 August 2006 £'000	Recognised in income £'000	Balance 31 July 2007 £'000	**Acquired on acquisition £'000**	**Recognised in income £'000**	**Tax rate adjustment £'000**	**Other movement £'000**	**Balance 31 July 2008 £'000**
Deferred tax asset:								
Intangible assets	–	–	–	**(126)**	**–**	**–**	**126**	**–**
Property, plant and equipment	11	9	20	**25**	**(18)**	**–**	**–**	**27**
Tax losses	–	–	–	**1,400**	**13**	**–**	**–**	**1,413**
Other timing differences	–	–	–	**1**	**126**	**–**	**–**	**127**
	11	9	20	**1,300**	**121**	**–**	**126**	**1,567**
Current tax asset			20					**4**
Non-current tax asset			–					**1,563**
			20					**1,567**

	Balance 1 August 2006 £'000	Recognised in income £'000	Balance 31 July 2007 £'000	**Acquired on acquisition £'000**	**Recognised in income £'000**	**Tax rate adjustment* £'000**	**Other movement** £'000**	**Balance 31 July 2008 £'000**
Deferred tax liability:								
Intangible assets	–	–	–	**6,795**	**(1,041)**	**(709)**	**510**	**5,555**
Property, plant and equipment	12	44	56	**–**	**68**	**–**	**–**	**124**
Tax losses	–	–	–	**9**	**–**	**–**	**(9)**	**–**
Other timing differences	–	–	–	**134**	**(34)**	**(18)**	**(1)**	**81**
	12	44	56	**6,938**	**(1,007)**	**(727)**	**500**	**5,760**
Current tax liability			–					**895**
Non-current tax liability			56					**4,865**
			56					**5,760**

* Tax rate adjustments in Germany and the UK have led to the revision of deferred tax liabilities. This adjustment has been recognised in the income statement.
** Other movements represent the revaluation of deferred tax liabilities held in currencies other than GBP.

21 Risk management objectives and policies

The Group is exposed to currency and liquidity risk, which result from both its operating and investing activities. The Group's risk management is co-ordinated in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Group is exposed to are described below. Also refer to the accounting policies.

Foreign currency risk

The Group is exposed to translation and transaction foreign exchange risk. The currencies where the Group is most exposed to volatility are US dollars, euro, UAE dirham and Danish kroner.

Currently, the Group aims to align assets and liabilities in a particular market and no hedging instruments are used. The Company will continue to review its currency risk position as the overall business profile changes.

The presentational and transactional currency is considered to be GBP.

Foreign currency denominated financial assets and liabilities, translated into GBP '000 at the closing rate are as follows:

	2008 £'000				2007 £'000			
Nominal amounts	**USD**	**EUR**	**AED**	**DKK**	USD	EUR	AED	DKK
Financial assets	**5,321**	**2,750**	**4,653**	**1,115**	1,458	1,462	2,768	–
Financial liabilities	**37**	**1,152**	**408**	**1,955**	–	–	86	–
Short-term exposure	**5,284**	**1,598**	**4,245**	**(840)**	1,458	1,462	2,682	–
Financial assets	**–**	**–**	**–**	**–**	–	–	–	–
Financial liabilities	**–**	**–**	**–**	**–**	–	–	349	–
Long-term exposure	**–**	**–**	**–**	**–**	–	–	349	–

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the British pound to US dollar, euro, UAE dirham and Danish kroner exchange rates.

Percentage movements used for sensitivity analysis are as follows. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

	2008	2007
US dollar	**5%**	6%
Euro	**9%**	n/a
UAE dirham	**4%**	5%
Danish kroner	**9%**	n/a

If the British pound had strengthened against the US dollar, euro, UAE dirham and Danish kroner by the percentages above retrospectively, then this would have had the following impact:

	2008 £'000				2007 £'000			
	USD	**EUR**	**AED**	**DKK**	USD	EUR	AED	DKK
Net result for the year	**13**	**(16)**	**(148)**	**(42)**	7	n/a	(185)	n/a
Equity	**(144)**	**(98)**	**(383)**	**(77)**	(59)	n/a	(297)	n/a

If the British pound had weakened against the US dollar, euro, UAE dirham and Danish kroner by the percentages above retrospectively, then this would have had the following impact:

	2008 £'000				2007 £'000			
	USD	**EUR**	**AED**	**DKK**	USD	EUR	AED	DKK
Net result for the year	**(14)**	**19**	**161**	**50**	(8)	n/a	205	n/a
Equity	**158**	**118**	**415**	**93**	65	n/a	331	n/a

No sensitivity has been undertaken on the euro for the year ended 31 July 2007 because none of the Group's trading was denominated in the euro during the year.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

21 Risk management objectives and policies continued

Liquidity risk

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

The Group currently has no general borrowing arrangement in place (although specific fixed value borrowings are held within the Group) and prepares cash flow forecasts which are reviewed at Board meetings to ensure liquidity.

