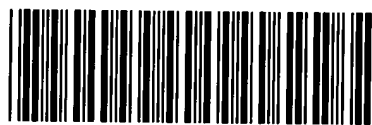


System1 Group

System1 Group PLC (formerly BrainJuicer Group PLC)

Annual Report and Accounts for the 15 month period ended 31 March 2017

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

Financial results to 31 March 2017

HIGHLIGHTS

System1, the international marketing and market research agency, today announces its results for the 15 month period ended 31 March 2017.

As previously announced the Company has changed its year-end from 31 December to 31 March, and this is the first financial reporting period adopting the new year-end date.

In order to show how the Company has performed over this 15 month period compared to prior 12 month periods, the Company has produced pro forma unaudited financial results for the 12 months ended 31 March 2017, and will also draw on the unaudited financial results for the 12 months ended 31 December 2016 (previously announced, on 9th February 2017). Wherever mentioned, "2016/17" refers to the 12 months to 31 March 2017 and "2015/16" refers to the 12 months to 31 March 2016; "2016" refers to the 12 months to 31 December 2016 and "2015" refers to the 12 months to 31 December 2015.

Growth over the 12 months ended 31 March 2017

- 27% revenue growth to £32.80m (2015/2016: £25.92m), 13% in constant currency
- 29% gross profit growth to £26.98m (2015/2016: £20.99m), 15% in constant currency
- 25% increase in profit before tax to £6.28m (2015/2016: £5.03m)
- 19% increase in profit after tax to £4.03m (2015/2016: £3.4m)
- 22% increase in fully diluted earnings per share to 31.1p (2015/2016: 25.4p)

Growth over the 12 months ended 31 December 2016

- 24% revenue growth to £31.24m (2015: £25.18m), 15% in constant currency
- 27% gross profit growth to £25.64m (2015: £20.25m), 15% in constant currency
- 38% increase in profit before tax to £6.20m (2015: £4.50m)
- 31% increase in profit after tax to £3.97m (2015: £3.03m)
- 33% increase in fully diluted earnings per share to 30.3p (2015: 22.7p)

Cashflow

- £8.27m cash at 31 March 2017 and no debt (31 December 2015: £6.37m and no debt)
- £5.19m returned to shareholders by way of dividends and share buy-backs over the 15 month period

Dividends

In view of the strong results and cash position, the Board is proposing to pay the following in August 2017:

- Final dividend of 6.4 pence per share (2015: 3.5 pence per share)
- Special Dividend of 26.1 pence per share

15 month period ended 31 March 2017

Growth percentages for the 15 month period ended 31 March 2017 are not presented due to the lack of comparability. For completeness and in accordance with FRC guidelines, absolute figures for the 15 month period are included below:

- Revenue of £39.00m
- Gross profit of £32.06m
- Profit before tax of £7.23m
- Profit after tax of £4.69m
- Fully diluted earnings per share of 35.9p

Commenting on the Company's results, John Kearon, Chief Executive Officer of System1, said:

"Last year's strong results were a great finish to Chapter 1 of the company's growth and the perfect set up for Chapter 2, as System1. During our first 16 years, as BrainJuicer, we built an international business challenging the market research industry – testament to which is being voted, 'Most Innovative Company' for the 6th year in a row.

In the next Chapter of growth, as System1, we're aiming to build a far bigger business challenging the marketing services industry, by being better able to produce and predict marketing that achieves profitable growth.

In the short term, trading during Q1 of our new financial year has been a little slower than we expected and we are investing in some senior hires in the US, but we remain confident of making further progress over the year as a whole."

CHAIRMAN'S STATEMENT

The period covered by this report to shareholders, the 15 months ended 31 March 2017, has been eventful and demanding, but ultimately successful for your Company.

The change in our financial year end, from December to March, was flagged and explained in my statement in the 2015 Annual Report. One short-term consequence of the change is that, in order to facilitate comparison with both prior and future periods, we have produced more sets of numbers than usual. These are summarized in the Business and Financial Review, which begins on page 8, and in the 5 Year Summary on page 15, and have been produced in the interests of transparency.

Importantly, whichever comparative period you focus on, the business overall has performed strongly. Profits have risen sharply, benefiting from a combination of double digit underlying gross profit growth and the translation benefit of Sterling weakness. For the 15 months ended 31 March 2017, the Company generated revenue of £39.00m, gross profit of £32.06m, profit before tax of £7.23m, and fully diluted earnings per share of 35.9p. The business has once again been highly cash generative. Reflecting these factors, the Board is proposing both a major increase in our final dividend and a substantial special dividend.

Our share price has been extremely strong. As I write the shares are trading at around 860 pence, compared with just 357 pence at the beginning of 2016, an increase of some 141%. It is worth remembering that the Company's shares were initially floated, in December 2006, at just 108p, and that since then some 63 pence per share has been returned to shareholders by way of ordinary and special dividends.

The decision to change the name of the business, with effect from 1st April 2017, from BrainJuicer Group PLC to System1 Group PLC, was taken after much debate, but the positive reaction, both internally and from clients, has reinforced our belief that the change was both appropriate and well timed. The BrainJuicer name served us very well since the business was established in 2000. However, we feel that System 1 is more in keeping with where we are now, and where we intend to get to.

The change marks the start of a new phase for the Company. We have built our business by applying Behavioural Science to market research techniques. Behavioural Science is based on what psychologists have termed "System 1" thinking – the system of the mind which operates automatically and quickly with little or no effort. Having from the Company's inception espoused the System 1 approach to market research, and having last year launched our advertising agency, System1 Agency, we have now adopted the System1 name across the business.

John Kearon, our Chief Executive Officer, and James Geddes, Chief Financial Officer, will review System1's performance over the 15 months to March 2017 in the sections which follow this Chairman's Statement. I would, however, like to highlight some developments which I consider particularly significant for the long-term growth and direction of the business.

In February 2017, we announced that Alex Hunt, who had headed our successful business in the Americas since 2015, was to lead our market research business worldwide and join the Board of Directors. Alex, who is 35, joined the Company in 2009, becoming co-head of the US business in 2012. The US business has grown strongly over recent years to become by some way our largest profit centre in terms of geography, and Alex's promotion is very well deserved.

In early 2016, we launched our new creative advertising agency, System1 Agency. This is an exciting development, which sits alongside and indeed complements our market research activities, and we anticipate that System1 Agency will generate a new business stream for us over time. Start-up costs so far have been as budgeted.

The product mix within our market research business has continued to evolve quite markedly. Revenue is now predominantly generated by fast growing, quantitative products, such as Ad Testing and Brand Tracking. We have repeatedly, and with good reason, highlighted the poor short-term revenue visibility of our business. While this remains a feature, one benefit of the change in our revenue mix is that products such as those mentioned above are not only easier to grow and scale, but also provide greater revenue visibility than most of the others in our repertoire.

With an eye firmly on the longer-term future, I would also highlight the greater emphasis which we are now placing on graduate recruitment and development. During the course of 2016, 17 recent graduates joined us (and remained with us after their probationary periods), primarily in London and in the US. Our training programmes have been substantially revamped over the last couple of years, and together with our increased intake this bodes well for the business down the line.

Finally, I would as ever like to express my gratitude to all of our employees for their hard work and commitment. Particular thanks on this occasion go to all of those involved in ensuring that the change in year end and the major re-branding process triggered by our change of name went as smoothly as possible, and without the business missing a beat. A great many sleeves were rolled up, and to very good effect.

Ken Ford
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

One Chapter ends, the second begins...

Since we started in January 2000, we have been at the forefront in applying Behavioural Science to understanding how people really make decisions. At the heart of this "System 1" thinking is the notion that people use instinct, intuition and emotion in nearly all of their choices. We have pioneered the use of System 1 thinking to produce and predict marketing that always drives profitable growth.

The result has been strong double-digit growth and being voted, "Most Innovative Company" for the 6th year in a row by our industry peers (Greenbook Research Industry Trends Report).

During our first 16 years as BrainJuicer, we built an international business challenging the market research industry and in the next 16, as the System1 Group, we're aiming to build a far bigger business challenging the marketing services industry.

To that end, we launched our System1 Advertising Agency in January 2016, to build fame for our clients and the Group. At the heart of the Agency proposition is our ability to accurately predict profitable advertising. Coupled with a low fixed cost, "Hollywood" model of freelance, award-winning creatives, we guarantee at least a 3-Star ad i.e. the top third of all ads – a 1st in the industry. System1 Agency delivered on this promise with its first work for Specsavers and Merck Pharmaceuticals and is working with a number of multinationals on campaigns to be aired in 2017. After an encouraging start, we're building out our network of creatives and establishing System1 Agency in Continental Europe and America.

The Research business performed well, led by the US, now our biggest single market, with Continental Europe also growing strongly and Australia doing extremely well in the first year of setting up a permanent office there. The only disappointments were the UK and our China and Singapore region which declined. Across all of our regions, having shut our qualitative research arm the year before and focussed the teams on selling our core-four System1 research products, we grew 27% in revenue and profit before tax over 25% with the benefit of currency movements (12 months ended 31 March 2017 vs 12 months ended 31 March 2016).

A key driver of the Research business growth was our System1 Tracking product, launched the previous year, which grew extremely well, as did our System1 Ad Testing product. The two products are often bought together and usually have sole supplier status, which has doubled the proportion of "Ongoing" business (versus "Ad Hoc" projects) over the last year. We're aiming to continue increasing the proportion of 'Ongoing' business to further improve both our margins and visibility.

The other core System1 innovation testing products also delivered double digit growth in aggregate. In contrast, our more conventional, lower margin, non-core products declined, as we expected, and represented just 13% of the business (in the 12 months to 31 March 2017). With our core-four research products now accounting for the majority of the business and growing well, the longer-term outlook for continued growth looks encouraging.

We continue to attract some of the brightest to work at the Company and work hard to create a challenging and rewarding culture for staff to work in. Our Graduate Recruitment scheme is proving an excellent way to ensure we have the talent the business needs to grow.

There is a major system change afoot in the industry based on the adoption of Behavioural Science. This is a change we have led for many years and we aim to be a major beneficiary of the switch-over in the coming years. In research terms, this means a switch from predominantly System 2 techniques that have held sway for decades, measuring people's rationalisations, to System 1 techniques measuring people's emotions and instincts and which predict which marketing will be more profitable, in a way System 2 research never did.

To enhance our position as the leading provider of System 1 approaches, we took the bold decision to rename ourselves, System1 Group PLC. Within the Group, we have System1 Agency to produce and System1 Research to predict marketing that drives profitable growth.

We are about to launch a book of the same name, *System1: Unlocking Profitable Growth* which is already getting a tremendous response from those we've asked to review it. The book shows how businesses can achieve profitable growth by devising their marketing for System 1 decision-making. It reveals how designing for System 1 can unlock success across innovation, advertising, brand building and shopper marketing. Here's a summary and a few of the quotes we've received. The book will be available as an online flipbook at www.system1group.com and in print from Amazon UK and US, shortly:

1. Decision-Making: We Think Much Less Than We Think We Think
2. Innovation: Fluent Innovation = 80% Familiar + 20% New
3. Advertising: The More People Feel, The More People Buy
4. Branding: Fame, Feeling & Fluency Drive Profitable Growth
5. Shopper: Moving Power Not Stopping Power Drives Sales

"A brilliant summary of what we now know about the fast, unconscious drivers of most customer choice and their implications for marketers."

