

## PRESS RELEASE

30 November 2022

### System1 Group PLC (AIM: SYS1)

("System1" or "the Group" or "the Company")

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

System1 Group announces its unaudited interim results for the six months ended 30 September 2022 ("H1") and provides an update on its strategic review (the "Review").

	Sep-22 £m	Sep-21 £m	Change** %
<b>Management Basis*</b>			
Revenue	10.5	12.4	-15%
Gross Profit	8.5	10.4	-18%
Adjusted Operating Costs	(8.9)	(9.1)	-2%
Adjusted (Loss)/Profit before Taxation	(0.4)	1.3	-131%
<b>Statutory Basis</b>			
Revenue	10.5	12.4	-15%
Gross Profit	8.5	10.4	-18%
Operating Costs	(8.6)	(9.2)	-6%
Other Operating Income	0.1	0.1	-15%
Profit before Taxation	0.0	1.3	-100%
Income Tax Expense	(0.2)	(0.2)	15%
(Loss)/Profit for the Period	(0.2)	1.1	-119%
Diluted Earnings per Share	(1.7p)	8.8p	

\* Adjusted Operating Costs exclude impairment, interest, share based payments, bonuses, severance costs, and government support. Adjusted figures exclude items, positive and negative, that impede easy understanding of underlying performance.

\*\* Percentages and totals are based on numbers rounded to £'000s

### H1 Highlights

- Data revenue (Test Your Ad, Test Your Brand, Test Your Idea) grew 38% on H1 last year to £6.2m and represented 59% of total revenue.
- New product launches in the period: Test Your Idea (TYI) automated early-stage innovation testing and Test Your Ad Static.
- 85 new data customers in H1 (of which 11 TYI), 155 repeating data customers (who purchased data products during the previous financial year)
- Gross profit margin 81.5% (H1 2021/22: 83.9%).
- Adjusted Operating Costs reduced by 2% (Statutory down 6%); average H1 headcount up 4% to 152 (H1 2021/22: 146).
- £0.4m Adjusted operating loss; break even statutory profit before tax.
- £0.2m Tax charge in the period related to non-UK subsidiaries.
- £6.6m Net Cash as at 30 September 2022 (31 March 2022: £8.7m).
- Diluted and basic loss per share (1.7p) (H1 2021/22 diluted and basic earnings per share: 8.8p).

### Current Trading & Outlook

- Second half of the year has started well, and we expect H2 revenue to exceed H1.
- Board is mindful of the current economic environment, particularly in Europe.
- Higher H1 exit run-rate for expenditure, combined with exchange rate and inflationary pressures are likely to increase expenditure and erode profitability in H2.

## **Strategic Review - Introduction**

On 31 August the Board announced a review of its strategic options for growing the business and increasing shareholder value. Today we provide an update on progress. The Review has validated our existing successful focus on automated 'Test Your' and 'Improve Your' services for testing and improving creative content, including all forms of advertising and product innovations, underpinned by our world-leading IP, brand tracking and Ad Ratings database.

- Our Unique Selling Proposition is 'Predictiveness', offered at market beating speed and value.
- We will focus increasingly on automated testing of digital ad formats to generate growth, as well as continuing to support TV, Audio, Print and Outdoor formats.
- We will continue to target the world's largest advertisers with the aim to generate greater recurring and repeating revenues.
- In addition, significantly increase our focus on commercial partnerships with major ad platforms/media owners such as LinkedIn and ITV. These platforms provide the Company with access to multiple advertisers at significantly reduced customer acquisition costs.
- Furthermore, we will target advertising & media agency groups, such as Omnicom/BBDO, and professional service firms who provide advertising effectiveness advice to multiple clients, with a view to including our 'Test Your' and 'Improve Your' products in their suite of service recommendations, again reducing customer acquisition costs.
- We will significantly increase our focus on the US market which offers the greatest potential for rapid growth given the size of its advertising and digital media owner marketplace.
- In terms of financial metrics, our goal is to become a 'Rule of 40' company, whereby we will target the sum of our data revenue growth rate and adjusted EBITDA margin to be in excess of 40%, delivering a value enhancing blend of growth and return. In the near future the balance will favour Data revenue growth, as demonstrated in the 38% year-on-year increase in H1.
- In line with the focus on Data revenue growth, we are cancelling the £1.5m buyback tender offer announced in June, in order to provide more growth capital for the business.

