

PRESS RELEASE

3 December 2024

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

System1 Group the marketing decision-making platform www.system1group.com announces its unaudited interim results for the six months ended 30 September 2024 ("H1", "H1 FY25").

Statutory Basis	H1 FY25	H1 FY24*	Change**
	£m	£m	%
Platform	16.7	10.9	53%
Non-Platform	1.6	2.4	-31%
Total Revenue	18.3	13.3	38%
Gross Profit	16.0	11.7	37%
Operating Costs	(13.7)	(10.9)	26%
Other Operating Income*	0.3	0.2	35%
Profit before Taxation	2.6	0.9	176%
Income Tax Expense	(0.8)	(0.3)	167%
Profit for the Period	1.8	0.6	180%
Diluted Earnings per Share	13.8p	4.9p	182%

* FY24 restated to align with full-year FY24 accounting for sublease income – see Note 3

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

H1 Highlights

- Platform revenue grew 53% on H1 FY24 to £16.7m and represented 91% of total revenue (H1 FY24: 82%). Total revenue increased by 38%.
- Strong total revenue growth in the USA (+79%), and UK (+38%).
- 161 new platform clients in H1 FY25 (H1 FY24: 136) providing £3.3m of additional revenue.
- Platform Net Revenue Retention³ of over 120%.
- Gross profit margin in line with FY24 at 87.3% (H1 FY24: 87.8%).
- Benefits of operational gearing and our scalable business model showing through: profit before tax up 176% to £2.6m (H1 FY24: £0.9m).
- £2m additional discretionary investment in the next 18 months aimed at building our position in America and revitalising System1's Innovation proposition.
- Average H1 headcount up 12% to 160 (H1 FY24: 143).
- Share based payments credit of £0.1m.
- £0.3m free cash outflow in H1 (H1 FY24: inflow of £0.6m). Cash balance of £8.9 as at 30 September 2024 (31 March 2024: £9.6m; 30 September 2023: £6.3m).
- Diluted and basic earnings per share up 184% to 13.8p and 13.9p respectively (H1 FY24 diluted and basic earnings per share: 4.9p).

Current Trading & Outlook

- The Company is trading in line with market expectations, including the impact of the additional investment expenditure to be incurred in the second half of the fiscal year².

- The third quarter has begun well, and at this stage we recognise that there may potentially be some revenue upside compared to current market expectations and we will provide further guidance as appropriate with the Q3 Trading update in early February 2025.

System1 CEO James Gregory commented:

“The first half has played out in line with our plan with strong platform growth and good progress in the USA, over 160 new client wins and improved net revenue retention with existing clients. System1 has a significant opportunity to increase revenue both in America and within the Innovation market segment and we have already begun a £2m additional discretionary investment programme over the next 18 months to target medium-term revenue growth in these areas”.

¹ Adjusted Profit is Profit before Taxation excluding share-based payments.

² For the purpose of this announcement, the Group believes market consensus for FY25 to be Revenue of £36.5m, and Adjusted Profit before Tax¹ of £4.4m.

³ NRR is calculated as H1 FY25 Revenue excluding new clients divided by H1 FY24 Revenue.

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.

For further information, please contact:

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INTERIM STATEMENT

Financial Performance

KPIs	H1 FY25	H1 FY24*
Platform Revenue as a % of Total Revenue	91	82
Platform Revenue growth %	53	44
Gross Profit % Revenue	87.3	87.8
Adjusted EBITDA £m* ¹	3	1.6
Adjusted EBITDA % Revenue	16	12
“Rule of 40” ²	69	56
Free cash flow ³	-0.3	0.6
Net cash £m	8.9	6.3

¹ Statutory 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.

*H1 FY24 restated to align with full-year FY24 accounting for sublease income.