Professor Paddy Barwise, Emeritus Professor of Management & Marketing, London Business School

"Just as 'nothing in biology makes sense except in the light of evolution', nothing in marketing makes sense except in the light of evolutionary psychology. By placing marketing - at last - on solid psychological foundations, this book will not only make you better at your job, it will also make you better at explaining it to everyone else."

Rory Sutherland, Vice Chairman, Ogilvy & Mather Group, Author of Wikiman & TED Speaker

"This book sets out with daring clarity the simple psychological principles that every marketer needs to know about to build their brand. It's the modern marketer's handbook – an inspirational read."

Gemma Greaves, Chief Executive at The Marketing Society

"At Specsavers we have long understood the link between advertising that speaks to the heart - and profitable brand growth. System1 Agency's approach and guarantee speaks directly to those marketing leaders who want a more emotional System1 approach to their Advertising, but need the hard evidence to prove it will deliver. Very powerful new thinking."

Richard Holmes, Group Brand Director, Spec Savers

"A must have guide to understand and leverage the power of emotion in Marketing. Years of hands on real world experience, crafted and distilled into a simple to read, but incredibly powerful book. Max your Marketing!"

Giles Jepson, Kraft Heinz European Chief Marketing Officer

“System1 takes the apocryphal lament, ‘half my marketing is wasted, I just don’t know which half’ and shows companies how every penny of their marketing best contributes to profitable growth. Though written for marketers, CEOs and CFOs will thoroughly enjoy the demystification of marketing and knowing exactly how it best contributes to the company’s bottom-line.”

Stefan Barden, FTSE 250 and Private Equity CEO who has led award-winning marketing teams

Thank you for your continued support.

John Kearon
Chief Executive Officer

BUSINESS AND FINANCIAL REVIEW

The Group has changed its year-end to 31 March and this first set of financial statements adopting the new year-end date is for the 15 month period ended 31 March 2017. To enable prior period comparisons, we are also reporting pro forma unaudited results for the 12 month period ended 31 March 2017 and comparatives for the 12 month period ended 31 March 2016 (referred to here as 2016/17 and 2015/16 respectively) and these are set out on pages 16 to 20. The unaudited results have been prepared using the same accounting policies and procedures as the audited results.

The Group previously reported a strong set of unaudited financial results for the 12 months ended 31 December 2016, with revenue up 24% (15% in constant currency), gross profit, our main top line indicator, up 27% (15% in constant currency), and profit before tax up 38%.

Performance over the three months since then (January to March 2017) has continued in a similar vein with similar year-on-year growth rates.

	12 months to Dec 2016 unaudited	3 months to Mar 2017 unaudited	15 months to Mar 2017 audited	12 months to Mar 2017 unaudited
Revenue	£31.24m	£7.76m	£39.00m	£32.80m
growth	24%	25%		27%
growth in constant currency	15%	16%		13%
Gross profit	£25.64m	£6.42m	£32.06m	£26.98m
growth	27%	28%		29%
growth in constant currency	15%	16%		15%

The growth percentages in the table above are against the comparable prior year period. Comparative figures for the 12 months ended 31 December 2015 and 31 March 2016 are contained in the five-year summary on page 15.

The Group incurred significant costs relating to its name change (to System1) and the associated re-branding, during the period since 31 December 2016. Nevertheless, pre-tax profit in 2016/17 was £6.28m, representing 25% growth over that in 2015/16, and slightly higher than the £6.20m for the 12 months to 31 December 2016.

	12 months to Dec 2016 unaudited	3 months to Mar 2017 unaudited	15 months to Mar 2017 audited	12 months to Mar 2017 unaudited
Profit before tax	£6.20m	£1.03m	£7.23m	£6.28m
growth	38%	8%		25%

The growth percentages in the table above are against the comparable prior year period. Comparative figures for the 12 months ended 31 December 2015 and 31 March 2016 are contained in the five-year summary on page 15.

The business generated strong cash flow over the 15 month period. Cash at 31 March 2017 was £8.27m, up from £6.37m at 31 December 2015. The Group has no debt. The Company plans to return a significant amount of this cash to shareholders by way of dividends, and is proposing a final dividend of 6.4 pence per share and a large special dividend of 26.1 pence per share, payable in August 2017 (subject to shareholder approval).

At a more detailed level, there is little to add to the commentary on growth trends in the review that we reported within the Group's results for the 12 months ended 31 December 2016, since those trends broadly continued in the January to March 2017 period.

The review that follows is therefore in large part drawn from that one. To enable meaningful prior period comparisons, the growth percentages below tend to be for the 12 month period ended 31 March 2017 compared to the equivalent 12 month period ended 31 March 2016, unless stated otherwise, but are nevertheless illustrative of the performance of the business over the whole 15 month period.

The return to double digit revenue growth follows a two-year period of flat revenues while our Juice Generation qualitative business and Behavioural Consultancy services were being de-emphasised. These services are no longer material to the Group and revenue is now predominantly generated by our faster growing core quantitative products. These can broadly be classified into: (i) those which help clients with their communication programmes and branding, and our main products here are Ad Testing and Branding Tracking; and (ii) those which help clients with their innovation, and our main products here are Predictive Markets and Concept Testing.

Ad Testing and Brand Tracking have performed well, with gross profit increasing by 88% in 2016/17 (compared to that in 2015/16). These products represented 43% of our business in 2016/17, and much of this business is Ongoing in nature (as opposed to Ad Hoc). They have delivered strong growth over a number of years now, with approximately 42% compound annual growth in gross profit over the last five years (using 2011/2012 as the base). We introduced a new framework for successful brand-building in 2015 ("Fame, Feeling & Fluency"), and this has helped propel the growth. Whilst 2016/17 growth rates are encouraging, we should point out that they were driven to some degree by significant isolated client wins. Such wins are not regular or predictable, so we need to exercise caution in forecasting future growth.

Gross profit from our innovation services (Predictive Markets and Concept Testing) grew by 22% in the 2016/17 (compared 2015/16). Predictive Markets, our largest single product (32% of our business in 2016/17) grew 19% (compared to 2015/16). This was achieved despite pricing pressure, which we have been addressing with a lower cost and cheaper-to-deliver "express" version of the product. We have also developed a "Fluent Innovation" framework to better express the value of Predictive Markets in guiding innovation.

In terms of geography, gross profit in the US business grew 48% in 2016/17 (27% in constant currency), and that after several years of double digit growth. The US is now our largest market by a significant margin, making up 43% of our total gross profit in 2016/17. In Continental Europe we grew gross profit by 56% in 2016/17 (36% in constant currency), rebounding strongly after a decline in 2015. Our Brazilian business was flat (18% decline in constant currency). This is a relatively small part of our business but nevertheless an important one, working closely with our US Miami office in serving clients across the LATAM region. In the UK, our second largest market, gross profit declined by 5% due to market competitiveness and sharp declines in two large clients for specific reasons associated with those two clients. In one of these, for example, a large multi-year programme of work had come to a natural end. The UK business supports our smaller offices, and in 2016, provided the resources for our entry into the Australian market where we have made an encouraging start. Gross profit in our Singapore and China region declined 8% (20% in constant currency) in 2016/17, despite growth in the 12 months ended 31 December 2016. This was due to worse than usual trading in the January to March 2017 period, but we believe this was a temporary decline and that it will bounce back.

We have shut down our small Indian operation due to lack of scale, the small project sizes inherent in that market, and the bigger opportunities identified in our other markets.

In early 2016, we launched our new creative Advertising Agency, System1 Agency. We invested £0.31m in the calendar year 2016 in the form of operating losses, in line with what we had planned. During the three months to 31 March 2017, System1 Agency generated £0.12m in gross profit and incurred an £0.02m operating loss, and for the 12 months to 31 March 2017, £0.26m in gross profit and a £0.2m operating loss. Potential clients have given positive feedback, and we remain hopeful that this will generate a new business stream for us over the long term, and further strengthen our Ad Testing and Brand Tracking market research services.

We appointed a senior executive to develop the Advertising Agency business in Continental Europe in January 2017 (the former head of our Continental Research business) and plan to break-even in Europe as a whole over the 2017/18 financial year. We are investing in setting up in the US, in the appointment of a senior executive to develop the business there.

Underlying overheads (i.e. overheads before bonus, System1 Advertising Agency start-up costs, other one-off costs, and share-based payments) grew 11%, and total overheads grew 30% over 2016/2017.

	12 months to Dec 2016 (2016) unaudited	3 months to Mar 2017 unaudited	15 months to Mar 2017 audited	12 months to Mar 2017 (2016/17) unaudited
Underlying overheads	£16.05m	£4.96m	£21.01m	£17.04m
growth	6%	24%		11%
Bonus	£2.32m	£(0.08)m	£2.24m	£2.22m
System1 Advertising Agency	£0.42m	£0.14m	£0.56m	£0.46m
Share-based payments	£0.55m	£0.23m	£0.78m	£0.75m
One-off rebranding costs	£0.07m	£0.14m	£0.21m	£0.21m
One-off due diligence	-	-	-	-
One-off London office move	-	-	-	-
Total overheads	£19.41m	£5.39m	£24.80m	£20.68m
growth	24%	31%		30%

The growth percentages in the table above are against the comparable prior year period.

	12 months to Mar 2017 (2016/17) unaudited	12 months to Mar 2016 (2015/16) unaudited	Growth
Underlying overheads	£17.04m	£15.30m	11%
Bonus	£2.22m	£0.09m	
System1 Advertising Agency	£0.46m	£0.09m	
Share-based payments	£0.75m	£0.14m	
One-off rebranding costs	£0.21m	-	
One-off due diligence	-	£0.16m	
One-off London office move	-	£0.16m	
Total overheads	£20.68m	£15.94m	30%

The biggest cause of the increase in total overheads was our employee bonus which increased from a negligible amount in 2015/16 to £2.22m in 2016/17 (plus a further £0.08m within System1 Agency overheads). Bonuses ranged from a maximum of 20% of salary for most of our employees up to a maximum of 50% of salary for the management team.

The main determinant of bonuses is the Company's operating profit, and for this reason we have started labelling bonuses "Profit Share" internally, and shall start to do so externally also.

System1 Advertising Agency overheads were £0.46m in 2016/17. This new business generated £0.26m of gross profit, leaving the £0.20m operating loss, mentioned above.

Share based payments increased from £0.14m in 2015/16 to £0.75m in 2016/17 due to anticipated vesting of the current Executive Director LTIP. The re-branding costs of £0.21m were mainly in connection with our new website and other marketing collateral and were largely incurred in the three months from January to March 2017. There were no other particularly large or unusual costs in 2016/17 (or indeed over the full 15 month period ended 31 March 2017).

Our effective tax rate increased from 32% in 2015/16 to 36% in 2016/17 (35% for the 15 months to 31 March 2017 as a whole) due to the higher proportion of profit from the US and Continental Europe where corporation tax rates are higher than in the UK. This dampened growth of profit after tax. The Company repurchased 693,813 shares (plus a further 198,311 of option shares) during the 15 month period, and this has helped our earnings per share. Diluted earnings per share grew 22% in 2016/17 to 31.1p per share.

