

# System1 Group

Press Release

17 November 2020

## System1 Group PLC (AIM: SYS1) ("System1" or "the Group" or "the Company")

### Unaudited interim results for the six months ended 30 September 2020

System1, The Effectiveness Agency, today announces its results for the six-month period ended 30 September 2020 ("H1").

|  | 6 months ended 30 September<br>Unaudited |        | Growth % |
|--|--|--------|----------|
|  | 2020                                     | 2019   |          |
| £m                                     |  |        |          |
| Adjusted Revenue*                      | 10.1                                     | 13.6   | (25%)    |
| Adjusted Gross Profit*                 | 8.6                                      | 11.5   | (25%)    |
| Adjusted Operating Costs*              | (8.2)                                    | (9.6)  | (14%)    |
| Adjusted Profit Before Tax*            | 0.4                                      | 1.9    | (83%)    |
| Statutory                              |  |        |          |
| Revenue                                | 10.1                                     | 13.7   | (26%)    |
| Gross Profit                           | 8.6                                      | 11.6   | (26%)    |
| Operating Costs                        | (8.0)                                    | (10.2) | (22%)    |
| Impairment charges                     | (1.0)                                    | -      | NA       |
| Profit Before Tax before<br>impairment | 0.6                                      | 1.4    | (57%)    |
| (Loss)/Profit Before Tax               | (0.4)                                    | 1.4    | (126%)   |
| Profit After Tax                       | 0.1                                      | 0.9    | (86%)    |

\*Adjusted measures are defined in the Financial Performance section

### Highlights

- Continued investment in new automated products and infrastructure – providing a platform for accelerated growth.
- Revenue and adjusted profitability appreciably stronger in Q2 than Q1
- £5.1m Net Cash at 30 September 2020 (31 March 2020: £4.1m)
- £1.0m right-of-use asset impairment charge (non-cash) under IFRS 16
- £0.5m R&D tax credit received for FY 2018/19; a similar claim is expected for FY2019/20
- 12% reduction in average H1 headcount to 128 (H1 2019/20: 145)
- Diluted Earnings Per Share 1.0p (2019/20: 6.9p)
- As previously announced, no interim dividend will be paid (2019/20 interim 1.1p)

**Commenting on the Company's results, John Kearon, CEO of System1, said:**

“Despite the sharp downturn in sales in the early months of the financial year, particularly in the USA, we have pursued our strategy by continuing to invest in a new generation of highly predictive, lower cost, automated products, while conserving cash through rigorous management of headcount and overhead costs. Client and market feedback give us confidence that our new products and infrastructure will provide a platform for accelerated growth over the years to come.

Revenue and adjusted profitability have recovered substantially since Q1. Our sales pipeline remains strong in the UK and is improving in the USA. These trends provide grounds for optimism. However, continued uncertainty over the medium- and longer-term impact of Covid-19 on the major economies in which System 1 operates, heightened by renewed “lock-down” measures, leads us to continue to suspend financial guidance.”

The Company can be found at [www.system1group.com](http://www.system1group.com).

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

**For further information, please contact:**

**System1 Group PLC**

+44 20 7043 1000

John Kearon, Chief Executive Officer

Chris Willford, Chief Financial Officer

[investorrelations@system1group.com](mailto:investorrelations@system1group.com)

**Canaccord Genuity Limited**

+44 20 7523 8000

Simon Bridges/Andrew Potts

## INTERIM STATEMENT

### Introduction

At the beginning of this financial year System1 set out to counter the effect of the Covid-19 pandemic on short-term financial results whilst positioning the business to take advantage as the situation began to improve. The reduction in revenue versus last year during H1 primarily affected Innovation products, and the Americas region in particular where Gross Profit was 50% lower. Conversely, the UK and Asia Pacific (“APAC”) regions both posted double-digit increases in Gross Profit, and the high new business win-rate of our Test Your Ad predictive products meant that the Comms business proved resilient in difficult market conditions. Cost-saving measures were implemented in Q1, including our participation in a number of government-backed employment schemes. The principal objective of these measures was to neutralise the effect of reduced revenues on the Group’s net cash balance, which was achieved. From June, as sales began to recover, arrangements put in place to reduce employees’ hours were progressively reversed, and the partial deferral of some senior employees’ salaries ended in August. In summary, the business emerged from H1 stronger than it started, with Q2 Revenue, adjusted Profit Before Tax and Net Cash well up on the preceding quarter.

### Financial Performance

Overall, Gross Profit was disappointing in H1 with year-on-year reductions in all product groups, due in part to the impact of Covid-19 on the marketing budgets of some major clients. Despite this backdrop, the Comms and Brand product groups showed good growth in the UK and APAC, though this was offset by declines in Europe and particularly the Americas. Innovation sales were down in UK and the Americas but increased in Europe and APAC.