Revenues	Sep-24	Sep-23
	Revenue	Revenue
	£'000	Restated**
		£'000
By location of customer		
USA	6,353	3,555
LatAm	1,171	1,193
United Kingdom	7,767	5,610
Rest of Europe	2,097	2,182
APAC	945	765
	18,333	13,305
By product variant		
Data (“Predict Your”)	13,365	9,036
Data-led consultancy (“Improve Your”)	3,334	1,902
Platform revenue	16,699	10,938
Other consultancy (non-platform)	1,634	2,367
	18,333	13,305
By product group		
Communications (Ad Testing)	15,874	10,377
Brand (Brand Tracking)	1,148	1,420
Innovation	1,311	1,508
	18,333	13,305

Total revenue increased by 38% on H1 FY24 to £18.3m and Platform revenue grew 53% to £16.7m and represented 91% of total revenue (H1 FY24: 82%). Within Platform revenue Data increased by 48% from £9.0m to £13.4m and Data-led consultancy by 75% from £1.9m to £3.3m. In the US total revenue increased by 79% to £6.4m and platform revenue increased by 114% to £5.6m. UK and APAC continued to grow strongly, up 38% and 24% respectively on the comparable prior-year period. LatAm was flat year-on year, and Continental Europe was 4% lower due mainly to lower bespoke consultancy revenue and a weaker Euro than in H1 FY24.

Ad testing (Comms) revenue increased by 53% to £15.9m. Brand was 20% down on H1 FY24 to £1.1m due to the runoff of a bespoke brand-tracking contract in the UK. The Innovation product group fell by 13% over

the same period to £1.3m and is now the subject of significant and accelerated investment as we set about revitalising it.

Our fame-building, products and partnerships helped the Company to win 161 new platform clients in H1 (H1 FY24: 136), providing £3.3m in revenue (H1 FY24: £2.4m, FY24: £8.2m). Noteworthy initiatives in H1 included:

- [*The Extraordinary Cost of Dull*](#) research in collaboration with Peter Field and Adam Morgan was showcased on the main stage at the Cannes Festival and became the second-most downloaded report in System1 history;
- [*Uncensored CMO*](#) interviews with US-based leading voices, including Scott Galloway;
- [*The Greenprint USA*](#) and [*The Greenprint Brazil*](#), a guide on how to effectively incorporate sustainability messaging in advertising
- System1 Chief Innovation Officer Orlando Wood, Sir John Hegarty and The Garage launched [*Advertising Principles Explained*](#) (a.p.e.), an advertising effectiveness course that will engage with System1 clients and prospects

New business wins in the US delivered £1.3m of revenue in H1 and included:

- A large, California-based multi-billion revenue enterprise software company;
- A challenger brand family that focuses on improving the health and lifestyles of both people and their pets;
- A large, global investment management firm with US\$20 billion in annual revenue

In the UK and Europe new business flow was also strong with over 100 new clients onboarded in H1 delivering over £1.5m of revenue, including:

- A global social media platform;
- A travel technology platform; and
- An online food delivery company

Net Revenue Retention (NRR) improved in H1 to over 120% for platform revenue and over 110% overall, due to strong growth in the US and UK. (NRR is calculated as H1 FY25 Revenue excluding new clients divided by H1 FY24 Revenue).

Gross profit margin decreased slightly from 87.8% in H1 FY24 to 87.3%, and remained in line with FY24 and comfortably above our 85% benchmark.

Operating Costs increased by 26% versus H1 last year due to increased investment in headcount to target growth, increased spend on marketing, a 68% increase in variable pay from a much lower base in H1 FY 2024, and adverse currency effects arising principally on the US dollar.

Overall average headcount increased by 12% to 160 FTE owing to recruitment in the Sales and Operations teams to secure and service business growth.

We are investing £2m in additional discretionary investment in the next 18 months aimed at building our position in America and revitalising System1's Innovation proposition, covering recruitment of additional personnel, marketing and further IT development costs, and we believe we need to continue to invest in growth to grow shareholder value.