Cash flow continues to be strong, with operating cash flow (before financing) of £6.60m in 2016/17, up from £2.61m in 2015/16, representing 164% of profit after tax (144% over the 15 month period as a whole).

Cash return to shareholders

The Company paid dividends of £2.05m and repurchased £3.14m of shares and option shares (net of exercise price) in the 15 month period to 31 March 2017, and intends to continue to return surplus cash to shareholders via a mix of dividends and share buy backs, depending on share price, on an ongoing basis. The Company paid an interim dividend of 1.1 pence per share in October 2016, and is proposing a final dividend of 6.4 pence per share payable in August 2017. The total interim plus final dividend of 7.5 pence per share for the period would be £0.92m, representing 61% growth over that for the year ended 31 December 2015. In addition, the Company is proposing a special dividend of 26.1 pence per share, payable at the same time as the final dividend. The final and special dividend would together amount to £3.99m.

Outlook

We had six macro objectives at the start of 2016: continue the momentum in the US business; grow in our other regions as we have done in the US; grow gross profit by more than headcount (in percentage terms); major on core products (and continue to de-emphasise non-core services); set up System1 Advertising Agency; experiment with Zappistore (which is a low cost "do-it-yourself" means for clients to buy our products via the Zappistore website). Apart from our experiment with Zappistore, which has not yet delivered the new revenue stream that we had hoped, and notwithstanding inconsistent performance across our geographic regions, we are pleased with progress against each of the objectives. Our objectives over the next financial year are similar. In support of our US ambitions, in particular, we are investing in some senior hires on both the Research and Agency sides of the business.

We will continue to focus on our core products, particularly Ad Testing and Brand Tracking where we are beginning to get a foothold in large clients. These products are comparatively easy to grow and scale, and they also provide more revenue visibility than our other products.

Nevertheless, our business still remains predominantly Ad Hoc, with limited revenue visibility, and as always we need to acknowledge that we cannot predict with very much certainty how revenue growth will unfold over the coming financial year. Trading during Q1 of our new financial year has been a little slower than we expected, but we remain confident of making further progress over the year as a whole.

From a longer-term standpoint, we re-branded the business to present a unified theme across our market research and new advertising agency businesses, and to reflect our Behavioural Science prominence. We view this as the start of a new Chapter in the life of the Company, as we seek to guide clients more pro-actively towards profitable marketing and building their brands.

James Geddes
Chief Financial Officer

BUSINESS RISK REVIEW

The key risk to long-term value creation is competitive pressure leading to lack of take-up of our services by large clients in favour of alternative providers. Our competitors are very much larger than us with access to significantly greater resources. Furthermore, we do not have overt technological barriers preventing competitors from encroaching into our space.

Nevertheless, we believe that our know-how in applying Behavioural Science to marketing, the products and services that we've developed and refined over many years, our large normative databases of survey results, and the reputation of the predictive power of our services would be difficult for competitors to replicate.

Over the shorter-term, the key risk is lack of revenue visibility, and the fairly high peaks and troughs of business with clients which are very much larger than ourselves. The growth of our Brand Tracking and Ad Testing services will help here, as these services tend to give us more revenue visibility and stability. Nevertheless, we will likely have to accept continued volatility in underlying business for some time.

In other respects, we have relatively little exposure to significant short-term shocks. We do not attempt to manage all risk out of the organisation, but instead provide our teams with a high degree of autonomy and actively encourage our people to be entrepreneurial.

Having said that, we take risk seriously. We endeavour 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 such event that we are concerned about and seek to manage are:

- loss of a significant client;
- loss of key personnel;
- loss of a critical supplier;
- material adverse event leading to significant loss of property, software, or data, or an adverse legal claim;
- systemic tax or legal compliance error;
- major outage in our survey platform;
- cyber-attack causing a material breach in our IT infrastructure.

Loss of a significant client. This is a significant risk, and we do not take it lightly, with the percentage of business from our largest client in the 15 months to 31 March 2017 at 9% of revenue (12 months to 31 December 2015: 7%). We therefore go to considerable lengths to monitor service quality and seek client feedback.

Loss of key personnel. The loss of a senior member of the team would have a negative impact on the business. However, we do not view the business as being overly dependent on any one individual. As with many growing businesses, we place significant demands on our people, and we are therefore at risk of staff turnover. However, the work environment is stimulating and we place emphasis on our culture and the way we work.

Loss of a critical supplier. We have several mission-critical functions carried out by third party suppliers (such as panel suppliers). For these functions, we have endeavoured to ensure we are not overly-reliant on any one organisation.

Material adverse event leading to a significant loss of property, software, or data, or an adverse legal claim. We cannot guarantee that all eventualities are covered, but nevertheless have continued to endeavour to protect the business from significant risks, through a combination of: comprehensive professional indemnity insurance; information security, particularly with regard to client confidentiality and personal data (see below); and sufficient focus on legal protections, for example through our terms and conditions.

Systemic tax or legal compliance error. We are a small business with a small finance and legal team based in the UK. Yet we operate in a number of different jurisdictions and in some cases, have to deal in relatively complex tax and regulatory environments. Were we to make a small systemic error which did not surface for a number of years, the cumulative impact to correct the error could be significant. However, we endeavour to keep our tax and legal affairs simple and straightforward, and within our budgetary constraints, carefully select the best professional advisors that we can find.

Major outage in our survey platform. Were there to be a major outage in our survey platform due, for example, to capacity constraints or a security breach, we could be prevented from building surveys, collecting data and downloading results. This may result in significant delay in delivering client projects with a consequential loss of revenue, reputational damage, and the costs of remedying the situation. We have suffered relatively minor outages from time to time, but none has led to significant financial loss.

Cyber-attack causing a material breach in our IT infrastructure. Were a cyber-attack to succeed in infiltrating our IT infrastructure, unauthorised persons could access confidential information (particularly personal data) held within our systems, putting us in breach of our confidentiality obligations, and potentially losing access to key information or files. This is a critical risk, particularly in the current environment. Nevertheless, there are a number of mitigating factors. Our business does not ordinarily hold a great deal of personal data. For example, we do not have a panel of respondents (but instead use third party suppliers to reach consumers). Due to the nature of a marketing services business, the confidential information we hold is not as commercially sensitive as that for businesses in other industries (financial services or healthcare, for example). We invested in tightening our controls, processes and IT infrastructure and have recently obtained ISO 27001 accreditation covering our information security.

The Company is also exposed to the usual financial risks (such as credit, foreign exchange and liquidity risks), as set out in the Director's Report on page 23. However, due to the straightforward nature of the business, the Company's strong balance sheet, and the fact that most of the Company's clients are large, well-known organisations, these risks are relatively less important.

5 YEAR SUMMARY

£000 unless specified otherwise

	12 months to 31 Mar		12 months to 31 Dec				
	2016/17	2015/16	2016	2015	2014	2013	2012
	Unaudited		Audited				
Revenue	32,801	25,917	31,236	25,184	24,645	24,457	20,822
<i>growth</i>	27%		24%	2%	1%	17%	-
Gross profit	26,984	20,989	25,643	20,250	19,410	19,087	16,068
<i>growth</i>	29%		27%	4%	2%	19%	-
Administrative costs	20,676	15,937	19,414	15,704	15,109	15,537	14,555
<i>growth</i>	30%		24%	4%	-3%	7%	9%
Bonus	2,294	88	2,396	63	1,077	1,941	63
Administrative costs (ex-bonus)	18,382	15,849	17,018	15,641	14,032	13,596	14,492
<i>growth</i>	16%		9%	11%	3%	-6%	13%
Operating profit	6,308	5,052	6,229	4,546	4,301	3,550	1,513
<i>growth</i>	25%		37%	6%	21%	135%	-45%
Pre-tax profit	6,279	5,031	6,200	4,501	4,286	3,556	1,515
<i>growth</i>	25%		38%	5%	21%	135%	-45%
Post-tax profit	4,029	3,400	3,968	3,032	2,897	2,435	1,038
<i>growth</i>	19%		31%	5%	19%	135%	-44%
EPS – diluted	31.1p	25.4p	30.3p	22.7p	21.3p	18.7p	7.9p
<i>growth</i>	22%		33%	7%	14%	137%	-44%
Cash flow pre-financing	6,603	2,608	6,337	2,696	3,157	4,466	866
Cash balance (no debt)	8,266	6,555	7,754	6,365	5,347	6,188	3,755
Dividend (interim & final)	7.5p	4.5p	7.5p	4.5p	4.3p	3.9p	3.1p
<i>growth</i>	67%		67%	5%	10%	26%	3%
Special dividend	12.0p	-	12.0p	-	12.0p	12.0p	-
Share buy-backs*	3,141	948	3,195	948	1,938	71	408
Number of clients	224	233	223	243	235	224	217
<i>growth</i>	-4%		-8%	3%	5%	3%	9%
Average headcount	161	157	157	158	152	138	148
<i>growth</i>	3%		-1%	4%	10%	-7%	19%

*Share buy-backs are net of stock option proceeds. In 2014, the amount includes £1,239,000 for the cash-settling of part of the Company's long-term incentive plan.

PRO FORMA RESULTS

for the **12 months** ended 31 March 2017

Introduction

With the Company's change of year end to 31 March 2017, the audited financial statements on pages 41 to 81 are for the 15 month period ended 31 March 2017.

In order to aid comparisons with prior 12 month periods, the Company has produced unaudited pro forma financial results for the 12 month period ended 31 March 2017, together with comparatives for the 12 month period ended 31 March 2016.

These unaudited pro forma financial results comprise: (i) consolidated income statement; (ii) consolidated cash flow statement; (iii) segment information.

PRO FORMA RESULTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
for the 12 months ended 31 March 2017

		12 months to 31 Mar 2017	12 months to 31 Mar 2016
		£000	£000
Revenue		32,801	25,917
Cost of sales		(5,817)	(4,928)
Gross profit		26,984	20,989
Administrative expenses		(20,676)	(15,937)
Operating profit		6,308	5,052
Finance costs		(29)	(21)
Profit before taxation		6,279	5,031
Income tax expense		(2,250)	(1,631)
Profit for the financial period		4,029	3,400
Attributable to the equity holders of the Company		4,029	3,400

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

Basic earnings per share		32.7p	26.7p
Diluted earnings per share		31.1p	25.4p

All of the activities of the Group are classed as continuing.

