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

Financial results to 31 March 2024

System1 Group the marketing decision-making platform www.system1group.com announces its results for the twelve months ended 31 March 2024 ("FY24").

Highlights

Results for the year	**2024 ("FY24") £m**	2023 ("FY23") £m *Restated	**Change**** %
Platform Revenue ("Predict & Improve" ***)	**24.8**	17.4	43%
Other Revenue (Bespoke consultancy)	**5.2**	6.0	-13%
Total Revenue	**30.0**	23.4	28%
Gross profit	**26.1**	19.7	32%
Operating costs	**(23.4)**	(18.9)	24%
Other operating income	**0.4**	-	nm
Finance expense	**-**	(0.1)	-108%
Profit before tax	**3.1**	0.7	333%
Tax charge	**(1.1)**	(0.3)	241%
Profit for the financial year	**2.0**	0.4	403%

All figures in the Highlights are presented in millions rounded to one decimal place unless specified otherwise. Percentage movements are calculated based on the numbers reported in the financial statements and accompanying notes.
* FY23 has been restated to bring it in line with IFRS 16 rules relating to sublease income on our old New York office. The restatement does not affect Profit before Taxation, but reduces FY23 Adjusted EBITDA by £0.2m. See note 3 for more information
** Year-on-year percentage change figures are based on unrounded numbers.
*** Data and data-led consultancy

Key performance indicators

		Restated*	
Platform revenue growth	**43%**	40%	3%
Number of clients	**428**	297	44%
Gross profit % Revenue	**87%**	84%	3%
Adjusted EBITDA £m [1]	**4.4**	1.6*	175%
Adjusted EBITDA % Revenue	**15%**	7%	8%
Rule of 40 [2]	**57%**	47%	10%
Free Cash Flow (FCF) £m [3]	**4.0**	(3.1)	7.1
FCF % Adjusted EBITDA	**92%**	(196%)	288%
Net Cash £m	**9.6**	5.7	3.9
Diluted earnings per share**	**16.0p**	3.2p	404%
Dividend per share	**5.0p**	-	nm

1.	profit before taxation + share-based payments + interest, depreciation and amortisation
2.	Platform Revenue growth %+ Adjusted Group EBITDA % Group Revenue
3.	Cash flow after interest and before debt raising/reduction, buybacks/dividends

- Momentum maintained – second consecutive year of 40%+ Platform revenue growth
- 44% increase in number of clients, with 260 wins in the year
- Net Revenue Retention Rate of 100% on platform revenue
- Significant double-digit revenue growth in US, UK and Europe
- Gross profit margin improves by 2.8 points to 87%
- Adjusted EBITDA % revenue margin rises by 8 points to 15%
- £4m free cash flow; £9.6m year-end net cash
- Profit before Taxation >4x higher, Profit after Taxation >5x higher than in FY23
- Diluted EPS 16.0p per share (FY23: 3.2p)
- Proposed Dividend of 5p per share, equating to £0.6m. Record date 27 September 2024, payment date 18 October 2024.

Commenting on the results, CEO James Gregory said:

"Our success last year was underpinned by 260 new client wins and our scalable growth model. In the coming year we will step up investment in attracting, winning and retaining customers in order to continue our growth trajectory. The new financial year has started strongly, particularly in the US, and w*e anticipate an increase of 50% in Q1 total revenue with platform revenue up 70% versus Q1 FY24. As a result we continue to expect strong double-digit revenue growth for the financial year as a whole."*

Further information on the Company can be found at www.system1group.com.

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

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Group Overview – System1 on a page

Who we are and why we exist

System1 is a marketing decision-making platform business. Our target customers are the world's largest advertisers. These businesses understand that creativity is the most powerful tool for growth within their control. System1 helps them make confident creative decisions that lead to transformational business results.

What we do

System1 predicts and improves marketing effectiveness. Our advertising and idea tests measure emotion to give our customers the most accurate predictions of the business impact of creativity. We 'predict' (provide research results) and work with our customers to 'improve' (provide insight and consultancy on those results) advertising effectiveness, innovation effectiveness and brand effectiveness. Our unique selling point is predictiveness, translating emotion into business results.

Our products

Our Platform offers automated fast-turnaround Data and Data-led Consultancy products for ad testing, innovation testing and brand effectiveness tracking. We can supplement the platform proposition with bespoke consultancy where this is required by our customers. Our largest customers buy both Data and Consultancy.

Where we operate

We run tests in 81 markets globally

Office locations include New York, Miami, Sao Paulo, Los Angeles, London, Paris, Hamburg, Rotterdam, Singapore, and Sydney.

How we operate

We are guided by our growth model "flywheel". We meet our customers' needs with leading propositions delivered efficiently via the platform. We build awareness of our propositions through fame-building partnerships which bring customer interest that we seek to convert and scale up. Growth in our scalable model produces improved margins which we then seek to reinvest in our people, our shareholders, and back into the business growth flywheel. The growth model is underpinned by a robust support structure and performance culture.

Chairman’s Statement

My first full year as your chairman has proved both satisfying for me and rewarding for all shareholders. Led expertly by CEO James Gregory, the business grew revenue and profit before tax by 28% and 333% respectively and generated £4m free cashflow. Earnings for the year were up 403% to £2.0m, 16.0 pence per share. We began the financial year with a market capitalisation of £20 million and ended it valued at over £50 million. In light of this much-improved performance and the Board’s confidence in the future, we are recommending a dividend for the year of 5.0 pence per share.

The CEO’s Statement comprehensively reviews progress towards our strategic priorities. Highlights in the past year include

- 260 new clients acquired
- Worked with 5 of the top 10 advertisers in the US and 7 out of 10 in the UK
- New partnerships formed with TikTok, an American commercial broadcast television and radio network, and Effie to name but three
- New customer-focused products brought to market, notably Test Your Ad Pro+, have proved our scalable customisation model

During the year we reintroduced a short-term incentive plan (STIP) for members of the executive committee and our three executive directors. We did this because in spite of the impressive turnaround in financial performance, the Long-Term Incentive Plan will likely not meet its lowest threshold even if revenue growth in the new financial year matches an exceptional FY24. The retention and reward of our key people is a mission critical priority. Going forward we favour a blend of short- and longer-term incentives for the most senior executives and will provide further detail on this in 2025.

As a board we listened carefully to the feedback from all stakeholders in the previous year and as a result have broadened our investor relations activity, in particular improving smaller shareholders’ access to management via virtual meetings.

Finally on behalf of the board I would like to recognise the immense effort that our 150 colleagues in the business make every day to meet and exceed the needs of our customers. Their efforts, guided by our new strategy, are beginning to bear fruit.

Rupert Howell
Chairman

CEO's Statement

MAINTAINING MOMENTUM

FY24 was our first full year of execution post the 2022 Strategic Review and has exceeded expectations, although I believe we are just scratching at the surface of the opportunity facing us. System1 delivered £30m of Revenue, up 28% year on year, growing quarter on prior quarter throughout the year. This was underpinned by 43% growth in Platform Revenue (our strategic platform and products) and Profit before Taxation up by 333% on the previous year.

By putting the client at the heart of all we do, we've strongly grown our brand and client base, seeing 260 new client wins and almost doubling our client base. We are having particular success in the US where we work with the 5 of the top 10 US Advertisers (as ranked by Visual Capitalist), building on our already strong UK presence where we work with 7 of the top 10 UK Advertisers (as ranked by Statista). New client platform revenue has increased by 121% year on year to £7.5m, and platform revenue reached 82% of total revenue, providing a solid base for future growth.

We have increased our fame with global partnerships with TikTok, an American commercial broadcast television and radio network, Effie, Pinterest, Radiocentre, GroupM Nexus, JC Decaux, Roku, Aardman, OMD and Fuse alongside existing partnerships with ITV and LinkedIn. The quality of these partnerships speaks to the strength of our platform and products. We have expanded our product base, providing the ability to test across the whole marketing campaign (TV, Digital, Audio, Out of Home). Our FY25 revamped Innovation product launch to meet our customers' needs provides a focussed growth opportunity in this channel.

We have established a true performance culture, one where all members of the business are motivated to deliver top class outcomes for our clients, recently being awarded the accolade of "The Sunday Times Best Place to Work" in the UK. In February 2024, we strengthened our Executive Team with the addition of Mike Perlman, our new Chief Commercial Officer, running the global sales teams and based in the US.

In the coming year we will step up investment in attracting, winning and retaining customers to continue our growth trajectory. We believe we have significant headroom to grow the base of the business we have today… as well as the massive opportunity to win in the US, where we have the chance to create an Innovation offering that is as great as our Advertising offering and to continue to win with the world's largest advertisers.

I'm so proud of our staff, who have delivered a great year and look forward to seeing continued growth in the coming year. Thank you to the Board for their wise counsel and strategic guidance, to the Executive team for being extraordinary leaders and to John Kearon for his counsel and support during my first year as CEO.

Progress towards our goals & The Flywheel

We have made strong progress and have grown the business by focussing obsessively on delivering the plan encapsulated in our flywheel. The flywheel concept builds on the four strategic goals we set out 6 years ago, taking on board the learnings from the 2022 Strategic Review.

1. We help the world's largest advertisers make confident creative decisions that lead to transformational business results

Putting the customer at the heart of all we do has helped transform our business. We have a clear target market – the world's largest advertisers. We know these clients have the capacity and capability to invest in pre-testing of advertising and innovation as well invest in brand tracking.
We know that our clients will be judged on the success of their advertising, their innovation and their brand growth. Data from over 5,000 IPA case studies shows that the biggest influence within any of these that a brand can control is creative: this has a x12 impact on the profit multiplier. But we also know from Clayton Christensen of Harvard Business School that 51% of advertising has no impact on market share growth and that 95% of new product launches fail, as brands do not harness the power of creativity. The accurate predictiveness of our tests on our platform and the expert guidance provided by our people give our clients the confidence that their products and services will be a success when launched in the market.

And most importantly, our clients know that once launched, these adverts and innovations will drive real business results for them: growth of their brand, revenue and profit.

2. We've created a platform and proposition … to help the world's largest advertisers make confident creative decisions

We achieve this by measuring what matters most: ***emotion***, that gets to your "System 1" response. Our IP and thought leadership have built on the work by Daniel Kahneman in "Thinking Fast and Slow" that sets out how System 1 thinking is fast, instinctive, emotional and drives behaviours. Our clients are clear that our ability to capture, measure and interpret emotional responses to creative content is the number one reason they buy from us, and many say that we do what no-one else in the market can do. Our platform, products and guidance are built on measuring emotion and translating that data into actionable insights that will deliver real business results.

We have focussed on our platform and product development, with expansion of the Test Your Ad product suite across FY24 and a relaunch of the Test Your Innovation product suite in early FY25. The relaunch of Test Your Innovation seeks to align the proposition better with the innovation process in the world's biggest companies. The new TYA and TYI features build on our fully automated platform, where we delight our customers and create competitive advantage with zero manual intervention and therefore, high levels of scalability.

We have been able to accelerate progress in this area with our new executive team structure working smoothly to translate our unique IP into predictions and improvements for our customers: Robyn Di Cesare as Chief Product Officer partnering with Orlando Wood, our Chief Innovation Officer to set out the vision and Mark Beard, our Chief Information Officer speedily delivering the IT development.

Test Your Ad has expanded to cover all media types from early-stage scripts to finished films, to ensure we have the fastest, most predictive, actionable products that meet our customers' needs. Alongside the TV testing, we now offer TYA for Digital, Audio, Out of Home and Print testing, allowing our customers to test full campaigns across media types.

Test Your Ad Pro+ has been a game-changer as we've built the ability to deliver customer and project specific customisation in a scalable manner, through the automated platform. Following the launch in July 2023 this brings in incremental revenue with a higher price point than the Test Your Ad Pro product and has quickly become one of the top selling products.

We also refreshed data-led consultancy, to incorporate our latest thought leadership, providing an updated framework on how advertising works and recommend improvements for our clients. This has been very well received, with clients regularly siting 'highly actionable' in their feedback.

With our customer-centric focus, in April 2024 we have launched a new Test Your Innovation product suite to replace Test Your Idea. This repositions the previous version in a way that better suits our clients, ensuring our products neatly follow a standard product development cycle. This exciting development will help accelerate our growth in the Innovation space in the upcoming year.

We also continued our investment in growing our world-leading Test Your Ad database to over 100,000 ads, where we test every ad in the US and UK on a daily basis, creating what we believe to be the world's largest database of validated ad-effectiveness data and providing our customers with unique insight into the performance of them and their competitors.

Influential Marketing Professor Mark Ritson published an article in Marketing week, showcasing how SKY use System1 pre-testing capability early in the process to predict business results in the short and long term and enable quick decision making. In the article he describes System1 as having “come to dominate the field of pre-testing in a remarkable short period of time”. Marketing Professor Peter Field followed this with evidence from the IPA database showing that those campaigns that pre-tested did better than those that didn’t and credits System1 as one of the reasons for that difference. https://www.marketingweek.com/ritson-pre-testing-no-brainer/

3. We’re famous for predictions and improvements … that help the world’s largest advertisers make confident creative decisions

We have step-changed the volume and quality of System1 fame creation in FY24. We have worked in partnership with global industry-leading companies, which we promote through a wide range of channels, focussed primarily on the US and UK and secondarily into our other key markets in Brazil, Germany, France, Asia and Australia. The result of this fame building activity is an increase by over 40% of leads generated in the US and UK vs FY23.

PR – We increasingly had our voice heard on important industry topics like the ‘Long and Short of It’ and ‘Wear Out’, and around big ad occasions like the Super Bowl, Christmas and major new ad campaigns. Regular features in leading publications like *Marketing Week, The Drum, Campaign, Ad Age, Adweek* and more led to a year on year 69% increase in global coverage. This resulted in System1’s share of voice increasing 87.5% in the US and 51% in the UK.

Events – System1 had a big pink presence at leading industry events, some of which attract 10k plus attendees. These include ANA’s Masters of Marketing, Brand Innovator’s Marketing Innovation Summits, Festival of Marketing and MAD//Fest.

Partnerships – Partnerships help drive Fame, generate co-branded thought leadership to be shared with the industry, and enable introductions to partners’ clients. New partnerships solidified in FY24 include Pinterest, resulting in research on digital ads; Radiocentre, resulting in the publication of the Listen Up!; and Aardman. New partnerships with TikTok and Effie will be highlighted with research coming in FY25.

“Uncensored CMO” Podcast – FY24 has a large focus in the US with an impressive roster of guests including Professor Scott Galloway, Liquid Death’s Mike Cessario, former Netflix CMO Bozoma Saint-John and Michelob ULTRA’s Ricardo Marques, as well as Amazon Chief Creative Officer Jo Shoesmith, Just Eat’s Susan O’Brien and GUT’s Anselmo Ramos. Uncensored CMO now has listeners in 150 markets and is the #1 marketing podcast in the UK and top 20 in the US.

Ad of the Week - Celebrates the best and most effective creative content from around the world, which engages brands and agencies and further amplifies System1’s Fame. In FY24 subscribers increased by 20%.

Thought Leadership - System1 continued to expand its thought leadership around major advertising moments like the Super Bowl and Christmas, timely topics like sustainability (*The Greenprint* and *The Greenprint USA*) and sports sponsorship (*The Sport Dividend*), and evergreen areas of focus like advertising effectiveness (Timeless Importance of the Show, Ritson on Advertising), media best practices (*Listen Up!*), and category insights for charity, auto, financial services and other sectors.

4. We make it easy for System1 to convert the world’s largest advertisers at the right time

FY24 was a record year for new client wins, beating the previous record set in FY23, based on our platform automation and increased fame building, amplified through global partnerships. Our go-to-market strategy has seen us win well in specific sectors, such as Grocery Retailers, Big Tech and Pharmaceuticals.

We won 260 new clients, delivering £8.3m of new revenues (of which £7.5m on platform), with 33% in the US and 41% in the UK. As always, we are not permitted to name many of our clients, and new wins in the period included: Pfizer, M&S, Tesco, easyJet, Toyota, Muller, B&Q, and Just Eat.

We saw 90% of new revenues coming from our strategic platform suite of predictions and improvements. The power of our predict and improve offer was shown through 67% of new revenues coming from customers buying both these offerings. We are also seeing the importance of retaining a small amount of bespoke consultancy to allow us to win with the world's largest advertisers.

5. We scale up and are embedded throughout the world's largest advertisers

We saw excellent levels of revenue growth, with total revenues up 28% and platform revenues up by 43%. We have started to make good progress in maximising revenue opportunities within our existing client base but have opportunity to make further inroads in this space. We had a Net Revenue Retention Rate on total platform revenue of 100%.

Concentration in our top 10 and top 20 clients was consistent year on year. Our top 10 clients made up 30% of revenue and our top 20 clients 45% of revenue. All of our top 20 clients in FY24 bought platform products with 78% of spend from the top 20 clients being on data and data-led consultancy. No one client in FY24 was larger than 5% of total company revenue.

We continue to see the majority of revenue coming from the world's largest advertisers who follow our model of test and improve, buying data and data-led consultancy. In FY24 75% of total revenue came from the 40% of the clients by number that purchased both data and consultancy. Conversely, the 51% of clients by number that purchased only data represented just 16% of Group revenue.

We are starting to focus on cross-selling our comms, innovation and brand tracking product lines. In FY24, 2% of our clients bought all 3 product lines, but this contributed to 13% of total revenue. 13% of our clients bought more than one product line, contributing to 45% of total revenues for the year.

We now work with 5 of the top 10 US advertisers and 7 of the top 10 UK advertisers.

6. We reinvest the results of higher volumes and margins from helping the world's largest advertisers make confident creative decisions

We grew profit before tax by 333% in FY24 and gross profit margin growth was exceptional at +3 points to 87% and ahead of our 85% long-term benchmark.

While FY24 was a prudent year of investment, we plan to invest in FY25 across our people, our platform and proposition and also reward our shareholders.

People - In the second half of FY23 we changed the way that most people in the business are rewarded by placing greater emphasis on variable pay linked to growth in the Group's gross profit. FY24 was therefore the first full year of this approach which we believe is working well. Whereas only a few colleagues received a cost-of-living increase to their salary, variable pay across the Group rose by £2.8m year-on-year as a result of significantly higher sales volumes and improved profit margins.

Platform and proposition - In FY24, we maintained our investment in our platform and proposition. Cash spend on our IT development was £2.0m alongside nearly £1.0m on TYA premium, and continued support for our partnerships and marketing.

Shareholders - Aside from the significant share price gain during the financial year, we announced in April that the Group intends to resume dividend payments and today announced a 5p per share dividend for FY24 subject to shareholder approval at the forthcoming AGM.

7. We have a robust support structure and performance culture that allows us to help the world's largest advertisers make confident creative decisions

FY24 has been a strong year in building out our performance culture and we have highly motivated teams with strong retention and employee engagement. We create an environment where all colleagues can do their jobs with ease to ensure they are focussed on adding value to our clients. We monitor staff satisfaction quarterly with focus teams owning actions on the feedback provided. By removing the blockers from our teams' day-to-day lives, we have seen staff happiness reach record levels in FY24, and this was further enhanced with System1 recognised as a "Sunday Times Great Place To Work" in the UK for the first time.

Outlook: we haven't scratched the surface of where we could get to

FY25 is a year where we are seeking to maintain the momentum gathered in FY24 and start to spin our flywheel even faster. The new financial year has started strongly, particularly in the US, and we anticipate an increase of 50% in Q1 total revenue with platform revenue up 70% versus Q1 FY24. As a result we continue to expect strong double-digit revenue and profit growth for the financial year as a whole. Bespoke consultancy will likely fall as we reach the end of some long-term contracts that will not renew, however this should not significantly affect overall group revenue or profit growth.

We have three big opportunities that fill me with belief for the year ahead.

Firstly, we are making headway into the US market. Our go-to-market investment in FY24 has grown our fame, and we plan to increase this investment for the year ahead. We have strengthened the commercial teams across sales and marketing, with Michael Perlman joining as global Chief Commercial Officer, and Alex Banks as SVP Commercial Americas, leading the US and LatAm sales teams – both executives are based in the US and have significant commercial leadership experience in our industry sector.