## **Strategic Review – Personnel Changes**

- John Kearon, currently Founder and CEO, will become Founder & President from 1 December, with the priority task of securing new business and partnership opportunities in the US, where he will spend most of the first half of 2023. John will no longer act as CEO but will remain a director of the Company.
- James Gregory, currently COO, will be appointed CEO from 1 December to lead the execution of the new strategy, complete our digital transformation and scale the business. He will be appointed to the Board at the earliest opportunity following completion of the usual regulatory procedures, and a further announcement will follow in due course.
- The Board will seek to appoint an adviser in the US with expertise in digital media to assist with the development of growth plans in that area. The search for this individual is underway with an appointment expected in Q1 2023.
- More broadly, the Company will seek to retain, find, and develop the people who can execute our growth plans, with particular emphasis on the US partnerships and digital.

## **Strategic Review Longer-Term Objectives**

- Longer-term our ambition is to attract small business customers with a self-serve product, but in the short to medium term we will reach this customer segment via commercial partners such as LinkedIn.
- Our Test Your and Improve Your products would suit a SaaS business model and, longer term, a subscription revenue model is highly attractive to us. Any transition to this, however, will only be when we have lowered our customer acquisition costs; and in agreement with our customers to transact that way. Importantly, our tech platform is already capable of handling such a switch.
- We are close to the completion of our joint Artificial Intelligence project with the University of Warwick and will launch the second phase after publishing the results of phase one.

## **Strategic Review – Next Steps**

- We will provide an update as and when there are further developments.
- Information on implementation of the Strategic Review will be presented at a Capital Markets Day on 28 February 2023.

System1 Founder and CEO John Kearon commented:

“Our transformation to a digital/data-led business is well underway, and the Review has identified opportunities to leverage our platform and extend our reach via commercial partnerships. We believe the US market offers us the greatest opportunity, which is why I am going to spend more time there to focus on new business. I am delighted that James Gregory has agreed to succeed me as CEO – he is the ideal person to deliver the new strategy for the benefit of all stakeholders.

System1 now has the opportunity to ‘punch above our weight’ - we are global industry thought leaders with a superb, proven suite of products. We outperform our competitors on the key measure of ‘predictiveness’ as well as on speed and cost. We have a great client list - but we need to grow it a lot more, take the opportunity to do more business with all our customers and expand our routes to market. That way we will grow our revenues significantly, have much more recurring and repeating activity, and significantly grow the value of the business. The System1 team is energised and excited to pursue the growth opportunities ahead of us”.

Further information on the Company and the implementation of the Strategic Review to follow at 28 February Capital Markets Day.

Further information on the Company can be found at [system1group.com](http://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.

For further information, please contact:

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## **INTERIM STATEMENT**

### **Financial Performance**

The continuing decline in our complex consultancy products (44% down on H1 last year) led to headline revenue being down by 15%, despite encouraging progress in our “Test Your” product suite (Data) which increased by 38% to £6.2m and now Data revenue represents just under 60% of company revenue. We had 240 Data customers in H1, of which 85 were new. The Innovation product group saw the biggest relative decline in total revenue versus last year, reflecting the later availability of an automated solution (TYI launched in May) in that category. Brand grew 14% year on year due mainly to the successful launch of TYB in the Americas. By region, the UK and Europe were affected by customers’ budgetary response to the Ukraine invasion and associated economic shocks. The market in the Americas has been stronger; the sales performance in that region was due mainly to a rebuild from ground up on the US sales force, and the performance in recent months is encouraging.