The Americas region, which represented half of the Group’s Gross Profit last year, was particularly affected, with a £3.1m (50%) reduction in Gross Profit versus H1 last year. The region’s three biggest clients from last year all continue to do business with us but with lower budgets and between them they accounted for over a third of the Americas’ decline versus last year.

| Gross Profit by Product | 2020 | 2019 | Growth |
|-------------------------|------|------|--------|
| £m                      | H1   | H1   | %      |
| Comms                   | 3.5  | 3.6  | -3%    |
| Brand                   | 1.3  | 1.6  | -19%   |
| Innovation              | 3.4  | 5.1  | -33%   |
| Other                   | 0.4  | 1.2  | -67%   |
|                         | 8.6  | 11.6 | -26%   |

| Gross Profit by Region | 2020 | 2019 | Growth |
|------------------------|------|------|--------|
| £m                     | H1   | H1   | %      |
| Americas               | 3.1  | 6.2  | -50%   |
| United Kingdom         | 2.6  | 2.3  | 10%    |
| Continental Europe     | 2.1  | 2.5  | -16%   |
| APAC                   | 0.8  | 0.6  | 28%    |
|                        | 8.6  | 11.6 | -26%   |

The Company has consolidated AdRatings into the Comms business and prior period comparatives have been restated. Consistent with the Annual Report for the year ended 31 March 2020, Advertising Agency results have been consolidated into the United Kingdom business and the comparatives for the period ended 30 September 2019 have been restated accordingly.

The Company reviewed its office footprint for lease impairment under IFRS16 in view of the ongoing Covid-19 pandemic and System1's widespread adoption of new ways of working. This move to working from home has already contributed to the closure of our offices in Rio, Sydney and Los Angeles, and we will not retain offices in Rotterdam, Hamburg or Chicago after the current leases expire. The review concluded that a significant reduction in the utilisation of the New York office required an impairment of the lease asset alongside much smaller impairments on three other leases in Chicago, Hamburg and Rotterdam. We intend to move to a smaller space in New York before the end of 2022. The resulting £1.0m non-cash Impairment Charge (£0.9m related to the New York office) affects the Group's Statutory Costs and Profit Before Tax but is excluded from the Adjusted figures. Whilst cash flow is not affected by the impairment charge, reported annualised operating costs will be approximately £0.4m lower from now on

Adjusted Operating Costs fell by 14% compared with H1 2019/20, broadly in line with the year-on-year reduction in average employee numbers (H1 2020/21: 128; H1 2019/20: 145). Headcount in areas focussed on selling and delivering client projects was managed down in line with the reduction in Revenue. We continued to restructure the sales team and have several new hires joining in the new year. We increased further the number of employees in IT whilst reducing the usage of contractors who had kick-started our product development last year, hence maintaining a similar overall level of investment in development and infrastructure year on year. Statutory Administrative Costs fell by 12% and included £1.0m of non-cash Impairment charges and a £0.6m benefit from government programmes, primarily the Paycheck Protection Program ("PPP") in the USA. These two items and a number of smaller adjustments between Statutory and Adjusted expenditure are set out in the table below.

| £m                                | 2020  | 2019  | Growth |
|-----------------------------------|-------|-------|--------|
| Revenue                           | 10.1  | 13.7  | (26%)  |
| Less: Advertising Agency          | -     | (0.1) |        |
| Adjusted Revenue                  | 10.1  | 13.6  | (25%)  |
|                                   |       |       |        |
| Gross Profit                      | 8.6   | 11.6  | (26%)  |
| Less: Advertising Agency          | -     | (0.1) |        |
| Adjusted Gross Profit             | 8.6   | 11.5  | (25%)  |
|                                   |       |       |        |
| Administrative Expenses           | 8.9   | 10.1  |        |
| Finance Expense                   | 0.1   | 0.1   |        |
| Total Operating Costs             | 9.0   | 10.2  | (12%)  |
|                                   |       |       |        |
| Operating Costs before Impairment | 8.0   | 10.2  | (22%)  |
| Impairment                        | 1.0   | -     | NM     |
| Total Operating Costs             | 9.0   | 10.2  | (12%)  |
|                                   |       |       |        |
| Impairment                        | (1.0) | -     |        |
| Advertising Agency                | -     | (0.1) |        |
| Share-based Payments              | -     | 0.1   |        |
| Severance Costs                   | (0.6) | (0.1) |        |
| Bonus Costs                       | 0.1   | (0.4) |        |
| Government Support                | 0.6   | -     |        |
| Movement in Provisions            | 0.1   | (0.1) |        |
| Adjusted Operating Costs          | 8.2   | 9.6   | (14%)  |

## Dividends

As previously announced, no interim dividend will be paid (2019/20: 1.1p per share).