Secondly, the relaunch of our Test Your Innovation product suite will allow us to create a revenue stream for Innovation that could eventually become bigger than our Comms revenue stream. We say this because according to ESOMAR research, the target addressable market for innovation is 4.8X that of communications at $12.02bn.

Thirdly, we've not yet maximised the revenue opportunities from the world's largest advertisers we already work with. Alongside the new business engine we have firing, we have a renewed focus on ensuring that we expand within those clients we have already won, to ensure we are in each brand and region for each of our 3 product lines (Comms, Innovation and Brand).

We recognise that we will need to invest in FY25 to deliver our growth ambitions and we have created, and are already filling or recruiting 20 new roles in FY25. As the business grew faster than expected in FY24, some of these roles are in operational and support positions to ensure we continue to deliver high quality outcomes for our clients. The other roles are investments in future growth across our commercial and marketing teams, with significant focus in the US.

Finally, thank you to all of our staff who make our flywheel spin, to our customers for making world class marketing with confidence in their creative and to our shareholders for their continued support.

James Gregory
Chief Executive Officer
3 July 2024

Financial Review

Overview

Results for the year	2024 ("FY24") £m	2023^ ("FY23") £m Restated	Change £m	Change* %
Platform Revenue ("Predict & Improve") **	**24.8**	17.4	7.4	43%
Other Revenue (Bespoke consultancy)	**5.2**	6.0	(0.8)	-13%
Total Revenue	**30.0**	23.4	6.6	28%
Direct Costs	**(3.9)**	(3.7)	(0.2)	6%
Gross profit	**26.1**	19.7	6.4	32%
Operating costs	**(23.4)**	(18.9)	(4.5)	24%
Other operating income	**0.4**	-	0.4	nm
Finance expense	**-**	(0.1)	0.1	-108%
Profit before tax	**3.1**	0.7	2.4	333%
Tax charge	**(1.1)**	(0.3)	(0.8)	241%
Profit for the financial year	**2.0**	0.4	1.6	403%

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* Year-on-year percentage change figures are based on unrounded numbers.
** Data and data-led consultancy

Key performance indicators

	FY24 £m	FY23^ £m Restated	Change** %	
Platform revenue growth	**43%**	40%	3%	points
Number of clients	**428**	297	44%	
Gross profit % Revenue	**87%**	84%	3%	points
Adjusted EBITDA £m[1]	**4.4**	1.6	175%	
Adjusted EBITDA % Revenue	**15%**	7%	8%	
Rule of 40 [2]	**57%**	47%	10%	points
Free Cash Flow (FCF) £m [3]	**4.0**	(3.1)	7.1	
FCF % Adjusted EBITDA	**92%**	(196%)	288%	points
Net Cash (£m)	**9.6**	5.7	3.9	
Diluted earnings per share**	**16.0p**	3.2p	404%	
Dividend per share	**5.0p**	-	nm	

1.	profit before taxation + share-based payments + interest, depreciation and amortisation
2.	Platform Revenue growth %+ Adjusted Group EBITDA % Group Revenue
3.	Cash flow after interest and before debt raising/reduction, buybacks/dividends

Revenue performance

Total Revenue reached £30.0m up 28% on FY23. Platform revenue rose by £7.4m (43%) in the year to £24.8m due mainly to continued strong growth in automated ad-testing revenues. Predict Your platform revenue rose 41% fuelled by the continued success of Test Your Ad, notably the new TYA+ variant. Improve Your platform-led consultancy revenue increased by 51%, benefiting from System1's strategic focus on the world's largest advertisers. Overall platform revenue represented 82% of total revenue in FY24, compared with 74% in the previous year. Other revenue, primarily bespoke consultancy, fell by £0.8m in the year, as customers continued to adopt the standard platform products, and the company focused its resources accordingly.

The Communications (Comms) product group, including Test Your Ad, grew by £6.9m (43%) year-on-year, notably in the UK, Europe and the US. Communications revenue, including ad-testing, accounted for 76% of all revenue in FY23 (FY22: 68%) Brand tracking revenues increased by £0.4m (11%), and Innovation revenues were down by, £0.7m (18%). The geographic spread of the business remained similar to the previous financial year.

Direct costs

Direct costs increased by 6% year on year on Revenue growth of 28%, reflecting a higher proportion of Platform Revenue and efficiencies in the supply chain, including further automation and new outsourcing partners. As a consequence of these improvements the gross profit margin rose by 3 points to 87%.

Operating costs

Total operating costs increased to £23.4m (FY23: £18.9m) due mainly to employment costs (including higher variable performance pay linked to targets), increased customer acquisition costs, lower net benefit of capitalised IT development costs, and foreign exchange translation effects on non-sterling debtors and bank accounts. Some £3.1m was invested in development and innovation during the year, related primarily to the marketing predictions platform, automated prediction products, TYA Premium database, and AI-related research and development.
Average employee numbers were slightly below the previous year, despite recruitment in customer facing roles in H2 that is set to continue into FY25.

Profit before taxation

Profit before taxation for the year of £3.1m was £2.4m higher than the previous year owing to the flow through of far higher sales volumes and improved margins, more than offsetting a 24% increase in operating costs.

Tax

The Group's effective tax rate decreased from 44% to 35%. This is due mainly to the impact of R&D tax credits in respect of FY21 and FY22 (£0.2 m recognised in FY24, £nil in FY23). The R&D claim for FY23 is in progress, but is yet to be approved and has not been recognised in the financial statements.

Funding and liquidity

Cash net of debt rose by £3.9m from £5.7m to £9.6m, broadly in line with the £4.0m free cash flow. £6.4m of cash was generated from operations; £0.9m was invested, including £0.7m in capitalised software development; and £1.0 was spent on property leases including imputed interest. A stronger GBP compared to FY23 year-end reduced value of non-Sterling cash balances by £0.1m.

Dividend

No dividend was paid during FY24. In April 2024 the Board announced its intention to resume paying dividends, in line with the existing policy to distribute 30-40% of after-tax earnings through the cycle. At this stage the Board expect this to be through the declaration of a single ordinary dividend each year alongside the Company's full year results. The Board is proposing a dividend of 5.0 pence per share for FY24 (record date 27 September 2024) which will be put to the Group's annual general meeting on 25 September 2024 and will be payable on 18 October 2024.

Chris Willford
Chief Financial Officer
3 July 2024

Principal Risks and Uncertainties

The Board is responsible for reviewing risk and regularly reviews the risks facing the Group, as well as the controls in place to mitigate potential adverse impacts. The risk register is assessed at least twice a year, but the Board's consideration of risk matters is not limited to those formal reviews. The Audit Committee reviews the effectiveness of financial controls. The Board endeavours to identify and protect the business from the big remote risks: those that do not occur very often, but which when they do, have major ramifications. The types of event that we are concerned about and seek to manage are summarised below.

Risk Area	Potential Impact	Mitigation
Loss of a significant customer	Revenues and profits fall due to the loss of a large customer	We work with more than 400 customers and work hard to earn their loyalty. Our customer base is diversified such that we have no customers contributing over 10% of revenue.
Loss of key personnel	Key personnel leave the business, taking knowledge and external relationships with them.	We seek to ensure that System1 is as attractive to existing employees as it is to talented external recruits. Reward is competitive, and regular performance evaluation identifies individuals who may be "at risk". For the most senior executives, the LTIP (long-term incentive plan) and STIP (short-term incentive plan) are designed to provide a strong financial motivation to stay at System1. These incentives are reviewed periodically to ensure they remain effective.
Loss of a critical supplier	The bankruptcy, change of control or resignation of a strategic supplier leaves the Group unable to meet customer demand	We have several mission-critical functions carried out by third-party suppliers (such as panel suppliers). For these functions, we seek to ensure we are not too reliant on any one organisation and typically have three qualified providers. We work in close co-operation with our strategic suppliers, ensuring that any issues and concerns are surfaced rapidly and resolved in partnership.
Loss of assets, data, intellectual property	Theft of intellectual property via unauthorised or illegal access to or copying of the Company's databases, proprietary methods, and algorithms	We endeavour to protect the business from significant risks, through a combination of trademark protection; insurance; development of internal guidelines and policies; comprehensive information security programme, and our employee, customer and supplier terms and conditions.
Litigation risk	Legal action is taken against the Company by customers, employees, suppliers, or other stakeholders	We endeavour to protect the business from significant risks, through our terms and conditions, trademark protection and comprehensive professional indemnity insurance.

Risk Area	Potential Impact	Mitigation
Strategic risk	Technological advances including artificial intelligence reduce the commercial viability of the Group's methodology	The Group positions itself as "the most predictive" provider of information to support creative and marketing decisions. Currently a combination of real-life panel respondents and System1's methodology achieves this goal. Our S1 Futures programme includes an exploration into how AI could transform predictive research.
	The Group does not compete effectively in the largest and faster-growing markets	The Group formally reviews product and geographic markets as part of its regular strategy review. We have upweighted our presence in the US to reflect the significant opportunity in that market and are relaunching Test Your Innovation in order to improve our performance in the largest of our chosen product markets.
Operational risk	An outage or other technical issues on our survey platform results in delays in delivering customer projects	All our services are hosted on a secure external cloud infrastructure with multiple failover options. We continuously monitor system availability and endeavour to alert the customer to any delays on the rare occasions where there is disruption.
	A reduction in panel data quality affects the company's reputation with key customers	We conduct both operational and strategic reviews of respondent quality in close collaboration with our approved panel suppliers and can switch provider where required via our platform API.
	A cyber-attack causes a material breach to our infrastructure	Our business does not ordinarily hold non-employee personal data. Any personal data of clients' or suppliers' employees is held by System1 in compliance with the applicable legislation. We have invested in our controls (including penetration tests), processes and IT infrastructure and have held ISO 27001 accreditation covering information security since 2019.
	The volume of change initiatives could lead to a loss of operational control	All change initiatives are subject to project governance, and development is run on an "agile" methodology. The Executive Team reviews operational performance regularly providing early warning of potential deviations from plan. The Board reviews operational performance monthly and strategic direction regularly and when appropriate.
▪	A subsidiary incurs substantial losses	The Group operates a highly centralised model with minimal delegation of financial authority below the Executive Directors. All bank payments and transfers have to be authorised by Group Finance.

Financial risk	Failure to manage credit, currency, market, interest rate or liquidity risk expose the Group to losses	Due to the straightforward nature of the business, its international cost base, the Group's strong balance sheet, and the fact that most of the Group's customers are large, credit-worthy organisations, foreign exchange and credit risks have historically proved to be modest. Further information is given in Note 8 to the financial statements.
Environmental and political risks	The Group's revenue streams could be affected by customers' decisions to reduce marketing budgets	The Group trades principally in Europe and the USA and is exposed to the social and economic impacts in those regions. The 2020 Covid-19 pandemic demonstrated the Group's resilience during an economic downturn. The main exposure is to our customers' decisions on the size of market research budgets in response to external events and macroeconomic factors such as inflation and interest rate increases.
	Shareholder relations: the Company's plans could be opposed by significant shareholders	The Company holds comprehensive investor one-on-one and group meetings in roadshows at least twice a year. In addition, quarterly trading updates provide an opportunity to engage with shareholders and potential investors.
	Political risk through adverse regime or regulatory change	The territories representing the vast majority of the Group's revenue are socially, politically, and economically stable. We do not currently service clients based in Russia or Belarus, and our operations have not been directly affected by the ongoing conflicts in Ukraine or Gaza. We have a regional operations centre in Brazil where just under 10 percent of our employees are based and are comfortable that the benefits of the operation outweigh the slightly elevated risks.
Conflicts of Interest	Directors' and employees' personal, financial or business affairs may result in situations where the company's interests are not fully aligned with their own	The Board formally records directors' interests at each meeting, and directors' new external appointments are notified as soon as is practical. Below board level the company reviews senior employees' outside interests on a case-by-case basis to ensure no detriment to the company arises.
Reputational risk	Press releases or other statements from the company could include incorrect or defamatory content, adversely affecting the company's reputation with customers and other stakeholders	All trade press releases are reviewed by at least one member of the Executive. Financial releases are reviewed by at least two Board members and our Nominated Adviser.
	Comments or articles posted by employees on social media could adversely affect the Group's reputation with customers and other stakeholders	The Group has a social media policy which sets out employees' duty of care when posting work-related content on social media.

Section 172 Report

Section 172 of the Companies Act requires the Board to take into consideration the interests of stakeholders in its decision making. This section provides information about the Board's approach to engagement with stakeholders, namely:

- Customers
- Talent
- Investors
- Suppliers
- Community and Environment

In determining the Board's approach, the Board members have regard to the following:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

Overarching the Group's approach to all stakeholders is System1's cultural pyramid:

Customers

Our target customers are the world's largest advertisers. The board understands the importance of forming and retaining good working relationships with its existing and target customers.
These customers understand that creativity is the most powerful tool for growth within their control.

'The power of creativity for growth could be considered our industry's most fundamental reason for being. Creativity is a superpower'
Marc Pritchard, P&G Chief Brand Officer'

System1 helps these companies make confident creative decisions that lead to transformational business results. Our advertising and idea tests measure emotion to give our customers the most accurate predictions of the business impact of creativity. We also provide expert guidance to our customers to help them improve the effectiveness of their ad or innovation.

Talent

Our primary focus is on attracting, growing, and retaining world class talent to drive and deliver against our strategy, with a culture of healthy performance. To achieve this, we embed structures that promote equal opportunity and guard against discrimination. We are proud of being an inclusive organisation – our culture is founded on principles of inclusion such as feedback, honesty, and creativity.

How we engage with our talent

We have cultural values (Customer Commitment, Creativity, Collaboration and Conviction) as well as a set of team behaviours known as TIDE, which describe how we work together.

Truth – always tell the truth… and tell it early
Intent – always assume good intent…yet resolve issues
Debate – Debate… Decide & Unite
Elephant – Don't allow 'elephants' in the room...yet be empathetic in dealing with them

This helps to ensure that employees understand the behaviours expected of them and allow us to operate a high trust environment, which is linked to business success. We embed our values and behaviours by the following:

1. Introducing them to all employees during their onboarding programme, as part of a 1Welcome afternoon, chaired by the CEO and Chief People Officer
2. Making them a consistent part of all company communications and
3. Celebrating examples of best practice with awards on our Town Halls.

We conduct quarterly employee input surveys which are reviewed by the Board. These use our FaceTrace methodology to capture how employees feel about working at System1, along with reasons. We also ask them what is working well, what could be improved and add a topical question. We hold follow up discussions with each team across the business, chaired by the team leaders and the HR team to agree improvements, actions and owners.

In addition to monthly Town Hall meetings with all staff, we also hold monthly senior management forums and run monthly workshops with managers. These meetings give us the opportunity to connect across the business at different levels, share and cascade updates and celebrate success – including System1 Value Awards, where employees are nominated by colleagues and are recognised for working according to our values.

We pay fairly – there is no discrimination across any factor – we ensure this by using benchmarking data and conducting annual salary reviews by individual and across roles, and there is a structured approach to career and professional development across the business, based on departmental and cross-company leadership frameworks, to ensure there is clarity and consistency in our expectations and performance ratings. We have a strong learning and development culture. We encourage employees to plan their development using the support and resources we provide (including internal training programs, professional certifications and MBA sponsorships). We advertise roles internally and promote inter departmental opportunities.

Talent engagement outcome

We continue to develop our hybrid virtual working approach, working closely with managers and all employees to maximise productivity, creativity and happiness. We believe in a healthy performance culture and use the below model to guide us in achieving this.

We are continuously evolving our engagement tools, based on feedback and measures.

In October 2023 we introduced automated, mandatory 360 feedback for all employees and in March 2024 we launched department and behaviour frameworks, both of which have been very well received and provide useful input for development planning.

In April 2024 we adopted a Flexible Holiday policy, following a successful trial in FY24. This builds on our Flexible Working approach and Flexible Benefits platform and provides our employees with increased autonomy when it comes to choosing how they work and rest.

We continue to find it very important to regularly bring people together in person, to share updates and build relationships, to complement the time spent working remotely. We run 1derful Wednesday events to encourage employees to socialise together in the office and hold regional and all-company Strategy meetings half yearly.

Investors

The most visible way that the Company takes the interests of equity investors into consideration is through the high level of share ownership on the Board. In addition, the Group Executive Team members' interests are aligned through their participation in a long-term incentive plan.

The Company encourages two-way communications with all its shareholders and responds quickly to requests or queries received. Larger investors and potential investors are invited to meet management after the full-year and interim results. We also run virtual meeting and presentations via InvestorMeetCompany, an investor engagement platform which we use for capital markets days, group meetings of investors after full year and interim results, and the annual general meeting. In addition, the Company maintains regular contact with its principal bank to ensure that it is kept informed of the Company's performance and prospects.

Communication is primarily through the Company's website and the Annual General Meeting where participation is encouraged so that the Board may answer questions. All shareholders have at least twenty-one clear days' notice of the Annual General Meeting.

All shareholders will receive a copy of the Annual Report. We encourage the use of electronic copy but still produce a very small quantity of hard copies for investors who request them. The interim report is available online via the Company's website.

The Group seeks advice from its Nominated Advisor, Canaccord on all formal shareholder communications and relies on their services to arrange the twice-yearly investor "roadshows".

Suppliers

We work with a small number of trusted suppliers and operate on a strong partnership basis. As outlined in the Principal Risks and Uncertainties section on page 16, the loss of a critical supplier could leave the Group unable to meet customer demand, therefore the Board has regard to the importance of fostering good relationships with our suppliers to promote the success of the Group. Our approach is centred on lean principles and continuous quality improvement, with weekly and monthly meetings to review service levels, KPIs and resolve issues. We share data between teams to ensure that there is one view of our partnership metrics.

Our key delivery suppliers include:

- **MAP Marketing Research** provides us with survey programming and project management services
- **Toluna**, **Prodege** and **NetQuest** provide us with market research panel respondents to complete our surveys
- **Datawise** provides us with bespoke data processing and charting services on our non-standard deliverables
- **Intonation** provides us with translation services (forward translation of questionnaires and back translation of respondent verbatim)

Community

ESG Strategy

This year, we have launched a new ESG Strategy, driven by a steering committee formed of Executive and Senior Managers in Talent, Legal and Finance departments and with sign off from the Board.

Environment

We understand the importance of tackling carbon emissions. Although System1's operations fall outside of manufacturing and are primarily online, they are not entirely carbon-neutral. System1 has partnered with Greenly, a leading carbon emissions company. With their support, we have developed a comprehensive plan to measure, reduce and offset our carbon footprint.

The journey with Greenly began with an assessment of System1's emissions across the entire value chain, from daily operations to supply chain logistics. We determined that our emissions are most prevalent in Scope 3 – emissions from the activities by those System1 indirectly affects in our value chain.

Throughout 2022, System1 registered 0.066 KGCO23/GBP, which is slightly lower than the median of our competitors within the sector at 0.070 KGCO23/GBP (based on 61 companies). In particular, our commuting figures are lower than average, driven by the high number of remote team members.

There are areas for improvement as well. Travel outside of commuting to work remains higher than average. Our outsourcing strategy contributes to a higher-than-average figure for services purchased, as expected.

With Greenly's expertise and guidance, System1 is implementing solutions to reduce emissions, including:

- Updated travel policy to encourage employees to take trains rather than planes where possible
- A more rigorous approval process for external conferences, to promote local travel only
- Global annual event held in the UK (where we have most employees) to reduce the need for flying
- Second annual event held regionally, to avoid the need for most employees to fly
- Switched to least data-intensive formats for our marketing assets
- Provision in our road map to include a clause that asks our suppliers to conduct mandatory carbon reporting and target a 3% reduction, at the time of contract renewals in new contracts
- Continue to extend lifespan of IT equipment (extended from 3 to 4 years in 2022)

As a result of the efforts of all stakeholders, System1's recommendations and actions are predicted to decrease our emissions by 2% - 2.5% of total emissions against turnover per year.

Social

Under the second pillar, we have focused on infusing System1's HR strategy with values of social responsibility and inclusivity. This includes reviewing existing social initiatives, like employee benefits, community engagement programs, and diversity and inclusion efforts, as well as analysing Satistraction surveys containing employee feedback on the impact of existing social initiatives.