As at 31 July 2008, the Group's liabilities have contractual maturities which are summarised below:

	Current		**Non-current**	
	Within 6 months £'000	**6–12 months £'000**	**1–5 years £'000**	**Later than 5 years £'000**
31 July 2008				
Trade payables	**3,112**	**–**	**–**	**–**
Borrowing principal payments	**104**	**1,026**	**6**	**–**
Borrowing interest payments	**42**	**35**	**1**	**–**

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 months £'000	6–12 months £'000	1–5 years £'000	Later than 5 years £'000
31 July 2007				
Trade payables	1,296	–	–	–
Borrowing principal payments	5	5	16	–
Borrowing interest payments	1	1	1	–

Capital risk management

The Group manages its capital to ensure that all entities within the Group are able to continue as going concerns. The Board have taken the decision at this stage to minimise external debt whilst trying to maximise earnings from the cash currently held. Capital consists of short term financial assets (note 14), cash and cash equivalents (note 15), borrowings (note 16), finance leases (note 19) and equity attributable to shareholders of the parent Company.

	31 July 2008 £'000	31 July 2007 £'000
Available-for-sale financial assets	**35**	–
Cash and cash equivalents	**13,406**	4,061
Borrowings	**(1,127)**	–
Finance leases	**(9)**	(24)
Equity attributable to shareholders of the parent Company	**(57,390)**	(10,754)
	(45,085)	(6,717)

The Group has no externally imposed capital requirements.

Interest rate risk

The Group managed its interest rate risk by negotiating fixed interest rates on deposits for periods of up to 3 months. The average cash and cash equivalents balance over the course of the year was £11.7m (2007: £4.3m) attracting an average interest rate of 4.26% (2007: 4.38%). The Group has minimal borrowings, applicable interest rates are disclosed in note 16. If interest rates had been 1% higher during the year ended 31 July 2008 the increase to profit before tax would have been £107k (2007: £43k). If interest rates had been 1% lower during the year ended 31 July 2008 the reduction in profit before tax would have been £106k (£43k). The impact upon shareholders equity would have been an increase of £90k (2007: £31k) and decrease of (£89k) (2007: £30k) respectively.

22 Share capital

The Company only has one class of shares. Par value of each share is 0.2p. All issued shares are fully paid.

	Number	£'000
Year to 31 July 2008		
At 1 August 2007	67,422,570	135
Issue of shares	27,453,855	55
At 31 July 2008	**94,876,425**	**190**
Year to 31 July 2007*		
At 1 August 2006	66,847,785*	134
Issue of shares	574,875*	1
At 31 July 2008	**67,422,570***	**135**

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

During the year to 31 July 2008, 25,215,543 shares were issued to satisfy consideration for the acquisitions of Polimetrix, psychonomics and Zapera. 2,238,312 shares were also issued to satisfy share options previously granted under YouGov plc's employee share option scheme.

The shares relating to the acquisitions were issued in three tranches, on 3, 6 and 10 of September 2007. Of the total issue, 19,285,714 shares yielded £26.15m in cash (net of expenses of £850k relating to placing commission, corporate finance fees and associated disbursements) and 5,929,829 shares were issued as acquisition shares. The issues increased shareholders equity by £36.3m. The weighted average share price was £1.44.

The 2,238,312 shares issued to satisfy share options yielded £0.2m in cash and increased shareholders equity by £0.2m. The weighted average share price was £0.11.

On 3 September 2007 the authorised share capital of the Company was increased from £200k consisting of 100 million Ordinary Shares to £300k consisting of 150 million Ordinary Shares by the creation of 50 million additional Ordinary Shares ranking pari passu with the existing issued Ordinary Share capital of the Company and having the rights and being subject to the obligations set out in the Company's Articles of Association.

	Number	£'000
Authorised share capital		
At 31 July 2008		
Ordinary Shares at 0.2p each	**150,000,000**	**300**
At 31 July 2007		
Ordinary Shares at 0.2p each	100,000,000	200

Share-based payments

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2008 WAEP		2007 WAEP	
	No.	**£**	No	£
Approved share option scheme				
Outstanding at the beginning of the year	**2,414,830**	**0.210**	3,022,875	0.145
Granted during the year	**–**	**–**	121,510	1.645
Exercised during the year	**(1,931,735)**	**0.101**	(563,430)	0.180
Lapsed during the year	**–**	**–**	(166,125)	0.180
Outstanding at the end of the year	**483,095**	**0.646**	2,414,830	0.210
Exercisable at the end of the year	**328,776**	**0.468**	2,146,665	0.120

	2008 WAEP		2007 WAEP	
	No.	**£**	No	£
Unapproved share option scheme				
Outstanding at the beginning of the year	**995,006**	**0.258**	985,015	0.227
Granted during the year	**883,213**	**0.132**	21,346	1.645
Exercised during the year	**(306,577)**	**0.176**	(11,355)	0.180
Lapsed during the year	**(160,939)**	**0.132**	–	–
Outstanding at the end of the year	**1,410,703**	**0.212**	995,006	0.258
Exercisable at the end of the year	**888,394**	**0.197**	486,830	0.228

Notes to the Consolidated Financial Statements continued

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22 Share capital continued

Full details of the 283,455 share options pertaining to Panos Manolopoulos and the 700,000 share options pertaining to Katherine Lee are disclosed as part of the Remuneration Report on page 23.