## Tax

The Company has recognised a tax credit of £0.5m in the six months to 30 September 2020 (2019: tax charge of £0.5m). The credit includes £0.5m received in respect of an R&D claim for FY2018/19 for which no asset was previously recognised. The Company anticipates completing a similar claim for FY2019/20 before the end of the current financial year. Excluding the R&D tax credit, the Company has recognised a small tax charge (of less than £0.1m) on a pre-tax loss of £0.4m, due to the distribution of profits and losses across multiple tax jurisdictions and the restriction of carried forward losses.

## Earnings Per Share

The Company's share base has not changed significantly over the period, and earnings per share declined in line with Profit After Tax. Fully diluted and basic Earnings Per Share declined 86%.

The Company has share options which could dilute basic earnings per share in the future. However vested options represent a relatively modest 2% of the Company's voting shares. Unvested options

(and conditional share awards) are more significant at 9%. These have been awarded under the Company's long-term incentive plan, full details of which are set out in the Company's 2019/20 Annual Report.

## Cash

H1 Operating Cash Flow pre-financing of £1.0m (2019: £0.5m) included the receipt of a £0.5m R&D tax credit in the UK. The US subsidiary received a loan of £0.5 million under the PPP scheme which has been fully forgiven in November 2020, but is treated as a short-term loan at 30 September 2020 and increases our reported borrowings to £2.9m (31 March 2020: £2.5m). Deducting the £2.9m of borrowings from the £8.0m cash balance (31 March 2020: £6.7m) leaves net cash of £5.1m at the end of H1 (31 March 2020: £4.1m)

A summary of our cash flow and closing cash position is shown below:

|   | £m         |
|---|------------|
| Loss Before Tax                                 | (0.4)      |
| Tax Received                                    | 0.5        |
| Movement in Payables                            | (0.7)      |
| Movement in Receivables                         | 0.5        |
| Capex   | (0.1)      |
| Non-cash Items                                  | 1.8        |
| Property Lease Payments                         | (0.6)      |
| <b>Operating Cash Flow – before financing *</b> | <b>1.0</b> |
| Borrowings                                      | 0.5        |
| <b>Cash and Cash Equivalents</b>                | <b>8.0</b> |
| Borrowings                                      | (2.9)      |
| <b>Net Cash</b>                                 | <b>5.1</b> |

\* Operating Cash Flow before financing is our key cash flow performance indicator, and we include office lease costs in calculating this. However, under IFRS 16, office lease costs are treated as a financing activity, and therefore shown as such in our Consolidated Cash Flow Statement.

## Balance Sheet

The impairment of property lease assets, and the remeasurement of expected lease terms, under IFRS 16 has reduced the right-of-use asset and the corresponding lease liabilities (current and non-current). The Company's borrowings consist of a £2.5m revolving credit facility and a short-term loan of £0.5m received under the PPP scheme in the United States which has been fully forgiven in November 2020. Total Equity remains essentially unchanged at £5.8m (31 March 2020: £5.8m) reflecting the H1 After-Tax Profit of £0.2m offset by a reduction in FX Translation Reserves.

**Outlook**

Revenue and underlying profitability have recovered substantially since Q1. Our sales pipeline remains strong in the UK and is improving in the USA. These trends provide grounds for optimism. However, continued uncertainty over the medium- and longer-term impact of Covid-19 on the major economies in which System1 operates, heightened by recent “lock-down” measures, leads us to continue to suspend financial guidance.

John Kearon  
Chief Executive Officer

Chris Willford  
Chief Financial Officer

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the 6 months ended 30 September 2020

| Note   | 6 months to                 |  |          |
|--|-----------------------------|--|----------|
|  | 30 Sep<br>2020<br>Unaudited | 30 Sep<br>2019<br>*Restated<br>Unaudited |          |
|  | Total                       | Total                                    |          |
|  | £000                        | £000                                     |          |
| <b>Revenue</b>                                       | 4                           | 10,133                                   | 13,725   |
| Cost of sales  |                             | (1,572)                                  | (2,136)  |
| <b>Gross profit</b>                                  | 4                           | 8,561                                    | 11,589   |
| Administrative expenses                              |                             | (8,839)                                  | (10,125) |
| <b>Operating (loss)/profit</b>                       |                             | (278)                                    | 1,464    |
| Finance expense                                      |                             | (123)                                    | (60)     |
| <b>(Loss)/profit before taxation</b>                 | 4                           | (401)                                    | 1,404    |
| Income tax credit/(expense)                          |                             | 528                                      | (514)    |
| <b>Profit for the financial period</b>               |                             | 127                                      | 890      |
| <b>Attributable to equity holders of the Company</b> |                             | 127                                      | 890      |

\*Prior period comparatives have been restated to consolidate the results of AdRatings into the underlying results of the Company