The following recommendations were agreed, which will be actioned with the support of our employee resource groups:

- Training – extend bias training to entire company and conduct bi-annually
- Local communities – commit to reinforcing that employees can participate in at least 1 Look Out volunteering initiative per year
- Diversity policy – review at least annually and ensure accuracy
- Health & Safety – have a dedicated and trained global health & safety rep
- Communication – communicate the ESG strategy via 1Hub (Sharepoint) so all employees are aware of what we do and our goals

Governance

The third and final pillar is focused on governance and owned by our legal and finance leaders. The governance goals for FY25 are to:

- Annually review existing governance structures and practice in light of industry standards and regulatory requirements
- Continue to provide regular training to board members and decision-makers in the business to ensure all are well equipped
- Continually assess risk management procedures – to ensure they effectively identity, assess and mitigate risks in alignment with corporate objectives and regulatory expectations
- Further strengthen stakeholder engagement – strategies to enhance communication and collaboration with stakeholders, employees, customers and the wider community
- Regularly monitor compliance – collaborating closely with key stakeholders, including the Senior Independent Non-Executive Director, and regularly review compliance with all relevant laws, regulations, and internal policies, taking corrective action as necessary
- Evaluate board performance periodically – conducting an annual evaluation of the board's performance to identify areas for improvement and ensure its composition aligns with the company's strategic direction
- Review and update policies and procedures – systematically review and update governance policies and procedures to reflect changes in the legal and regulatory environment, as well as evolving best practices
- Oversee Technology and Cybersecurity – regularly assess the effectiveness of technology use and cybersecurity measures in protecting company assets and information, including staff training
- Succession planning – maintain a comprehensive succession plan for key executive and board positions to ensure long-term leadership continuity

On behalf of the Board

Chris Willford
Chief Financial Officer
3 July 2024

Group Directors' Report

Review of the business and future development

The Chairman's Statement, CEO's Statement, the Financial Review, the Section 172 Report, Principal Risks and Uncertainties, and the Corporate Governance Report set out:

- the issues, factors and stakeholders considered in determining that the Directors have complied with their responsibilities under section 172 of the Companies Act 2006 (Corporate Governance Review);
- the methods used to engage with stakeholders and understand the issues to which the Directors must have regard under section 172 of the Companies Act 2006 and the effect on the Company's decisions and strategies during the year (Corporate Governance Review);
- the way that management view the business (Group Overview, Chairman and CEO's statements, Financial Review);
- its strategy, positioning, and objectives (Group Overview, Chairman and CEO's statements).
- its historic financial performance (Chairman and CEO's statements, Financial Review);
- an assessment of its future potential (Group Overview, Chairman and CEO's statements, Financial Review);
- its key performance indicators (Financial Review); and
- its key business risks (Principal Risks and Uncertainties).

Dividends

The Company did not pay a dividend in the year ended 31 March 2024 and proposes to pay a dividend of 5.0p per share.

Directors

The following individuals served as directors of the Company, System1 Group PLC, during the year and up to the date of approval of the financial statements:

James Gregory	(Executive)
John Kearon	(Executive)
Chris Willford	(Executive)
Conrad Bona	(Non-Executive)
Rupert Howell	(Non-Executive)
Phillip Machray	(Non-Executive)
Sophie Tomkins	(Non-Executive)

The Remuneration Committee Report sets out directors' interests in the shares of the Company.

Share capital

At 31 March 2024, the Company had 13,226,773 Shares in issue (2023: 13,226,773) of which 547,844 were held in treasury (2023: 547,844). The treasury shares will be used to help satisfy the requirements of the Group's share incentive schemes.

Substantial shareholders

As at 31 May 2024, the Company was aware of the following significant interests in the ordinary issued share capital of the Company.

	No.	% Voting shares
John Kearon	2,818,235	22.2
BGF Investment Management Limited	880,000	6.9
Stefan Barden	853,554	6.7
Kestrel Investment Partners	674,000	5.3
Herald Investment Mgt	595,111	4.7
Lombard Odier Asset Mgt	528,476	4.2
Ennismore Fund Mgt	523,012	4.1
University of Notre Dame Du Lac	500,000	3.9
Motley Fool Asset Mgt	479,670	3.8
AXA Investment Mgrs	457,128	3.6

Financial risk management

The Group's activities expose it to the following financial risks. Further assessment of financial risks is outlined in Note 8 to the Consolidated Financial Statements.

Credit risk

We manage credit risk on a Group basis, arising from credit exposures to outstanding receivables and cash and cash equivalents. Since the majority of the Group's customers are large blue-chip organisations, the Group rarely suffers a bad debt. The Group's cash balances are held, in the main, at HSBC Bank.

Market risk – Foreign exchange risk

In addition to the United Kingdom, the Group operated in the United States, Rest of Europe, Brazil, Singapore, and Australia during the period and was exposed to currency movements impacting commercial transactions and net investments in those countries. Management endeavours to match the currencies in which revenues are earned with the currencies in which costs are incurred. So, for example, the US operation generates most of its revenue in US dollars and incurs most of its costs in US dollars also.

Liquidity risk

The Company monitors its cash balances regularly and holds sufficient cash in immediately available current accounts to minimise liquidity risk. The Company has an overdraft facility with HSBC.

Other risks

Management do not consider price risk or interest rate risk to be material to the Group.

Capital risk management

The Group manages its capital to ensure that it can continue as a going concern while maximising its return to shareholders. The Company has a £1.5m secured overdraft facility with HSBC. To the date of the signing of these financial statements, no amounts have been drawn under the overdraft facility. The Group has not entered any derivative contracts.

Going concern

As noted in Principal Risks and Uncertainties, and in note 3 to the consolidated financial statements, the Directors have considered financial and operational risks in the prevailing economic climate and marketing industry trends in the going concern assessment. In addition to the mitigating actions taken by the Company to address these risks, the Directors have closely monitored the performance of the Group throughout the year, noting the £9.6m cash balance at year-end and the availability of a £1.5m overdraft facility (which has not been drawn to date).

The Group has reviewed its financial forecasts for the 12 months from the approval of these financial statements, flexing sensitivity analysis scenarios with external and internal inputs that would represent the Group's central forecast and various downturn scenarios.

Accordingly, after making appropriate enquiries, at the time of approving the financial statements the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the approval of these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the Company and Group financial statements.

Research and development

The Company's Labs and IT Development teams are involved in the development and validation of new market research methods and products.

Employees

The Group maintains fair employment practices, attempts to eliminate all forms of discrimination and to give equal access, and to promote diversity. Wherever possible we provide the same opportunities for disabled people as for others. If an employee were to become disabled, we would make every effort to keep them in our employment, with appropriate training where necessary.

Health and safety policies

The Group does not have significant health and safety risks and is committed to maintaining high standards of health and safety for its employees, visitors, and the public.

Directors' indemnities

Directors' and officers' insurance cover has been established for each of the Directors to provide cover against their reasonable actions on behalf of the Company. The indemnities, which constitute a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006, remain in force for all current Directors. All relevant information known to the Directors has been relayed to the appointed auditor.

Disclosure of information to auditors

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the System1 Group PLC website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

On behalf of the Board

Chris Willford
Chief Financial Officer
3 July 2024

Statement of Directors' Responsibilities

The directors are responsible for preparing the Group Strategic Report, Group Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with UK-adopted international accounting standards and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 "Reduced Disclosure Framework".

The Group financial statements are required by law and UK-adopted international accounting standards to present fairly the financial position and the financial performance of the Group and Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
d. for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for 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 System1 Group PLC website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Chris Willford
Chief Financial Officer
3 July 2024

Corporate Governance

Governance

System1 understands how vital good governance is for achieving our business goals and sustainability targets. We will share more about our approach to governance in later sections of this report.

We know that good governance is key for our Group's success. It benefits everyone involved with our Group – not just our shareholders, but our employees, clients, and partners too. That is why we have built a governance structure that makes sure our decisions are transparent, responsible, and uphold the highest ethical standards.

We are committed to ongoing review and refinement to make sure we manage risks effectively and stay compliant with laws and regulations.

Our Board of Directors is central to our governance structure. It consists of individuals with a wide range of skills and experiences. They provide critical oversight, strategic counsel, and informed decision-making, ensuring our commitment to the highest ethical standards is never compromised.

Employee engagement and development form a crucial part of our governance strategy. Our significant investment in ongoing professional development ensures our team is equipped with the latest industry knowledge, skills, and best practices to deliver exceptional market research and insights to our clients.

As we move forward, we are committed to maintaining and improving our governance standards and to promoting a culture of responsibility, integrity, and excellence throughout System1.

As an AIM-listed company, System1 adheres to the ten principles of the Quoted Companies Alliance (QCA) Corporate Governance Code. The QCA Code identifies ten principles that underpin growth in long-term shareholder value, encompassing an efficient, effective and dynamic management framework accompanied by good communication to promote confidence and trust.

Deliver growth

Establish a strategy and business model to promote long-term value for shareholders	Our strategy is to grow the platform-based predictions business and achieve economies of scale	See Group Overview page 4 and CEO's Statement page 6
Understand and meet shareholder needs and expectations	The CEO and CFO communicate regularly with investors at half-yearly results roadshows	Visit system1group.com/investors for further information
Take into account wider stakeholder and social responsibilities and their implications for long-term success	The preferences of customers, employees, suppliers, community as well as investors inform our decision making	See Section 172 Report page 19 and system1group.com/investors
Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board is responsible for setting risk appetite and tolerance. The Executive manages risk day to day	See Principal Risks and Uncertainties page 16 and Board Effectiveness page 38

Maintain a dynamic management framework

Maintain the Board as a well-functioning, balanced team led by the Chair	The Board has two Committees: Audit Committee; and Remuneration Committee. The composition and experience of the Board is reviewed in the Board Evaluation. All Directors recognise the need to commit sufficient time to fulfil the role. This requirement is included in their letters of appointment. The Board is satisfied that the Chair and Non-executive Directors devote sufficient time to the Group's business.	See Corporate Governance pages 36 and 37
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Board members have the appropriate ranges of skills and experience, covering, Sales & Marketing, Technology, Finance, Governance and Sustainability	See Board experience pages 39 to 41 and Board Effectiveness page 38
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board carries out an annual effectiveness review assess its strengths and areas for development and improvement	See Corporate Governance page 34 and Board Effectiveness page 38

Promote a corporate culture that is based on ethical values and behaviours	The culture of System1 is guided by the core “TIDE” values	See Section 172 Report page 20
Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	The Board is satisfied that the delegated authorities and budgetary processes in the company are adequate to support its strategic growth plans. The Board regularly considers the need to adapt and improve processes in line with the growth of the entity including any associated investment in tools and resources.	See Board of Directors pages 39 – 40 and system1group.com/investors

Build trust

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The investors section of our website includes our Annual Report, results, presentations, notice of AGM and results of the AGM and general meetings.	See Remuneration and Audit Committee reports on pages 42 and 45 and system1group.com/investors for further information

Strategy

All directors are familiar with the market in which the Group is operating, the Group’s value proposition, and its strategic intent.

The Board actively participates in setting, and regularly reviewing, the strategy of the business, and is responsible for ensuring that the Company’s business model is, and remains, aligned to the achievement of its strategic objectives. The Company sets out its strategy within the Strategic Report section of its Annual Report and Accounts.

Risk management

The Board reviews the risks facing the business on a regular basis. The identified principal risks and uncertainties are those outlined in the Strategic Report.

The Board is responsible for the Group’s system of internal controls and risk management, and for reviewing the effectiveness of these systems. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute assurance against material misstatement or loss.

The key features of the Group’s internal controls are described below:

- clearly defined organisational structure with appropriate delegation of authority;
- comprehensive 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 full year expectations;
- detailed budgeting and monitoring of costs incurred on the development of new products;
- a limited number of Directors and Executives authorised to commit the company to legal agreements or make payments;
- regular reviews of customer and employee feedback;
- information security controls (for which the Company has obtained ISO 27001 accreditation).

The Board take measures to review internal controls and embed risk management procedures on an ongoing basis and implement metrics and objectives to monitor the business as part of a continuous improvement programme.

Corporate culture

The Group endeavours to maintain a culture built on integrity. To surface unethical or deceitful behaviours, it promotes openness amongst its employees, provides channels for employees to feedback concerns to the Executive Directors and the Board (such as anonymous employee feedback surveys, and confidential whistle-blowing channels), and conducts exit interviews. Further information on System1's culture and values can be found in the Section 172 Report.

The Board of Directors

The Board comprised three Executive Directors and four independent Non-Executive Directors, including the Non-Executive Chairman for the year ended 31 March 2024. The membership of the Board is set out in the Group Directors' Report. We believe that the directors have the mix of leadership, marketing and financial skills and experience necessary to oversee the Group and deliver its strategy for the benefit of the shareholders over the medium to long-term, and this mix is regularly under review as strategy develops. The composition of the Board is set out on pages 39 to 40 and is intended to achieve a balanced range of personal qualities and capabilities, and to support the Company's commitment to promoting gender equality and diversity. The biographical details of the directors are presented below.

The Board operates an induction programme for new Non-Executive Directors. The Board reviews its AIM obligations with its Nominated Advisor annually and endeavours to keep up with best practice governance via QCA seminars and training material. All directors can access the Company's advisors and obtain independent professional advice at the Company's expense in performance of their duties as directors.

During the year, the Remuneration Committee sought advice from external consultants on board and senior management remuneration. Neither the Board nor the respective committees have sought other external advice on any significant matter during the year. The Audit Committee works with the Company's auditor, Haysmacintyre LLP. The Board liaises regularly with the Company's Nominated Advisor, Canaccord Genuity to ensure compliance with AIM Rules.

The Board considers each of the Non-Executive Directors to be independent, for the following principal reasons:

- they all have served on the Board for less than ten years;
- their remuneration is not material in the context of their financial circumstances;
- they have no executive role;
- they each own an immaterial number of shares in the Company in the context of their financial circumstances;
- they are not related to any of the Executive Directors; and
- they have no material conflict of interest given their other roles and business activities.

The Board schedules regular monthly meetings during the year, except for August, and additional ad hoc meetings as required. All Directors can allocate sufficient time to the Group to discharge their responsibilities fully. In recent times, we have embraced a hybrid approach to our board and committee meetings, conducting them both virtually via Microsoft Teams as well as in person at our central London location. The number of regular meetings that each director attended during the financial year is set out below:

	Board (12 meetings)	**Audit Committee** (3 meetings)	**Remuneration Committee** (2 meetings)
Rupert Howell	12	3	2
Sophie Tomkins	12	3	2
Phil Machray	12	3	2
Conrad Bona	12	3	2
James Gregory	12	2*	1*
John Kearon	9	-*	-*
Chris Willford	12	3*	1*

*by invitation

Matters reserved for the Board

The Board discusses and reviews all matters and issues which are important to the business. Certain decisions are reserved for the Board, which include:

- approval of the Group's long-term objectives and strategy;
- approval of the annual operating and capital budget, and any material changes thereto;
- extension of the Group's activities into new business or geographic areas;
- changes to the Group's capital structure and/or major changes to corporate structure, including acquisitions, disposals, and investments;
- approval of interim and annual reports, and regulatory or non-routine shareholder communications;
- approval of significant changes in accounting policies or practices;
- approval of share buybacks, dividends and dividend policy;
- assessment of the effectiveness of risk and control processes.

Matters referred to the Board are considered by the Board as a whole and no one individual has unrestricted powers of decision. Where directors have concerns which cannot be resolved in connection with the running of the Group or a proposed action, their concerns would be recorded in the Board Minutes. This course of action has not been required to date.

The provisions on engagement with stakeholders including shareholders, employees and customers are dealt within the Section 172 Report on pages 19 to 25.

Appointment of Directors

The Board formally approves the appointment of all new Directors. Each year at the Annual General Meeting, all Directors retire by rotation and are subject to re-election.

Remuneration Committee

The Remuneration Committee is responsible for determining the specific remuneration and incentive packages for each of the Company's Executive Directors and keeping under review the remuneration and benefits of all senior executives. Its members are:

Philip Machray – Chairman of the Remuneration Committee
Conrad Bona
Rupert Howell
Sophie Tomkins

The Remuneration Committee's role and responsibilities are to:

- review and approve the remuneration and incentive schemes of Executive Directors, including pension rights, other benefits, and any compensation payments, ensuring that no Director is involved in any decisions as to their own remuneration;
- review and approve the level and structure of remuneration and incentive schemes for senior management;
- select, appoint, and set the terms of reference for any remuneration consultants who advise the Committee;
- approve the payments to Directors under any performance-related pay or share schemes operated by the Group;
- ensure that contractual terms on termination of any Director are fair to the individual and the Group, that
- failure is not rewarded and that the duty to mitigate loss is fully recognised;
- approve any major changes in employee benefits structures throughout the Group;
- approve the policy for authorising claims for expenses from the Directors.

The Remuneration Committee schedules two formal meetings per year and meets at other times as necessary. The Remuneration Committee may invite any of the executive directors to attend meetings of the Remuneration Committee. The Remuneration Committee may use consultants to advise it in setting remuneration structures and policies. It is exclusively responsible for appointing such consultants and setting their terms of reference.

The Annual Statement from the Remuneration Committee Chair is set out in the Remuneration Committee Report on page 45.

Audit Committee

The Audit Committee is responsible for ensuring the financial performance of the Group is properly monitored and reported on to shareholders, reviewing the Group's financial systems and controls, and overseeing the Group's risk management. Its members are:

Sophie Tomkins – Chair of the Audit Committee
Conrad Bona
Rupert Howell
Philip Machray

The Audit Committee's role and responsibilities are to:

- monitor the integrity of the financial statements of the Group;
- review significant financial reporting matters
- review the Group's internal financial controls and risk management systems;
- make recommendations to the Board, for it to put to the shareholders for their approval in relation to the appointment of the external auditor and to approve appropriate remuneration and terms of reference for the external auditor;
- discuss the nature, extent and timing of the external auditor's procedures and discussion of external auditor's findings;
- monitor and ensure the external auditor's independence and objectivity and the effectiveness of the audit process;
- develop and implement policy on the engagement of the external auditor to supply non-audit services;
- report to the Board, identifying any matters in respect of which it considers that action or improvement is required; and
- ensure a formal channel is available for employees and other stakeholders to express any complaints in respect of financial accounting and reporting.

Board effectiveness

In line with best practice governance, the Group's Senior Independent Director recently concluded the annual review of the Chair. This involved confidential discussions with the independent Directors, to act as a sounding board for any concerns, and to ensure that the Board is functioning optimally. The review concluded that the Board meetings and Board matters were being run well, with all Directors given full opportunity to express views and ask questions of the Executive, and with clear goal setting and follow up of action points.

Additionally, this year's Board Evaluation was internally facilitated and gathered the feedback of all Directors across a series of questions addressing the effectiveness of the Board and its Committees. It included a number of key topics including:

- the effectiveness of the Board in setting strategy and assessing risk;
- the relationship between the CEO and Chair;
- that decision making was balanced and objective and took active account of relevant stakeholder issues;
- shareholder relations and communications;
- that the Board was effective and responsive to new information and events; and
- that the Board had the appropriate composition and skills to discharge its duties, and had sufficient process in place for regular self-assessment.

Overall, the Board Evaluations have indicated that Board processes are robust, although certain areas have been flagged as needing continued focus, notably strategy, risk review and mitigations, and succession planning. The Board aims to meet face to face as often as possible, and continues to review practical and transparent ways of engaging with its shareholders, particularly in light of the significant changes in the shareholding register since the year-end.

As a result of this year's process, a number of actions were agreed including revisiting succession planning, review of ESG policies and effectiveness, and plans for a comprehensive Strategy Day.

The skills and experience of the Board are set out in their biographical details on pages 39 and 40. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Board meets regularly with external experts including the NOMAD to ensure that it remains abreast of developments and current best practice.

All Directors undertook a thorough induction process on joining the Board, tailored to the existing knowledge and experience of the Director concerned.

The Group maintains communication with a wide range of stakeholders to ensure that their needs, interests and expectations are understood and reflected within the Group's strategy and in Board decision making. Further details of how the Board has taken account of the needs of the Group's stakeholders are set out on pages 19 to 25.

Succession planning

The Board, led by the Chairman, carries out ongoing assessments as to the succession needs and planning of the Board. Senior management appointments are made by the Executive Directors, who carry out ongoing assessments of succession needs and skills gaps across the business. Compensation arrangements for key appointments are overseen by the Remuneration Committee.