Two schemes relating to employees are in place. The first covers 68,335 share options and are exercisable by employees at an exercise price of £0.18 until expiry. The second covers 142,856 share options which are exercisable in the following tranches; 47,620 on 10 April 2008, 47,618 on 10 April 2009 and 47,618 on 10 April 2010. The vesting of these shares is dependent upon specific targets being achieved. The exercise price of all 142,856 share options is £1.645.

As part of the acquisition of Polimetrix Inc we agreed to take on their existing share option scheme. This scheme was open to all employee's up to the acquisition date at an average exercise price of £0.132. These vest on a monthly basis over the period to August 2011. At the balance sheet date their were 699,152 options outstanding.

Share options exercised in the current financial year were done so at prices between £0.10 and £0.18.

The profit and loss charge for share-based payments is disclosed in note 1.

The options outstanding as at 31 July 2008 have the following average exercise prices and expire in the following financial years.

Expiry	Exercise Price £	2008 No.	2007 No.*
31 July 2013	0.180	**24,000**	57,000
31 July 2013	0.100	**–**	1,898,735
31 July 2015	0.180	**327,790**	611,245
31 July 2016	0.341	**293,250**	293,250
31 July 2016	0.295	**406,750**	406,750
31 July 2017	1.645	**142,856**	142,856
31 August 2021*	0.132	**699,152**	–

* The Polimetrix options expire on a monthly basis up to and including August 2021.

The fair value of equity-settled transactions is estimated at the date of grant. Fair values were determined according to the Black-Scholes option pricing model using the following:

Scheme	2008 EMI	2008 Unapproved	2007 EMI*	2007 Unapproved*
Number granted	**–**	**883,213**	121,510	21,346
Weighted average share price at grant	**–**	**£1.376**	£1.885	£1.885
Weighted average share exercise price	**–**	**£0.132**	£1.645	£1.645
Weighted average expected volatility	**–**	**27.0%**	29.9%	29.9%
Average expected life (years)	**–**	**5**	5	5
Weighted average risk free rate	**–**	**5.1%**	5.2%	5.2%
Expected dividend yield	**–**	**0.0%**	0.0%	0.0%

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

23 Leasing commitments

The minimum lease rentals to be paid under non-cancellable operating leases at 31 July 2008 are as follows:

	31 July 2008		31 July 2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
In 1 year or less	**940**	**69**	259	2
Between 1 and 5 years	**2,377**	**182**	980	5
In 5 years or more	**873**	**31**	843	–
	4,190	**282**	2,082	7

24 Capital commitments

The Group had outstanding commitments to procure software to the value of £356k (2007: £110k), computer hardware within a third party owned data centre to the value of £123k and a hosting contract for a data centre of £121k. The software contract is payable in three equal annual instalments commencing September 2008 whilst the computer hardware is payable in stages during the set up period. This is expected to be complete during Q1 of the year ending 31 July 2009. The hosting contract is payable monthly in advance over a three year period. At 31 July 2007 commitments totalling £110k in respect of a software contract had been made of which £11k had been settled by the balance sheet date.

During the course of business commitments are made to purchase goods and services via our purchase ordering system. As at the balance sheet date these commitments were not material in nature (2007: £116k).

25 Contingent assets

The Group had no contingent assets as at 31 July 2008 (2007: £nil).

26 Contingent liabilities

The Group had no contingent liabilities as at 31 July 2008 (2007: £nil).

27 Major non-cash transactions

The Group entered into a barter transaction with Centaur plc to exchange the provision of BrandIndex content for advertising within its publications for £318k (2007: £208k).

Other barter transactions deemed not material in aggregate totalled £146k (2007: £183k).

28 Transactions with Directors and other related parties

There have been no transactions with Directors during the year.

During the year sales were made to Endemol UK totalling £2k (2007: £3k). Endemol UK is a Company of which Peter Bazalgette, a Non-Executive Director of YouGov plc, was a Director during the year. The sale was made at an arm's length and on usual commercial terms. As at 31 July 2008 Endemol UK owed YouGov plc £nil (2007: £nil).

During the year goods and services were procured from IIR Limited totalling £nil (2007: £5k). IIR Limited is a Company of which Anthony Foye, a Non-Executive Director of YouGov plc, was a Director during the year. The purchases were made at an arm's length and on usual commercial terms. As at 31 July 2008, YouGov plc owed IIR Limited £nil (2007: £nil).