Adjusted Operating Costs decreased by 2% versus H1 last year due mainly to the capitalisation of £0.7m platform-related development costs (H1 2021/22: nil). Development costs related to specific products in the prior 2 years were expensed. Employment costs rose as planned and increased progressively in sales, marketing and IT and development as we pursued our plans to scale up through partnerships and our automated testing platform. Overall average headcount increased by 4% to 152 FTE with growth in Sales and IT offset by reductions in operations. Statutory operating costs fell by 6% and include the favourable impact of exchange rate movements on non-sterling bank balances.

### **Intellectual Property Litigation**

On 9 November 2021, System1 announced that it had 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”) over their infringing use of the mark “System1”.

In October the U.S. District Court Southern District of New York rejected LLC’s motion to dismiss the complaint which means the case will proceed as planned. In line with the recommended practice in the US legal system, we are about to commence a period of mediation in advance of further court proceedings.

Also in October 2022, we received positive news for the next stage in the legal case by successfully registering the mark “System1” with the United States Patent and Trademark Office for use in classes 35 and 38, matching the registrations already held in the UK, EU, and other territories.

### **Tax**

The Company has recognised a tax charge of £0.2m in the six months to 30 September 2022 (H1 2021/22: tax charge of £0.1m), due to the distribution of trading profits in overseas jurisdictions which cannot be offset against trading losses elsewhere. In the prior H1 period, a £0.5m tax credit was recognised in respect of R&D claims.

### **Earnings Per Share**

Diluted and Basic Earnings per Share fell from 8.8p to a loss per share of 1.7p, in line with year-to-date losses.

## **Cash**

The Company ended the period with cash balances of £9.1m, £6.6m net of borrowings (H1 2021/22: £7.5m). Operating cash flow before debt financing and after all property lease costs amounted to an outflow of £2.6m in the first half.

## **Balance Sheet**

Total equity increased to £8.5m (31 March 2022: £8.3m), with the year-to-date after-tax loss of £0.2m being more than offset by the increase in the foreign exchange reserve due to the weakening of Sterling across the period. Intangible assets have increased by £0.6m as a result of the capitalisation of certain platform development costs. The Company's borrowings consist of a £2.5m revolving credit facility that has been in place since February 2020.

## **Current Trading & Outlook**

Whilst the second half of the year has started well, and we expect H2 revenue to exceed H1, the Board is mindful of the current economic backdrop particularly in Europe. The higher H1 exit run-rate for expenditure, combined with exchange rate and inflationary pressures are likely to increase expenditure and erode profitability in H2. We now have the platform and human capital to serve a significantly bigger revenue base and are focused on growing from this point to deliver superior returns to our shareholders.

John Kearon  
Founder and CEO

Chris Willford  
Chief Financial Officer

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the 6 months ended 30 September 2022

	Note	Sep-22 £'000	Sep-21 £'000
<b>Revenue</b>	3	<b>10,496</b>	12,355
Cost of sales		<b>(1,946)</b>	(1,983)
<b>Gross profit</b>	3	<b>8,550</b>	10,372
Administrative expenses		<b>(8,696)</b>	(9,124)
Other operating income		<b>224</b>	85
<b>Operating profit</b>		<b>78</b>	1,333
Finance expense		<b>(84)</b>	(80)
<b>(Loss)/Profit before taxation</b>		<b>(6)</b>	1,253
Income tax expense		<b>(204)</b>	(122)
<b>(Loss)/Profit for the period</b>		<b>(210)</b>	1,131
<b>Attributable to the equity holders of the Company</b>		<b>(210)</b>	1,131
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic (loss)/earnings per share	4	<b>(1.7p)</b>	8.8p
Diluted (loss)/earnings per share	4	<b>(1.7p)</b>	8.8p

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the 6 months ended 30 September 2022