The Board

CONRAD BONA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Conrad joined System 1 Group in September 2022 as a Non–Executive Director. Conrad is a business consultant, investor and entrepreneur who started his career as a banking and finance lawyer and has worked in Toronto, London and Tokyo. He has a degree in economics from the University of Western Ontario, law degrees from the University of Edinburgh and the University of New Brunswick and qualified to practice as a lawyer in multiple jurisdictions. No longer practising law, Conrad now advises companies on a wide range of commercial, financial and business matters. He has both Canadian and British citizenship and is based in London, England.
Favourite ad of all time: John Lewis *Monty the Penguin*

JAMES GREGORY

CHIEF EXECUTIVE OFFICER

James Joined System1 Group as Chief Operating Officer in 2021 and was appointed CEO in December 2023. Prior to joining System1, James worked at HomeServe Plc as Chief of Staff, Tesco Plc as Online Director, and Capgemini Consulting. He brings 15 years of leadership experience in strategy and transformation, operations and commercial management across digital, distribution and online retail environments. Past roles involved scaling digital businesses, initiating and leading large scale, complex transformations, and delivering new customer propositions.
Favourite ad of all time: John Smiths *Peter Kay, 'Ave It*

RUPERT HOWELL

INDEPENDENT NON-EXECUTIVE CHAIRMAN,

Rupert joined System1 Group in 2021 as a Non-Executive Director and became Chairman in September 2022. He founded a multi-award-winning ad agency HHCL (named 1 of the top 10 ad agencies of all time). Rupert was then CEO of Chime Communications PLC, President EMEA of McCann Erickson, PLC Executive Director at ITV PLC, Chairman of Matomy Media, and Executive Director of Reach PLC. He is currently Chairman of ROXi, a music streaming and entertainment business, and Co-founder/Chairman of Pinwheel, the sustainable living and planet repair app.
Favourite ad of all time: Tango *Slap*

JOHN KEARON

FOUNDER AND PRESIDENT

John ("JK") founded the Company in 1999 and remains its largest shareholder. During 20 years as CEO, JK steered System1 from a start-up to where it is today, shaking up traditional market research with fresh innovative thinking & game-changing methods. Before System1, JK founded innovation agency, Brand Genetics, after being Planning Director at Publicis, and holding various research/marketing positions at Unilever.
Favourite ad of all time: Coca Cola *Life Argentina*

PHILIP MACHRAY

INDEPENDENT NON-EXECUTIVE DIRECTOR

Phil joined System1 Group in 2022 as a Non-Executive Director and was appointed Chair of the Remuneration Committee in December 2022. He started his career at Deloitte in 1992, rising to Director of Assurance and Advisory. He then joined Trinity Mirror Group, where he held a number of roles, and became Director of Corporate Development, reporting to the CEO, of what became Reach PLC. Since 2021, Phil has worked at Merit Group PLC, a data and intelligence business, as Chief Financial Officer and since January 2024 Chief Executive Officer. Phil serves as a Non-Executive Director, and audit committee Chair of Digitalbox, a mobile-first digital publisher and AIM-listed company.

Favourite ad of all time: John Smiths *Peter Kay, 'Ave It*

SOPHIE TOMKINS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Sophie joined the Board as Non-Executive Director in June 2018, became Audit Committee Chair in June 2019 and Senior Independent Director in August 2021. Her career included nearly two decades as a London-based stockbroker, focusing mainly on high growth small to mid-cap companies. She started at Cazenove & Co, and became more entrepreneurial, at both Collins Stewart, and then Fairfax. As a City Analyst, and then Head of Equities, Sophie advised numerous companies and Boards on a huge range of high-profile IPOs and M&A deals. She is currently Non-Executive Director and Audit Committee Chair of Virgin Wines UK PLC and a Non-Executive Director of Wilmington plc. Sophie is also a qualified Chartered Accountant.

Favourite ad of all time: Yellow Pages *JR Hartley*

CHRIS WILLFORD

CHIEF FINANCIAL OFFICER

Chris joined System1 Group in 2020 as Chief Financial Officer. A Chartered Management Accountant, he built his career with blue chip consumer businesses including Unilever, British Airways (Group Treasurer) Barclays (Finance director of Corporate Bank and UK Retail Bank) and Bradford & Bingley (Group Finance Director). Prior to joining System1 in 2020, Chris worked as a consultant with a portfolio of scale up media and tech businesses.

Favourite ad of all time: Skoda *Cake*

Board skills and experience

	Sales and marketing	Technology	Finance	Governance	Sustainability
Conrad Bona		★	★	★	★
Rupert Howell	★	★		★	★
John Kearon	★	★			★
Philip Machray		★	★	★	
Sophie Tomkins		★	★	★	
Chris Willford		★	★	★	
James Gregory	★	★			★

Audit Committee Report

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Members of the Audit Committee

The membership of the Committee is set out on page 37 of the Corporate Governance Report. All members of the Committee are independent Non- Executive Directors. The Chief Financial Officer routinely attends the Audit Committee meetings by invitation, but other Executive Directors or members of the management team may also be invited to attend meetings as required. The Non-Executive Directors are provided an opportunity at the Audit Committee meetings to discuss matters with the Auditors without the presence of the Executive Directors.

The Board is satisfied that the Chair of the Committee has recent and relevant financial experience. Sophie is a Chartered Accountant and is also Chair of the Audit Committee at Virgin Wines UK plc and Audit Chair Designate at Wilmington PLC. The Committee meets at least twice a year and more frequently if required and has unrestricted access to the Group's auditor. Attendance at Board and Committee meetings is set out in the Corporate Governance Report on page 35. During FY24, three formal meetings were held in addition to the meetings held as part of the external tender process.

Duties

The main duties of the Audit Committee are set out in its terms of reference, which are summarised on page 37 and available on the Group's website (system1group.com/investors).

The work carried out by the Audit Committee during FY24 comprised the following:

- ensuring the financial performance of the Group is being properly measured and reported on;
- review of the audit plan;
- consideration of key audit matters and how they are addressed;
- going concern review;
- review of suitability of the external auditor;
- review of the financial statements and Annual Report;
- review of the appropriateness of the Group's accounting policies and judgements made in the preparation of the financial statements, and adequacy of the disclosures made therein;
- consideration of the external audit report and management representation letter;
- review of the risk management and internal control systems;
- meeting with the external auditor without management present;
- review of anti-bribery policy and whistleblowing arrangements
- Oversight of the external tender process.

Change of Auditor FY24

Following a competitive and comprehensive tender process, overseen by the Audit Committee, the Group appointed Haysmacintyre LLP with effect from 1st December 2023.

Following the appointment, Haysmacintyre performed pre-planning, planning, and interim fieldwork in the final quarter of FY24 in order to gain greater understanding of key systems, controls, and to assess key judgements. The findings arising from this work, and that performed post year-end, are set out in the Audit Report on pages 50 to 56.

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor to ensure that auditor independence and objectivity are maintained. As part of this role, the Committee reviews the non-audit fees of the auditor. There were no non-audit fees to Haysmacintyre in the year under review.

Auditor Performance

The Audit Committee also assesses the auditor's performance. The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes: assessment of the audit partner and team with particular focus on the lead audit engagement partner; planning and scope of the audit, with identification of particular areas of audit risk; the planned approach and execution of the audit; management of an effective audit process; communications by the auditors with the Committee; how the audit contributes insights and adds value; a review of independence and objectivity of the audit firm; and the quality of the formal audit report to shareholders. The Audit Committee recommends that Haysmacintyre be appointed as the Group's auditor at the next AGM.

Areas of key significance in the preparation of the financial statements

Prior to publication of this Annual Report and Accounts, the Committee reviewed the accounting policies and significant judgements and estimates underpinning the financial statements as disclosed in notes to the consolidated financial statements.

Significant focus is placed on key accounting policies, including any judgements and estimates, which underpin the financial statements, which include:

- revenue recognition;
- capitalisation and valuation of intangibles;
- valuation of share-based payments
- Sabbatical provision release.

Further detail on the approach to these areas can be found in Note 4 to the financial statements.

Audit process

The auditor prepares an audit plan for the review of the full period financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed by the Audit Committee. Following the audit, the auditor presents its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the period; however, areas of significant risk and other matters of audit relevance are regularly communicated.

Internal audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

Risk management and internal controls

As described throughout the Annual Report and the Corporate Governance section of the Group's website (system1group.com/investors), the Group has established a framework of risk management and internal control systems, policies, and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the period, the Committee has reviewed the framework, and the Committee is satisfied that the internal control systems in place are currently operating effectively.

Whistleblowing

The Group has in place a process whereby employees can discuss concerns confidentially, including a channel of communication directly with our non-executive Directors. The Committee is comfortable that the current policy is operating effectively.

Anti-bribery

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the current policy is operating effectively.

Sophie Tomkins
Chair, Audit Committee

Remuneration Committee Report

Annual statement from the Remuneration Committee chair, Philip Machray

Dear Shareholder,

The Remuneration Committee sets the strategy, structure, and levels of remuneration for the Executive Directors and reviews the remuneration of senior management, to ensure alignment of objectives and incentives throughout the business in pursuit of the Group's stated objectives. The membership and terms of reference of the Remuneration Committee are set out in the Corporate Governance Report.

This Remuneration Report is split into two parts:

1. The *directors' remuneration policy* sets out the Company's policy on directors' remuneration, and the key factors that were considered in setting the policy
2. The *annual report on remuneration* sets out payments and awards made to the directors for the year to 31 March 2024.

There are three elements in director remuneration:

- Base salary
- Bonus
- Long term incentive plan (LTIP) Benefits

The Committee regularly reviews the appropriateness of remuneration across the Group and is satisfied that an appropriate reward structure exists below Board level to recognise and retain our top talent.

Directors' remuneration policy

The policy described in this part of the Remuneration Report is intended to apply for three years beginning in FY23 to FY25 and covers Executive Directors and a small number of other senior managers ("Executives").

The Remuneration Committee considers the policy annually to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. As the current LTIP matures in FY25, the remuneration committee has commenced work on the design of a new scheme and expects to consult with shareholders on a new remuneration policy in the year ahead.

The Committee has based the Executive reward structure on the long-term organic growth strategy of the business. If successful, this will deliver significant shareholder value, and Executive rewards are designed to correlate with the key driver of that value (primarily revenue growth).

Fixed annual elements—including salary, pension, and benefits—are to recognise the responsibilities and leadership roles of our Executives and to ensure current and future market competitiveness. Variable elements – including bonuses and Long-term incentives are to motivate and reward them for delivering the Group's strategy and making the Group successful on a sustainable basis.

The balance of variable elements, between short-term and long-term awards, is designed to focus decision making on delivering shareholder value. Whereas in FY23 the Committee judged that delivery of the Group's long-term growth strategy was the primary objective and no short-term awards were granted, for FY24, the Committee considered that, in light of the 2022 strategic review, short-term incentives (bonuses) matched to the near-term goals of the strategic review would be applicable to retain and reward Executives.

Base salary and benefits

FY23 and FY24: Base salary is paid in 12 equal monthly instalments during the year. Salaries are reviewed annually, and any changes are effective from the beginning of the Group's financial year (which is 1st April). Benefits comprise money purchase pension contributions of up to 6% of salary, private medical and dental insurance, life insurance and long-term disability insurance.

Bonuses

FY23: Participants in the 2021 LTIP did not participate in the Company's annual bonus or profit share scheme and had no other short-term incentive plans. Therefore, over the period to March 2023, the only remuneration received was base salary and benefits.

FY24: Executives earned cash bonuses for exceeding annual targets. Targets were set such that no bonus accrued until Adjusted Profit before Taxation (= Profit before Taxation and Share-Based Payments) exceeded the budgeted performance for that measure. In view of the exceptional performance during FY24, with profit before taxation up by over 4x on FY23, and progress made towards delivering the long-term strategy, the Committee decided to remove the originally proposed 50% of salary cap on the FY24 bonus for Executive Directors.

Further, in recognition of the CEO's exceptional performance during the year, and mindful that no additional LTIP awards have been made to him since appointment to the role, the Remuneration Committee intends to additionally award nil-costs share options to him in July 2024, in an amount equivalent to his FY24 annual bonus. These awards will vest in April 2026 if he remains in office at that time. This award is intended to both reward and retain in a manner aligned with shareholder value.

The long-term incentive plan

The Company introduced the current 2021 LTIP in October 2021. It was approved by shareholders at the Annual General Meeting on 13 August 2021 and covers the period ending 31 March 2025. The 2021 LTIP was implemented in October 2021 as a modification to the 2019 LTIP.

Under the approved modified scheme, the 2021 LTIP features the following:

- The awards have taken the form of zero-cost stock options.
- The overall plan limit is 10% of issued ordinary share capital as at 1 January 2017.
- New awards can be granted up to 22 March 2025
- The award has 4 tranches of vesting dates on 12 August 2022 to 2025 with a hard end-date for exercise of 21 March 2027.
- The market conditions underpinning these options are an average daily closing mid-price of the Company's shares must be at least £4.00 during the month of July (excluding weekends) of the relevant year when vesting occurs. If the share price target is not met, the award will roll onto the next date of vesting, except in the final year of the LTIP.
- Non-market performance conditions: If for the financial year immediately preceding the year of Vesting, Adjusted Profit After Tax is greater than £0 and subject to the Remuneration Committee considering and being satisfied with the level of profitability for the financial year immediately preceding the year of Vesting and the overall corporate and share price performance since 31 March 2021:
    a) all of the award will vest if revenue is equal to or greater than the Stretch Target;
    b) one-third of the award will vest if revenue is equal to the Threshold Target;
    c) a proportionate amount of the award will vest on a straight-line basis if revenue is between the Threshold Target and the Stretch Target (between one-third and all of the award).
- The Threshold Target means revenue of £45m in the Company's financial year ending 31 March and represents the minimum level of revenue that must be achieved for any vesting to occur. This means that 50% revenue growth is required in FY25 for any vesting to occur under the 2021 LTIP and accordingly no charge has been recognised in FY24 as the probability of this being achieved has been assessed as low.
- The Stretch Target means revenue of £88m in the Company's financial year ending 31 March and represents the minimum level of revenue that must be achieved for full vesting to occur.

At 31 March 2024, the number of options granted under the 2021 LTIP reached 1,185,139 (or 9.0% of issued ordinary share capital of maximum capacity at 10%).

At 31 March 2024, there were three Executive Director participants in the 2021 LTIP (James Gregory, John Kearon and Chris Willford) and six senior manager participants. The specific vesting levels are set out as follows:

Equity level shares	No.	Of issued shares	Revenue target	
Executive Directors	154,311	1.2%	£45.0m	Threshold
	308,623	2.3%	£88.0m	Stretch
	462,934	3.5%		
Senior Managers	198,401	1.5%	£45.0m	Threshold
	396,802	3.0%	£88.0m	Stretch
	595,203	4.5%		

Non-employee plan

In April 2019, the Committee granted Stefan Barden, then an advisor to the Board, a separate equity award, originally comprising 300,000 zero-cost stock options in three tranches of 100,000, with the following performance conditions: In October 2021, the non-employee plan was modified to reflect the same targets as the 2021 LTIP scheme. As at 31 March 2024, Stefan Barden retained 46,995 of his Tranche 1 options, with the remaining 253,005 options cancelled.

Dilution

Vested stock options are set out as follows:

	No.	%
Voting shares as at 31 March 2024	12,678,929	100%
2010-2014 LTIP – vested on 28 May 2014 (closed)	10,144	<0.1%
	10,144	<0.1%

Unvested options comprise options granted under the 2019 and 2021 LTIP schemes, and the Non-Employee Plan, all described above. The maximum aggregate dilution under these schemes is 9.4% of the Company's voting shares.

Non-Executive Directors

Non-Executive Directors do not participate in any of the Company's incentive arrangements, nor do they receive any benefits. Their fees are reviewed periodically and set by the Board as a whole.

Remuneration of all employees

All employees are entitled to base salary, benefits, and a discretionary annual bonus or commissions. Since January 2012, equity awards have not been granted to employees who are not also members of executive management.

Director service contracts and policy on payment for loss of office

All the Executive Directors have service contracts. The agreements include restrictive covenants which apply during employment and for a period of 6 months after termination. All the Executive Directors' service contracts can be terminated on six months' notice in writing by either the Company or the director.

Annual report on remuneration

Remuneration for Executive Directors

Year ended 31 March 2024 (audited)

	Salary £	Back-dated salary*	Payment in lieu of pension £	Bonus £	Benefits £	Pension £	Total £
James Gregory	**262,500**	**26,167**	**-**	**158,041**	**222**	**19,840**	**466,770**
John Kearon	**190,000**		**-**	**158,041**	**4,644**	**8,081**	**360,766**
Chris Willford	**210,000**		**12,600**	**158,041**	**4,940**	**-**	**385,581**
Total	**662,500**	**26,167**	**12,600**	**474,123**	**9,806**	**27,921**	**1,213,117**

*Included with remuneration is an element of salary contractually agreed in April 2023 in respect of services rendered from 6 December 2022 (appointment as Chief Executive Officer) to 31 March 2023.

Year ended 31 March 2023 (audited)

	Salary £	Back-dated salary*	Payment in lieu of pension £	Bonus £	Benefits £	Pension £	Total £
James Gregory	57,973	-	-	-	-	3,899	61,872
John Kearon	265,000	-	-	-	6,622	-	271,622
Chris Willford	210,000	-	12,600	-	5,943	-	228,543
Total	532,973	-	12,600	-	12,565	3,899	562,037

This Annual report on Remuneration discloses the highest paid director in the year.

Directors' interests

The Directors who held office at 31 March 2024 held the following shares in the Company as at that date:

	No.	%
John Kearon	2,818,235	22.2%
Chris Willford	33,666	0.3%
Conrad Bona	26,407	0.2%
James Gregory	15,384	0.1%
Philip Machray	15,380	0.1%
Rupert Howell	10,000	0.1%
Sophie Tomkins	8,000	0.1%

Directors' interests in options over shares and conditional shares of the Company are shown below.

	Date of grant	Earliest exercise date	Exercise price	No. at 1 Apr 2023	Exercised in year	Cancelled in year	**No. at 31 Mar 2024**
James Gregory	27/10/2021	12/08/2022	0.0p	132,267	-	-	**132,267**
John Kearon	04/09/2019	12/08/2022	0.0p	198,400	-	-	**198,400**
Chris Willford	27/11/2020	12/08/2022	0.0p	132,267	-	-	**132,267**

Options and conditional shares granted under the 2019 LTIP and modified in 2021, as described in the Directors' remuneration policy. These modified options can vest at any time between 12 August 2022 and 12 August 2025, provided performance and market targets are met.

There were no equity awards or vesting of options other than under the LTIP as set out in the directors' remuneration policy.

Fees for Non-Executive Directors (audited)

The Non-Executive Directors received fees, but no other benefits, as follows.

	2024	**2023**
	£	£
Conrad Bona (appointed 1 September 2022)	38,000	22,167
Graham Blashill (resigned 28 September 2022)	-	21,000
Jane Wakely (resigned 15 July 2022)	-	11,108
Philip Machray	39,849	32,772
Rupert Howell	42,000	40,000
Sophie Tomkins	40,000	40,000
	159,849	**167,047**

Philip Machray
Chair, Remuneration Committee

Independent auditors' report

to the members of System1 Group PLC

Opinion

We have audited the financial statements of System1 Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise:

Group	Company
the Consolidated Statement of Comprehensive Income;	the Company Statement of Changes in Equity;
the Consolidated Statement of Changes in Equity;	the Company Balance Sheet;
the Consolidated Balance Sheet;	and related notes to the financial statements
the Consolidated Statement of Cash flows;	
and related notes to the financial statements	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Financial Reporting Standards (IFRSs). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK adopted IFRSs;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

The Group consists of 13 components, located in various geographical territories. All components are trading apart from System1 Agency Limited and System1 AdRatings Limited, which are dormant. Three UK components, System1 Research Limited, System1 Agency Limited and System1 AdRatings Limited are exempt from statutory audit requirements but audit work on these was performed to component level materiality where considered appropriate.

The scope of the audit and our audit strategy was developed by using our audit planning process to obtain an understanding of the Group, its activities, its internal control environment, current, and where relevant to our audit, likely future developments.