During the year goods and services were procured from IPBD Limited totalling £748k (2007: £904k). IPBD Limited is a Company which is owned by the parents of Nadhim Zahawi, an Executive Director of YouGov plc. The purchases were made at an arm's length and on usual commercial terms. As at 31 July 2008 YouGov plc owed IPBD Limited £nil (2007: £nil).

During the year, YouGov plc provided research services totalling £2,668k (2007: £480k) to Privero Capital Advisors Inc. Minority stakes in this Company are owned by Stephan Shakespeare and Balshore Investments (the family trust of Nadhim Zahawi's family), each of whom control 25% of the Company. Both Stephan Shakespeare and Nadhim Zahawi are Executive Directors of YouGov plc. The sales were made at an arm's length and on usual commercial terms. At 31 July 2008 Privero Capital Advisors Inc owed YouGov plc £1,728k (2007: £480k).

During the year, YouGov plc provided research services totalling £139k (2007: £nil) to Doughty Media Limited, a Company which Stephan Shakespeare, an Executive Director of YouGov plc owns. The sales were made at an arm's length and on usual commercial terms. At 31 July 2008 Doughty Media owed YouGov plc £163k (2007: £nil).

Trading between YouGov plc and Group companies is excluded from the related party note as this had been eliminated on consolidation.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

29 Post balance sheet events

Subsequent to the year end the following announcements have been made.

Overseas expansion

In line with the global expansion strategy the Group announced on 11 August 2008 that it has entered into its first partnerships in Turkey and Greece. In Turkey, following a successful trial the Company has awarded a BrandIndex licence. In Greece, YouGov has set up YouGovHellas, a joint venture with a local partner in which it will own 51%.

Board changes

Panos Manolopoulos will oversee these partnerships and is appointed CEO of International Partnerships. To allow him to focus all of his time on the development of international joint ventures, Panos is stepping down from the plc Board effective 11 August 2008. He will remain on the Group's Operational Board and will work closely with YouGov's existing hubs.

Alan Newman (FCA) was appointed by YouGov on 8 August 2008 as Chief Financial Officer and Company Secretary and was appointed as a Director on the same date. This followed Katherine Lee's decision to step down as Chief Financial Officer and from the Board for personal reasons.

Settlement of contingent consideration

Subsequent to the balance sheet date, we have reached settlement with the selling shareholders of Zapera.com AS that the earnout payment in respect of the financial year ending 31 July 2008 will be satisfied by a cash payment of £1.55m instead of equity in YouGov plc.

30 Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position and financial performance is set out below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These consolidated financial statements have been prepared on the basis of taking the following exemptions:

- Business combinations prior to 1 August 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS3 'Business Combinations'. Goodwill arising from these business combinations of £1.2m has not been restated other than as set out below.
- Cumulative translation differences on foreign operations are deemed to be nil at 1 August 2006. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.
- The entity has elected not to apply IAS21 'the effects of Changes in Foreign Exchange Rates' retrospectively to goodwill and fair value adjustments arising on business combinations before the Group's date of transition to IFRS. Such goodwill and fair value adjustments are not treated as foreign currency assets and so are not retranslated at each reporting date.

30 Explanation of transition to IFRS continued
Reconciliation of equity as at 1 August 2006

	UK GAAP £'000	A £'000	B £'000	C £'000	D £'000	E £'000	F £'000	IFRS £'000
Non-current assets								
Goodwill	1,171							1,171
Intangible assets	–	3						3
Property, plant and equipment	158	(3)						155
Investment accounted for using the equity method	110							110
Deferred tax assets	–				11			11
	1,439							1,450
Current assets								
Trade and other receivables	3,699							3,699
Short-term financial assets	–							–
Current tax assets	–							–
Cash and cash equivalents	5,546							5,546
	9,245							9,245
Current liabilities								
Lease liabilities	(18)							(18)
Provisions	–							–
Deferred consideration	–							–
Trade and other payables	(2,251)		(42)	75				(2,218)
Borrowings	–							–
Current tax liability	(527)							(527)
	(2,796)							(2,763)
Non-current liabilities								
Lease liabilities	–							–
Provisions	–							–
Deferred consideration	(365)							(365)
Long-term borrowings	–							–
Deferred tax liability	(12)							(12)
	(377)							(377)
Net assets	7,511	–	(42)	75	11	–	–	7,555
Equity								
Issued share capital	134							134
Share premium	2,943							2,943
Merger reserve	–							–
Deferred consideration reserve	–							–
Foreign exchange reserve	–							–
Retained earnings	3,691		(42)	75	11			3,735
Minority interests in equity	743							743
Total equity	7,511	–	(42)	75	11	–	–	7,555