PRO FORMA RESULTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
for the 12 months ended 31 March 2017

	12 months to 31 Mar 2017	12 months to 31 Mar 2016
	£000	£000
Net cash generated from operations	8,058	4,671
Tax paid	(1,240)	(1,682)
Net cash generated from operating activities	6,818	2,989
Cash flows from investing activities		
Purchases of property, plant and equipment	(185)	(348)
Purchase of intangible assets	(30)	(33)
Net cash used by investing activities	(215)	(381)
Net cash flow before financing activities	6,603	2,608
Cash flows from financing activities		
Interest	(29)	(21)
Issue of shares	2	20
Proceeds from sale of treasury shares	395	211
Purchase of own shares	(3,536)	(1,159)
Dividends paid to owners	(2,052)	(544)
Net cash used by financing activities	(5,220)	(1,493)
Net increase in cash and cash equivalents	1,383	1,115
Cash and cash equivalents at beginning of year	6,555	5,383
Exchange gains on cash and cash equivalents	328	57
Cash and cash equivalents at end of year	8,266	6,555

PRO FORMA RESULTS
UNAUDITED SEGMENT INFORMATION
for the 12 months ended 31 March 2017

The financial performance of the Group's geographic operating units ("**Reportable Segments**") for the 12 months to 31 March 2017 (unaudited) is set out below:

	12 months to 31 Mar 2017			12 months to 31 Mar 2016		
	Revenue	Gross profit	Operating profit/(loss)	Revenue	Gross Profit/(loss)	Operating Profit/(loss)
	£000	£000	£000	£000	£000	£000
Research Business						
US	13,369	11,643	6,838	9,243	7,878	4,383
United Kingdom	8,175	6,386	3,935	8,478	6,737	4,410
Continental Europe	6,630	5,265	3,158	4,364	3,368	1,940
Asia	1,768	1,398	636	2,203	1,760	831
Brazil	1,573	1,272	591	1,629	1,273	813
Australia	857	759	532	-	-	-
	32,372	26,723	15,690	25,917	21,016	12,377
Advertising Agency Business						
United Kingdom	429	261	(203)	-	(27)	(120)
	32,801	26,984	15,487	25,917	20,989	12,257

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. Segmental operating profit excludes allocation of central overheads relating to the Group's Operations, IT, Marketing, HR, Legal and Finance teams and Board of Directors.

The split of business by research solution is set out below.

	12 months to 31 Mar 2017		12 months to 31 Mar 2016	
	Revenue	Gross Profit	Revenue	Gross Profit
	£000	£000	£000	£000
Research Business				
Ad Testing	9,327	8,151	5,366	4,623
Brand Tracking	4,457	3,349	2,121	1,481
Communications and brand products	13,784	11,500	7,487	6,104
Predictive Markets	9,894	8,620	8,248	7,250
Concept Testing	3,850	3,169	2,977	2,432
Innovation products	13,744	11,789	11,225	9,682
Total core products	27,528	23,289	18,712	15,786
Other services	4,844	3,434	7,205	5,230
	32,372	26,723	25,917	21,016
Advertising Agency Business				
	429	261	-	(27)
	32,801	26,984	25,917	20,989

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

	12 months to 31 Mar	
	2017	2016
	£000	£000
Operating profit for Reportable Segments	15,487	12,257
Central overheads	(9,179)	(7,205)
Operating profit	6,308	5,052
Finance costs	(29)	(21)
Profit before income tax	6,279	5,031

STRATEGIC REPORT

The Chairman and CEO statements, the Business and Financial Review, the Business Risk Review, and the 5 year summary (which include the Company's key performance indicators) on pages 3 to 15 set out:

- the way that management view the business;
- its strategy, positioning, and objectives;
- its historic financial performance;
- an assessment of its future potential;
- its key performance indicators; and
- its key business risks.

These form part of this Strategic Report.

ON BEHALF OF THE BOARD

James Geddes
Chief Financial Officer
14 June 2017

A handwritten signature in black ink, appearing to read 'J Geddes', written in a cursive style.

DIRECTORS' REPORT

Change of name

The Company changed its name from BrainJuicer Group PLC to System1 Group PLC on 24 March 2017.

Review of the business and future development

The Chairman's and CEO statements, the Business and Financial Review, and the Business Risk Review on pages 3 to 14 set out a review of the business's performance and an assessment of its future development.

Dividends

The Company has paid and proposes to pay the following dividends:

Ordinary shares	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
2015 interim dividend paid, 1.0p per share		127
2016 interim dividend paid, 1.1p per share	135	
2016 special dividend paid at time of interim dividend, 12.0p per share	1,472	
2015 final dividend paid, 3.5p per share		445
2016 final dividend proposed, 6.4p per share	785	
Total dividends on ordinary shares, 19.5p per share (2015: 4.5p per share)	2,392	572

The Company paid the 2016 interim and special dividends on 20 October 2016 to shareholders on the register as at 30 September 2016. The final dividend for 2015 was paid on 11 May 2016 to shareholders on the register as at 1 April 2016. The Company proposes to pay a 2017/2018 special dividend of 26.1p in August 2017 (at the same time as the 6.4p 2016 final dividend).

Directors

The following are the current directors of the parent company, System1 Group PLC, and each served throughout the period, with the exception of Alex Hunt, who was appointed to the Board on 1 April 2017.

John Kearon (executive)
James Geddes (executive)
Alex Batchelor (executive)
Alex Hunt (executive)
Ken Ford (non-executive)
Robert Brand (non-executive)
Graham Blashill (non-executive)

The Remuneration Report on pages 28 to 35 sets out directors' interests in the shares of the Company.

Share capital

Changes in the share capital of the Company during the year are given in note 10 to the financial statements. As at 8 April 2017, the Company was aware of the following significant interests in the ordinary issued share capital of the Company.

At 8 April 2017	Number	% of voting shares
John Kearon	3,320,209	27.1%
Liontrust Asset Management	1,504,792	12.3%
Blackrock Investment Management (UK)	1,032,486	8.4%
Ennismore Fund Management	986,387	8.0%
Motley Fool Asset Management	700,000	5.7%
Boyles Asset Management	568,546	4.6%
Polar Capital	425,000	3.5%
Heritage Capital Management	393,159	3.2%

Financial risk management

The Group's activities expose it to the following financial risks to a small degree.

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 clients 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 operates in the United States, Continental Europe, Brazil, China, Singapore and Australia and is exposed to currency movements impacting future 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, its US operation generates most of its revenue in US dollars and incurs most of its costs in US dollars also. Management does not believe that there would be any long-term benefit in endeavouring to manage currency risk further, and in order to avoid the cost and complexity does not deal in hedging instruments.

Liquidity risk

The Company monitors its cash balances regularly and holds its cash in immediately available current accounts to minimise liquidity risk. The Company had an undrawn standby credit facility with HSBC of £2m which expired on 25 February 2017. In light of the Company's strong cash flow generation, it chose not to renew.

Other risks

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

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising its return to shareholders. The Company's capital structure consists of cash and cash equivalents and share capital. The Group has no borrowings and is not subject to any externally imposed capital requirements. The Group has not entered into any derivative contracts.

Going concern

After making 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 financial statements.

Research and development

The Company's Labs team is involved in the development and validation of new market research methods and products centred on Behavioural Science.

Purchase of own shares

During the period the Company transferred 439,403 Ordinary Shares ("**Shares**") (with an aggregate nominal value of £4,394, representing 3.3% of the called up share capital of the Company) out of treasury to satisfy the exercise of employee share options over 439,403 shares, for cash consideration of £395,000. The Company subsequently repurchased 892,124 Shares (with an aggregate nominal value of £8,921, representing 6.7% of the called up share capital of the Company) for cash consideration of £3,536,000.

At 31 March 2017, the Company had 13,226,773 Shares in issue (31 December 2015: 13,223,762) of which 961,989 were held in treasury (31 December 2015: 509,268). The treasury shares will be used to help satisfy the requirements of the Group's share incentive schemes.

Employees

The Group maintains fair employment practices, and attempts to eliminate all forms of discrimination and to give equal access. 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 him or her 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 general public.

Directors' indemnities

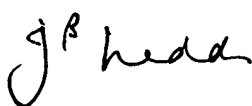
Directors' and officers' insurance cover has been established for each of the Directors to provide cover against their reasonable actions on behalf of the Company. The indemnities, which constitute a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006, remain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

Auditor

The Company will be seeking shareholder approval to reappoint its auditor, Grant Thornton UK LLP, at its Annual General Meeting.

ON BEHALF OF THE BOARD

James Geddes
Chief Financial Officer
14 June 2017



CORPORATE GOVERNANCE REPORT

The Board is committed to high standards of corporate governance, which it considers a pre-requisite to support the growth and ambitions of the Group. Whilst it is not a requirement for companies listed on AIM to comply with all the provisions in the UK Corporate Governance Code 2014, the Board takes the Code seriously. The Group also places particular importance on the guidelines issued by the Quoted Companies Alliance for Companies.

The Group does not comply with the UK Corporate Governance Code 2014. The Directors believe that full compliance is not practicable for a group of the Company's size and at its stage of development. This report sets out the procedures and systems currently in place and explains why the Board considers them effective.

The Board of Directors

The Board comprised three executive directors and three independent non-executive directors during the 15 month period ended 31 March 2017. We believe that the directors have the necessary mix of skills and experience to oversee the company. Their biographical details are presented on pages 36 and 37.

The Board meets formally 11 times a year and discharges its responsibilities through a management team who hold formal and informal meetings as would be expected in a group of the Company's size. During the 15 month period ended 31 March 2017, it met formally 14 times.

Ken Ford is Chairman of the Group and John Kearon its Chief Executive Officer. John is also the founder and a significant shareholder. His role centres on formulating the Group's strategy and driving its commercial development. The Board's three non-executive directors act as a sounding board and challenge the executive directors both at monthly Board meetings and on a regular and informal basis. Matters referred to the Board are considered by the Board as a whole and no one individual has unrestricted powers of decision. There are procedures and controls, including a schedule of matters that require the Board's specific approval. This schedule includes:

- the Group's strategy and long-term objectives;
- extension of the Group's activities into new territories;
- significant capital expenditure beyond that budgeted;
- changes relating to the Group's capital structure, including debt-raising, reduction of capital, share issues and buy-backs;
- reporting, internal control systems and risk assessments;
- nominations for Board and Committee appointments; and
- other senior management appointments.

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 directors can obtain independent professional advice at the Company's expense in performance of their duties.

Each year at the Annual General Meeting, one-third of directors are required to retire by rotation, provided all directors are subject to re-election at intervals of no more than three years. This year Ken Ford and James Geddes are scheduled to retire by rotation and have each confirmed their willingness to be put forward for re-election at the 2017 Annual General Meeting. In addition, Alex Hunt's appointment to the Board of Directors on 1 April 2017 will also be put shareolders for approval at the 2017 Annual General Meeting.

Non-executive directors

The three non-executive directors are independent of management. The terms and conditions of the non-executive directors' appointments are available for inspection at the Company's registered office.

Remuneration Committee

The Remuneration Committee membership and a summary of its terms of reference are on page 35.

Audit Committee

The Audit Committee aims to support the creation of long-term value for shareholders. The Committee comprises Robert Brand (Chairman), Graham Blashill and Ken Ford, the three non-executive directors. Robert Brand has relevant financial experience. If required, the Committee is entitled to request independent advice at the Company's expense in order for it to effectively discharge its responsibilities.

The Committee's main role and responsibilities can be found on the company's website, and currently are to:

- monitor the integrity of the financial statements of the Group;
- 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.

The Committee is scheduled to meet twice in each financial year and at other times if necessary. In respect of the 15 months to 31 March 2017, meetings were held in September 2016, March 2017 and June 2017. The Audit Committee Chairman met separately with the external audit partner in advance of these meetings. The current auditors were appointed in 2003.

The Group does not currently have an internal audit function, which the Board considers appropriate for a group of System1's size.

Internal control procedures

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;
- regular reviews of forecasts;
- a limited number of directors and executives authorised to make payments and commit the company to legal agreements;
- regular reviews of client and employee feedback;
- information security controls (for which the Company has obtained ISO 27001 accreditation).