Our audit testing was informed by this understanding of the Group and accordingly was designed to focus on areas where we assessed there to be the most significant risks of material misstatement.

Audit work to respond to the assessed risks was performed directly by the audit engagement team who performed full scope audit procedures on the Parent Company and the Group as a whole.

Our audit planning and risk assessment identified 5 components (one of which was System1 Group PLC, the Parent company) which were categorised as full scope audits. The remaining components were deemed to be out of scope (analytical review components), however it was decided as part of our group scoping that we would perform specific audit procedures over revenue across all components to achieve 100% coverage of this balance. Further information around these procedures is disclosed within the key audit matters section of this report.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Discussing management's assessment of the group's ability to remain a going concern;
- Reviewing and understanding the cash flow forecasts for the period to end of July 2025 which are the central element of management's going concern assessment;
- Assessing and challenging the inputs in and judgements made in the preparation of the cash flow forecasts for the period to end of July 2025; and
- Performing stress tests including sensitivity analysis to model the effect of changing assumptions made or amending key data used in management's cash flow forecasts and considering the impact on the group's ability to adopt the going concern basis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on:

- the overall audit strategy,
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In determining the key audit matters we considered the:

- Areas of higher risks of material misstatement or significant risks identified in accordance with ISA (UK) 315
- Significant audit judgements on financial statement line items that involved significant management judgement such as accounting estimates, and
- The impact of significant events and transactions during the period covered by the audit.

The following table summarises the key audit matters we have identified and rationale for their identification together we how we responded to each in our audit and our key observations. The table also shows how our judgement of the magnitude of each risk has changed since the previous audit.

Key audit matter	How we addressed the key audit matter in the audit
Revenue recognition (Group) The Group's revenue recognition policy is included within the accounting policy in Note 5 of the financial statements. During the year ended 31 March 2024, the Group have recognised revenues of £30,019k (2023: £23,410k). The Group recognises revenue largely at the point in time at which the final written debrief becomes available to the customer. This is deemed by management to be the point at which the performance obligations are satisfied, and control is transferred to the customer. The application of the five-step model of IFRS 15, in particular determining whether a contract exists with a customer, and the determination of whether the performance obligations included in such contract have been satisfied, involves judgement. Revenue is also deemed to be a key metric to users of the financial statement, As a result, this was deemed to be an area of high importance in the Group audit, and was therefore determined to be a key audit matter.	In response to this risk, our work consisted of, but was not limited to, the following audit procedures in respect of all full scope components: • We gained an understanding of key processes and controls relating to the revenue process and revenue recognition, through the documentation of walkthrough procedures for each material revenue stream to assess the design and implementation of controls; • We assessed the Group's s accounting policy for each revenue stream with reference to the five-step model of IFRS 15, "Revenue from Contracts with Customers"; • We performed a substantive review over the occurrence of revenue through reconciling cash receipts in the period to the nominal ledger; • We performed test of details for transactions In March 2024 and April 2024, obtaining evidence to demonstrate the performance obligations were satisfied in the period in which the transaction had been recognised; • Using Data Analytical procedures, we performed a review of entries posted to revenue accounts in the period to determine entries which did not follow the expected flow of transactions. In addition to the above procedures performed over the full scope components, we also performed substantive analytical review procedures in respect of all other out of scope components, providing 100% coverage over the Group's revenue as at the 31 March 2024.
Capitalisation of development costs (Group and Parent company) ***Application of IAS 38*** As at 31 March 2024, the Group and Parent company had development costs with carrying value of £1,437k (2023: £1,124k). During the period, the Group and Parent company capitalised development costs of £736k (2023: £1,225k), which have been recognised as intangible asset additions. All intangible asset additions recognised for the year ending 31 March 2024 relate to the Supply Chain Automation platform. Management capitalise development cost when the project is deemed to have met all criteria of IAS 38 – Development costs. The process in determining when a project meet all these criteria involves management judgement and estimation. The costs capitalised consist of both directly attributable staff costs and invoiced consultant costs. Estimates are made in determining the proportion of staff costs to be capitalised in respect of development cost additions in the period.	In response to this risk, our work consisted of, but was not limited to, the following audit procedures: ***Application of IAS 38*** • We obtained management's development cost capitalisation policy and assessed the policy with reference to the capitalisation requirements of IAS 38. • We performed a reconciliation of the intangible fixed asset register between the prior year and current year financial statements. • For a sample of current year additions, we performed substantive procedures to verify the balance of costs capitalised during the period. We critically assessed the percentage of staff costs capitalised for the sample of additions. • We discussed the current year project for which costs were capitalised with individuals outside of the finance department to understand the commercial rationale and justification of this particular project. ***Impairment of intangibles assets and capitalised development costs*** • We obtained management's impairment assessment and critically analysed the inputs in the model and the forecasts for future revenues of projects for which development costs have been capitalised. • We benchmarked the key inputs used within management's model to external sources and internal projects to determine the appropriateness of such assumptions.

Impairment of intangibles assets and capitalised development costs

The impairment of intangible assets, namely those relating to capitalised development costs, has been identified as an area of significant risk, with overstatement due to fraud or error considered to be high. The carrying value of capitalised development costs as at 31 March 2024 is £1,437k (2023: £1,124k). Given the size of the balance with reference to materiality, there is a risk that this balance is materially overstated.

Management performed impairment assessments for capitalised development costs in accordance with IAS 36 'Impairment of Assets' on a project level. The impairment reviews were performed through a 'Value in Use' calculation, considering either the incremental cashflows or cost-savings relating to the project for which the costs were capitalised.

Management impairment reviews are areas that carry risks of error or fraud due to the degree of estimation uncertainty included in forecasting and discounting future cash flows, due to the assumptions made in relation to growth rates, the applicable discount rate and other inputs included with management's model. The impact of this is that the recoverable amount of capitalised development costs carries a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than materiality for the financial statements.

- We compared historic forecasts against actuals to determine the accuracy of forecasts as well as performing sensitivity analysis on future forecasts to determine the impact on headroom within the model.

Our application of materiality

The scope and focus of our audit were influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

	Group Financial Statements	Parent Company Financial Statements
Materiality	£278,000	£98,700
Benchmark	Materiality for the Group was determined to be 1% of total forecast Group revenues for the period, based on the point at which we performed our audit planning and risk assessment. Revenue is a key metric to management and users of the financial statements, and as such was deemed the most appropriate benchmark for determining materiality. We also considered other important metrics in determining materiality for the Group, and the chosen revenue materiality fell within the acceptable range for these alternative metrics, including EBITDA and Net Profit. Whilst Group revenues finished higher than the initial expectation, we elected to not adjustment Group materiality to reflect 1% of actual Group revenues. Our materiality therefore reflected 0.9% of Group revenues.	Materiality for the Parent company was determined to be 1% of total assets. The Parent company is a holding company for investments in subsidiaries, intercompany balances and intangible assets, and as such total assets is deemed to be an important metric to users of the Parent company financial statements.
Basis for, and judgements used in the determination of materiality	Revenue is a key metric to management and users of the financial statements, and as such was deemed the most appropriate benchmark for determining materiality. The Group's long term strategic plans highlight a focus on revenue growth. We also considered other important metrics in determining materiality for the Group, such as profit based metrics, and the chosen revenue materiality fell within the acceptable range for these alternative metrics.	The Parent company is a holding company for investments in subsidiaries, intercompany balances and intangible assets, and as such total assets is deemed to be an important metric to users of the Parent company financial statements.

Performance materiality - Based on our risk assessment and our review of the Group's control environment, performance materiality was set at 65% of materiality, being £181,000 . A percentage of 65% was used to reflect that that this is our first year of appointment as auditors of the Group's financial statements. We typically set performance materiality between 50% and 75% of materiality.

Performance materiality for the Parent company was set at 65% of materiality being £64,200.

Reporting threshold - The reporting threshold to the audit committee was set as 5% of materiality, being £13,900.

Reporting threshold for the Parent company was set at 5% of materiality, being £4,940.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance cor [illegible] thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements in respect of employment law, including but not limited to minimum wage regulation, and food standards requirements. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate manual journal entries to revenue and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- The evaluation of management's controls designed to prevent and detect irregularities;
- The identification and review of manual journals, in particular journal entries which shared key risk characteristics; and
- The review and challenge of assumptions, estimates and judgements made by management in their recognition of accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Jon Dawson (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors
10 Queen Street Place
London EC4R 1AG
3 July 2024

Consolidated Income Statement
for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000 Restated
Revenue	6	**30,019**	23,410
Cost of sales	17	**(3,898)**	(3,692)
Gross profit		**26,121**	19,718
Administrative expenses	17	**(23,434)**	(18,929)
Other operating income	18	**413**	49
Operating profit		**3,100**	838
Finance income	21	**44**	17
Finance expense	21	**(35)**	(136)
Profit before taxation	22	**3,109**	719
Income tax (expense)/credit	22	**(1,076)**	(315)
Profit for the financial year		**2,033**	404
Attributable to the equity holders of the Company		**2,033**	404
Earnings per share attributable to equity holders of the Company			
Basic earnings per share	24	**16.0p**	3.2p
Diluted earnings per share	24	**16.0p**	3.2p

The notes on pages 63 to 93 are an integral part of these consolidated financial statements.
All the activities of the Group are classed as continuing.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2024

	2024 £'000	2023 £'000
Profit for the financial year	**2,033**	404
Other comprehensive income: **Items that may be subsequently reclassified to profit/(loss)**		
Currency translation differences on translating foreign operations	**(72)**	227
Other comprehensive income for the period, net of tax	**(72)**	227
Total comprehensive income for the period attributable to equity holders of the Company	**1,961**	631

The notes on pages 63 to 93 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 March 2024

Registered company no. 05940040

	Note	2024 £'000	2023 £'000 Restated
ASSETS			
Non-current assets			
Property, plant, and equipment	7	**225**	813
Intangible Assets	8	**1,578**	1,396
Finance lease receivable	10	**-**	93
Deferred tax asset	23	**151**	203
		1,954	2,505
Current assets			
Contract assets		**180**	102
Finance lease receivable	10	**85**	256
Trade and other receivables	11	**7,261**	6,344
Income tax receivables		**-**	55
Cash and cash equivalents	9	**9,610**	5,719
		17,136	12,476
Total assets		**19,090**	14,981
EQUITY			
Attributable to equity holders of the Company			
Share capital	12	**132**	132
Share premium account		**1,601**	1,601
Merger reserve		**477**	477
Foreign currency translation reserve		**351**	423
Retained earnings	5	**8,007**	5,974
Total equity		**10,568**	8,607
LIABILITIES			
Non-current liabilities			
Provisions	13	**-**	353
Lease liabilities	16	**66**	362
		66	715
Current liabilities			
Provisions	13	**6**	101
Lease liabilities	16	**280**	1,094
Contract liabilities	15	**1,137**	764
Income taxes payable		**470**	-
Trade and other payables	14	**6,563**	3,700
		8,456	5,659
Total liabilities		**8,522**	6,374
Total equity and liabilities		**19,090**	14,981

The notes on pages 63 to 93 are an integral part of these consolidated financial statements.
These financial statements were approved by the directors on 3 July 2024 and are signed on their behalf by:

James Gregory — Director

Chris Willford — Director

Consolidated Statement of Cash Flows

for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Net cash generated from/(used in) operations	26	**6,430**	(87)
Tax paid		**(499)**	(541)
Net cash generated from/(used in) operating activities		**5,931**	(628)
Cash flows from investing activities			
Purchases of property, plant, and equipment	7	**(97)**	(30)
Purchase of intangible assets	8	**(736)**	(1,225)
Net cash used by investing activities		**(833)**	(1,255)
Net cash flow before financing activities		**5,098**	(1,883)
Cash flows from financing activities			
Interest received		**36**	-
Interest paid		**(35)**	(136)
Property lease liability payments		**(1,121)**	(1,053)
Purchase of own shares	12	**-**	(134)
Repayment of borrowings		**-**	(2,500)
Net cash used by financing activities		**(1,120)**	(3,823)
Net increase/(decrease) in cash and cash equivalents		**3,978**	(5,706)
Cash and cash equivalents at beginning of year		**5,719**	11,174
Exchange gain/(loss) on cash and cash equivalents		**(87)**	251
Cash and cash equivalents at end of year		**9,610**	5,719

Office lease costs are not 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:

	2024 £'000	2023 £'000
Net cash flow before financing activities	**5,098**	(1,883)
Net cash flow for property leases	**(1,156)**	(1,116)
Operating cash flow	**3,942**	(2,999)

The notes on pages 63 to 93 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)
for the year ended 31 March 2024

Consolidated Movements in Net Cash and Financing Activities

	Cash and cash equivalents £'000	Borrowings £'000	Lease liabilities £'000	**Total** £'000
At 1 April 2022	11,174	(2,500)	(2,508)	**6,166**
Cash flows	(5,706)	2,500	1,116	**(2,090)**
Non-cash charges				
Interest on lease liabilities	-	-	(64)	**(64)**
Exchange and other non-cash movements	251	-	-	**251**
At 31 March 2023	5,719	-	(1,456)	**4,263**

	Cash and cash equivalents £'000	Borrowings £'000	Lease liabilities £'000	**Total** £'000
At 1 April 2023	5,719	-	(1,456)	**4,263**
Cash flows	3,978	-	1,156	**5,134**
Non-cash charges				
Interest on lease liabilities	-	-	(34)	**(34)**
New lease liabilities			(175)	**(175)**
Disposal of lease liabilities	-	-	163	**163**
Exchange and other non-cash movements	(87)	-	-	**(87)**
At 31 March 2024	9,610	-	(346)	**9,264**

Consolidated Statement of Changes in Equity

for the year ended 31 March 2024

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	**Total £'000**
At 31 March 2022		132	1,601	477	196	5,857	8,263
Profit for the financial year		-	-	-	-	404	**404**
Other comprehensive income:							
- currency translation differences		-	-	-	227	-	**227**
Total comprehensive income		-	-	-	227	404	**631**
Transactions with owners:							
Employee share options:							
- value of employee services	10	-	-	-	-	(153)	**(153)**
Purchase of treasury shares		-	-	-	-	(134)	**(134)**
At 31 March 2023		132	1,601	477	423	5,974	**8,607**
Profit for the financial year		-	-	-	-	2,033	**2,033**
Other comprehensive income:							
- currency translation differences		-	-	-	(72)	-	**(72)**
Total comprehensive income		-	-	-	(72)	2,033	**1,961**
Transactions with owners:							
Employee share options:							
- value of employee services	10	-	-	-	-	-	**-**
At 31 March 2024		132	1,601	477	351	8,007	**10,568**

The notes on pages 63 to 93 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2024

1. General information

System1 Group PLC (the "Company") was incorporated on 19 September 2006 in the United Kingdom. The Company's principal operating subsidiary, System1 Research Limited, was at that time already established, having been incorporated on 29 December 1999. The address of the Company's registered office is 4 More London Riverside, London, England, SE1 2AU. The Company's shares are listed on the AIM Market of the London Stock Exchange ("AIM").

The Company and its subsidiaries (together the "Group") provide market research data and insight services. The Chief Executive's Statement and the Financial Review provide further detail of the Group's operations and principal activities.

2. Basis of preparation

The Group has prepared its consolidated financial statements in accordance with UK-adopted international accounting standards and applicable law. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with UK-adopted international accounting standards ("UK-adopted IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The critical accounting judgements and estimates applied in the preparation of the consolidated financial statements are disclosed in Note 5.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the Functional Currency"). The consolidated financial statements are presented in Pounds Sterling (GBP), which is the Company's functional and presentation currency. The financial statements are presented in round thousands unless otherwise stated.

3. Prior period restatement

During the year ended 31 March 2024 the Group determined that the sublease of its former New York office, previously accounted for as a right-of-use asset, should have been presented as a finance lease receivable. The following table summarises the impact of the prior period reclassification on the financial statements of the Group. There is no impact on basic or diluted earnings per share.

Consolidated income statement	**Restated**	**As previously presented**
	£'000	£'000
Administrative expenses	**18,929**	19,203
Other income	**49**	340
Finance income	**17**	-
Increase/(decrease) in profit for the year	**-**	-

Consolidated balance sheet	**Restated**	**As previously presented**
	£'000	£'000
Property, plant and equipment	**813**	1,162
Finance lease receivable – non-current	**93**	-
Finance lease receivable - current	**256**	-
Increase/(decrease) in net assets	**-**	-

4. Going concern

The Group has prepared its financial statements on a going concern basis.

As noted in the Financial Review, cash balances and cash flow are healthy, and we will continue to invest in our products, data assets and talent. We ended the year with a cash balance and net cash of £9.6m and net assets at £10.6m (31 March 2023: £5.7m and £8.6m respectively).

The Group has reviewed its financial forecasts for the 12 months from the approval of these financial statements, flexing sensitivity analysis scenarios with external and internal inputs that would represent the Group's forecast and various downturn scenarios. Our internal assessment of a reasonable worst-case scenario shows that, in the face of a striking negative downturn on System1's immediate capacity to function, management would respond appropriately by reducing our costs as soon as possible.

The Group is very confident in its ability to respond to an abrupt negative situation, whatever the cause. Our mitigating factors involve an active review cycle of the Group's performance. The Board reviews the performance of the Group monthly, and senior management has a weekly assessment of sales revenue and gross profit. The Group also reviews its profit forecasts on a monthly basis.

The Group is confident that our strong balance sheet position, in particular the cash balance, will be able to sustain the Group reasonably until July 2025 and beyond.

5. Principal accounting policies

The principal accounting policies adopted are consistent with those of the financial statements for the year ended 31 March 2023.

Standards, amendments, and interpretations in issue but not yet effective

The Group adopted the following new pronouncements during the year ended 31 March 2024, which did not have a material impact on the Group's financial statements:

- IAS 1: Classifications of Liabilities as Current or Non-Current (effective for periods commencing on or after 1 January 2023)
- IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective for periods commencing on or after 1 January 2023)
- IAS 8: Definition of Accounting Estimates (effective for periods commencing on or after 1 January 2023)
- IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective for periods commencing on or after 1 January 2023)

The following standards and amendments, issued before 31 March 2024 with an effective date on or after 1 April 2024, have not been early adopted by the Group, they do not have a material impact on the Group's financial statements:

- Amendment to IFRS 16 – Leases on sale and leaseback (effective for periods commencing on or after 1 January 2024)
- Amendment to IAS 1 – Non-current liabilities with covenants (effective for periods commencing on or after 1 January 2024)
- Amendment to IAS 7 and IFRS 7 – Supplier finance (effective for periods commencing on or after 1 January 2024)

Basis of consolidation

The Group financial statements consolidate those of the Company and all its subsidiary undertakings drawn up to 31 March 2024.

Subsidiaries are all entities over which the Group has power over the subsidiary, i.e. the Group has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the subsidiary's returns), exposure or rights, to variable returns from its involvement with the subsidiary and the ability to use its power over the subsidiary to affect the amount of the subsidiary's returns.

The Group obtains and exercises control through voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All intra-group transactions and balances are eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Property, plant, and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of all property, plant, and equipment to its residual value on a straight-line basis over their expected useful economic lives, which are as follows:

Furniture, fittings, and equipment	5 years
Computer hardware	3 to 4 years

The residual value and useful life of each asset is reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on all property, plant and equipment is charged to administrative expenses.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. The Group had no such lease arrangements for the years ended 31 March 2024 or 2023.

Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities to reflect the actual and expected effect of exercising extension and termination options in lease arrangements.

Depreciation on all right-of-use assets is charged to administrative expenses.

Finance lease receivables

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group’s net investment outstanding in respect of the leases.
Subsequent to initial recognition, the group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.
Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

Intangible assets

Software

Costs incurred in the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Costs include professional fees and directly attributable employee costs required to bring the software into working condition. Non-attributable costs are expensed under the relevant income statement heading.

Research and development – internally generated intangible assets

All on-going research expenditure is expensed in the year in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is charged to administrative expenses in the period in which it is incurred.