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2008

30 Explanation of transition to IFRS continued

Reconciliation of equity as at 31 July 2007

	UK GAAP £'000	A £'000	B £'000	C £'000	D £'000	E £'000	F £'000	IFRS £'000
Non-current assets								
Goodwill	1,039					56		1,095
Intangible assets	143	200						343
Property, plant and equipment	699	(200)						499
Investment accounted for using the equity method	4,458					76		4,534
Deferred tax assets	–				20			20
	6,339							6,491
Current assets								
Trade and other receivables	5,699						(6)	5,693
Other short-term financial assets	–							–
Current tax assets	–							–
Cash and cash equivalents	4,061							4,061
	9,760							9,754
Current liabilities								
Lease liabilities	(24)							(24)
Provisions	–							–
Deferred consideration	–							–
Trade and other payables	(3,494)		(83)	107				(3,470)
Short-term borrowings	–							–
Current tax liability	(147)							(147)
	(3,665)							(3,641)
Non-current liabilities								
Lease liabilities	–							–
Provisions	–							–
Deferred consideration	(334)							(334)
Long-term borrowings	–							–
Deferred tax liability	(56)							(56)
	(390)							(390)
Net assets	12,044	–	(83)	107	20	132	(6)	12,214
Equity								
Issued share capital	135							135
Share premium	3,026							3,026
Merger reserve	–							–
Deferred consideration reserve	–							–
Foreign exchange reserve	–							–
Retained earnings	7,423		(83)	107	20	132	(6)	7,593
Minority interests in equity	1,460							1,460
Total equity	12,044	–	(83)	107	20	132	(6)	12,214

30 Explanation of transition to IFRS continued

Reconciliation of profit for the year ended 31 July 2007

	UK GAAP £'000	A £'000	B £'000	C £'000	D £'000	E £'000	F £'000	IFRS £'000
Group revenue	14,303							14,303
Cost of sales	(2,647)							(2,647)
Gross profit	11,656							11,656
Operating expenses	(6,036)		(41)				(6)	(6,083)
Group operating profit	5,620							5,573
Amortisation of intangibles	(147)					132		(15)
Group profit before finance costs	5,473							5,558
Finance income	188							188
Finance costs	(2)							(2)
Share of post tax loss in joint ventures	(3)							(3)
Share of post tax loss in associates	(136)							(136)
Group profit before taxation	5,520							5,605
Tax expense	(622)				9			(613)
Group profit after taxation	4,898							4,992
Attributable to:								
Equity holders of the parent Company	4,104							4,198
Minority interests	794							794
	4,898							4,992

A) Under UK GAAP software costs were included as part of tangible fixed assets. These have been reclassified as intangible assets under IFRS as they meet the recognition criteria defined by IAS 38. The result of this is to increase intangible assets and decrease property, plant and equipment in the periods to 31 July 2006 and 31 July 2007 by £3k and £200k respectively.

B) IAS 19 requires the recording of a holiday pay accrual. This has been included for each of the reporting periods. For the 12 months to 31 July 2006 the impact on the Income Statement was £42k (accrual included within trade and other payables £42k) and for the year to 31 July 2007 the impact on the Income Statement was £41k (accrual included within trade and other payables £83k).

C) The liability in relation to share based payments in all periods to 31 July 2007 was included within trade and other payables. This adjustment correctly discloses the amounts within retained earnings. The reclassification of share based payment liabilities from current liabilities to equity does not represent a change in accounting policy but a correction of an immaterial previous error.

D) Under FRS 19 deferred tax was recognised only on timing differences; in contrast IAS12 'Income Taxes' requires the recognition of deferred tax on all temporary differences. The recognition of a holiday pay accrual under IAS19 has led to the occurrence of temporary differences. The effect of this adjustment is to create a deferred tax asset of £11k at 31 July 2006 and £20k at 31 July 2007. The tax charge in the Income Statement was reduced by £9k in the year to 31 July 2007.

E) Goodwill recognised by the Group on the acquisition of Siraj (shown as goodwill on the balance sheet) and Polimetrix (32% stake accounted for as an equity accounted investment on the balance sheet) under UK GAAP was amortised over a period of 20 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised in accordance with UK GAAP in 2007 has been written back. The result of this adjustment is to reduce the cost of amortisation in the Income Statement by £132k in the year to 31 July 2007 and increase the carrying value of the goodwill by £56k and the investment accounted for using the equity method by £76k.

F) Under UK GAAP, rent free periods are recognised in the Income Statement over a period of the shorter of either the length of the lease or period to the prevailing date at which market rent becomes payable. Under IFRS rent free periods are amortised over the length of the lease. This has resulted in an additional Income Statement charge of £6k being recognised in the year ending 31 July 2007. The corresponding balance sheet entry reduces trade and other receivables by an equal amount.

Report of the Independent Auditors (to the Members of YouGov plc)

For the year ended 31 July 2008

We have audited the parent Company financial statements of YouGov plc for the year ended 31 July 2008 which comprise the principal accounting policies, the balance sheet and notes to the accounts. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of YouGov plc for the year ended 31 July 2008.