	<b>Sep-22</b> £'000	<b>Sep-21</b> £'000
<b>(Loss)/profit for the period</b>	<b>(210)</b>	1,131
<b>Other comprehensive income:</b>		
<b>Items that may be subsequently reclassified to profit/(loss)</b>		
Currency translation differences on translating foreign operations	<b>447</b>	92
Other comprehensive income for the period, net of tax	<b>447</b>	92
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>237</b>	1,223

## CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 September 2022

Registered no. 05940040

	Note	Sep-22 £'000	Mar-22 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	7	1,660	2,054
Intangible assets	8	977	382
Deferred tax asset		265	292
		<b>2,902</b>	<b>2,728</b>
<b>Current assets</b>			
Contract assets		151	198
Trade and other receivables		5,492	4,492
Cash and cash equivalents		9,064	11,174
		<b>14,707</b>	<b>15,864</b>
<b>Total assets</b>		<b>17,609</b>	<b>18,592</b>
<b>EQUITY</b>			
<b>Attributable to equity holders of the Company</b>			
Share capital	10	132	132
Share premium account		1,601	1,601
Merger reserve		477	477
Foreign currency translation reserve		643	196
Retained earnings		5,694	5,857
<b>Total equity</b>		<b>8,547</b>	<b>8,263</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions		364	432
Lease liabilities	9	965	1,417
		<b>1,329</b>	<b>1,849</b>
<b>Current liabilities</b>			
Provisions		97	77
Lease liabilities	9	1,110	1,091
Borrowings	9	2,500	2,500
Contract liabilities		1,042	991
Income taxes payable		249	267
Trade and other payables		2,736	3,554
		<b>7,733</b>	<b>8,480</b>
<b>Total liabilities</b>		<b>9,062</b>	<b>10,329</b>
<b>Total equity and liabilities</b>		<b>17,609</b>	<b>18,592</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 6 months ended 30 September 2022

	Note	Sep-22 £'000	Sep-21 £'000
<b>Net cash (used in)/generated from operations</b>	11	<b>(1,297)</b>	1,501
Tax (paid)/received		<b>(187)</b>	377
<b>Net cash (used in)/generated from operating activities</b>		<b>(1,484)</b>	1,878
<b>Cash flows from investing activities</b>			
Purchases of property, plant, and equipment	7	<b>(3)</b>	(72)
Purchase of intangible assets	8	<b>(654)</b>	(53)
<b>Net cash used by investing activities</b>		<b>(657)</b>	(125)
<b>Net cash flow before financing activities</b>		<b>(2,141)</b>	1,753
<b>Cash flows from financing activities</b>			
Interest paid		<b>(84)</b>	(80)
Property lease liability payments		<b>(433)</b>	(599)
Purchase of own shares		<b>(135)</b>	
<b>Net cash used by financing activities</b>		<b>(652)</b>	(679)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,793)</b>	1,074
<b>Cash and cash equivalents at beginning of period</b>		<b>11,174</b>	9,008
Exchange gain/(loss) on cash and cash equivalents		<b>683</b>	(38)
<b>Cash and cash equivalents at end of period</b>		<b>9,064</b>	10,044
		<b>Sep-22 £'000</b>	<b>Sep-21 £'000</b>
Net cash flow before financing activities		<b>(2,141)</b>	1,753
Net cash flow for property leases		<b>(468)</b>	(644)
Operating cash flow		<b>(2,609)</b>	1,109

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

for the 6 months ended 30 September 2022

**Consolidated Movements in Net Cash/(Debt)**

	Cash and cash equivalents £'000	Borrowings £'000	Lease liabilities £'000	<b>Total £'000</b>
<b>At 1 April 2021</b>	9,008	(2,500)	(2,575)	<b>3,933</b>
Cash flows	1,196	-	644	<b>1,840</b>
Non-cash charges				
Interest on lease liabilities	-	-	(45)	<b>(45)</b>
New lease liabilities	-	-	(459)	<b>(459)</b>
Exchange and other non-cash movements	(160)	-	-	<b>(160)</b>
<b>At 30 September 2021</b>	<b>10,044</b>	<b>(2,500)</b>	<b>(2,435)</b>	<b>5,109</b>