The Board in conjunction with the Audit Committee reviews the Group's internal control system on a periodic basis. The Board seeks to ensure risk assessment procedures and responses are continuously improved.

Communications with shareholders

The Board recognises the importance of regular and effective communication with shareholders. The primary forms of communication are:

- annual and interim statutory financial reports and associated investor and analyst presentations and reports;
- announcements relating to trading or business updates released to the London Stock Exchange;
- regular investor meetings.

Meeting attendance

The number of regular meetings that each director attended is set out below:

	Board	Audit committee	Remuneration Committee
Ken Ford	14	3	3
Robert Brand	14	3	3
Graham Blashill	14	3	3
John Kearon	14	n/a	n/a
James Geddes	14	3*	3*
Alex Batchelor	14	n/a	n/a

*attendance by invitation.

On rare occasions a board member may attend by phone to accommodate overseas travel arrangements.

REMUNERATION REPORT

Annual statement from the Remuneration Committee chair, Graham Blashill

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.

This Remuneration Report is split into two parts:

- The *directors' remuneration policy* sets out the Company's policy on directors' remuneration, in particular the four-year long term incentive plan ("LTIP"), and the key factors that were taken into account in setting the policy. The directors' remuneration policy is not subject to a shareholder vote at the 2017 AGM, since the main variable element (the LTIP) was approved by shareholders at a General Meeting on 22 March 2017.
- The *annual report on remuneration* sets out payments and awards made to the directors for the 15 month period to 31 March 2017.

There are three elements in director remuneration:

- Base salary
- LTIP
- Benefits

Historically, the Company's LTIPs have been established in three to four year cycles. The previous LTIP covered the three financial years ended 31 December 2016 and vested on 30 April 2017 (the "**Previous LTIP**"). Its primary performance targets were based on the three-year EPS growth over the period 2013 to 2016, with a share price underpin. The next LTIP was established in February 2017 and will vest on 12 August 2021 (the "**Current LTIP**"). Its primary performance targets are based on gross profit, with profit after tax and share price underpins.

We endeavour to keep our director remuneration arrangements simple and correlated to increases in long term business growth. As a small Company we are also acutely aware of the dilutive impacts of equity awards, and when designing our LTIPs, we ensure that vesting only occurs when there is a substantial increase in shareholder value (after accounting for the dilution).

The Company consulted with shareholders in designing the Current LTIP, and prior to implementing it, obtained shareholder approval at a General Meeting on 22 March 2017.

For levels below the participants in the LTIP, the remuneration comprises:

- Base salary
- Bonus (which we term "profit share")
- Benefits

Profit share for most people is up to a maximum of 20% of annual salary. The executive directors and other senior executives who participate in an LTIP forego annual profit share (bonuses).

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.

We have had a stable membership of both the Board and the Remuneration Committee and there were no changes to its composition during the 15 months to 31 March 2017. The Remuneration Committee were the three non-executive directors of the Group. At 31 March 2017, the Board comprised three executive directors and three non-executive directors. Alex Hunt, head of the Research business, was promoted to the Board as an executive director on 1 April 2017 (just after the financial period end).

Graham Blashill

Chair, Remuneration Committee

Directors' remuneration policy

Introduction

The policy described in this part of the Remuneration Report is intended to apply for four years beginning in the 2017/18 financial year, and covers executive directors and a small number of other senior managers ("**Executives**").

The Committee considers the remuneration policy annually to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. However, there is no intention to revise the policy more frequently than every four years.

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 (top line 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. Long-term incentives are to motivate and reward them for making the Company successful on a sustainable basis.

Base salary and benefits

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 Company's financial year (which in future will be 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.

Long term incentive plan

(i) Previous LTIP

The Previous LTIP covered the three-year period to 31 December 2016. The participants were the three executive directors and they were each awarded 197,040 zero priced stock options under the plan. They did not receive any annual profit share nor any other bonus, short term incentive award or other equity award during the three-year life of the plan. The plan was subject to performance targets, and 59.16% of the options vested on 30 April 2017.

The primary performance target was undiluted EPS and it grew over the period of the plan by 19% pa after the Committee adjusted for the start-up losses in establishing the System1 Advertising Agency. There was a share price underpin of £5.051 per share, measured during the month of April 2017, and this was exceeded considerably. The 19% EPS growth resulted in the 59.16% of stock options vesting. As a result, each of the three participants' vested zero priced options under the plan amount to 116,568 of stock options. There is a further one year lock-in period on these option shares (to 30 April 2018) before they may be sold. Unvested options under the plan have lapsed.

(ii) Current LTIP

Following the maturity of the Previous LTIP, the company introduced the Current LTIP in March 2017. It was approved by shareholders at a General Meeting in March 2017 and covers the four-year period ending 31 March 2021.

The awards have taken the form of zero-cost stock options (and conditional shares for the sole US participant). They were granted to Executives on 22 March 2017 and will vest on 12 August 2021 provided the Company achieves performance targets in the Company's 2020/2021 financial year. The performance targets are based on gross profit growth (the Company's main top line performance indicator), with profit after tax and share price underpins.

The Company is aiming to grow strongly over the next four years, and the performance targets and vesting levels have been set with growth levels of between 10% and 30% pa in mind. At the 20% pa growth level, the gross profit would more than double over the four-year period. The specific vesting levels are set out in the following table.

	Equity level	Gross profit growth
Executive Directors	198,400 shares (1.5% of issued shares)	30% pa compound over 4 years
	132,267 shares (1.0% of issued shares)	20% pa compound over 4 years
	66,133 shares (0.5% of issued shares)	10% pa compound over 4 years
Senior Managers	132,267 shares (1.0% of issued shares)	30% pa compound over 4 years
	92,587 shares (0.7% of issued shares)	20% pa compound over 4 years
	46,293 shares (3.5% of issued shares)	10% pa compound over 4 years

There will be proportionate vesting if gross profit grows at between 10% and 20% pa or between 20% and 30% pa.

No awards will vest unless profit after tax ("PAT") in 2020/21 has grown by at least 10% pa over four years and the average share price of the Company during July 2021 is at least £9.945 (30% higher than the share price on the award date). For the higher levels of vesting triggered by gross profit growth above 20% pa, the PAT underpin increases to 20% pa growth.

For the purpose of these performance targets PAT in both the base year and the measurement period is calculated before deducting share-based payments (to avoid any circular argument problem when performing the calculations). The base year is the 12 months ended 31 March 2017.

The gross profit and PAT targets are designed to relate to *organic* growth, and the Committee has the right to adjust the targets if a material acquisition or other corporate event occurs (and will ordinarily exercise such right).

There are three executive director participants (James Geddes, Alex Batchelor, Alex Hunt) and four senior manager participants (Rod Connors, Mark Johnson, Orlando Wood, Horace McDonald). John Kearon, CEO, has indicated to the Committee that due to his near 30% shareholding, any further increase would be inappropriate.

Instead in recognition of his strategic leadership role to achieve the growth targets, he will qualify for an annual bonus of between 25-75% of annual salary in the event that gross profit growth is between 10-30% pa (using the 12 months ended 31 March 2017 as the base year), subject to the above profit after tax and EPS underpins.

There will be no other equity-based incentive scheme or reward for the Executives, during the four-year life of the Current LTIP.

Executives do not participate in the Company's annual profit share scheme, which at their level would be up to 50% of salary, and have no other short-term incentive plan. This is to ensure decision-making focus is primarily on achieving long-term growth. Therefore, over the period to March 2021, the only remuneration that Executives will receive will be base salary and benefits (with the exception of the CEO bonus), unless the Remuneration Committee determine awards in exceptional circumstances (at their sole discretion).

Dilution

Vested stock options are set out below.

	Number	%
Voting shares as at 31 March 2017	12,264,784	100%
2006 employee share option scheme (now closed)	72,776	0.6%
2010-2014 LTIP – vested on 28 May 2014	255,774	2.1%
2014-2016 LTIP – vested on 30 April 2017 (Previous LTIP)	349,704	2.8%
	678,254	5.5%

Unvested options comprise options granted under the Current LTIP. The Current LTIP options will lead to incremental dilution when they vest in August 2021 of up to 9.2% of the Company's voting shares as at 31 March 2017 if the performance targets are fully met (30% annual compound gross profit growth target and 20% pa annual compound growth profit before tax target over four years) and if the £9.945 share price threshold is exceeded during July 2021.

The Committee views the incremental potential dilution levels arising from the Current LTIP as reasonable in the light of the corresponding growth levels that would have been achieved to trigger them. The potential increase in shareholder value will be significant, even after accounting for the dilution.

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 (providing not also an Executive) a discretionary annual bonus. Since January 2012 equity awards have not been granted to employees who are not Executives.

The annual discretionary bonus is more in nature an annual profit share as its main determinant is the size of the overall pot, which is based on the profit before tax generated by the business. The bonus pot is allocated to the different teams based on team performance, and team leaders sub-allocate their share of the pot to their employees based on individual performance. The bonus range for most employees is 0-20% of salary, and this increases for more senior people.

Director service contracts and policy on payment for loss of office

Each of the executive directors have service contracts. The agreements include restrictive covenants which apply during employment and for a period of 12 months after termination. John Kearon's agreement can be terminated on six months' notice in writing by either the Company or by John. James Geddes' and Alex Batchelor's agreements can be terminated on 12 months' notice in writing by the Company and six months' notice by the employee.

Annual report on remuneration

Remuneration for executive directors

12 months ended 31 December 2016 (and 2015)

	Salary	Benefits	Pension	Options Exercised	Total (unaudited)	2015 (audited)
	£	£	£	£	£	£
John Kearon	195,160	5,723	8,075	207,735	416,693	201,665
Alex Batchelor	173,500	5,275	10,410	490,696	679,881	504,585
James Geddes	173,500	5,055	10,410	371,969	560,934	510,622
Total	542,160	16,053	28,895	1,070,400	1,657,508	1,216,872

15 months ended 31 March 2017 (audited)

	Salary	Benefits	Pension	Options Exercised	Total
	£	£	£	£	£
John Kearon	243,950	7,058	9,791	207,735	468,534
Alex Batchelor	216,875	6,525	13,013	490,696	727,109
James Geddes	216,875	6,420	13,013	371,969	608,277
Total	677,700	20,003	35,817	1,070,400	1,803,920

The executive directors received no profit share (bonus) for the 15 month period ended 31 March 2017 or the 2015 financial year.

The executive directors have received the following salary increases with effect from 1 January in each year:

	2016	2015	2014	2016	2015
	£ Salary	£ Salary	£ Salary	% rise	% rise
John Kearon	195,160	195,160	195,160	-	-
Alex Batchelor	173,500	173,500	169,202	-	2.5%
James Geddes	173,500	173,500	169,202	-	2.5%
Total	542,160	542,160	533,564	-	1.6%

The executive directors have not received any stock options or other equity awards other than under the Company's LTIP arrangements as set out in the directors' remuneration policy.

Directors' interests in shares and options

Directors' interests in the shares of the Company are shown below.