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 auditor's 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 Directors and auditors

The Directors' responsibilities for preparing the Annual Report, and the parent Company financial statements in accordance with United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent Company 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 parent Company 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 parent Company financial statements.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2008;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London, 10 October 2008

Company Balance Sheet
For the year ended 31 July 2008

	Note	**31 July 2008 £'000**	31 July 2007 £'000
Fixed assets			
Intangible assets	4	**170**	63
Tangible assets	5	**839**	603
Investments	6	**43,455**	820
		44,464	1,486
Current assets			
Debtors	7	**7,175**	6,758
Cash at bank and in hand		**8,444**	3,994
		15,619	10,752
Creditors: amounts falling due within one year	8	**(13,658)**	(5,682)
Net current assets		**1,961**	5,070
Total assets less current liabilities		**46,425**	6,556
Creditors: amounts falling due after more than one year	9	**(1,152)**	–
Provisions for liabilities	10	**(36)**	(56)
Net assets		**45,237**	6,500
Capital and reserves			
Called up share capital		**190**	135
Share premium account		**29,156**	3,026
Merger reserve		**9,239**	–
Deferred consideration reserve		**1,438**	–
Profit and loss account		**5,214**	3,339
Shareholders' funds	12	**45,237**	6,500

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

The financial statements were approved by the Board of Directors on 10 October 2008.

Alan Newman
Chief Financial Officer
10 October 2008

Principal Accounting Policies of the Company Financial Statements

For the year ended 31 July 2008

Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 1985 and UK generally accepted accounting principles (UK GAAP). The financial statements are prepared under the historical cost convention.

The particular accounting policies adopted are detailed below. They have all been applied consistently throughout the current year and the prior year.

Related parties

The Company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has not reported transactions with fellow Group undertakings.

Polling fees

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

Retirement benefits

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

Share-based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 August 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the profit and loss reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Intangible fixed assets and amortisation

Panel acquisition costs reflect the direct cost of recruiting new panel members. A formula based on panel churn for the preceding 12 months determines the element which is enhancement and that which is maintenance. Only enhancement is capitalised at cost to the Company less accumulated amortisation. Amortisation is charged so as to write off the panel acquisition costs over 5 years, this being the Directors' estimate of the average active life of a panel member.

Trademark costs reflect the direct cost of trademarks acquired to protect the YouGov brand and its products. Amortisation is not charged as trademarks are infinite in their longevity. We conduct an annual impairment review to ensure all trademarks are carried at appropriate values.

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:

Leasehold property and improvements	life of the lease
Fixtures and fittings on a reducing balance basis	25%
Computer software and hardware on a straight-line basis	10%–33%
Motor vehicles on a straight-line basis	25%

Costs that are directly attributable to the development of new business application software and which are incurred during the period prior to the date the software is placed into operational use are capitalised as software development costs. External costs and internal costs are capitalised to the extent they generate future economic benefit for the business, whilst internal costs are only capitalised if they are incremental to the Group. Once the new business application software and hardware costs and depreciated at the rate set out in the above table.

Research and development

Research expenditure is charges to profits in the period in which it is incurred. Development costs incurred on specific projects are recognised to the extent that they comply with the requirements of SSAP 13 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.

Investments

Investments are included at cost less amounts written off. The carrying value is considered annually by the Directors in comparison against the potential net realisable value.

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 – financial 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 sheet date. The deferred tax provision is held at its current value and not discounted.

Notes to the Company Financial Statements

For the year ended 31 July 2008

1 Profit of parent Company

The parent Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent Company's profit for the year was £1,349k (2007: £1,501k).

2 Staff numbers and costs

Staff costs (including Directors) charged to administrative expenses during the year were as follows:

	31 July 2008 £'000	31 July 2007 £'000
Wages and salaries	**3,992**	2,833
Social security costs	**491**	271
Share based payments	**304**	37
Other benefits	**26**	9
	4,813	3,150

Director's emoluments are as disclosed in the remuneration report on pages 23 and 24.

3 Dividend

No dividend was paid or proposed during the year (2007: £nil).

4 Intangible fixed assets

	Panel acquisition costs £'000	Trademarks £'000	Total £'000
Cost			
At 1 August 2007	41	25	66
Additions	105	20	125
At 31 July 2008	**146**	**45**	**191**
Amortisation			
At 1 August 2007	3	–	3
Provided in the year	18	–	18
At 31 July 2008	**21**	**–**	**21**
Net book amount at 31 July 2008	**125**	**45**	**170**
Net book amount at 31 July 2007	38	25	63

The valuation method for intangibles is arm's length purchase price.