### Earnings per share attributable to equity holders of the Company

|                            |   |      |      |
|----------------------------|---|------|------|
| Basic earnings per share   | 5 | 1.0p | 7.1p |
| Diluted earnings per share | 5 | 1.0p | 6.9p |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the 6 months ended 30 September 2020

|   | <b>6 months to</b><br>30 Sep 2020<br>Unaudited | <b>6 months to</b><br>30 Sep 2019<br>Unaudited |
|---|--|--|
|   | £000   | £000   |
| Profit for the financial period   | 127  | 890  |
| Other comprehensive income:   |  |  |
| Items that may be subsequently reclassified to profit or loss           |  |  |
| Exchange differences on translating foreign operations                  | (130)  | 171  |
| Other comprehensive (loss)/income for the period, net of tax            | (3)  | 1,061  |
| <b>Total comprehensive (loss)/income attributable to equity holders</b> | <b>(3)</b>                                     | <b>1,061</b>                                   |

**CONDENSED CONSOLIDATED BALANCE SHEET**  
as at 30 September 2020

|   | <b>Note</b> | <b>30 Sep 2020</b><br>Unaudited | <b>31 Mar 2020</b><br>Audited |
|---|-------------|---------------------------------|-------------------------------|
|   |             | £000                            | £000                          |
| <b>ASSETS</b>   |             |                                 |                               |
| <b>Non-current assets</b>   |             |                                 |                               |
| Property, plant and equipment   | 9           | 1,811                           | 3,971                         |
| Intangible assets   |             | 461                             | 368                           |
| Deferred tax asset  |             | 640                             | 627                           |
|   |             | 2,912                           | 4,966                         |
| <b>Current assets</b>   |             |                                 |                               |
| Contract costs  |             | 116                             | 217                           |
| Trade and other receivables   |             | 5,053                           | 5,423                         |
| Income tax recoverable  |             | -                               | 21                            |
| Cash and cash equivalents   |             | 8,047                           | 6,650                         |
|   |             | 13,216                          | 12,311                        |
| <b>Total assets</b>   |             | <b>16,128</b>                   | <b>17,277</b>                 |
| <b>EQUITY</b>   |             |                                 |                               |
| <b>Capital and reserves attributable to equity holders of the Company</b> |             |                                 |                               |
| Share capital   | 11          | 132                             | 132                           |
| Share premium account   |             | 1,601                           | 1,601                         |
| Merger reserve  |             | 477                             | 477                           |
| Foreign currency translation reserve                                      |             | 2                               | 132                           |
| Retained earnings   |             | 3,555                           | 3,416                         |
| <b>Total equity</b>   |             | <b>5,767</b>                    | <b>5,758</b>                  |
| <b>LIABILITIES</b>  |             |                                 |                               |
| <b>Non-current liabilities</b>  |             |                                 |                               |
| Provisions  |             | 493                             | 565                           |
| Lease liabilities   | 10          | 2,005                           | 3,273                         |
| Borrowings  | 10          | 2,500                           | 2,500                         |
|   |             | 4,998                           | 6,338                         |
| <b>Current liabilities</b>  |             |                                 |                               |
| Provisions  |             | 219                             | 300                           |
| Lease liabilities   | 10          | 1,186                           | 1,001                         |
| Borrowings  | 10          | 485                             | -                             |
| Trade and other payables  |             | 3,027                           | 3,209                         |
| Income tax payable  |             | 14                              | -                             |
| Contract liabilities  |             | 432                             | 671                           |
|   |             | 5,363                           | 5,181                         |
| <b>Total liabilities</b>  |             | <b>10,361</b>                   | <b>11,519</b>                 |
| <b>Total equity and liabilities</b>                                       |             | <b>16,128</b>                   | <b>17,277</b>                 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2020

|   | Note | 6 months to<br>30 Sep 2020<br>Unaudited | 6 months to<br>30 Sep 2019<br>Unaudited |
|---|------|---|---|
|   |      | £000                                    | £000                                    |
| <b>Net cash generated from operations</b>                   | 8    | 1,189                                   | 1,550                                   |
| Tax received/(paid)   |      | 546                                     | (171)                                   |
| <b>Net cash generated from operating activities</b>         |      | 1,735                                   | 1,379                                   |
| <b>Cash flows from investing activities</b>                 |      |   |   |
| Purchase of property, plant and equipment                   |      | -                                       | (36)                                    |
| Purchase of intangible assets                               |      | (93)                                    | (263)                                   |
| <b>Net cash used by investing activities</b>                |      | (93)                                    | (299)                                   |
| <b>Net cash flow before financing activities *</b>          |      | 1,642                                   | 1,080                                   |
| <b>Cash flows from financing activities</b>                 |      |   |   |
| Finance lease payments                                      |      | (48)                                    | (23)                                    |
| Inception of new property leases                            |      | 20                                      | 229                                     |
| Property lease payments *                                   |      | (543)                                   | (728)                                   |
| Proceeds from borrowings                                    |      | 493                                     | -                                       |
| Interest paid on office leases                              |      | (83)                                    | (60)                                    |
| Interest paid on bank borrowings                            |      | (40)                                    | -                                       |
| Dividends   |      | -                                       | (804)                                   |
| <b>Net cash used by financing activities</b>                |      | (201)                                   | (1,386)                                 |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | 1,441                                   | (306)                                   |
| <b>Cash and cash equivalents at beginning of period</b>     |      | 6,650                                   | 4,315                                   |
| Exchange losses on cash and cash equivalents                |      | (44)                                    | 95                                      |
| <b>Cash and cash equivalents at end of period</b>           |      | 8,047                                   | 4,104                                   |