	31 Mar 2017	31 Dec 2016	31 Dec 2015
	Number	Number	Number
John Kearon	3,420,209	3,420,209	3,859,996
James Geddes	192,325	192,325	158,325
Alex Batchelor	134,650	134,650	101,852
Ken Ford	20,000	20,000	20,000
Robert Brand	30,000	30,000	30,000
Graham Blashill	5,000	5,000	5,000
Total	3,802,184	3,802,184	4,175,173

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

	Date of grant	Earliest exercise date	Exercise price	Number at 1 Jan 2016	Granted in year	Exercised in year	Number at 31 Mar 2017
John Kearon	19/01/2007	01/01/2008	162.5p	60,213	-	(60,213)	-
John Kearon	16/01/2015	01/05/2018	0.0p	137,040*	-	-	137,040*
John Kearon	22/07/2015	01/05/2018	0.0p	60,000*	-	-	60,000*
				257,253	-	(60,213)	197,040
James Geddes	19/01/2007	01/01/2008	162.5p	14,753	-	(14,753)	-
James Geddes	28/05/2014	28/05/2014	0.0p	73,013	-	(73,013)	-
James Geddes	16/01/2015	01/05/2018	0.0p	137,040*	-	-	137,040*
James Geddes	22/07/2015	01/05/2018	0.0p	60,000*	-	-	60,000*
James Geddes	22/03/2017	12/08/2021	0.0p	-	198,400**	-	198,400
				284,806	198,400	(87,766)	395,440
Alex Batchelor	22/03/2010	01/04/2011	149.0p	32,798	-	(32,798)	-
Alex Batchelor	18/05/2010	01/01/2011	0.0p	116,666	-	(116,666)	-
Alex Batchelor	28/05/2014	28/05/2014	0.0p	95,134	-	-	95,134
Alex Batchelor	16/01/2015	01/05/2018	0.0p	137,040*	-	-	137,040*
Alex Batchelor	22/07/2015	01/05/2018	0.0p	60,000*	-	-	60,000*
Alex Batchelor	22/03/2017	12/08/2021	0.0p	-	198,400**	-	198,400
				441,638	198,400	(149,464)	490,574

* The options denoted by a single asterisk were granted under the Previous LTIP, as described in the directors' remuneration policy. They were granted in two tranches of 137,040 and 60,000 option shares (totalling 197,040) to each director. They were subject to performance conditions, under which 116,568 of each director's options vested on 30 April 2017. The remaining 80,472 of each director's options lapsed.

** The options denoted by a double asterisk were granted under the Current LTIP, as described in the directors' remuneration policy. None of these vest until 12 August 2021.

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

Fees for non-executive directors

The non-executive directors received fees, but no other benefits, as follows.

	12 months to 31 Dec (unaudited)		15 months to 31 Mar (audited)
	2016	2015	2017
	£	£	£
Ken Ford	37,000	37,000	46,250
Robert Brand	33,000	33,000	41,250
Graham Blashill	33,000	33,000	41,250
Total	103,000	103,000	128,750

The non-executive directors did not receive an increase in their fees in either 2016 or 2015.

Remuneration Committee

The Remuneration Committee comprises the three non-executive directors: Graham Blashill (Chairman), Robert Brand and Ken Ford. The Committee is responsible for:

- determining the remuneration and incentive packages for each of the Company's executive directors;
- reviewing and approving the remuneration and benefits of senior management;
- reviewing and making recommendations to the Board on the design of remuneration structures and levels of pay and other incentives for employees of the Group;
- reporting to the Group's shareholders in relation to remuneration policies applicable to the executive directors.

The Committee may invite the Chief Executive Officer and the Chief Financial Officer to attend meetings of the Remuneration Committee. The Chief Executive Officer is consulted on proposals relating to the remuneration of the Chief Financial Officer and Chief Operating Officer and of other senior executives of the Group. The Chief Executive Officer is not involved in setting his own remuneration.

The Committee may use remuneration consultants to advise it in setting remuneration structures and policies. The Committee is exclusively responsible for appointing such consultants and for setting their terms of reference.

BOARD OF DIRECTORS

Ken Ford – Non-Executive Chairman

Ken Ford joined System1 Group in 2008 as non-executive Chairman. He was previously CEO of Teather and Greenwood stockbrokers and other past directorships include Morgan Grenfell and Aberdeen Asset Management. He is a past Chairman of the Society of Investment Analysts and the Quoted Companies Alliance (QCA). He is currently non-executive Chairman of gear4music (Holdings) plc, Nakama Group plc, Scientific Digital Imaging plc and Team Lewis PR, and a fellow of the Chartered Securities Institute.

Robert Brand – Non-Executive Director and Chairman of the Audit Committee

Robert Brand joined System1 Group in 2012 as a non-executive Director. He began his career in 1977, initially as a research analyst and subsequently as Managing Director of UK Equity research at BZW, then the investment banking division of Barclays Bank. In 1990 he joined Makinson Cowell, a capital markets advisory firm, as a director and partner. Over a period of 18 years he advised a range of FTSE 100 and FTSE 250 companies, focusing on their link with institutional investors. He retired in 2008.

Graham Blashill – Non-Executive Director and Chairman of the Remuneration Committee

Graham Blashill joined System1 Group in 2012 as a non-executive Director. He was previously a main board director of Imperial Tobacco Group plc (a FTSE 100 company) where he spent the majority of his career. He joined W.D.& H.O. Wills (a division of Imperial Tobacco) in 1968, and became Managing Director Imperial Tobacco UK in 1995. In 2003, he became Regional Director for Western Europe, and in 2005 was appointed Group Sales and Marketing Director responsible for Imperial Tobacco's global trading operations.

John Kearon – Chief Executive Officer

John founded the Company in 1999, and remains its largest shareholder. Previously he founded innovation agency Brand Genetics, which invented new products and services for large consumer companies. Before this, he was a planning director at Publicis (the leading advertising agency), having started his career at Unilever where he rose to become a senior marketer at Elida Gibbs. His role in establishing and developing the Company made him Ernst & Young's "Emerging Entrepreneur of the Year" in 2006.

James Geddes – Chief Financial Officer

James Geddes joined System1 Group in 2003 as CFO. He is a Chartered Accountant, has a diploma in Corporate Treasury Management, and is a graduate of Harvard's executive programme. He was previously Executive Director of Corporate Finance at MediaOne (a US telecoms company), and CFO of lobox (an early stage technology company backed by Morgan Stanley Capita, and sold to Telefonica), having started his career at Deloitte.

Alex Batchelor – Chief Operating Officer

Alex Batchelor joined System1 Group in 2010 as COO. He started his career at Unilever and after 7 years moved to Saatchi & Saatchi as Planning Director and then to Interbrand, becoming Managing Director. He returned to the client side as Vice President Global Brand at Orange, Marketing Director at Royal Mail and Chief Marketing Officer at TomTom. He is a former Chairman of The Marketing Society, a Fellow of the Society and was a member of its managing board for over 10 years, and is also a Fellow of the Marketing Academy.

Alex Hunt – President Research (joined the Board of Directors from 1 April 2017)

Alex Hunt joined System1 Group in 2009 as a Vice President in the Group's US business. He was promoted to head the Group's America's business in 2015, and from 1 January 2017 to lead all client facing teams in the Group's Research business globally. Before joining the Group, he began his career at Millward Brown, part of the WPP group, working across a range of large CPG, media, financial and retail clients in both the UK and US. He is a regular speaker at marketing and insights industry events as well as at several US business schools.

DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the parent company financial statements in accordance with FRS 101 Reduced Disclosure Framework. 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs and United Kingdom Accounting Standards in respect of the group and parent company financial statements respectively, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

James Geddes
Company Secretary and Chief Financial Officer
14 June 2017

INDEPENDENT AUDITOR'S REPORT

to the members of System1 Group PLC (formerly BrainJuicer Group PLC)

We have audited the financial statements of System1 Group PLC (formerly BrainJuicer Group PLC) for the period ended 31 March 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the company balance sheet and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 Directors' Report for the financial period for which the group financial statements are prepared is consistent with the group financial statements;
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Grant Thornton UK LLP

Jeremy Read
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
14 June 2017

CONSOLIDATED INCOME STATEMENT
for the 15 months ended 31 March 2017

	Note	15 months to 31 Mar 2017	12 months to 31 Dec 2015
		£000	£000
Revenue	4	39,002	25,184
Cost of sales		(6,939)	(4,934)
Gross profit		32,063	20,250
Administrative expenses		(24,803)	(15,704)
Operating profit	4	7,260	4,546
Finance costs	17	(35)	(45)
Profit before taxation		7,225	4,501
Income tax expense	18	(2,538)	(1,469)
Profit for the financial period		4,687	3,032
Attributable to the equity holders of the Company		4,687	3,032

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

Basic earnings per share	20	37.8p	23.9p
Diluted earnings per share	20	35.9p	22.7p

The notes on pages 46 to 69 are an integral part of these consolidated financial statements.

All of the activities of the Group are classed as continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 15 months ended 31 March 2017

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Profit for the financial period	4,687	3,032
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	563	(88)
Other comprehensive income for the period, net of tax	563	(88)
Total comprehensive income for the period attributable to equity holders	5,250	2,944

The notes on pages 46 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET


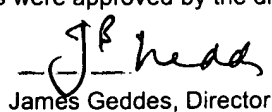
as at 31 March 2017

Registered company no. 05940040

	Note	31 Mar 2017	31 Dec 2015
		£000	£000
ASSETS			
Non-current assets			
Property, plant and equipment	5	360	304
Intangible assets	6	207	519
Deferred tax asset	19	984	589
		1,551	1,412
Current assets			
Inventories	8	95	90
Trade and other receivables	9	6,439	6,595
Cash and cash equivalents	7	8,266	6,365
		14,800	13,050
Total assets		16,351	14,462
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	132	132
Share premium account		1,601	1,599
Merger reserve		477	477
Foreign currency translation reserve		411	(152)
Retained earnings		7,728	7,184
Total equity		10,349	9,240
LIABILITIES			
Non-current liabilities			
Provisions	11	505	469
		505	469
Current liabilities			
Provisions	11	288	263
Trade and other payables	12	4,715	4,161
Current income tax liabilities		494	329
		5,497	4,753
Total liabilities		6,002	5,222
Total equity and liabilities		16,351	14,462

The notes on pages 46 to 69 are an integral part of these consolidated financial statements.