5 Tangible fixed assets

	Software development costs £'000	Fixtures and fittings £'000	Computer software and hardware £'000	Leasehold property and improvements £'000	Total £'000
Cost					
At 1 August 2007	133	206	217	177	733
Additions	165	87	237	–	489
Disposals	–	–	–	–	–
Reclassification	–	–	–	–	–
At 31 July 2008	**298**	**293**	**454**	**177**	**1,222**
Depreciation					
At 1 August 2007	–	52	61	17	130
Provided in the year	64	54	100	35	253
Disposals	–	–	–	–	–
Reclassification	–	–	–	–	–
At 31 July 2008	**64**	**106**	**161**	**52**	**383**
Net book amount at 31 July 2008	**234**	**187**	**293**	**125**	**839**
Net book amount at 31 July 2007	133	154	156	160	603

6 Fixed asset investments

Total fixed asset investments comprise:

	31 July 2008 £'000	31 July 2007 £'000
Interest in subsidiaries	**43,346**	10
Interest in joint ventures	**48**	134
Interest in investment completed post year end	**61**	676
	43,455	820

The value of investments is determined on the basis of the cost to the Group.

Interest in investment completed post year end represent legal and professional fees incurred in the incorporation of entities which complete after the balance sheet date. Please refer to note 29 'post balance sheet events' of the consolidated financial statements for details. At 31 July 2007 the cost represented a non refundable deposit paid to the shareholders of psychonomics AG.

The Company's principal trading subsidiaries and joint ventures are listed in note 12 of the consolidated financial statements.

7 Debtors

	31 July 2008 £'000	31 July 2007 £'000
Trade debtors	**4,883**	2,111
Amounts owed by Group undertakings	**851**	4,012
Amounts owed by joint ventures	**189**	139
Other debtors	**244**	8
Prepayment and accrued income	**1,008**	488
	7,175	6,758

Additional expenditure of £nil (2007: £260,000) with respect to acquisition costs for investments acquired after the year end has been included within prepayments. Additional expenditure represents professional fees which will be capitalised as part of the investment on completion.

8 Creditors: amounts falling due within one year

	31 July 2008 £'000	31 July 2007 £'000
Deferred Income	**372**	338
Trade creditors	**718**	408
Amounts owed to Group undertakings	**4,062**	2,727
Corporation tax	**182**	147
Social security and other taxes	**598**	372
Other creditors	**76**	162
Accruals	**1,744**	1,528
Borrowings	**699**	–
Deferred consideration	**5,207**	–
	13,658	5,682

9 Creditors: amounts falling due after more than one year

	31 July 2008 £'000	31 July 2007 £'000
Deferred consideration	**1,152**	–
	1,152	–

Notes to the Company Financial Statements continued

For the year ended 31 July 2008

10 Provisions for liabilities

Deferred taxation	31 July 2008 £'000	31 July 2007 £'000
At 1 August 2007	**56**	12
Provided during year in profit and loss account	**(20)**	44
At 31 July 2008	**36**	56

The deferred tax charge in the current and prior period represents accelerated capital allowances on fixed assets acquired.

11 Statement of movements on reserves

The movements on the reserves accounts are disclosed in the 'consolidated statement of changes in equity' within the consolidated financial statements.

12 Leasing commitments

Operating lease payments amounting to £250k (2007: £248k) are due within one year. The leases to which these amounts relate expire as follows:

	2008		2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In 1 year or less	**–**	**2**	–	3
Between 1 and 5 years	**–**	**3**	–	–
In 5 years or more	**245**	**–**	245	–
	245	**5**	245	3

13 Capital commitments

The Company had outstanding commitments to procure computer hardware within a third party owned data centre to the value of £123k and a hosting contract for the data centre of £121k. The computer hardware is payable in stages during the set up period. This is expected to be completed during Q1 of the year ending 31 July 2009. The hosting contract is payable monthly in advance over a three year period. At 31 July 2007 commitments totalling £110k in respect of a software contract had been made of which £11k had been settled by the balance sheet date.

During the course of business commitments are made to purchase goods and services via our purchase ordering system. As at the balance sheet date these commitments were not material in nature (2007: £116k).

14 Contingent assets

The Company had no contingent assets as at 31 July 2008 (2007: £nil).

15 Contingent liabilities

The Company had no contingent liabilities as at 31 July 2008 (2007: £nil).

16 Major non-cash transactions

The Group entered into a barter transaction with Centaur plc to exchange the provision of BrandIndex content for advertising within its publications for £318k (2007: £208k).

Other barter transactions deemed not material in aggregate totalled £28k (2007: £28k).

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of YouGov plc will be held at 50 Featherstone Street, London, EC1Y 8RT on 11 December 2008 at 12.30pm to consider and, if thought fit, pass the resolutions below. Resolutions 7 and 8 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary resolutions

1. To receive the Company's annual accounts for the financial year ended 31 July 2008, together with the Directors' Report and the Auditors' Report on those accounts.
2. To approve the Directors' Remuneration Report set out in the annual report and accounts for the financial year ended 31 July 2008.
3. To appoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
4. To authorise the Directors to fix the remuneration of the auditors.
5. To reappoint Stephan Shakespeare as a Director retiring by rotation in accordance with the Company's Articles of Association.
6. To reappoint Alan Newman as a Director 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.