\* Under IFRS 16 office lease costs are now treated as a “financing activity” (rather than as an operating activity, as was the case previously). Office lease costs are therefore not now included within “Net cash flow before financing activities” (the Company’s key cash flow performance indicator). “Net cash flow before financing activities”, adjusted for office leases, known by the Company as “Operating Cash Flow” is shown below:

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2020

|   | <b>6 months to</b><br>30 Sep 2020<br>Unaudited | <b>6 months to</b><br>30 Sep 2019<br>Unaudited |
|---|--|--|
|   | £000   | £000   |
| Net cash flow before financing activities | 1,642  | 1,080  |
| Net cash outflow for property leases      | (626)  | (559)  |
| <b>Operating Cash Flow</b>                | <b>1,016</b>                                   | <b>521</b>                                     |

\*\* Prior period comparatives have been restated to consolidate AdRatings into the underlying results of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the 6 months ended 30 September 2020

|                                    | Share capital | Share premium account | Merger reserve | Foreign currency translation reserve | Retained earnings | Total |
|------------------------------------|---------------|-----------------------|----------------|--------------------------------------|-------------------|-------|
| Unaudited                          | £000          | £000                  | £000           | £000                                 | £000              | £000  |
| At 1 April 2020                    | 132           | 1,601                 | 477            | 132                                  | 3,416             | 5,758 |
| Loss for the financial period      | -             | -                     | -              | -                                    | 127               | 127   |
| Other comprehensive income:        |               |                       |                |                                      |                   |       |
| - currency translation differences | -             | -                     | -              | (130)                                | -                 | (130) |
| Total comprehensive income         | -             | -                     | -              | (130)                                | 127               | (3)   |
| Transactions with owners:          |               |                       |                |                                      |                   |       |
| Employee share options scheme:     |               |                       |                |                                      |                   |       |
| - value of employee services       | -             | -                     | -              | -                                    | 17                | 17    |
| - deferred tax debited to equity   | -             | -                     | -              | -                                    | (5)               | (5)   |
| Dividends paid to owners           | -             | -                     | -              | -                                    | -                 | -     |
|                                    | -             | -                     | -              | -                                    | 12                | 12    |
| At 30 September 2020               | 132           | 1,601                 | 477            | 2                                    | 3,555             | 5,767 |
| 6 months ended 30 September 2019   |               |                       |                |                                      |                   |       |
| At 1 April 2019                    | 132           | 1,601                 | 477            | 234                                  | 4,580             | 7,024 |
| Profit for the financial period    | -             | -                     | -              | -                                    | 890               | 890   |
| Other comprehensive income:        |               |                       |                |                                      |                   |       |
| - currency translation differences | -             | -                     | -              | 171                                  | -                 | 171   |
| Total comprehensive income         | -             | -                     | -              | 171                                  | 890               | 1,061 |
| Transactions with owners:          |               |                       |                |                                      |                   |       |
| Employee share options scheme:     |               |                       |                |                                      |                   |       |
| - value of employee services       | -             | -                     | -              | -                                    | (86)              | (86)  |
| - deferred tax debited to equity   | -             | -                     | -              | -                                    | (25)              | (25)  |
| Dividends paid to owners           | -             | -                     | -              | -                                    | (805)             | (805) |
|                                    | -             | -                     | -              | -                                    | (916)             | (916) |
| At 30 September 2019               | 132           | 1,601                 | 477            | 405                                  | 4,554             | 7,169 |

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the 6 months ended 30 September 2020

### **1. General information**

System1 Group PLC (“the Company”) is United Kingdom resident, and its subsidiaries (together “the Group”) provide marketing and market research consultancy services. The Company’s shares are listed on the AIM market of the London Stock Exchange (“AIM”). The address of the Company’s registered office is 52 Bedford Row, Holborn, London, WC1R 4LR.

The Board of Directors approved this condensed consolidated interim financial information for issue on 17 November 2020.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited. The Group’s latest statutory financial statements were for the 12-month period ended 31 March 2020 and these have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

### **2. Basis of preparation**

This condensed consolidated interim financial information has been prepared in accordance with IAS 34, ‘Interim financial reporting’ as adopted by the European Union and on the going concern basis. This financial information should be read in conjunction with the financial statements for the 12-month period ended 31 March 2020, which have been prepared in accordance with IFRSs as adopted by the European Union.