Furthermore, internally generated software and product development costs are recognised as an intangible asset only if the Group can demonstrate all the following conditions:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) its intention to complete the intangible asset and use or sell it;
c) Its ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits; and among other things, the Group can demonstrate the existence of a market for the output of the intangible

asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

e) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset;

f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation

Intangible assets are amortised on a straight-line basis over their expected useful economic lives, which are as follows:

Computer software licenses	5 years
Capitalised development costs	3 years

Amortisation on all intangible assets is charged to administrative expenses.

Impairment of property, plant and equipment, right-of-use assets, and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets for any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Intangible assets not available for use are tested for impairment on at least an annual basis. The recoverable amount is the higher of the fair value less costs to sell and value in use. Cash flows for the determination of value in use are derived from either the incremental contribution attributable to the specific assets or from cost savings arising from the use of the specific assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits available on demand.

Contract assets

Contract costs comprise directly attributable external costs incurred in fulfilling customer contracts that relate to incomplete market research projects. The Group assesses at each balance sheet date whether there is objective evidence that contract cost assets are impaired, and provision is made when there is evidence that the Group will not be able to recover all costs incurred under the terms of the customer contract.

Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period, which are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws that have been enacted or substantively enacted at the reporting date applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items charged or credited to other comprehensive income or directly to equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. 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, by reference to the probable recovery of those losses against future taxable profits.

Deferred tax liabilities are always provided for in full. 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. Deferred tax assets and liabilities are calculated, without discounting, 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. Deferred tax is recognised as a component of tax expense in the income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity.

Revenue recognition

The Group’s revenues are primarily derived from the delivery of research services. Revenue from the Group’s research product lines (Platform Revenues and Other Consultancy services) arise from contracts with customers within the scope of IFRS 15 ‘Revenue from Contracts with Customers’ and are recognised on the same basis, as set out below.

Revenue is recognised at a point in time (rather than over time) as the key performance obligation is the delivery of the final written debrief to the customer. The only exception to this is where subscriptions are sold for access to our Test Your Ad database, where revenue is recognised on a straight line basis across the period of the subscription.

Revenue is recognised only after the results or final written debrief has been delivered to the customer, except on the rare occasion that a large project straddles a financial period end, and that project can be sub-divided into separate discrete deliverables; in such circumstances revenue is recognised on delivery of each separate deliverable, and the transaction price is allocated across the discrete performance obligations by reference to the standalone price for the separate services. Where a contract with a customer requires a purchase order, signed schedule of work or similar document to evidence the right to consideration, revenue is not recognised until the Group receives these documents.
There are no elements of variable consideration in the contracts entered into by the Group. Revenue is measured by reference to the fair value of consideration receivable, excluding sales taxes, discounts and volume rebates..

Other operating income

On 27 September 2021, the Company filed a complaint for trademark infringement, unfair competition and deceptive trade practices at the United States District Court Southern District of New York against System1 LLC ("LLC"), since renamed System1 Inc., an omnichannel customer acquisition marketing provider, over their infringing use of the mark "SYSTEM1". On 30 June 2023 the Company announced that a settlement had been reached with LLC. The parties have signed a global agreement which governs the co-existence of their respective use of the "System1" mark in connection with their operations. As part of this agreement, the Company is receiving a fixed undisclosed payment payable in instalments. Amounts received under this arrangement are included within other income.

During the prior year, the Group partnered with the University of Warwick on UK government grant-funded research looking to harness artificial intelligence (AI) and our proprietary databases to further improve our understanding of predictions. The grant was specific to this research and was not a part of the Group's usual operations.

Cost of sales

Cost of sales includes external costs attributable to customer projects. For the research business, these include respondent sample, data processing, language translation and similar costs.

Employee benefits

All accumulating employee-compensated absences that are unused at the balance sheet date are recognised as a liability. The Group operates several defined contribution pension plans. The Group pays contributions to these plans based upon the contractual terms agreed with each employee. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due, and any outstanding amounts due at the reporting date are recognised within accruals.

Share-based payment transactions

The Group issues equity-settled share-based compensation to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Apart from market-based elements of awards, these estimates are subsequently revised if there is any indication that the number of 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. The fair value of option awards with time vesting performance conditions are measured at the date of grant using a Black-Scholes based Option Valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value of awards made with market-based performance conditions (for example, the entity's share price) are measured at the grant date using a Monte Carlo simulation method incorporating the market conditions in the calculations. The awards made in respect of the Group's long-term incentive scheme have been measured using such a method. At the end of each reporting period, an assessment is made in respect of any non-market conditions with regard to likely vesting, and the estimate is adjusted prospectively as required.

Social security contributions payable in connection with the grant of share options are considered integral to the grant itself, and the charge is treated as a cash-settled transaction.

Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

Provisions

Provisions for sabbatical leave and dilapidations are recognised when:

a) the Group has a legal or constructive obligation because of past events;
b) it is probable that an outflow of resources will be required to settle the obligation; and
c) the amount has been reliably estimated. Where material, the increase in provisions due to passage of time is recognised as interest expense. The provision for sabbatical leave is measured using the projected unit credit method. The provision for dilapidations is measured at the present value of expenditures expected to be required to settle those obligations.

During the year ended 31 March 2024, the Company ceased to operate the sabbatical provision in its entirety, with no previously eligible individuals entitled to any further paid leave under the scheme or any alternate compensation. Accordingly, the provision has been released in full.

Foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;
b) income and expenses for each income statement are translated at average exchange rates; and
c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the main decision-making body of the Company and Group, which collectively comprises the Executive Directors. The Executive Directors are responsible for allocating resources and assessing performance of the operating segments.

Financial instruments

Financial assets

The Group’s financial assets comprise trade and other receivables held at amortised cost. The Group does not possess assets held at fair value through profit or loss. The classification is determined by management at initial recognition, being dependent upon the business model and the contractual cash flows of the assets.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets arising from contracts with customers are separately presented in accordance with IFRS 15 in the Consolidated Balance Sheet.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's amortised cost financial assets comprise trade and other receivables and cash and cash equivalents in the Consolidated Balance Sheet.

Trade receivables are initially recorded at fair value, but subsequently at amortised cost using the effective interest rate method. In accordance with IFRS 9, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets at amortised cost. The Group applies the simplified model to recognise lifetime expected credit losses for its trade and other receivables by making an accounting policy election. The Group assesses expected credit losses based on the ageing of the receivable, the Group's historical experience adjusted for forward looking information, and informed credit assessment. 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.

Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs, and subsequently carried at amortised cost using the effective interest rate method. Financial liabilities arising from contracts with customers are separately presented in accordance with IFRS 15 in the Consolidated Balance Sheet. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities.
Financial liabilities are presented as such in the Consolidated Balance Sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement.

Finance costs are calculated to produce a constant rate of return on the outstanding liability. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Accrued income and contract liabilities

Accrued income is recognised when a performance obligation has been satisfied but has not yet been billed. Accrued income is transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement. The Group is generally paid in arrears for its services and invoices are typically payable within 120 days. In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income. These balances are considered contract liabilities. There is no significant passage of time between the receipt of funds from a customer and the delivery of services, or between the delivery of services to a customer and the receipt of funds when payment is in arrears. The Group does not enter contractual arrangements with significant financing components.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Share capital

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share premium

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of direct expenses of the share issue.

Merger reserve

The merger reserve represents the difference between the parent company’s cost of investment and a subsidiary’s share capital and share premium. The merger reserve in these accounts has arisen from a group reconstruction upon the incorporation and listing of the parent company that was accounted for as a common control transaction.

Common control transactions are accounted for using merger accounting rather than the acquisition method, where this reflects the substance of the transaction.

Foreign currency translation reserve

The foreign currency translation reserve represents the differences arising from translation of investments in overseas subsidiaries.

Treasury shares

Where the Company purchases the Company’s equity share capital, the consideration paid is deducted from the total shareholders’ equity and classified as treasury shares until they are cancelled. Where such shares are subsequently sold or re-issued, any consideration received is included in total shareholders’ equity. No gain or loss is recognised on the purchase, sale, issue, or cancellation of the Company’s own equity instruments.

Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires the Directors and management to make judgements and estimates in respect of certain items where the choice of accounting policy and assumptions applied in determining the judgement or estimate could materially affect the Group's financial position or results at the reporting date.

Capitalisation of development costs - judgement

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. Furthermore, the useful economic lives of capitalised development costs are based on management's knowledge of the life cycle of the Group's products and technology. The carrying value of development assets also depends on management's ability to demonstrate the future economic benefits they will deliver. This judgement requires assumptions about factors outside the business's control such as short and medium term economic conditions, technological developments and market changes. Details are contained in note 8.

Impairment of development costs – judgement and estimate

The Group tests annually whether intangible assets, have been impaired by reference to expected future generation of cash from the relevant platforms incorporating the technologies and methodologies developed. In estimating the cash flows the capitalised development costs may generate the directors make judgements, based on budgets and forecasts, about the amount of future profits from the relevant products that will be generated and the timing of when these will be realised. Furthermore, where new technology is acquired through an acquisition, management consider the impact this could have on the carrying value of existing technology, that is similar in nature, when preparing the budgets and forecasts. The Group has carried out an impairment review and determined no impairment is required in the year ended 31 March 2024 (31 March 2023: £nil). Details are contained in note 8.

Share-based payments - judgement and estimate

The fair value of options granted under the long-term incentive scheme is determined using Monte Carlo simulation models. The models require several estimates and assumptions. The significant inputs into the models are share price at grant date, exercise price, historic exercise multiples, expected volatility and the risk-free rate. Volatility is measured at the standard deviation of expected share price returns based on statistical analysis of historical share prices. These inputs are provided in Note 12.

In previous years, the Company has sometimes purchased shares arising from the exercise of share options to minimise shareholder dilution and create shareholder value. IFRS 2 does not provide guidance on the application of 'substance over form' when evaluating whether a share-based payment should be accounted for as equity or cash settled.

To determine whether the Company's share options are equity or cash-settled, consideration needs to be given as to whether the settlement of the share options through the issue and subsequent repurchase of treasury shares should be treated as one transaction or as two distinct transactions, and whether the Company has an obligation to settle in cash.

The Company does not publicise to option holders that option shares may be repurchased, the decision to repurchase option shares is only made at the point of option exercise, and there is no contractual or other obligation to settle in cash. Therefore, it is appropriate to treat the exercise of options and repurchase of option shares as two separate transactions and account for the option exercise as equity-settled rather than cash-settled.

In the past the Company has on occasion cash-settled part of long-term incentive plan equity awards. Despite the repurchase of these equity interests the Company did not have an obligation to do so and does not have an obligation, constructive or otherwise to do so in the future. As a result, the Company continues to account for share-based payments related to its long-term incentive plans as equity rather than cash-settled.

The 2021 LTIP is subject to Revenue, Profit After Tax and the Company's share price exceeding certain targets; the full details of which are given in the Company's Remuneration Report. The measure of the share-based payment charge is dependent on the estimates made in respect of the probability of those targets being achieved over the vesting period of the options. The key inputs into those estimates are the Company's forecasts, revenue volatility and inflation. Revenue volatility is determined by reference to the share price volatility used to determine the fair value of the options (with an assumption that the two will have a high level of correlation). Inflation is determined by reference to the Bank of England data for the UK in March and April 2024. Non-market vesting conditions are assessed by reference to the Group's latest forecasts.

Employee benefits - estimate

The Company has historically operated a sabbatical leave scheme, which provided 20 days paid leave for each successive period of six years' service. There was no proportional entitlement for shorter periods of service. During the year ended 31 March 2023, the Company modified the terms of the scheme such that rather than being open to all employees, the scheme was only available to those individuals who had accrued three or more years of unbroken service as at 30 September 2022. During the year ended 31 March 2024, the Company ceased to operate the sabbatical provision in its entirety, with no previously eligible individuals entitled to any further paid leave under the scheme or any alternate compensation. Accordingly, the provision has been released in full. The significant inputs into the model were previously rate of salary growth and average staff turnover as explained in Note 13.

Leases – estimate and judgement

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term, and reviews this on a lease-by-lease basis.
The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Incremental borrowing rates are determined based on the term, country, currency and start date of the lease, to derive the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Details of lease liabilities can be found in note 16.

6. Segment information

The financial performance of the Group's geographic operating units ("Reportable Segments") is set out below. The Group defines its Consultancy business as a Research and Advertising Agency.

	2024	2023
	Revenue £'000	Revenue Restated** £'000
By location of customer		
USA	**8,625**	7,078
LatAm	**2,446**	2,350
United Kingdom	**12,694**	8,895
Rest of Europe	**4,815**	3,741
APAC	**1,439**	1,346
	30,019	23,410

*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.
**Segment revenues have been restated to present USA and LatAm as separate business units, consistent with the information presented to the Executive Directors.

	2024	2023
	Revenue £'000	Revenue £'000
By product type		
Predict Your (data)	**19,776**	14,060
Improve Your (data-led consultancy)	**5,005**	3,311
Standard (platform) revenue	**24,781**	17,371
Other consultancy (non-platform)	**5,238**	6,039
Total revenue	**30,019**	23,410
By product group		
Communications (Ad Testing)	**22,775**	15,879
Brand (Brand Tracking)	**4,066**	3,669
Innovation	**3,178**	3,862
	30,019	23,410

Consolidated balance sheet information is regularly provided to the Executive Directors while segment balance sheet information is not. Accordingly, the Company does not disclose segmental balance sheet information here.

The Company is domiciled in the UK, its consolidated non-current assets, other than financial instruments and deferred tax assets are as follows:

	2024 £'000	2023 £'000 Restated
Non-current assets		
United Kingdom	**1,643**	2,204
Rest of world	**160**	5
	1,803	2,209

7. Property, plant, and equipment

	Right-of-use assets Restated £'000	Furniture and fixtures £'000	Computer hardware £'000	Total £'000
Cost at 1 April 2022	2,798	33	192	3,023
Additions	-	-	30	30
Disposals	(1,554)	(22)	(18)	(1,594)
Foreign exchange	-	-	2	2
Cost at 31 March 2023	1,244	11	206	1,461
Depreciation at 1 April 2022	1,400	29	113	1,542
Depreciation charge for the year	620	3	76	699
Disposals	(1,554)	(22)	(18)	(1,594)
Foreign exchange	-	-	1	1
Depreciation at 31 March 2023	466	10	172	648
Carrying amount 31 March 2023	**778**	**1**	**34**	**813**
Cost at 1 April 2023	**1,244**	**11**	**206**	**1,461**
Additions	**175**	**-**	**97**	**272**
Disposals	**(1,245)**	**(11)**	**-**	**(1,256)**
Foreign exchange	**(2)**	**-**	**-**	**(2)**
Cost at 31 March 2024	**172**	**-**	**303**	**475**
Depreciation at 1 April 2023	**466**	**10**	**172**	**648**
Depreciation charge for the year	**645**	**1**	**56**	**702**
Disposals	**(1,089)**	**(11)**	**-**	**(1,100)**
Foreign exchange	**2**	**-**	**(2)**	**-**
Depreciation at 31 March 2024	**24**	**-**	**226**	**250**
Carrying amount 31 March 2024	**148**	**-**	**77**	**225**

Depreciation charges are included within administrative expenses.

8. Intangible assets

	Development costs £'000	Software £'000	Total £'000
Cost at 1 April 2022	-	525	525
Additions	1,225	-	1,225
Cost at 31 March 2023	1,225	525	1,750
Amortisation at 1 April 2022	-	143	143
Amortisation for the year	101	110	211
Amortisation at 31 March 2023	101	253	354
Carrying value at 31 March 2023	1,124	272	1,396
Cost at 1 April 2023	**1,225**	**525**	**1,750**
Additions	**736**	**-**	**736**
Cost at 31 March 2024	**1,961**	**525**	**2,486**
Amortisation at 1 April 2023	**101**	**253**	**354**
Amortisation for the year	**423**	**131**	**554**
Amortisation at 31 March 2024	**524**	**384**	**908**
Carrying value at 31 March 2024	**1,437**	**141**	**1,578**

Amortisation charges are included within administrative expenses.

The only software cost as at 31 March 2024 is the Group's finance and operations system that was brought into use October 2020.

Development costs relate to costs capitalised for the development of the "Test Your" platform (carrying value £464k; 2023: £865k), which completed during the year ended 31 March 2023, and the Supply Chain Automation platform (carrying value £930k; 2023: £259k), which enables System1 to interface (via API) with multiple suppliers of panel respondents, was substantially completed at the end of the year ended 31 March 2024. Development costs in respect of completed projects are tested for impairment where impairment indicators exist. No indicators exist at 31 March 2024 (31 March 2023: none). Development costs in respect of ongoing projects are tested for impairment at each reporting date. The carrying value of the assets in each case are assigned to their respective cash generating units for the purposes of assessing future cashflows. The principal assumptions used in the forecasts were the timing and amount of future revenues and cost savings, which were derived from the latest forecasts approved by the Board. Following the assessment, the Board have determined that no impairment of assets is required as at 31 March 2024 (31 March 2023: £nil). The headroom in the impairment review exceeds the carrying value of the asset.

9. Financial risk management

The Group's financial risk management policies and objectives are explained in the Group Directors' report.

Credit risk

The Group reviews and manages credit risk, arising from trade receivables and cash and cash equivalents, on a consolidated basis. The vast majority of the Group's customers are large blue-chip organisations, and the Group has only ever suffered minimal bad debts. The Group has concentrations of credit risk as follows.

	2024	2023
	£'000	£'000
Cash and cash equivalents		
HSBC Bank PLC (AA credit rating)	**8,588**	5,190
Santander	**828**	349
Deutsche Bank	**50**	38
UBS	**144**	142
Other banks	**-**	-
	9,610	5,719

At 31 March 2024, the Group has cash balances of £40,000 (2023: £42,000) which are not readily available for use due to ongoing restrictions imposed by overseas banking institutions. The Group has made full provision against these balances at the year end.

Market risk – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. The Group considers foreign exchange risk to be one of its financial risks and may seek to minimise its effects by using forward foreign exchange contracts where appropriate. During 2023 and 2024, the Group did not enter into any forward foreign exchange contracts.

The denominations of the cash and cash equivalents held by the Group were as follows:

	2024	2023
	£'000	£'000
Cash and cash equivalents		
GBP	**1,076**	1,926
USD	**4,367**	1,503
EUR	**2,285**	1,404
CHF	**553**	250
AUD	**496**	249
SGD	**6**	38
BRL	**827**	349
	9,610	5,719

Financial instruments by category

At the balance sheet date, the Group held the following financial instruments by category.

	2024 £'000	2023 £'000 Restated
Financial assets carried at amortised cost		
Finance lease receivables	**85**	348
Trade and other receivables (excluding prepayments)	**6,380**	5,918
Cash and cash equivalents	**9,610**	5,719
	16,075	11,985
Other financial liabilities carried at amortised cost		
Current liabilities		
Trade payables	**2,051**	1,595
Accruals	**3,880**	1,676
Lease liabilities	**280**	1,094
	6,211	4,365
Non-current liabilities		
Lease liabilities	**66**	362
	66	362

On 22 February 2023, the Company entered into an Overdraft Facility with HSBC. The facility of up to £1,500,000 is secured over the Company's trade receivables, and incurs interest at 3% above the Bank of England base rate on drawn balances. The facility has no fixed end date and can be cancelled by either party at any time. During the year ended 31 March 2024, the Company has not drawn any amounts under the facility, and no amounts have been drawn to the date of the signing of these financial statements (amounts drawn in the year ended 31 March 2023: £nil).

10. Finance lease receivables

:	2024 £'000	2023 £'000
Amounts receivable under finance leases		
Year 1	**94**	**284**
Year 2	**-**	**94**
Total undiscounted lease payments	**94**	**378**
Unearned finance income	**(9)**	**(29)**
Net investment in lease	**85**	**349**

	2024 £'000	2023 £'000
Net investment in the lease analysed as:		
Recoverable after 12 months	**-**	93
Recoverable within 12 months	**85**	256
	85	349

Finance lease receivables relate to the sublease of the Group's previous office in New York, which expires in July 2024. There are no variable payments within the lease arrangement. At each reporting date the Group estimates the loss allowance on finance lease receivables. No amounts were past due at 31 March 2023 or 2024, and the Group consider that the finance lease receivable is not impaired.