Tax

The Group has recognised a tax charge of £0.8m in the six months to 30 September 2024 (H1 FY24: tax charge of £0.3m). The H1 FY24 figure included a receipt of £0.2m in respect of R&D tax credit claims in the UK. In October 2024, the group submitted an R&D claim for c.£0.3m. Subject to approval by HMRC, the R&D benefit will be offset against profits in the UK.

Earnings Per Share

Diluted and Basic Earnings per Share improved to 13.8p and 13.9p respectively from an H1 FY24 Diluted and Basic earnings per share of 4.9p, in line with the increase in post-tax profits in H1 FY25.

Cash

The Group ended the period with cash balances of £8.9m (H1 FY24 £6.3m, FY24: £9.6m). Free cash flow after property lease costs and interest income amounted to an outflow of £0.3m in the first half, reflecting the payment of £2.6m in bonuses and commissions relating to FY24. (H1 FY24: free cash inflow of £0.6m).

Dividend

The final dividend for FY24 (£0.6m) was paid on 18 October. As previously announced, the Board's policy is to declare a final dividend only and there is therefore no proposed interim dividend.

Balance Sheet

Total equity increased to £12.1m (31 March 2024: £10.6m), arising from the year-to-date post-tax profit of £1.8m partially offset by a £0.2m loss on foreign currency reserves caused by the revaluation of bank and debtor balances at 30 September 2024. Intangible assets have decreased by £0.1m as a result of amortisation charges of £0.3m slightly exceeding the additional capitalisation associated with further development of the platform.

Current Trading & Outlook

Despite a difficult economic environment in some key markets, and challenging conditions for media owners and advertisers, we believe System1 can continue to grow profitably by gaining market share from large incumbents that we believe have less predictive products.

The Company is trading in line with market expectations², including the impact of the cost of additional investment to be incurred in the second half of the fiscal year. The third quarter has begun well, and at this stage we recognise that there may potentially be some revenue upside compared to current market expectations, and we will provide further guidance as appropriate with the Q3 Trading update in early February 2025.

James Gregory
Chief Executive Officer

Chris Willford
Chief Financial Officer

CONDENSED CONSOLIDATED INCOME STATEMENT

for the 6 months ended 30 September 2024

	Note	Sep-24 £'000	Restated Sep-23 £'000
Revenue	4	18,333	13,305
Cost of sales		(2,319)	(1,620)
Gross profit		16,014	11,685
Administrative expenses		(13,751)	(10,940)
Other operating income		264	196
Operating profit		2,527	941
Finance income		41	4
Finance expense		(14)	(20)
Profit before taxation		2,554	925
Income tax expense		(796)	(298)
Profit for the period		1,758	627
Attributable to the equity holders of the Company		1,758	627
Earnings per share attributable to equity holders of the Company			
Basic earnings per share	5	13.9p	4.9p
Diluted earnings per share	5	13.8p	4.9p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 6 months ended 30 September 2024

	Sep-24	Sep-23
	£'000	£'000
Profit for the period	1,758	627
Other comprehensive income:		
Items that may be subsequently reclassified to profit		
Currency translation differences on translating foreign operations	(190)	57
Other comprehensive income for the period, net of tax	(190)	57
Total comprehensive income for the period attributable to equity holders of the Company	1,568	684

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 September 2024

Registered no. 05940040

	Note	Sep-24 £'000	Mar-24 £'000
ASSETS			
Non-current assets			
Property, plant, and equipment	8	718	225
Intangible assets	9	1,510	1,578
Deferred tax asset		174	151
		2,402	1,954
Current assets			
Contract assets		204	180
Finance lease receivables		-	85
Trade and other receivables		7,428	7,261
Cash and cash equivalents		8,852	9,610
		16,484	17,136
Total assets		18,886	19,090
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		161	351
Retained earnings		9,692	8,007
Total equity		12,063	10,568
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	202	66
		202	66
Current liabilities			
Provisions		-	6
Lease liabilities	11	431	280
Contract liabilities		978	1,137
Income taxes payable		830	470
Trade and other payables		4,382	6,563
		6,621	8,456
Total liabilities		6,823	8,522
Total equity and liabilities		18,886	19,090