### **3. Principal accounting policies**

The principal accounting policies adopted are consistent with those of the financial statements for the 12-month period ended 31 March 2020.

#### 4. Segment information

The financial performance of the Group's geographic operating units ("**Reportable Segments**") is set out below.

|                    | 6 months to 30 Sep 2020 |              | 6 months to 30 Sep 2019<br>Restated* |              |
|--------------------|-------------------------|--------------|--------------------------------------|--------------|
|                    | Revenue                 | Gross profit | Revenue                              | Gross profit |
|                    | £000                    | £000         | £000                                 | £000         |
| Americas*          | 3,618                   | 3,096        | 7,177                                | 6,156        |
| United Kingdom*    | 2,983                   | 2,587        | 2,758                                | 2,342        |
| Continental Europe | 2,536                   | 2,057        | 3,048                                | 2,450        |
| APAC               | 996                     | 821          | 742                                  | 641          |
|                    | 10,133                  | 8,561        | 13,725                               | 11,589       |

\* The Group has consolidated AdRatings into the core business in the current period and the comparatives have been restated. Consistent with the segment reporting in the Annual Report for the year ended 31 March 2020, Advertising Agency results have been consolidated into the United Kingdom business and the comparatives for the period ended 30 September 2019 have been restated accordingly.

Segmental revenue is revenue generated from external customers and so excludes intercompany revenue and is attributable to geographical areas based upon the location in which the service is delivered. Operating expenses are not reported to the Executive Directors by segment but is provided at a consolidated level.

All revenues are recognised when the research results are delivered to the client, with the exception of AdRatings subscription revenues, which are recognised on a straight-line basis over the subscription term.

The split of business by Product is set out below.

|                        | 6 months to 30 Sep 2020 |              | 6 months to 30 Sep 2019<br>Restated* |              |
|------------------------|-------------------------|--------------|--------------------------------------|--------------|
|                        | Revenue                 | Gross Profit | Revenue                              | Gross Profit |
|                        | £000                    | £000         | £000                                 | £000         |
| Comms (Ad Testing) *   | 4,054                   | 3,487        | 4,068                                | 3,629        |
| Brand (Brand Tracking) | 1,701                   | 1,300        | 2,311                                | 1,628        |
| Innovation             | 3,864                   | 3,370        | 5,824                                | 5,135        |
| Other services         | 514                     | 404          | 1,522                                | 1,197        |
|                        | 10,133                  | 8,561        | 13,725                               | 11,589       |

\* The Group has consolidated AdRatings into the core business within Comms in the current period and the comparatives have been restated accordingly. In the Annual Report for the year ended 31 March 2020, Advertising Agency revenues were reported within Other services and the comparatives for the period ended 30 September 2019 have been restated accordingly.

#### 4. Segment information (continued)

A reconciliation of total operating profit for Reportable Segments to total profit before income tax is set out below.

|   | Six months ended 30 Sep |              |
|---|-------------------------|--------------|
|   | 2020                    | 2019         |
|   | £000                    | £000         |
| <b>Gross profit for Reportable Segments</b> | 8,561                   | 11,589       |
| Central overheads                           | (7,841)                 | (10,224)     |
| Impairment of right-of-use assets           | (973)                   | -            |
| Share based payments*                       | (25)                    | 99           |
| <b>Operating (loss)/profit</b>              | <b>(278)</b>            | <b>1,464</b> |
| Finance expense                             | (123)                   | (60)         |
| <b>(Loss)/profit before income tax</b>      | <b>(401)</b>            | <b>1,404</b> |

\*Inclusive of associated social security

Segmental operating profit excludes allocation of central overheads relating to the Group's Operations, IT, Marketing, HR, Legal and Finance teams and Board of Directors. Operating expenses are not reported to the Executive Directors by segment, but provided at a consolidated level.

#### 5. Earnings per share

##### (a) Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period:

|   | Six months ended 30 Sep |             |
|---|-------------------------|-------------|
|   | 2020                    | 2019        |
| Profit attributable to equity holders of the Company (£000) | 127                     | 890         |
| Weighted average number of Ordinary Shares in issue         | 12,633,227              | 12,576,617  |
| <b>Basic earnings per share</b>                             | <b>1.0p</b>             | <b>7.1p</b> |

## 5. Earnings per share (continued)

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding assuming conversion of all dilutive share options to Ordinary Shares:

|   | Six months ended 30 Sep |            |
|---|-------------------------|------------|
|   | 2020                    | 2019       |
| Profit attributable to equity holders of the Company (£000)               | 127                     | 890        |
| Weighted average number of Ordinary Shares in issue                       | 12,633,227              | 12,576,617 |
| Share options   | 250,482                 | 327,988    |
| Weighted average number of Ordinary Shares for diluted earnings per share | 12,883,709              | 12,904,605 |
| <b>Diluted earnings per share</b>   | 1.0p                    | 6.9p       |

## 6. Employees

The average number of staff employed by the Group during the financial period was as follows:

|   | Six months ended 30 Sep |      |
|---|-------------------------|------|
|   | 2020                    | 2019 |
|   | No                      | No   |
| Number of administrative staff (full-time equivalent) | 128                     | 145  |

## 7. Dividends

The Company has paid no dividends during the six months ended 30 September 2020 and has not proposed an interim dividend. During the six months ended 30 September 2019, the Company paid a final dividend of £0.80m in respect of the 12-month period ended 31 March 2019, and proposed an interim dividend of 1.1 pence per share, amounting to £0.14m, which was paid on 13 December 2019. The interim dividend of £0.14m was not recorded in the interim accounts for the six months ended 30 September 2019.