Special resolutions

7. That the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.
8. THAT:
   - 8.1 the Directors shall, in substitution of all previous authorities, have the power under section 95 of the Companies Act 1985 (the '1985 Act') to allot equity securities (as defined in section 94 of the 1985 Act) for cash pursuant to the authority conferred by resolution 6 passed at the Annual General Meeting held on 7 December 2007, as if section 89(1) of the 1985 Act did not apply to the allotment;
   - 8.2 this power shall be limited to:
     - 8.2.1 the allotment of equity securities in connection with an offer or issue of such securities to holders of Ordinary Shares on the register on a date fixed by the Directors, whether by way of rights issue, open offer or otherwise, in proportion (as nearly as practicable) to their respective holdings on that date or in accordance with the rights attached to them but subject to such exclusions and other arrangements as the Directors may consider appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
     - 8.2.2 the allotment (other than under paragraph 8.2.1 above) of equity securities having, in the case of relevant shares (as defined for the purposes of section 89 of the 1985 Act), a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £9,500;
   - 8.3 this power shall cease to have effect on the earlier of the date on which the authority given by resolution 6 passed at the Annual General Meeting held on 7 December 2007 is revoked, and the conclusion of the next Annual General Meeting of the Company.
   - 8.4 the Company may make an offer or agreement before this authority expires which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of that offer or agreement notwithstanding that the authority has expired.

By order of the Board

Alan Newman
Company Secretary
10 October 2008

Registered Office:
50 Featherstone Street
London
EC1Y 8RT

Registered in England and Wales No. 3607311

Notice of Annual General Meeting continued

Notes

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Neville Registrars, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA no later than 12.30pm on 9 December 2008.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 6 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on 9 December 2008 (or, in the event of any adjournment, 6.00pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (the operator of the CREST system), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by 12.30pm on 9 December 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that: (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
10. A copy of the proposed new Articles of Association of the Company to be adopted under resolution 7 will be available for inspection at 50 Featherstone Street, London, EC1Y 8RT from 15 minutes before the Annual General Meeting, until it ends.

Explanatory Notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 7 and 8 are proposed as special resolutions. This means that for each resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolutions 3 and 4 (appointment and remuneration of auditors)

The Company must appoint auditors at each general meeting at which accounts are presented to shareholders to hold office until the conclusion of the next such meeting. Following a review, the Company's Audit Committee recommended the appointment of PricewaterhouseCoopers LLP as the auditors of the Company. The term of the existing auditors, Grant Thornton UK LLP, expires at the conclusion of the Annual General Meeting, and PricewaterhouseCoopers LLP will be appointed from then until the conclusion of the Annual General Meeting to be held in 2009.

In accordance with normal practice, Resolution 4 seeks authority for the Company's Directors to fix the auditors' remuneration.

Resolution 7 (adoption of new Articles of Association)

It is proposed in resolution 7 to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Current Articles') primarily to take account of changes in English Company law brought about by the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix. The New Articles will be available for inspection at the Annual General Meeting.

Resolution 8 (statutory pre-emption rights)

Under section 89 of the Companies Act 1985, when new shares are allotted, they must first be offered to existing shareholders pro rata to their holdings. This special resolution renews the authorities previously granted to the Directors to: (a) allot shares of the Company in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares of the Company, or sell treasury shares for cash, up to an aggregate nominal value of £9,500 (representing in accordance with institutional investor guidelines, approximately 5% of the share capital in issue as at 31 October 2008 (being the last practicable date prior to the publication of this notice)) as if the pre-emption rights of section 89 did not apply. The authority granted by this resolution will expire on the earlier of, the expiry or revocation of the Director's authority to allot shares given at the Annual General Meeting on 7 December 2007, and the conclusion of the next Annual General Meeting.

Appendix

Explanatory notes of principal changes to the Company's articles of association

1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main not included in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a Company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is not replicated as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

3. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore not been replicated in the New Articles.

4. Convening Extraordinary and Annual General Meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are amended to conform to new provisions in the Companies Act 2006. In particular an Extraordinary General Meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

5. Votes of shareholders

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect these new provisions.

6. Age of Directors on appointment

The Current Articles contain a provision requiring a Director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the Director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so is not replicated in the New Articles.

7. Conflicts of interest

The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act (since 1 October 2008) a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another Company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

8. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with shareholders by electronic and/or website communications. The New Articles continue to allow communications to shareholders in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications.

Under the Companies Act 2006, before the Company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the shareholder (either in writing or by other permitted means) when a document or information is placed on the website. A shareholder can always request a hard copy version of the document or information.

9. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a Company to indemnify Directors and to fund expenditure incurred in connection with certain actions against Directors. In particular, a Company that is a trustee of an occupational pension scheme can now indemnify a Director against liability incurred in connection with the Company's activities as trustee of the scheme. In addition, the existing exemption allowing a Company to provide money for the purpose of funding a Director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

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