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 6 months ended 30 September 2024

	Note	Sep-24 £'000	Restated Sep-23 £'000
Net cash generated from operations	13	815	1,896
Tax paid		(434)	(252)
Net cash generated from operating activities		381	1,644
Cash flows from investing activities			
Purchases of property, plant, and equipment	8	(53)	(38)
Purchase of intangible assets	9	(261)	(500)
Net cash used by investing activities		(314)	(538)
Net cash flow before financing activities		67	1,106
Cash flows from financing activities			
Interest received		41	4
Interest paid		(14)	(20)
Property lease liability payments		(430)	(533)
Net cash used by financing activities		(403)	(549)
Net (decrease)/increase in cash and cash equivalents		(336)	557
Cash and cash equivalents at beginning of period		9,610	5,719
Exchange gain on cash and cash equivalents		(422)	5
Cash and cash equivalents at end of period		8,852	6,281
		Sep-24	Sep-23
		£'000	£'000
Net cash flow before financing activities		66	1,106
Net cash flow for property leases		(444)	(553)
Operating cash (outflow)/inflow		(378)	553

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the 6 months ended 30 September 2024

Consolidated Movements in Net Cash/(Debt)

	Cash and cash equivalents £'000	Lease liabilities £'000	Total £'000
At 1 April 2023	5,719	(1,456)	4,263
Cash flows	557	553	1,110
Non-cash charges			
Interest on lease liabilities	-	(20)	(20)
Exchange and other non-cash movements	5	1	6
At 30 September 2023	6,281	(922)	5,359

Consolidated Movements in Net Cash/(Debt)

	Cash and cash equivalents £'000	Lease liabilities £'000	Total £'000
At 1 April 2024	9,610	(346)	9,264
Cash flows	(336)	444	108
Non-cash charges			
Interest on lease liabilities	-	(14)	(14)
New lease liabilities	-	(758)	(758)
Disposal of lease liabilities	-	42	42
Exchange and other non-cash movements	(422)	-	(422)
At 30 September 2024	8,852	(632)	8,220

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 September 2024

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2023	132	1,601	477	423	5,974	8,607
Profit for the period	-	-	-	-	627	627
Other comprehensive income:						
- currency translation differences	-	-	-	57	-	57
Total comprehensive income	-	-	-	57	627	684
Transactions with owners:						
Employee share options:						
- value of employee services	-	-	-	-	40	40
At 30 September 2023	132	1,601	477	480	6,641	9,331
At 1 April 2023	132	1,601	477	423	5,974	8,607
Profit for the period	-	-	-	-	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	-	-	-	-	-	-
At 31 March 2024	132	1,601	477	351	8,007	10,568
At 1 April 2024	132	1,601	477	351	8,007	10,568
Profit for the period	-	-	-	-	1,758	1,758
Other comprehensive income:						
- currency translation differences	-	-	-	(190)	-	(190)
Total comprehensive income	-	-	-	(190)	1,758	1,568
Transactions with owners:						
Employee share options:						
- value of employee services	-	-	-	-	(105)	(105)
- deferred tax credited to equity	-	-	-	-	32	32
At 30 September 2024	132	1,601	477	161	9,692	12,063

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

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 AIM 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 2024 for issuance on 3 December 2024.