**Consolidated Movements in Net Cash/(Debt)**

	Cash and cash equivalents £'000	Borrowings £'000	Lease liabilities £'000	<b>Total £'000</b>
<b>At 1 April 2022</b>	11,174	(2,500)	(2,508)	<b>6,166</b>
Cash flows	(2,793)	-	478	<b>(2,315)</b>
Non-cash charges				
Interest on lease liabilities	-	-	(45)	<b>(45)</b>
New lease liabilities	-	-	-	<b>-</b>
Exchange and other non-cash movements	683	-	-	<b>683</b>
<b>At 30 September 2022</b>	<b>9,064</b>	<b>(2,500)</b>	<b>(2,075)</b>	<b>4,489</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 September 2022

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2021</b>	132	1,601	477	(146)	5,170	<b>7,234</b>
Profit for the period	-	-	-	-	1,131	<b>1,131</b>
Other comprehensive income:						
- currency translation differences	-	-	-	91	1	<b>92</b>
<b>Total comprehensive income</b>	-	-	-	91	1,132	<b>1,223</b>
Transactions with owners:						
Employee share options:						
- value of employee services	-	-	-	-	17	<b>17</b>
<b>At 30 September 2021</b>	<b>132</b>	<b>1,601</b>	<b>477</b>	<b>(55)</b>	<b>6,319</b>	<b>8,474</b>
<b>At 1 April 2022</b>	132	1,601	477	196	5,857	<b>8,263</b>
Loss for the period	-	-	-	-	(210)	<b>(210)</b>
Other comprehensive income:						
- currency translation differences	-	-	-	447	-	<b>447</b>
<b>Total comprehensive income</b>	-	-	-	447	(210)	<b>237</b>
Transactions with owners:						
Employee share options:						
- value of employee services	-	-	-	-	182	<b>182</b>
Purchase of own shares					(135)	<b>(135)</b>
<b>At 30 September 2022</b>	<b>132</b>	<b>1,601</b>	<b>477</b>	<b>643</b>	<b>5,694</b>	<b>8,547</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2022

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, UK SE1 2AU. The Company’s shares are listed on the Alternative Investment Market of the London Stock Exchange (“AIM”).

The Company and its subsidiaries (together the “Group”) provide predictive marketing data and market research consultancy.

The Board of Directors approved these interim financial statements for the six months ended 30 September 2022 for issuance on 30 November 2022.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited. The Group’s latest statutory financial statements were for the year ended 31 March 2022 and these have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain an emphasis of matter paragraph and any statement under Section 498 of the Companies Act 2006.

### 1. Basis of Preparation

This condensed consolidated interim financial information has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting and on the going concern basis. The Group is mindful of the current economic backdrop in Europe, and the Board continues to review the performance of the Group monthly, and senior management has a weekly assessment of sales revenue and gross profit. The Group also prepares and reviews cash flow forecasts and is confident that the going concern assessment remains appropriate. This financial information should be read in conjunction with the financial statements for the year ended 31 March 2022, which have been prepared under the historical cost convention.

The preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”) requires the use of certain critical accounting estimates.

### 2. Principal accounting policies

The principal accounting policies adopted are consistent with those of the financial statements for the year ended 31 March 2022.

### 3. Segment Information

The financial performance of the Group’s geographic operating units (“Reportable Segments”) is set out below.

	Sep-22		Sep-21	
	Revenue £'000	Gross profit £'000	Revenue £'000	Gross profit £'000
<b>By location of customer</b>				
Americas	<b>4,050</b>	<b>3,262</b>	4,483	3,885
United Kingdom	<b>3,844</b>	<b>3,074</b>	3,980	3,110
Rest of Europe	<b>1,864</b>	<b>1,546</b>	2,906	2,498
APAC	<b>738</b>	<b>668</b>	986	879
	<b>10,496</b>	<b>8,550</b>	12,355	10,372

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.