11. Trade and other receivables

	2024	2023
	£'000	£'000
Trade receivables	**6,126**	5,694
Prepayments and accrued income	**899**	426
Other receivables	**236**	224
	7,261	6,344

Trade and other receivables are due within one year and are not interest bearing. The maximum exposure to credit risk at the balance sheet date is the carrying amount of receivables (detailed in Note 8). The Group does not hold any collateral as security against trade receivables. The Directors do not believe that there is a significant concentration of credit risk within the trade receivables balance.

Impairment of financial assets

The Group has financial assets, primarily trade receivables, which are subject to the IFRS 9 expected credit loss model, and the Group is required to assess these assets for expected credit losses. The Group has applied the simplified approach to measuring expected credit losses as permitted by IFRS 9 and recognises a loss allowance based on the financial assets' lifetime expected loss.

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. assessment. Trade receivables are grouped for the purposes of the assessment based on industry sector, entity size and geography. The Group assesses expected credit losses based on the ageing of the receivable, the Group's historical experience and informed credit Further credit losses are recognised where the Group has information that indicates it is unlikely to recover balances in full.

The Group has no financial assets designated as measured at fair value.

As of 31 March 2024, trade receivables of £1,803,000 (2023: £1,733,000) were past due but not impaired. The ageing of trade receivables, and the associated loss allowance, is as follows:

	Current £'000	0-3 months due £'000	3-6 months due £'000	Over 6 months due £'000	Total £'000
At 31 March 2024					
Gross trade receivables	**2,208**	**3,540**	**287**	**171**	**6,206**
Loss provision	**19**	**38**	**3**	**20**	**80**
Expected loss rate	**1%**	**1%**	**1%**	**12%**	
At 31 March 2023					
Gross trade receivables	4,007	1,260	403	200	5,870
Loss provision	46	24	15	91	176
Expected loss rate	1%	2%	4%	45%	

Movements in the impairment allowance for trade receivables are as follows:

	2024	2023
	£'000	£'000
Provision for impairment of trade receivables		
Opening balance	**176**	110
Charged to the income statement	**(68)**	101
Utilisations and other movements	**(28)**	(35)
	80	176

As of 31 March 2024, no other receivables or contract costs were impaired (2023: £Nil).

The carrying amount of the Group's trade and other receivables are denominated in the following currencies.

	2024	2023
	£'000	£'000
United States dollar	**1,924**	1,916
British sterling	**3,990**	2,607
Euro	**547**	744
Brazilian real	**240**	574
Swiss franc	**231**	233
Australian dollar	**152**	129
Singapore dollar	**177**	141
	7,261	6,344

12. Share capital

The share capital of System1 Group PLC consists only of fully paid Ordinary Shares ("**Shares**") with a par value of one penny each. All Shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the Annual General Meeting.

	2024		2023	
	No.	£'000	No.	£'000
Allotted, called up, and fully paid ordinary shares At 1 April and at 31 March	**13,226,773**	**132**	13,226,773	132

The Company has treasury shares to satisfy the requirements of the Group's share incentive schemes. The movement in the Company's treasury shares balance is as follows:

	2024 Treasury shares No.	**2024** Weighted average exercise price per share Pence	2023 Treasury shares No.	2023 Weighted average exercise price per share Pence
Shares held by Treasury				
At 1 April	**547,844**		**487,151**	
Purchase of treasury shares	**-**		**60,693**	
Transfer of shares to satisfy options exercise	**-**	-	-	**-**
At 31 March	**547,844**		**547,844**	

Share options

Employee share option scheme

The Group issues share options to directors and senior managers under an HM Revenue and Customs approved Enterprise Management Incentive (EMI) scheme and under an unapproved scheme.

Options granted in more recent years have been awarded in accordance with management long-term incentive plans and such options have a zero-exercise price and are subject to performance criteria. If share options remain unexercised after a period of ten years from the date of grant, the options expire. Share options are forfeited in some circumstances if the employee leaves the Group before the options vest, unless otherwise agreed by the Remuneration Committee of the Board.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2024 Options No.	**2024** Weighted average exercise price per share Pence	2023 Options No.	2023 Weighted average exercise price per share Pence
Share options outstanding				
Opening balance	**1,260,724**	**0.7**	1,194,590	0.8
Granted	**-**	**-**	198,401	-
Lapsed	**(7,000)**	**-**	-	-
Replaced	**-**	**-**	(132,267)	-
Closing balance	**1,253,724**	**-**	1,260,724	0.7
Exercisable at year-end	**10,144**	**0.0**	17,144	53.7
Weighted average share price at date of options exercised (pence)		**NA**		NA
Weighted average fair value of options granted in the year (pence)		**0.0**		43.3

The Group had the following outstanding options and exercise prices:

	2024			**2023**		
Expiry date	**Options** No.	**Weighted average exercise price per share** Pence	**Weighted average remaining contractual life** Months	**Options** No.	**Weighted average exercise price per share** Pence	**Weighted average remaining contractual life** Months
2024	**57,139**	**-**	**3.6**	64,139	14.4	14.9
2025	**-**	**-**	**-**	-	-	-
2027	**1,196,585**	**-**	**29.8**	1,196,585	-	39.8
2028	**-**	**-**	**-**	-	-	-
2029	**-**	**-**	**-**	-	-	-
2032	**-**	**-**	**-**	-	-	-
	1,253,724	**0.0**	**28.6**	1,260,724	0.7	38.5

Long-term incentive scheme

The Company introduced the current 2021 LTIP in October 2021. The 2021 LTIP was implemented in October 2021 as a modification to the 2019 LTIP. The 2021 LTIP options vest between 12 August 2022 and 12 August 2025, subject to Revenue, Profit After Tax and the Company's share price exceeding certain targets. The full details of which are given in the Company's Remuneration Report. The final vesting date of the 2021 LTIP is 12 August 2025, with the exercise period ending on 21 March 2027.

At 31 March 2024, the number of options granted under the 2021 LTIP reached 1,130,959 or 8.6% of issued ordinary share capital of maximum capacity at 10% (2023: 1,130,959 or 8.6% of issued ordinary share capital).

The key inputs into the fair value measurement of the 198,401 options granted in the year ended 31 March 2023 are as follows:

- Expected Life: 2 years and 7.5 months
- Exercise price: £Nil
- Share price at date of grant: £1.45
- Expected volatility: 53.52%
- Risk free rate: 3.51%

No new option grants were made in the year ended 31 March 2024.

The number of options outstanding under the replaced 2019 LTIP scheme is 54,180 (31 March 2023: 54,180). No charge has been recognised in the year as a consequence of management's assessment that the probability of non-market performance conditions being fulfilled is low.

Non-employee option plan

On 17 April 2019, the Company granted Stefan Barden who was then an advisor to the Board, an equity award comprising 300,000 zero cost options. In the year ended 31 March 2022, the plan was modified to reflect the same targets as the 2021 LTIP scheme. As at 31 March 2024, Stefan Barden retained 46,995 of his options, with the remaining 253,005 options cancelled following his resignation in 2022.

Share-based payment charge

The total charge relating to equity-settled share-based payment plans was £nil (2023: credit of £153,000); as a consequence of management's assessment that the probability of non-market performance conditions being fulfilled is low. The associated charge for social security was £nil. (2023: credit of 28,000).

13. Provisions

	Sabbatical	Leasehold dilapidations	Total
	£'000	£'000	£'000
At 1 April 2022	475	34	509
Provided in the year	75	-	75
Utilised in the year	(58)	-	(58)
Reversals of unused amounts	(73)	-	(73)
Foreign exchange movement	-	1	1
At 31 March 2023	**419**	**35**	**454**
Provided in the year	81	-	81
Utilised in the year	(52)	-	(52)
Reversals of unused amounts	(446)	(28)	(474)
Foreign exchange movement	(2)	(1)	(3)
At 31 March 2024	**-**	**6**	**6**
Due within one year	-	6	**6**
Due after one year	-	-	**-**

The Company has historically operated a sabbatical leave scheme, which provided 20 days paid leave for each successive period of six years' service. There was no proportional entitlement for shorter periods of service. During the year ended 31 March 2023, the Company modified the terms of the scheme such that rather than being open to all employees, the scheme was only available to those individuals who had accrued three or more years of unbroken service as at 30 September 2022. During the year ended 31 March 2024, the Company ceased to operate the sabbatical provision in its entirety, with no previously eligible individuals entitled to any further paid leave under the scheme or any alternate compensation. Accordingly, the provision has been released in full.

The assumptions previously used in the valuation of the sabbatical provision is as follows:

	2024	2023
Measurement method	Project unit credit method	
Discount rate, based on 6-year corporate bond yields*	NA	5.0%
Annual salary growth rate	NA	7%
Staff turnover	NA	14%

*The discount rate for the UK has been disclosed, as this accounts for nearly 70% of the total provision.

Dilapidation provisions represent the Group's best estimate of costs required to meet its obligations under property lease agreements.

14. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	**2,051**	1,595
Social security and other taxes	**632**	429
Accruals	**3.880**	1,676
	6,563	3,700

Trade and other payables are due within one year and are not interest bearing. The contractual terms for the payment of trade payables are generally 30-45 days from receipt of invoice.

The contractual maturity of all trade and other payables is within one year of the balance sheet date.

15. Contract liabilities

	2024 £'000	2023 £'000
Contract liabilities	**1,137**	764

From time to time, payments are received from customers prior to work being completed. Such payments are recorded in the balance sheet as contract liabilities.

Included within Revenue is £536,000 relating to contract liabilities recognised at 1 April 2023 (2022: £816,000). No revenue has been recognised in the year from performance conditions satisfied, or partially satisfied in previous periods.

16. Borrowings

The analysis of the maturity of lease liabilities is as follows:

	2024 £'000	2023 £'000
Within one year	**291**	**1,031**
Later than 1 but no later than 5 years	**68**	**457**
More than 5 years	**-**	**-**
Total contractual undiscounted cashflows	**359**	**1,488**
Impact of discounting	**(13)**	**(32)**
Total lease liabilities	**346**	**1,456**

Lease liabilities are presented in the Consolidated Balance Sheet as follows:

	2024 £'000	2023 £'000
Within one year	**280**	1,094
Later than 1 but no later than 5 years	**66**	362
More than 5 years	**-**	-
	346	1,456

There are no contingent payments, purchase options or restrictive covenants in respect of property leases. Details of loan facilities and balances are given in note 9.

17. Expenses by nature

	2024 £'000	2023 £'000 Restated*
Employee benefit expense**	**15,712**	12,916
Other research and development costs	**1,302**	1,602
Capitalised development costs – gross of amortisation	**(736)**	(1,225)
Depreciation, amortisation, and impairment	**1,249**	910
Net foreign exchange (gains)/losses	**204**	(183)
Lease expense related to short term leases	**195**	199
Third party direct costs (sample, translation, data processing)	**3,898**	3,692
Indirect delivery costs	**858**	769
Other expenses	**4,650**	3,941
	27,332	22,621

*The disaggregation of expenses has been amended in the current year to align the presentation with figures reported to management. Accordingly, the comparatives for the year ended 31 March 2023 have been reclassified.
**Included within employee benefit expense is £1,811,000 of costs related to staff involved in research and development activities (2023: £2,341,000) which has not been capitalised under IAS 38.

Analysed as:		
Cost of sales	**3,898**	3,692
Administrative expenses	**23,434**	18,929
	27,332	22,621

18. Other income

	2024 £'000	2023 £'000
Other income	**413**	49
	413	49

Other operating income includes amounts in relation to the trademark co-existence agreement. See note 27 for further details.

19. Auditor Remuneration

	2024 £'000	2023 £'000
Audit of parent company and consolidated accounts	**110**	117
Audit-related assurance services	**-**	14
	110	131

20. Employee benefit expense

	2024	2023
	£'000	£'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**13,327**	10,784
Social security contributions and similar taxes	**1,788**	1,437
Defined contribution pension cost	**453**	458
Long service leave cost - sabbatical provision	**(417)**	(61)
Share-based payment expense	**-**	(153)
Compensation for loss of office	**87**	39
Medical benefits	**474**	412
	15,712	12,916

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, including the 3 (2023: 3) Executive Directors of the company. Details of directors' emoluments are given in the Remuneration Report on pages 48 and 49.

Compensation to key management is set out as follows:

	2024	2023
	£'000	£'000
Salaries and benefits in kind	**871**	725
Bonus	**474**	-
Social security contributions	**175**	93
Defined contribution pension cost	**28**	4
Share-based payment (credit)/expense	**41**	(30)
	1,589	792

The average number of full-time equivalent staff employed by the Group during the financial year was as follows:

	2024	2023
	No.	No.
Sales and marketing	**46**	48
Operations	**44**	43
IT	**31**	37
Administration	**23**	23
	144	151

21. Finance charges

	2024 £'000	2023 £'000 Restated
Interest on finance lease receivables	**8**	17
Interest on bank deposits	**36**	-
Finance income	**44**	17

	2024 £'000	2023 £'000
Interest on bank loans	**-**	(72)
Other net interest payable	**(1)**	-
Interest on lease liabilities	**(34)**	(64)
	(35)	(136)
Net finance income/(expense)	**9**	(119)

22. Income tax expense

	2024 £'000	2023 £'000
Current tax	**1,023**	209
Deferred tax	**51**	106
	1,074	315

Income tax expense for the year differs from the standard rate of taxation as follows:

	2024 £'000	2023 £'000
Profit on ordinary activities before taxation	**3,109**	719
Profit on ordinary activities multiplied by standard UK tax rate	**777**	137
Difference between tax rates applied to Group's subsidiaries	**243**	264
Net expenses not deductible for tax purposes	**57**	15
Adjustments to trading losses and brought forward values	**(3)**	(395)
Remeasurement of deferred tax for change in tax rates	**(7)**	72
Tax on intra-group management charges (Brazil)	**256**	188
Receipt of research and development credits	**(210)**	-
Adjustment to current tax in respect of prior years	**(21)**	78
Adjustments to foreign and withholding tax	**120**	(390)
Adjustments to deferred tax in respect of prior and current years	**(136)**	346
	1,076	315

The standard tax rate for the years ended 31 March 2024 was 25% (31 March 2023: 19%).

The R&D Tax credits in respect of the years ended 31 March 2021 and 31 March 2022 provided a benefit of £0.2m, which was received and recognised in the year ended 31 March 2024. The Company is working with its advisors to submit a claim for a R&D Tax Credit in respect of the year ended 31 March 2023 and 2024. No amounts have been recognised in respect of claims not yet submitted or approved as their receipt is not considered highly probable.

23. Deferred tax

Deferred tax assets and liabilities are as follows.

	2024 £'000	2023 £'000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	**37**	118
- Deferred tax assets to be recovered within 12 months	**155**	85
	192	203
Deferred tax liabilities:		
- Deferred tax liability to be Incurred within 12 months	**(41)**	-
Deferred tax asset (net):	**151**	203

The gross movement in deferred tax is as follows.

	2024 £'000	2023 £'000
Opening balance	**203**	292
Income statement charge	**(51)**	(106)
Foreign exchange movements	**(1)**	17
Closing balance	**151**	203

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Other provisions £'000	Share options £'000	Dilapidation provisions £'000	Sabbatical provision £'000	Accelerated capital allowances £'000	Total £'000
At 1 April 2023	76	23	8	86	10	**203**
Credited/(charged) to income statement	95	(4)	(6)	(86)	(10)	**(11)**
At 31 March 2024	**171**	**19**	**2**	**-**	-	**192**

Deferred tax liabilities	Accelerated capital allowances £'000
At 1 April 2023	-
Charged to income statement	(41)
At 31 March 2024	**(41)**

Deferred tax assets are recognised only to the extent that their recoverability is considered probable. The deferred tax asset in respect of the Company's share option plans relates to corporate tax deductions available on exercise of employee share options.

24. Earnings per share

	2024	2023
Profit attributable to equity holders of the Company, in £'000	**2,033**	404
Weighted average number of Ordinary Shares in issue	**12,678,929**	12,698,398
Basic earnings per share	**16.0p**	3.2p
Profit attributable to equity holders of the Company, in £'000	**2,033**	404
Weighted average number of Ordinary Shares in issue	**12,678,929**	12,698,398
Share options	**10,144**	12,888
Weighted average number of Ordinary Shares for diluted earnings per share	**12,689,073**	12,711,286
Diluted earnings per share	**16.0p**	3.2p

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

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. Options are included in the determination of diluted earnings per share if the required performance thresholds would have been met based on the Group's performance up to the reporting date, and to the extent that they are dilutive. Accordingly, employee options of 1.3 million (2023: 1.3 million) have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at 31 March 2024 and 31 March 2023. The total number of options in issue is disclosed in Note 12.

25. Dividends

The Company did not pay a dividend in the year ended 31 March 2024 and proposes to pay a dividend of 5.0p per share. The record date is 27 September 2024, and the payment date is 18 October 2024.

No dividends were paid to directors in the years ended 31 March 2024 and 31 March 2023.

26. Net cash generated from operations

	2024	2023
	£'000	£'000
Profit before taxation	**3,108**	719
Depreciation and impairment of property, plant, and equipment	**702**	699
Amortisation and impairment of intangible assets	**553**	211
Profit on disposal of right-of-use assets	**(8)**	-
Interest received	**(36)**	-
Interest paid	**35**	136
Share-based payment credit	**-**	(153)
(Increase)/decrease in contract assets	**(78)**	96
Decrease in finance lease receivables	**263**	225
Increase in trade and other receivables	**(917)**	(1,853)
Increase in trade and other payables	**2,863**	146
Increase/(decrease) in contract liabilities	**372**	(227)
Decrease in provisions	**(445)**	(55)
Exchange differences on operating items	**18**	(31)
	6,430	(87)

27. Contingent asset

On 27 September 2021, the Company filed a complaint for trademark infringement, unfair competition and deceptive trade practices at the United States District Court Southern District of New York against System1 LLC ("LLC"), since renamed System1 Inc., an omnichannel customer acquisition marketing provider, over their infringing use of the mark "SYSTEM1". On 30 June 2023 the Company announced that a settlement had been reached with LLC. The parties have signed a global agreement which governs the co-existence of their respective use of the "System1" mark in connection with their operations. As part of this agreement, the Company is receiving a fixed undisclosed payment payable in instalments through to November 2024. Amounts received under this arrangement are included as part of other income. The potential quantum of future cashflows under this arrangement cannot be disclosed under the terms of the legal settlement.

28. Related party transactions

The following transactions took place between entities within the Group, all of which are consolidated in these financial statements, and are related parties by virtue of the common control of the Company.

	Overhead charges £'000	Royalties £'000	Amounts due from/(to) related parties £'000
2024			
System1 Group PLC	**8,762**	**2,755**	**2,135**
System1 Research Limited	**(4,030)**	**(1,267**	**424**
System1 Research, Inc.	**(2,743)**	**(862)**	**(1,835)**
System1 Research B.V.	**(177)**	**(56)**	**315**
System1 Research Sarl	**(407)**	**(128)**	**(501)**
System1 Research GmbH	**(418)**	**(131)**	**(917)**
System1 Marketing Consulting (Shanghai) Co. Limited	**-**	**-**	**-**
System1 Research Do Brazil Servicos de Marketing Ltda.	**-**	**-**	**54**
System1 Research France Sarl	**(530)**	**(167)**	**309**
System1 Market Research Pte Ltd	**(123)**	**(39)**	**(511)**
System1 Research Pty Ltd.	**(335)**	**(105)**	**471**
System1 Agency Limited	**-**	**-**	**55**
System1 AdRatings Limited	**-**	**-**	**-**
2023			
System1 Group PLC	6,801	2,107	2,035
System1 Research Limited	(2,860)	(886)	(583)
System1 Research, Inc.	(2,304)	(714)	(1,065)
System1 Research B.V.	(116)	(36)	(327)
System1 Research Sarl	(332)	(103)	35
System1 Research GmbH	(285)	(88)	(557)
System1 Marketing Consulting (Shanghai) Co. Limited	-	-	178
System1 Research Do Brazil Servicos de Marketing Ltda.	-	-	108
System1 Research France Sarl	(470)	(146)	488
System1 Market Research Pte Ltd	(131)	(41)	(315)
System1 Research Pty Ltd.	(304)	(94)	0
System1 Agency Limited	-	-	5
System1 AdRatings Limited	-	-	(4)

During the year, purchases of £136,374 (2023: £141,181) were made from Merit Data &Technology Limited, a related party by virtue of the common directorship of Philip Machray. At the year end, an amount of £16,800 was owed (2023: £nil). Of the purchases made, £37,000 was capitalised within development costs in the year ended 31 March 2024 (2023: £19,094.14). During the year, sales of £5,000 (2023: £nil) were made to Virgin Wines Online Limited, a related party by virtue of common directorship of Sophie Tomkins. At the year end, an amount of £nil was due (2023: £nil).