## 8. Net cash generated from/(used by) operations

|   | Six months ended 30 Sep |       |
|---|-------------------------|-------|
|   | 2020                    | 2019  |
|   | £000                    | £000  |
| (Loss)/profit before taxation           | (401)                   | 1,404 |
| Depreciation (including Impairment)     | 1,582                   | 608   |
| Amortisation                            | -                       | 160   |
| Loss on disposal                        | 16                      | -     |
| Finance expense                         | 123                     | 60    |
| Share-based payment charge/(credit)     | 17                      | (86)  |
| Decrease in contract costs              | 100                     | 28    |
| Decrease in receivables                 | 371                     | 368   |
| Decrease in payables                    | (334)                   | (930) |
| Decrease in contract liabilities        | (240)                   | (82)  |
| Exchange differences on operating items | (44)                    | 20    |
| Net cash generated from operations      | 1,190                   | 1,550 |

## 9. Property, plant and equipment

For the 6 months ended 30 September 2020:

|   | Right-of-use assets | Furniture, fittings and equipment | Computer hardware | Total        |
|---|---------------------|-----------------------------------|-------------------|--------------|
|   | £000                | £000                              | £000              | £000         |
| <b>At 1 April 2020</b>                  |                     |                                   |                   |              |
| Cost                                    | 5,532               | 452                               | 1,398             | 7,382        |
| Accumulated depreciation                | (1,725)             | (405)                             | (1,281)           | (3,411)      |
| Net book amount                         | 3,807               | 47                                | 117               | 3,971        |
| <b>6 months ended 30 September 2020</b> |                     |                                   |                   |              |
| Opening net book amount                 | 3,807               | 47                                | 117               | 3,971        |
| Additions                               | 20                  | -                                 | -                 | 20           |
| Disposals                               | (531)               | (4)                               | (11)              | (546)        |
| Foreign exchange                        | (50)                | (3)                               | 1                 | (52)         |
| Depreciation charge for the period      | (1,525)             | (14)                              | (43)              | (1,582)      |
| Closing net book amount                 | 1,721               | 26                                | 64                | 1,811        |
| <b>At 30 September 2020</b>             |                     |                                   |                   |              |
| Cost                                    | 4,951               | 142                               | 175               | 5,268        |
| Accumulated depreciation                | (3,230)             | (116)                             | (111)             | (3,457)      |
| <b>Net book amount</b>                  | <b>1,721</b>        | <b>26</b>                         | <b>64</b>         | <b>1,811</b> |

Included within depreciation charges for the six months ended 30 September 2020 is £920,000 of impairment charges on right-of-use assets (six months ended 30 September 2019: £nil). During the six months to 30 September 2020, the financial effect of revising lease terms to reflect the actual and expected effect of exercising extension and termination options in lease arrangements is a reduction in right-of use assets and lease liabilities of £531,000 which is included in the disposals figure in the table above (six months ended 30 September 2019: £nil).

## 9. Property, plant and equipment (continued)

For the 6 months ended 30 September 2019:

|   | Right-of-use assets | Furniture, fittings and equipment | Computer hardware | Total        |
|---|---------------------|-----------------------------------|-------------------|--------------|
|   | £000                | £000                              | £000              | £000         |
| <b>At 1 April 2019</b>                  |                     |                                   |                   |              |
| Cost                                    | 5,286               | 553                               | 1,285             | 7,124        |
| Accumulated depreciation                | (2,666)             | (422)                             | (1,189)           | (4,277)      |
| Net book amount                         | 2,620               | 131                               | 96                | 2,847        |
| <b>6 months ended 30 September 2019</b> |                     |                                   |                   |              |
| Opening net book amount                 | 2,620               | 131                               | 96                | 2,847        |
| Additions                               | 260                 | -                                 | 36                | 296          |
| Disposals                               | (31)                | -                                 | -                 | (31)         |
| Foreign exchange                        | 122                 | 2                                 | 2                 | 126          |
| Depreciation charge for the period      | (533)               | (37)                              | (38)              | (608)        |
| Closing net book amount                 | 2,438               | 96                                | 96                | 2,630        |
| <b>At 30 September 2019</b>             |                     |                                   |                   |              |
| Cost                                    | 5,541               | 561                               | 1,346             | 7,448        |
| Accumulated depreciation                | (3,103)             | (465)                             | (1,250)           | (4,818)      |
| <b>Net book amount</b>                  | <b>2,438</b>        | <b>96</b>                         | <b>96</b>         | <b>2,630</b> |