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 2024 and these have been approved by the Board of Directors and filed with the Registrar of Companies. These accounts, which contained an unqualified audit report under Section 495, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under Section 498 (2) or (3) 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 Board reviews the performance of the Group monthly, and senior management has a weekly assessment of sales revenue. The Group also prepares and reviews cash flow forecasts and is confident that the going concern assessment remains appropriate. The results presented in this report are unaudited and they have been prepared in accordance with the recognition and measurement principles of UK-adopted International Accounting Standards that are expected to be applicable to the financial statements for the year ending 31 March 2025 and on the basis of the accounting policies to be used in those financial statements. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements, being the statutory financial statements for System1 Group plc, as at 31 March 2024, which have been prepared in accordance with UK adopted International Accounting Standards with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The preparation of financial statements in accordance with UK-adopted International Accounting Standards (“UK-adopted 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 2024.

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
	H1 2024	previously presented
	£'000	H1 2024
		£'000
Administrative expenses	10,940	11,070
Other income	196	330
Finance income	4	-
Increase/(decrease) in profit for the half year	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

4. Segment Information

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

	Sep-24	Sep-23
	Revenue £'000	Revenue Restated** £'000
By location of customer		
USA	6,353	3,555
LatAm	1,171	1,193
United Kingdom	7,767	5,610
Rest of Europe	2,097	2,182
APAC	945	765
	18,333	13,305

*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.

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

	Sep-24	Sep-23
	Revenue £'000	Revenue £'000
By product variant		
Data ("Predict Your")	13,365	9,036
Data-led consultancy ("Improve Your")	3,334	1,902
Platform revenue	16,699	10,938
Other consultancy (non-platform)	1,634	2,367
	18,333	13,305
By product group		
Communications (Ad Testing)	15,874	10,377
Brand (Brand Tracking)	1,148	1,420
Innovation	1,311	1,508
	18,333	13,305

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

5. Earnings Per Share

	Sep-24	Sep-23
Profit attributable to equity holders of the Company, in £'000	1,758	627
Weighted average number of Ordinary Shares in issue	12,685,858	12,678,929
Basic earnings per share	13.9p	4.9p
Profit attributable to equity holders of the Company, in £'000	1,758	627
Weighted average number of Ordinary Shares in issue	12,685,858	12,678,929
Share options*	30,103	12,823
Weighted average number of Ordinary Shares for diluted earnings per share	12,715,961	12,691,752
Diluted earnings per share	13.8p	4.9p

6. Headcount

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

	Sep-24	Sep-23
	No.	No.
Sales and marketing	54	50
Operations	50	39
IT	30	32
Administration	26	22
	160	143

7. Dividends

The Company did not pay dividends in the six months ended 30 September 2024 and 30 September 2023. The Company does not propose the payment of an interim dividend. On 18 October 2024 the Company paid a final dividend of £634,454 (5p per share) in respect of the year ended 31 March 2024, including £140,912 paid to the Company's Directors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

8. Property, Plant, and Equipment

	Right-of- use assets £'000	Furniture and fixtures £'000	Computer hardware £'000	Total £'000
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
Cost at 1 April 2024	172	-	303	475
Additions	758	-	53	811
Disposals	(79)	-	-	(79)
Foreign exchange	(15)	-	(4)	(19)
Cost at 30 September 2024	836	-	352	1,188
Depreciation at 1 April 2024	24	-	226	250
Depreciation charge for the period	226	-	38	264
Disposals	(40)	-	-	(40)
Foreign exchange	(2)	-	(2)	(4)
Depreciation at 30 September 2024	208	-	262	470
Carrying amount 30 September 2024	628	-	90	718

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

9. Intangible assets

	Development costs £'000	Software £'000	Total £'000
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
Cost at 1 April 2024	1,961	525	2,486
Additions	261	-	261
Cost at 30 September 2024	2,222	525	2,747
Amortisation at 1 April 2024	524	384	908
Amortisation for the period	282	47	329
Amortisation at 30 September 2024	806	431	1,237
Carrying value at 30 September 2024	1,416	94	1,510