These financial statements were approved by the directors on 14 June 2017 and are signed on their behalf by:

John Kearon, Director James Geddes, Director

CONSOLIDATED CASH FLOW STATEMENT
for the 15 months ended 31 March 2017

	Note	15 months to 31 Mar 2017	12 months to 31 Dec 2015
		£000	£000
Net cash generated from operations	22	9,093	4,137
Tax paid		(2,055)	(1,119)
Net cash generated from operating activities		7,038	3,018
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(258)	(291)
Purchase of intangible assets	6	(32)	(31)
Net cash used by investing activities		(290)	(322)
Net cash flow before financing activities		6,748	2,696
Cash flows from financing activities			
Interest	17	(35)	(45)
Issue of shares	10	2	20
Proceeds from sale of treasury shares	10	395	211
Purchase of own shares	10	(3,536)	(1,159)
Dividends paid to owners	21	(2,052)	(544)
Net cash used by financing activities		(5,226)	(1,517)
Net increase in cash and cash equivalents		1,522	1,179
Cash and cash equivalents at beginning of period		6,365	5,347
Exchange gains/(losses) on cash and equivalents		379	(161)
Cash and cash equivalents at end of period		8,266	6,365

The notes on pages 46 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 15 months ended 31 March 2017

	Note	Share capital	Share premium account	Merger reserve	Foreign currency translation reserve	Retained earnings	Total
		£000	£000	£000	£000	£000	£000
At 1 Jan 2015		131	1,580	477	(64)	5,581	7,705
Profit for the financial year		-	-	-	-	3,032	3,032
Other comprehensive income:							
- currency translation differences		-	-	-	(88)	-	(88)
Total comprehensive income		-	-	-	(88)	3,032	2,944
Transactions with owners:							
Employee share options:							
- exercise of share options		1	19	-	-	-	20
- value of employee services	10	-	-	-	-	112	112
- current tax credited to equity		-	-	-	-	169	169
- deferred tax debited to equity	19	-	-	-	-	(218)	(218)
Dividends paid to owners	21	-	-	-	-	(544)	(544)
Sale of treasury shares		-	-	-	-	211	211
Purchase of own shares		-	-	-	-	(1,159)	(1,159)
		1	19	-	-	(1,429)	(1,409)
At 31 Dec 2015		132	1,599	477	(152)	7,184	9,240
Profit for the financial year		-	-	-	-	4,687	4,687
Other comprehensive income:							
- currency translation differences		-	-	-	563	-	563
Total comprehensive income		-	-	-	563	4,687	5,250
Transactions with owners:							
Employee share options:							
- exercise of share options	10	-	2	-	-	-	2
- value of employee services	10	-	-	-	-	337	337
- current tax credited to equity		-	-	-	-	289	289
- deferred tax credited to equity	19	-	-	-	-	424	424
Dividends paid to owners	21	-	-	-	-	(2,052)	(2,052)
Sale of treasury shares	10	-	-	-	-	395	395
Purchase of own shares	10	-	-	-	-	(3,536)	(3,536)
		-	2	-	-	(4,143)	(4,141)
At 31 Mar 2017		132	1,601	477	411	7,728	10,349

The notes on pages 46 to 69 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 15 months ended 31 March 2017

1. General information

System1 Group PLC (formerly BrainJuicer Group PLC) (“the **Company**”) was incorporated on 19 September 2006 in the United Kingdom. The Company’s principal operating subsidiary, System1 Research Limited (formerly BrainJuicer Limited), was at that time already established, having been incorporated on 29 December 1999. The address of the Company’s registered office is Russell Square House, 10-12 Russell Square, London WC1B 5EH. 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 marketing and market research consultancy services. The Chairman’s Statement, the Chief Executive’s Statement and the Business and Financial Review provide further detail of the Group’s operations and principal activities.

The Company has changed its financial year-end from 31 December to 31 March and this is the first financial reporting period adopting the new year-end date. The financial statements are therefore for the 15 month period ended 31 March 2017.

The Board of Directors approved these financial statements for the 15 month period ended 31 March 2017 (including the comparatives for the 12 month period ended 31 December 2015) on 12 June 2017.

2. Basis of Preparation

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (“**IFRSs**”) as adopted in the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with 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 areas involving a high degree of judgement or complexity, or areas where estimates and judgements are significant to the consolidated financial statements are disclosed in note 3.

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.

3. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Standards, amendments and interpretations in issue but not yet effective

The following standards, amendments and interpretations to existing standards, relevant to the financial statements of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2017 or later periods, but the Group has not adopted them early.

IFRS 9, 'Financial Instruments' (effective 1 January 2018). The IASB have released IFRS 9 following completion of the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15, 'Revenue from Contracts with Customers' (effective 1 January 2018). IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods on or after 1 January 2018. Management consider that IFRS 15 will have no material impact upon these consolidated financial statements.

IFRS 16, 'Leases' (effective 1 January 2019 but not yet EU adopted). IFRS 16 replaces the current guidance in IAS 17 and will require significant changes in accounting by lessees in particular. The standard applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for lessees for certain short-term leases and leases of low-value assets and there are also grand fathering provisions for leases existing at the date of initial application, which the Company is likely to take advantage of. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For lease contracts entered into after the initial application date and therefore not subject to the grand fathering provisions, the standard could have a significant impact upon these financial statements, resulting in the recognition of lease liabilities and right of use assets, upon which finance charges (calculated on the effective interest rate method) and straight-line depreciation will be charged respectively.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2017.

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 acquirer'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 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.

Intangible assets

Software. Acquired computer software licenses are capitalised at the cost of acquisition. These costs are amortised on a straight-line basis over their estimated useful economic life of two years.

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. Furthermore, internally-generated software is recognised as an intangible asset only if the Group can demonstrate all of 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;
- (e) 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;
- (f) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (g) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful economic lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to administrative expenses in the period in which it is incurred. Once completed, and available for use in the business, internally developed software is amortised on a straight-line basis over its useful economic life which varies between 2 and 7 years.

The Group's main research software platform, which it developed over a number of years, was brought into use on 1 January 2011 and is being amortised over its estimated useful economic life of 7 years.

Amortisation on all intangible assets is charged to administrative expenses.

Impairment of property, plant and equipment 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 in order 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 and cash equivalents

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

Inventories – work in progress

Work in progress comprises directly-attributable external costs on incomplete market research projects and is held in the balance sheet at the lower of cost and net realisable value.

Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period, that 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 Group 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.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement net of any incentives received from the lessor on a straight-line basis over the period of the lease.

Revenue recognition

Revenue is recognised only after the final written debrief has been delivered to the client, except on the rare occasion that a large project straddles a financial period end, and that project can be subdivided into separate discrete deliverables; in such circumstances revenue is recognised on delivery of each separate deliverable. Revenue is measured by reference to the fair value of consideration receivable, excluding sales taxes. Revenue from all of the Group's research business products (Ad Testing, Brand Tracking, Predictive Markets, Concept Testing, other research products) and its advertising agency services are recognised under the same basis.

Cost of sales

Cost of sales includes external costs attributable to client projects. For the research business, these include respondent sample, data processing, language translation and similar costs, and for the advertising agency they are mainly freelance creative costs and the costs of production of advertising.

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.

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.

With the exception of 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.

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

Provisions

Provisions for sabbatical leave and dilapidations are recognised when: (i) the Group has a legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) 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.

Foreign currencies

Items included in the individual financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the **Functional Currency**"). The consolidated financial statements are presented in Sterling ('GBP'), which is the Company's functional and the Group's presentation currency. 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 profit or loss.

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, 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 loans and receivables. The Group does not possess assets held at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. The classification is determined by management at initial recognition, being dependent upon the purpose for which the financial assets were acquired. 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.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables 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. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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 into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of 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 so as 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.

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.

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.

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

Share-based payments. The fair value of options granted is determined using a Black Scholes based Employee Stock Option Valuation model (for the employee share option scheme) and a Monte Carlo simulation model (for the long-term incentive scheme). These models require a number of 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.

During the year (and in previous years) the Company has often purchased shares arising from the exercise of share options in order 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.

In order 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.

Employee benefits. The Group has a sabbatical leave scheme, open to all employees, which provides 20 days paid leave for each six years' of service. The carrying amount of the provision at the balance sheet date amounted to £711,000 (31 December 2015: £652,000). The provision for liabilities under the scheme is measured using the projected unit credit method. This model requires a number of estimates and assumptions. The significant inputs into the model are rate of salary growth and average staff turnover as explained in Note 11.

4. Segment information

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

	15 months to 31 Mar 2017			12 months to 31 Dec 2015		
	Revenue	Gross profit	Operating profit/(loss)	Revenue	Gross profit	Operating Profit
	£000	£000	£000	£000	£000	£000
Research Business						
US	15,427	13,452	7,663	9,273	7,758	4,419
United Kingdom	9,883	7,736	4,687	8,445	6,733	4,527
Continental Europe	8,082	6,415	3,998	4,088	3,125	1,623
Asia	2,737	2,189	1,166	1,884	1,489	563
Brazil	1,865	1,530	734	1,494	1,145	622
Australia	579	507	290	-	-	-
	38,573	31,829	18,538	25,184	20,250	11,754
Advertising Agency Business						
United Kingdom	429	234	(323)	-	-	-
	39,002	32,063	18,215	25,184	20,250	11,754

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. Segmental operating profit excludes allocation of central overheads relating to the Group's Operations, IT, Marketing, HR, Legal and Finance teams and Board of Directors.

Consolidated balance sheet information is regularly provided to the executive directors, but segment balance sheet information is not, and accordingly the Company does not disclose segment balance sheet information here.

System1 Group PLC (the ultimate parent company) is domiciled in the UK. As at 31 March 2017, consolidated non-current assets, other than financial instruments and deferred tax assets, located in the UK is £457,000 and located in other countries is £110,000. As at 31 December 2015 the respective amounts were £786,000 and £37,000.

The split of business by research solution is set out below.

	15 months to 31 Mar 2017		12 months to 31 Dec 2015	
	Revenue	Gross Profit	Revenue	Gross Profit
	£000	£000	£000	£000
Research Business				
Ad Testing	10,788	9,459	5,034	4,313
Brand Tracking	5,088	3,800	1,732	1,186
Communications and brand products	15,876	13,259	6,766	5,499
Predictive Markets	11,614	10,137	8,396	7,339
Concept Testing	4,449	3,673	3,034	2,454
Innovation products	16,063	13,810	11,430	9,793
Total core products	31,939	27,069	18,196	15,292
Other services	6,634	4,760	6,988	4,958
	38,573	31,829	25,184	20,250
Advertising Agency Business	429	234	-	-
	39,002	32,063	25,184	20,250

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

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Operating profit for Reportable Segments	18,215	11,754
Central overheads	(10,955)	(7,208)
Operating profit	7,260	4,546
Finance costs	(35)	(45)
Profit before income tax	7,225	4,501

Over the 15 months to 31 March 2017, the Group earned revenue of £3,402,000 from its largest customer, representing 9% of consolidated revenue (12 months to 31 December 2015: 7%). Consolidated revenue from the Group's largest customer is split by geographic segment as set out below.