	Sep-22		Sep-21	
	Revenue £'000	Gross profit £'000	Revenue £'000	Gross profit £'000
<b>By product variant</b>				
Data	6,153	4,859	4,495	3,826
Consultancy	4,304	3,666	7,725	6,520
Other services	39	25	135	26
	<b>10,496</b>	<b>8,550</b>	12,355	10,372
<b>By product group</b>				
Communications (Ad Testing)	7,022	5,803	7,313	6,178
Brand (Brand Tracking)	1,865	1,324	1,632	1,237
Idea (Innovation)	1,571	1,399	3,283	2,931
Other services	38	24	127	26
	<b>10,496</b>	<b>8,550</b>	12,355	10,372

#### 4. Earnings Per Share

	Sep-22	Sep-21
(Loss)/Profit attributable to equity holders of the Company, in £'000	<b>(210)</b>	1,131
Weighted average number of Ordinary Shares in issue	<b>12,717,762</b>	12,806,391
Basic (loss)/earnings per share	<b>(1.7p)</b>	8.8p
(Loss)/Profit attributable to equity holders of the Company, in £'000	<b>(210)</b>	1,131
Weighted average number of Ordinary Shares in issue	<b>12,717,762</b>	12,806,391
Share options*	<b>13,000</b>	12,299
Weighted average number of Ordinary Shares for diluted earnings per share	<b>12,730,762</b>	12,818,690
Diluted (loss)/earnings per share	<b>(1.7p)</b>	8.8p

\*The impact of share options is anti-dilutive in the current period due to the loss.

#### 5. Headcount

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

	Sep-22 No.	Sep-21 No.
Sales and marketing	47	39
Operations	45	52
IT	38	34
Administration	22	21
	<b>152</b>	146

#### 6. Dividends

The Company did not pay dividends in the six months ended 30 September 2022 and 30 September 2021. The Company does not propose the payment of an interim dividend.

No dividends were paid to the Company's directors.

## 7. Properly, Plant, and Equipment

		Right-of-use assets £'000	Furniture and fixtures £'000	Computer hardware £'000	<b>Total £'000</b>
<b>At 1 April 2021</b>					
Cost		1,747	30	114	1,891
Accumulated depreciation		(402)	(13)	(41)	(456)
Net book value		1,345	17	73	1,435
Net book value, at 1 April 2021		1,345	17	73	1,435
Additions	-	1,984	1	73	2,058
Disposals	-	(196)	-	-	(196)
Foreign exchange	-	16	1	4	21
Remeasurement of right-of-use assets		(405)	-	-	(405)
Depreciation charge for the year		(773)	(15)	(71)	(859)
Net book value, at 31 March 2022		1,971	4	79	2,054
<b>At 31 March 2022</b>					
Cost		3,555	33	192	3,780
Accumulated depreciation		(1,584)	(29)	(113)	(1,726)
Net book value		1,971	4	79	2,054
<b>At 1 April 2022</b>					
Cost		3,555	33	192	3,780
Accumulated depreciation		(1,584)	(29)	(113)	(1,726)
Net book value		1,971	4	79	2,054
Net book value, at 1 April 2022		1,971	4	79	2,054
Additions		-	-	3	3
Foreign exchange		99	-	-	99
Depreciation charge for the year		(450)	(1)	(45)	(496)
Net book value, at 30 September 2022		1,620	3	37	1,660
<b>At 30 September 2022</b>					
Cost		2,139	11	179	2,329
Accumulated depreciation		(519)	(8)	(142)	(669)
Net book value		1,620	3	37	1,660

In the twelve months ended 31 March 2022, the Group added a new right-of-use asset for a sublease in regard to the Company's New York Office lease asset which had been fully impaired in the previous financial year. The value of the sublease was for £740,000 of which £43,000 was a cash settlement. This in turn has led to a re-recognition of the lease liability of the head lease of £459,000 with corresponding reversal of £230,000 relating to the impairment from 30 September 2020.

No impairment charges or reversals have been recorded in the six months ended 30 September 2022, and there have been no substantive changes to leasehold arrangements.