The only software asset as at 31 March and 30 September 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 £358k; March 2024: £509k), which completed during the year ended 31 March 2023, and the Supply Chain Automation platform (carrying value £1,030k; March 2024: £930k), which enables System1 to interface (via API) with multiple suppliers of panel respondents, was completed during the period ended 30 September 2024. Development costs in respect of completed projects are tested for impairment where impairment indicators exist. No indicators exist at 30 September 2024 (31 March 2024: 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 30 September 2024 (31 March 2024: £nil). The headroom in the impairment review exceeds the carrying value of the asset.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

10. Finance lease receivables

	Sep-24	Mar-24
	£'000	£'000
Amounts receivable under finance leases		
Year 1	-	94
Year 2	-	94
Total undiscounted lease payments	-	94
Unearned finance income	-	(29)
Net investment in lease	-	85

Finance lease receivables related to the sublease of the Group's previous office in New York, which expired in July 2024. There were 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 30 September 2024 or 31 March 2024.

11. Borrowings

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

	Sep-24	Mar-24
	£'000	£'000
Within one year	443	291
Later than 1 but no later than 5 years	204	68
More than 5 years	-	-
Minimum lease payments	647	359
Future finance charges	(14)	(13)
Recognised as a liability	633	346

The present value of finance lease liabilities is as follows:

	Sep-24	Mar-24
	£'000	£'000
Within one year	431	280
Later than 1 but no later than 5 years	202	66
More than 5 years	-	-
	633	346

On 22 February 2023, the Company entered into an Overdraft Facility with HSBC. The facility of up to a maximum of £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 period ended 30 September 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 2024: £nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

12. Share Capital

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

	Sep-24		Mar-24	
	No.	£'000	No.	£'000
Allotted, called up, and fully paid ordinary shares At 1 April and at 30 September	13,226,773	132	13,226,773	132
	Sep-24		Mar-24	
	Treasury shares No.	Weighted average exercise price per share Pence	Treasury shares No.	Weighted average exercise price per share Pence
Shares held by Treasury				
At 1 April	547,844		547,844	
Transfer of shares to satisfy options exercise At 30 September	(10,144)	-	-	-
	537,700		547,844	

13. Net Cash Generated from Operations

	Sep-24 £'000	Sep-23 £'000
Profit before taxation	2,554	925
Depreciation of property, plant, and equipment	264	337
Amortisation and impairment of intangible assets	329	246
Profit on disposal of property, plant and equipment	(2)	-
Interest (received)/paid	(27)	16
Share-based payment expense	(105)	40
Increase in contract assets	(24)	(69)
Decrease in finance lease receivables	85	129
Increase in trade and other receivables	(167)	(219)
(Decrease)/increase in trade and other payables	(2,182)	432
(Decrease)/increase in contract liabilities	(158)	32
Decrease in provisions	(6)	(29)
Exchange differences on operating items	254	56
Net cash generated from operations	815	1,896

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2024

14. Expenses by Nature

	Sep-24	Sep-23
	£'000	£'000
Employee benefit expense	7,139	6,391
Employee benefit expense – variable pay	1,891	1,124
Other research and development costs	538	697
Capitalised development costs – gross of amortisation	(261)	(500)
Depreciation, amortisation, and impairment	593	583
Lease expense related to short term leases	63	115
Net foreign exchange losses	429	74
Third party direct costs (sample, translation, data processing)	2,319	1,620
Indirect delivery costs	465	387
Other expenses	2,894	2,068
	16,070	12,560

15. Reconciliation between Profit Before tax and Adjusted EBITDA:

	Sep-24	Sep-23
	£'000	£'000
Profit Before Tax	2,554	925
<i>Add:</i>		
Share-based payment (credit)/expense*	(131)	52
Adjusted Profit Before Tax	2,423	977
Finance income	(41)	(4)
Finance expense	14	20
Depreciation	264	337
Amortisation	329	246
Adjusted EBITDA	2,989	1,576

*Share-based payment expenses include the associated cost of the provision for employer's social security.