For the 12 months ended 31 March 2020:

|                                      | Right-of-use assets | Furniture, fittings and equipment | Computer hardware | Total        |
|--------------------------------------|---------------------|-----------------------------------|-------------------|--------------|
|                                      | £000                | £000                              | £000              | £000         |
| <b>At 1 April 2019</b>               |                     |                                   |                   |              |
| Cost                                 | 5,286               | 553                               | 1,285             | 7,124        |
| Accumulated depreciation             | (2,666)             | (422)                             | (1,189)           | (4,277)      |
| Net book amount                      | 2,620               | 131                               | 96                | 2,847        |
| <b>12 months ended 31 March 2020</b> |                     |                                   |                   |              |
| Opening net book amount              | 2,620               | 131                               | 96                | 2,847        |
| Additions                            | 2,336               | -                                 | 102               | 2,438        |
| Disposals                            | (54)                | (13)                              | -                 | (67)         |
| Foreign exchange                     | 88                  | 3                                 | -                 | 91           |
| Depreciation charge for the year     | (1,183)             | (74)                              | (81)              | (1,338)      |
| Closing net book amount              | 3,807               | 47                                | 117               | 3,971        |
| <b>At 31 March 2020</b>              |                     |                                   |                   |              |
| Cost                                 | 5,532               | 452                               | 1,398             | 7,382        |
| Accumulated depreciation             | (1,725)             | (405)                             | (1,281)           | (3,411)      |
| <b>Net book amount</b>               | <b>3,807</b>        | <b>47</b>                         | <b>117</b>        | <b>3,971</b> |

## 10. Borrowings

|                                | 30 Sep 2020 | 31 Mar 2020 |
|--------------------------------|-------------|-------------|
|                                | £000        | £000        |
| <b>Current liabilities</b>     |             |             |
| Lease liabilities              | 1,186       | 1,001       |
| Borrowings                     | 485         | -           |
|                                | 1,671       | 1,001       |
|                                |             |             |
| <b>Non-current liabilities</b> |             |             |
| Lease liabilities              | 2,005       | 3,273       |
| Borrowings                     | 2,500       | 2,500       |
|                                | 4,505       | 5,773       |
|                                |             |             |

Included within borrowings for the period ended 30 September 2020 is £2,500,000 in respect of a revolving credit facility with HSBC (31 March 2020: £2,500,000). The facility is available for three years and is secured over the assets of those Group companies domiciled in the United Kingdom and the United States. The loan accrues interest at a rate of 2.5% above LIBOR and is subject to leverage and interest covenants.

Also included within borrowings is £485,000 in respect of amounts received under the Paycheck Protection Program ("PPP"), a US government-funded scheme designed to provide support to businesses in response to the Covid-19 pandemic. PPP loans are eligible for forgiveness up to 100% of the loan amount, and a corresponding asset has been recognised within income and other receivables for the anticipated approval of the Company's application.

Finance lease payables relate to the Company's property leases. During the six months to 30 September 2020, the financial effect of revising lease terms to reflect the actual and expected effect of exercising extension and termination options in lease arrangements is a reduction in finance lease payables of £531,000 (31 March 2020: £nil).

## 11. Share capital

At 30 September 2020, the Company had 13,226,773 shares in issue (31 March 2020: 13,226,773) of which 566,989 were held in treasury (31 March 2020: 626,989). During the six months to 30 September 2020, 60,000 nil cost options were exercised, and 350,572 options were cancelled. At the period end, the Company had 1,324,665 stock options outstanding of which 255,656 were fully vested. Full details of the equity award schemes can be found in the Company's Annual Report for the year ended 31 March 2020.

## 12. Related party transactions

During the period the Company paid no dividends to directors:

|  | Six months ended 30 Sep |         |
|--|-------------------------|---------|
|  | 2020                    | 2019    |
|  | £                       | £       |
| John Kearon  | -                       | 189,519 |
| James Geddes (resigned from the board 20 April 2020) | -                       | 16,843  |
| Robert Brand   | -                       | 1,920   |
| Graham Blashill                                      | -                       | 640     |
|  | -                       | 208,922 |

## 13. Post balance sheet events

As stated in note 10, included within borrowings at 30 September 2020 is an amount of £485,000 in respect of amounts received under the Paycheck Protection Program (“PPP”). On 9 November 2020, the Company received notification that the application for the loan to be forgiven in full under the terms of the PPP scheme had been approved. As the Company had recognised an asset of £453,000 at 30 September in anticipation of loan forgiveness, the post-period end impact on the results of the Company is not significant.