29. Audit exemption

System1 Research Limited (company number 03900547), System1 Agency Limited (company number 09829202) and System1 Ad Ratings Limited (company number 11313402) are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A. System1 Group PLC has given a parental guarantee for all entities above under section 479C of the Companies Act 2006.

Company Balance Sheet
as at 31 March 2024

Registered Company No. 05940040

	Note	2024 £'000	2023 £'000
Fixed assets			
Intangible assets	2	**1,578**	1,396
Tangible assets	3	**65**	808
Investments in subsidiaries	4	**581**	581
		2,224	2,785
Debtors due after one year	5	**-**	26
Current assets			
Debtors due within one year	5	**6,047**	5,924
Cash and cash equivalents		**1,908**	1,242
		7,955	7,166
Creditors: amounts due within one year	6	**5,889**	5,182
Net current assets		**2,066**	1,984
Total assets less current liabilities		**4,290**	4,795
Creditors: amounts due after one year	6	**-**	163
Provisions for liabilities	7	**40**	194
Net assets		**4,250**	4,438
Capital and reserves			
Share capital	9	**132**	132
Share premium account	1	**1,601**	1,601
Retained earnings	1	**2,517**	2,705
Shareholders' funds		**4,250**	4,438

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss after tax was £62,000 (2023: profit of £287,000).

The notes on pages 96 to 109 are an integral part of these company financial statements.

These financial statements were approved by the directors on 3 July 2023 and are signed on their behalf by:

James Gregory
Director

Chris Willford
Director

Company Statement of Changes in Equity

for the year ended 31 March 2024

	Share capital	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 April 2022	**132**	**1,601**	**2,706**	**4,439**
Profit for the financial period and total comprehensive income attributable to the equity holders	**-**	**-**	287	**287**
Transactions with owners:				
Employee share option scheme:				
- value of employee services	-	-	(153)	**(153)**
Purchase of treasury shares			(135)	**(135)**
	-	-	(288)	**(288)**
At 31 March 2023	**132**	**1,601**	**2,705**	**4,438**
Profit for the financial period	-	-	(62)	**(62)**
Total comprehensive income attributable to the equity holders	**-**	**-**	(62)	**(62)**
Transactions with owners:				
Employee share option scheme:				
- value of employee services	-	-	(126)	**(126)**
Purchase of treasury shares	-	-	-	**-**
	-	-	(126)	**(126)**
At 31 March 2024	**132**	**1,601**	**2,517**	**4,250**

The notes on pages 96 to 109 are an integral part of these company financial statements.

Notes to the Company Financial Statements

for the year ended 31 March 2024

1. Accounting policies

Statement of compliance

The separate financial statements of the Company are presented in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework'. They have been prepared under the historical cost convention. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year.

This Company is included in the consolidated financial statements of System1 Group PLC for the year ended 31 March 2024. These accounts are available from the registered office address of the Company, and at system1group.com/investors.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions available under FRS 101. Therefore, these financial statements do not include:

a) a statement of cash flows and related notes;
b) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered between two or more wholly owned members of the group;
c) disclosure of key management personnel compensation;
d) capital management disclosures;
e) disclosure of leases as required by paragraph 52 of IFRS 16 "Leases"
f) presentation of a comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period;
g) the effect of future accounting standards not adopted;
h) disclosures in respect of share-based payments
i) disclosures in respect of financial instruments and fair value measurement.

As permitted by the Companies Act 2006 section 408, the Company does not present a profit and loss account.

Research and development – internally generated intangible assets

All on-going research expenditure is expensed in the year in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is charged to administrative expenses in the period in which it is incurred.

Costs relating to the research phase of the product, amounting to £2.4m were expensed in the year to 31 March 2024 (31 March 2023: £2.7m). Development costs include professional fees and directly attributable employee costs required to bring the software into working condition.

Furthermore, internally generated software and product development costs are recognised as an intangible asset only if the Company can demonstrate all the following conditions:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) its intention to complete the intangible asset and use or sell it;
c) its ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits; among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation

Acquired computer software licences are amortised on a straight-line basis over their estimated useful economic life of five years.

Capitalised development costs are amortised on a straight-line basis over their estimated useful economic life of three years.

Amortisation and impairment on all intangible assets are charged to administrative expenses.

Investments

Fixed asset investments comprise investments by the Company in the shares of subsidiary undertakings. The carrying value of is reviewed for indicators of impairment on an annual basis. Where such indicators are present, a quantified impairment test is required and the value in use calculated based upon a discounted cash flow methodology using the most recent forecasts prepared by management. No impairment indicators were identified at 31 March 2024 or 31 March 2023.

Tangible assets and right-of-use assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of all property, plant and equipment to its residual value on a straight-line basis over its expected useful economic lives, which are as follows:

Furniture, fittings and equipment	5 years
Computer hardware	2 to 3 years

The residual value and useful life of each asset is reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged to administrative expenses in the income statement.

Right-of-use assets are measured at cost to include the lease liability, direct and restoration cost and are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in the profit and loss.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amount of its property, plant and equipment and intangible assets for any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Intangible assets not available for use are tested for impairment on at least an annual basis. The recoverable amount is the higher of the fair value less costs to sell and value in use.

Cash at bank

Cash at bank comprises cash in hand and bank deposits available on demand.

Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period, which are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws that have been enacted or substantively enacted at the reporting date applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. 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. Deferred tax assets and liabilities are calculated, without discounting, 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. Deferred tax is recognised as a component of tax expense in the income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity.

Employee benefits

All accumulating employee-compensated absences that are unused at the balance sheet date are recognised as a liability.

The Company operates a defined contribution pension plan. The Company pays contributions to the plan based upon the contractual terms agreed with each employee. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Any amounts outstanding at the reporting date are recognised in liabilities within accruals.

Share-based payments

Equity-settled, share-based payments are measured at fair value at the date of grant. Equity-settled, share-based payments that are made available to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest.

Provisions

Provisions are recognised when: the Company has a legal or constructive obligation because of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where material, the increase in provisions due to passage of time is recognised as interest expense.
The provision for sabbatical leave is measured using the projected unit credit method.
The provision for dilapidations is measured at the present value of expenditures expected to be required to settle those obligations.

Financial instruments

The Company's financial assets comprise trade and other receivables held at amortised cost. The Company does not possess assets held at fair value through profit or loss. The classification is determined by management at initial recognition, being dependent upon the business model and the contractual cash flows of the assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets arising from contracts with customers are separately presented in accordance with IFRS 15 'Revenue from Contracts with Customers' in the Balance Sheet.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's amortised cost financial assets comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Trade receivables are initially recorded at fair value, but subsequently at amortised cost using the effective interest rate method. In accordance with IFRS 9, the Company assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. This assessment considers the age of the debt, as well as historical experience. 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.

Notes to the Company Financial Statements
for the year ended 31 March 2024

Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs, and subsequently carried at amortised cost using the effective interest rate method. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated to produce a constant rate of return on the outstanding liability. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Share capital

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share premium

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.

Treasury shares

Where the Company purchases the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity and classified as treasury shares until they are cancelled. Where such shares are subsequently sold or re-issued, any consideration received is included in total shareholders' equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Significant accounting estimates and judgements

Capitalisation of development costs - judgement

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. Furthermore, the useful economic lives of capitalised development costs are based on management's knowledge of the life cycle of the Group's products and technology. The carrying value of development assets also depends on management's ability to demonstrate the future economic benefits they will deliver. This judgement requires assumptions about factors outside the business's control such as short and medium term economic conditions, technological developments and market changes. Details are contained in note 2.

Impairment of development costs – judgement and estimate

The Group tests annually whether intangible assets, have been impaired by reference to expected future generation of cash from the relevant platforms incorporating the technologies and methodologies developed. In estimating the cash flows the capitalised development costs may generate the directors make judgements, based on budgets and forecasts, about the amount of future profits from the relevant products that will be generated and the timing of when these will be realised. Furthermore, where new technology is acquired through an acquisition, management consider the impact this could have on the carrying value of existing technology, that is similar in nature, when preparing the budgets and forecasts. The Group has carried out an impairment review and determined no impairment is required in the year ended 31 March 2024 (31 March 2023: £nil). Details are contained in note 2.

Share-based payments – judgement and estimate

In the past the Company has on occasion cash-settled part of long-term incentive plan equity awards. Despite the repurchase of these equity interests the Company did not have an obligation to do so and does not have an obligation, constructive or otherwise to do so in the future. As a result, the Company continues to account for share-based payments related to its long-term incentive plans as equity rather than cash-settled.

The 2021 LTIP is subject to non-market conditions of Revenue, Profit After Tax and a market condition of the Company's share price exceeding certain targets; the full details of which are given in the Company's Remuneration Report. The measure of the share-based payment charge is dependent on the estimates made in respect of the probability of those targets being achieved over the vesting period of the options. The key inputs into those estimates are the Company's forecasts, revenue volatility and inflation. Revenue volatility is determined by reference to the share price volatility used to determine the fair value of the options (with an assumption that the two will have a high level of correlation). Inflation is determined by reference to the Bank of England data for the UK in March and April 2024. Non-market vesting conditions are assessed by reference to the Group's latest forecasts. Following management's assessment that the probability of the non-market vesting conditions being met is low, the cumulative share option charge of £126,000 has been reversed in FY24.

Employee benefits - estimate

The Company has historically operated a sabbatical leave scheme, which provided 20 days paid leave for each successive period of six years' service. There was no proportional entitlement for shorter periods of service. During the year ended 31 March 2023, the Company modified the terms of the scheme such that rather than being open to all employees, the scheme was only available to those individuals who had accrued three or more years of unbroken service as at 30 September 2022. During the year ended 31 March 2024, the Company ceased to operate the sabbatical provision in its entirety, with no previously eligible individuals entitled to any further paid leave under the scheme or any alternate compensation. Accordingly, the provision has been released in full. The significant inputs into the model were previously rate of salary growth and average staff turnover as explained in Note 7.

The average number of staff employed by the Company during the year ended 31 March 2024 was 65 (2023: 64) and total employment costs were £7,785,000 (2023: £6,072,000).

Leases – estimate and judgement

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term, and reviews this on a lease-by-lease basis.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Incremental borrowing rates are determined based on the term, country, currency and start date of the lease, to derive the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

2. Intangible assets

	Development costs £'000	Software £'000	Total £'000
Cost at 1 April 2022	-	525	525
Additions	1,225	-	1,225
Cost at 31 March 2023	1,225	525	1,750
Amortisation at 1 April 2022	-	143	143
Amortisation for the year	101	110	211
Amortisation at 31 March 2023	101	253	354
Carrying value at 31 March 2023	1,124	272	1,396
Cost at 1 April 2023	**1,225**	**525**	**1,750**
Additions	**736**	**-**	**736**
Cost at 31 March 2024	**1,961**	**525**	**2,486**
Amortisation at 1 April 2023	**101**	**253**	**354**
Amortisation for the year	**423**	**131**	**554**
Amortisation at 31 March 2024	**524**	**384**	**908**
Carrying value at 31 March 2024	**1,437**	**141**	**1,578**

Amortisation charges are included within administrative expenses.

The only software cost as at 31 March 2024 is the Group's finance and operations system that was brought into use October 2020.

Development costs relate to costs capitalised for the development of the "Test Your" platform (carrying value £464k; 2023: £865k), which completed during the year ended 31 March 2023, and the Supply Chain Automation platform (carrying value £930k 2023: £259k), which was substantially completed at the end of the year ended 31 March 2024. Development costs in respect of completed projects are tested for impairment where impairment indicators exist. No indicators exist at 31 March 2024 (31 March 2023: none). Development costs in respect of ongoing projects are tested for impairment at each reporting date. The carrying value of the assets in each case are assigned to their respective cash generating units for the purposes of assessing future cashflows. The principal assumptions used in the forecasts were the timing and amount of future revenues and cost savings, which were derived from the latest forecasts approved by the Board. Following the assessment, the Board have determined that no impairment of assets is required as at 31 March 2024 (31 March 2023: £nil). The headroom in the impairment review exceeds the carrying value of the asset.

3. Tangible assets

	Right-of-use assets £'000	Furniture and fixtures £'000	Computer hardware £'000	Total £'000
Cost at 1 April 2022	2,682	10	165	2,857
Additions	-	1	23	24
Disposals	(1,437)	-	-	(1,437)
Cost at 31 March 2023	1,245	11	188	1,444
Depreciation at 1 April 2022	1,283	7	103	1,393
Depreciation charge for the year	621	2	57	680
Disposals	(1,437)	-	-	(1,437)
Depreciation at 31 March 2023	467	9	160	636
Carrying amount 31 March 2023	**778**	**2**	**28**	**808**
Cost at 1 April 2023	**1,245**	**11**	**188**	**1,444**
Additions	**-**	**-**	**85**	**85**
Disposals	**(1,245)**	**(11)**	**-**	**(1,256)**
Cost at 31 March 2024	**-**	**-**	**273**	**273**
Depreciation at 1 April 2023	**467**	**9**	**160**	**636**
Depreciation charge for the year	**622**	**2**	**48**	**672**
Disposals	**(1,089)**	**(11)**	**-**	**(1,100)**
Depreciation at 31 March 2024	**-**	**-**	**208**	**208**
Carrying amount 31 March 2024	**-**	**-**	**65**	**65**

4. Investments

	£'000
Cost and net book amount at 1 April 2023 and 31 March 2024	581

Subsidiary undertakings
Details of subsidiary undertakings, registered office and country of incorporation of each, at 31 March 2024 are as follows:

Subsidiary undertaking	Registered office	Country of incorporation
System1 Research Limited	4 More London Riverside, London, England, SE1 2AU	UK
System1 Research B.V.	Conradstraat 38 D2. 138, 3013AP Rotterdam	Netherlands
System1 Research, Inc.	251 Little Falls Drive, Wilmington, DE 19808, New Castle County, Delaware	USA
System1 Research Sarl	Avenue Gratta Paille 2, 1018 Lausanne, Switzerland	Switzerland
System1 Research GmbH	Kleine Seilerstrasse 1 D-20359 Hamburg	Germany
System1 Research Do Brazil Servicos de Marketing Ltda.	Avenida das Nacoes Unidas 14261 – Conj. 25-126B – Cond. WT Morumbi, CEP 04794-000, Vila Gertrudes, São Paulo	Brazil
System1 Research France Sarl	17 Rue de Turbigo, 75002 Paris	France
System1 Market Research Pte Ltd	30 Cecil Street, #19-08 Prudential Tower, 049712	Singapore
System1 Research Pty Ltd.	Suite 1, Level 11, 60 Castlereagh Street, Sydney, NSW 2000	Australia
System1 Agency Limited	4 More London Riverside, London, England, SE1 2AU	UK
System1 AdRatings Limited	4 More London Riverside, London, England, SE1 2AU	UK

System1 Research Limited, System1 Agency Limited, and System1 AdRatings Limited are wholly owned direct subsidiaries of System1 Group PLC. The remaining subsidiaries are each wholly owned direct subsidiaries of System1 Research Limited. The activities of all companies are the provision of market research data and insight services, apart from System1 Agency Limited and System1 AdRatings Limited, which are dormant.

5. Debtors

	2024	2023
	£'000	£'000
Due within one year		
Trade debtors	**1**	12
Trade debtors from group companies	**4,873**	5,131
Amounts due from group companies	**81**	126
Other debtors	**84**	92
VAT recoverable	**211**	203
Corporation tax recoverable	**15**	2
Deferred tax asset	**-**	-
Prepayments	**782**	358
	6,047	5,924
Due after one year		
Deferred tax asset	**-**	26

The Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The Company assesses expected credit losses based on the ageing of the receivable, the Group's historical experience and informed credit assessment. Further credit losses are recognised where the Company has information that indicates it is unlikely to recover balances in full.

The Company is part of a VAT group with its wholly owned subsidiary, System1 Research Limited. As at 31 March 2024, System1 Research Limited had a VAT liability of £473,000, therefore the net exposure of the two entities is £262,000 (2023: creditor of £211,000).

6. Creditors

	2024	2023
	£'000	£'000
Due within one year		
Trade creditors	**693**	741
Social security and other taxes	**181**	-
Amounts due to group companies	**2,818**	3,220
Lease liabilities	**-**	630
Accruals	**2,197**	591
	5,889	5,182
Due after one year		
Lease liabilities	**-**	163
	-	163

7. Provisions for liabilities

	Deferred tax	Sabbatical	Leasehold dilapidations	Total
	£'000	£'000	£'000	£'000
At 1 April 2022	**-**	**254**	**10**	**264**
Provided in the year	**-**	(11)	-	(11)
Reversal of unused amounts	**-**	(59)	-	(59)
At 31 March 2023	**-**	**184**	**10**	**194**
Provided in the year	**38**	-	-	38
Utilised in the year	**-**	(12)	-	(12)
Reversal of unused amounts	**-**	(172)	(8)	(180)
At 31 March 2024	**38**	**-**	**2**	**40**
Due within one year	**-**	-	2	2
Due after one year	**38**	-	-	40

The Company has historically operated a sabbatical leave scheme, which provided 20 days paid leave for each successive period of six years' service. There was no proportional entitlement for shorter periods of service. During the year ended 31 March 2023, the Company modified the terms of the scheme such that rather than being open to all employees, the scheme was only available to those individuals who had accrued three or more years of unbroken service as at 30 September 2022. During the year ended 31 March 2024, the Company ceased to operate the sabbatical provision in its entirety, with no previously eligible individuals entitled to any further paid leave under the scheme or any alternate compensation. Accordingly, the provision has been released in full.

The assumptions previously used in the valuation of the sabbatical provision is as follows:

	2024	2023
Measurement method	Project unit credit method	
Discount rate, based on 6-year corporate bond yields	NA	5.0%
Annual salary growth rate	NA	7%
Staff turnover	NA	14%

	£'000
Changes to the assumptions made in 2023 would have increased the provision by:	
0.25% decrease to discount rate	-
10% increase to salary increase assumption	8
5% decrease to staff turnover assumption	12
10% of salary paid as bonus to all members	39

8. Deferred tax

Deferred tax assets and liabilities are as follows:

	2024 £'000	2023 £'000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	**-**	70
- Deferred tax assets to be recovered within 12 months	**33**	26
	33	96
Deferred tax liabilities:		
- Deferred tax liability to be recovered within 12 months	**(71)**	(70)
Deferred tax (liability)/asset (net):	**(38)**	26

The gross movement in deferred tax is as follows.

	2024 £'000	2023 £'000
Opening balance	**26**	19
Income statement (charge)/credit	**(64)**	7
Closing balance	**(38)**	26

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Other provisions £'000	Share options £'000	Sabbatical provision £'000	**Total** £'000
At 1 April 2023	28	22	46	96
Credited/(charged) to income statement	(6)	(11)	(46)	(63)
At 31 March 2024	**22**	**11**	**-**	**33**

Deferred tax liabilities	Accelerated capital allowances £'000
At 1 April 2023	(71)
Credited to income statement	-
At 31 March 2024	**(71)**

9. Share capital

	2024		2023	
	No.	£'000	No.	£'000
Allotted, called up, and fully paid ordinary shares				
At 1 April and at 31 March	**13,226,773**	**132**	13,226,773	132

Included within issued share capital are 547,844 ordinary shares held in treasury.

10. Related party transactions

During the year, purchases of £136,374 (2023: £141,181) were made from Merit Data &Technology Limited, a related party by virtue of the common directorship of Philip Machray. At the year end, an amount of £16,800 was owed (2023: £nil). Of the purchases made, £37,000 was capitalised within development costs in the year ended 31 March 2024 (2023: £19,094.14). During the year, sales of £5,000 (2023: £nil) were made to Virgin Wines Online Limited, a related party by virtue of common directorship of Sophie Tomkins. At the year end, an amount of £nil was due (2023: £nil).

Company Information

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Renata Ziolko-Nishikant

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