## 8. Intangible assets

	Development costs £'000	Software licences £'000	Total £'000
<b>At 1 April 2021</b>			
Cost	-	464	464
Accumulated depreciation	-	(46)	(46)
Net book value	-	418	418
Net book value, at 1 April 2021	-	418	418
Additions	-	59	59
Depreciation charge for the year	-	(95)	(95)
Net book value, at 31 March 2022	-	382	382
<b>At 31 March 2022</b>			
Cost	-	525	525
Accumulated depreciation	-	(143)	(143)
Net book value	-	382	382
<b>At 1 April 2022</b>			
Cost	-	525	525
Accumulated depreciation	-	(143)	(143)
Net book value	-	382	382
Net book value, at 1 April 2022	-	382	382
Additions	654	-	654
Disposals	-	(1)	(1)
Depreciation charge for the year	-	(58)	(58)
Net book value, at 30 September 2022	654	323	977
<b>At 30 September 2022</b>			
Cost	654	529	1,183
Accumulated depreciation	-	(206)	(206)
Net book value	654	323	977

During the period ended 30 September 2022, the company has capitalised £654k of development costs in respect of three key projects: the credit platform, the notifications service and the team management system. The platforms were not complete as at the period end; therefore no amortisation has been recognised.

## 9. Borrowings

In February 2020, the Company entered a 3-year revolving credit facility with HSBC. The agreement allows the Company to draw down up to £2,500,000 for the purposes of funding general corporate and working capital requirements. The facility is secured over the assets of those Group companies domiciled in the United Kingdom and the United States. The loan accrues interest at a rate of 2.5% above SONIA (Sterling Overnight Index Average) and is subject to leverage and interest covenants.

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

	Sep-22 £'000	Mar-22 £'000
Within one year	1,161	1,147
Later than 1 but no later than 5 years	978	1,447
More than 5 years	-	-
Minimum lease payments	2,139	2,594
Future finance charges	(64)	(86)
Recognised as a liability	2,075	2,508

The present value of finance lease liabilities is as follows:

	Sep-22 £'000	Mar-22 £'000
Within one year	1,110	1,091
Later than 1 but no later than 5 years	965	1,417
More than 5 years	-	-
	2,075	2,508

## 10. 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.

	Sep-22		Mar-22	
	No.	£'000	No.	£'000
Allotted, called up, and fully paid ordinary shares	13,226,773	132	13,226,773	132
At 1 April and at 30 September				

	Sep-22		Mar-22	
	Treasury shares No.	Weighted average exercise price per share Pence	Treasury shares No.	Weighted average exercise price per share Pence
<b>Shares held by Treasury</b>				
At 1 April	487,151		510,421	
Purchase of treasury shares	60,693		158,674	
Transfer of shares to satisfy options exercise	-	-	(181,944)	-
At 30 September	547,844		487,151	



## 11. Net Cash Generated from Operations

	Sep-22 £'000	Sep-21 £'000
<b>Profit before taxation</b>	<b>(6)</b>	1,253
Depreciation of property, plant, and equipment	<b>496</b>	472
Amortisation and impairment of intangible assets	<b>58</b>	47
Loss on disposal of property, plant, and equipment	-	-
Interest paid	<b>84</b>	80
Share-based payment expense	<b>182</b>	17
(Increase)/decrease in contract assets	<b>47</b>	(18)
(Increase)/decrease in trade and other receivables	<b>(1,001)</b>	(588)
Increase/(decrease) in trade and other payables	<b>(819)</b>	277
Increase/(decrease) in deferred income	<b>51</b>	(22)
(Decrease)/increase in provisions	<b>(65)</b>	89
Exchange differences on operating items	<b>(323)</b>	(106)
	<b>(1,297)</b>	1,501

## 12. Post Balance Sheet Events

On 31 August 2022 the board announced a review of its strategic options for growing the business and increasing shareholder value. The initial findings of the review are reported at the front of this document.