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
US	1,272	736
Brazil	1,072	629
Asia	964	376
UK	88	101
Australia	6	-
	3,402	1,842

5. Property, plant and equipment

For the 15 months ended 31 March 2017:

	Furniture, fittings and equipment	Computer hardware	Total
	£000	£000	£000
At 1 January 2016			
Cost	397	953	1,350
Accumulated depreciation	(196)	(850)	(1,046)
Net book amount	201	103	304
15 months ended 31 March 2017			
Opening net book amount	201	103	304
Additions	132	126	258
Disposals	-	(1)	(1)
Foreign exchange	6	5	11
Depreciation charge for the year	(78)	(134)	(212)
Closing net book amount	261	99	360
At 31 March 2017			
Cost	550	1,130	1,680
Accumulated depreciation	(289)	(1,031)	(1,320)
Net book amount	261	99	360

For the 12 months ended 31 December 2015:

	Furniture, fittings and equipment	Computer hardware	Total
	£000	£000	£000
At 1 January 2015			
Cost	337	861	1,198
Accumulated depreciation	(310)	(725)	(1,035)
Net book amount	27	136	163
Year ended 31 December 2015			
Opening net book amount	27	136	163
Additions	210	81	291
Foreign exchange	(1)	1	-
Depreciation charge for the year	(35)	(115)	(150)
Closing net book amount	201	103	304
At 31 December 2015			
Cost	397	953	1,350
Accumulated depreciation	(196)	(850)	(1,046)
Net book amount	201	103	304

6. Intangible assets

For the 15 months ended 31 March 2017:

	Software licenses	Software	Total
	£000	£000	£000
At 1 January 2016			
Cost	640	1,672	2,312
Accumulated amortisation	(580)	(1,213)	(1,793)
Net book amount	60	459	519
15 months 31 March 2017			
Opening net book amount	60	459	519
Additions	32	-	32
Amortisation charge	(57)	(287)	(344)
Closing net book amount	35	172	207
At 31 March 2017			
Cost	674	1,672	2,346
Accumulated amortisation	(639)	(1,500)	(2,139)
Net book amount	35	172	207

For the year ended 31 December 2015:

	Software licenses	Software	Total
	£000	£000	£000
At 1 January 2015			
Cost	609	1,672	2,281
Accumulated amortisation	(500)	(984)	(1,484)
Net book amount	109	688	797
Year ended 31 December 2015			
Opening net book amount	109	688	797
Additions	31	-	31
Amortisation charge	(80)	(229)	(309)
Closing net book amount	60	459	519
At 31 December 2015			
Cost	640	1,672	2,312
Accumulated amortisation	(580)	(1,213)	(1,793)
Net book amount	60	459	519

Software comprises the Group's main research software platform, which it developed over a number of years and introduced in 2011, at a cost of £1,604,000. It is being amortised over 7 years and has a remaining amortisation period of 9 months. The carrying amount of this asset at the balance sheet date was £172,000 (2015: £459,000).

7. Financial risk management

The Group's financial risk management policies and objectives are explained in the 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 clients are large blue-chip organisations, and the Group has only ever suffered minimal bad debts. The Group has concentrations of credit risk as follows.

	31 Mar 2017	31 Dec 2015
	£000	£000
Cash and cash equivalents		
HSBC Bank PLC (AA credit rating)	7,810	6,275
Deutsche Bank	157	39
Santander	137	-
UBS	108	44
Other banks	54	7
	8,266	6,365
Trade receivables		
Largest customer by revenue	207	491

Financial instruments by category

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

Assets and liabilities as per balance sheet	31 Mar 2017	31 Dec 2015
	£000	£000
Loans and receivables		
Trade and other receivables (ex prepayments and accrued income)	5,979	6,300
Cash and cash equivalents	8,266	6,365
	14,245	12,665
Other financial liabilities carried at amortised cost		
Trade payables	1,003	915
Accruals and deferred income	3,137	2,607
	4,140	3,522

The Group's financial liabilities (of £4,140,000) are all payable within less than one year of the balance sheet date, and will be financed from existing cash reserves and operating cash flows. The carrying value of financial assets and liabilities approximates to their fair value.

8. Inventory

	31 Mar 2017	31 Dec 2015
	£000	£000
Work in progress	95	90

9. Trade and other receivables

	31 Mar 2017	31 Dec 2015
	£000	£000
Trade receivables	5,609	6,143
Other receivables	370	157
Prepayments	460	295
	6,439	6,595

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 above). The Group does not hold any collateral as security. The Directors do not believe that there is a significant concentration of credit risk within the trade receivables balance. As of 31 March 2017, trade receivables of £1,818,000 were past due but not impaired (31 December 2015: £1,493,000). The ageing of these trade receivables is as follows.

	31 Mar 2017	31 Dec 2015
	£000	£000
Up to 3 months	1,539	1,258
3 to 6 months	279	235
	1,818	1,493

As of 31 March 2017, trade receivables of £24,000 were impaired (31 December 2015: £24,000). The carrying amount of the Group's trade and other receivables are denominated in the following currencies.

	31 Mar 2017	31 Dec 2015
	£000	£000
US Dollar	2,573	2,404
Sterling	1,901	1,596
Euro	1,247	1,324
Brazilian Real	299	387
Swiss Franc	149	569
Chinese Yuan	112	85
Australian Dollar	97	14
Singapore Dollar	36	38
New Zealand Dollar	16	-
Canadian Dollar	7	46
Indian Rupee	-	66
Japanese Yen	2	66
	6,439	6,595

10. Share capital

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

Allotted, called up and fully paid Ordinary Shares	Number	£'000
At 1 January 2016	13,223,762	132
Exercise of share options	3,011	-
At 31 March 2017	13,226,773	132

During the 15 months to 31 March 2017 the Company issued 3,011 Shares on the exercise of employee share options for cash consideration of £1,875 of which £1,845 was credited to share premium and £30 to share capital. The Company transferred 439,403 Shares out of treasury to satisfy the exercise of employee share options at a weighted average exercise price of 90 pence per share for total consideration of £395,000. The weighted average share price at exercise date was 385 pence per share. In addition, the Company purchased 892,124 of its Shares at a weighted average price of 395 pence per share. The total consideration payable on purchase of these Shares amounted to £3,536,000.

At 31 March 2017, the Company had 13,226,773 Shares in issue (31 December 2015: 13,223,762) of which 961,989 were held in treasury (31 December 2015: 509,268). The treasury Shares will be used to help satisfy the requirements of the Group's share incentive schemes.

Share options

Employee share option scheme. The Group issues share options to directors and to employees under an HM Revenue and Customs approved Enterprise Management Incentive (EMI) scheme and also under an unapproved scheme.

The exercise price for share options granted historically is equal to the mid-market opening quoted market price of the Company's Shares on the date of grant, and in general, they vest evenly over a period of one to three years following grant date. 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 Group.

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

	15 months to 31 Mar 2017		12 months to 31 Dec 2015	
	Average exercise price per share	Options	Average exercise price per share	Options
	Pence	No	Pence	No
Opening balance	36.4	1,362,084	63.6	1,139,572
Granted	-	1,124,268	-	591,120
Exercised	89.8	(442,414)	62.5	(368,608)
Closing balance	4.8	2,043,938	36.4	1,362,084
Exercisable at end of period	29.9	328,550	64.3	770,964

The weighted average share price at date of exercise of options exercised during the 15 months to 31 March 2017 was 385 (12 months to 31 December 2015: 405) pence. During the 15 months to 31 March 2017 1,124,268 nil cost share options were granted under the Company's current long-term incentive scheme. During the 12 months to 31 December 2015, 591,120 nil cost share options were granted under the Company's previous long-term incentive scheme. The options granted in the period have a weighted average fair value of 295 pence per share, valued assuming a weighted average share price at grant date of 765 pence, weighted average risk free rate of 0.35%, dividend yield of 0.6% and weighted average volatility of 24.6%.

At 31 March 2017 and 31 December 2015, the Group had the following outstanding options and exercise prices.

	31 March 2017			31 December 2015		
	Average exercise price per share	Options	Weighted average remaining contractual life	Average exercise price per share	Options	Weighted average remaining contractual life
Expiry date	Pence	No	Months	Pence	No	Months
2016	-	-	-	62.3	3,011	9.0
2017	-	-	-	162.5	105,073	13.0
2018	147.5	22,598	11.3	147.5	48,216	27.0
2019	94.0	3,011	21.3	94.0	34,982	37.0
2020	20.5	302,941	37.2	30.3	562,682	52.5
2021	-	-	-	286.0	17,000	70.0
2025	-	591,120	95.5	0.0	591,120	110.8
2027	-	1,124,268	119.8	-	-	-
	4.8	2,043,938	99.2	36.4	1,362,084	73.6

Long-term incentive schemes. During the 15 months to 31 March 2017, the Company awarded 198,400 nil cost stock options to each of James Geddes, Alex Batchelor and Alex Hunt, and 132,267 to each of Orlando Wood, Horace McDonald, Rod Connors and Mark Johnson under the long-term incentive scheme approved at the Company's general meeting on 12 May 2017.

Share-based payment charge. The total charge relating to equity-settled employee share-based payment plans (for both the employee stock option plan and the senior executive long-term incentive plans) was £337,000 for the 15 months to 31 March 2017 (12 months to 31 December 2015: £112,000). The associated charge for social security was £436,000 for the 15 months to 31 March 2017 (12 months to 31 December 2015: £88,000).

11. Provisions

	Sabbatical provision	Dilapidation provisions	Total
	£000	£000	£000
At 1 January 2015	557	80	637
Provided in the year	131	-	131
Utilised in the year	(36)		(36)
At 31 December 2015	652	80	732
Provided in the 15 month period	141	-	141
Utilised in the 15 month period	(82)	-	(82)
Foreign exchange	-	2	2
At 31 March 2017	711	82	793
Of which:			
Current	288	-	288
Non-current	423	82	505
	711	82	793

The Group has a sabbatical leave scheme, open to all employees. The scheme provides 20 days paid leave for each successive period of six years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is measured using the projected unit credit method. The calculation of the provision for the 15 months to 31 March 2017 assumes an annual rate of growth in salaries of 7% (12 months to 31 December 2015: 5%), a discount rate of 2.5% (12 months to 31 December 2015: 2.75%), based upon good quality 6-year corporate bond yields, and an average staff turnover rate of 19% (12 months to 31 December 2015: 15%).

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

12. Trade and other payables

	31 Mar 2017	31 Dec 2015
	£000	£000
Trade payables	1,003	915
Social security and other taxes	575	639
Accruals and deferred income	3,137	2,607
	4,715	4,161

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 45 days from receipt of invoice.

13. Commitments

The Group leases offices under non-cancellable operating leases for which the future aggregate minimum lease payments are as follows.

	31 Mar 2017	31 Dec 2015
	£000	£000
No later than 1 year	1,152	827
Later than 1 but no later than 5 years	3,653	2,351
More than 5 years	2,190	1,912
	6,995	5,090

The Group had the benefit of nine months rent-free for a lease with an annual rental commitment of £493,000. At 31 March 2017 no rent-free months were outstanding (31 December 2015: four months). The benefit of the rent-free months together with other lease incentives of £23,000 have been spread over the length of the lease which expires on 15 April 2025.

14. Expenses by nature

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Employee benefit expense	17,459	10,608
Depreciation and amortisation	556	459
Net foreign exchange gains	(268)	-
Other expenses	13,995	9,571
	31,742	20,638
<i>Analysed as:</i>		
Cost of sales	6,939	4,934
Administrative expenses	24,803	15,704
	31,742	20,638

15. Profit before taxation

Profit before taxation is stated after charging:

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Services provided by the Company's auditor and its associates		
Fees payable to the company's auditor and its associates for the audit of the parent company and consolidated financial statements	55	43
Fees payable to the Company's auditor and its associates for other services:		
- Audit-related assurance services	22	16
- Taxation compliance services	75	28
- Tax advisory services	53	37
- Other services	9	3
Operating lease expenses – Land and buildings	1,269	859
Depreciation and amortisation	556	459
Net gain on foreign currency translation	268	-

16. Employee benefit expense

The average number of staff employed by the Group during the financial year amounted to:

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	No	No
Number of administrative staff	160	158

The aggregate employment costs of the above were:

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Wages and salaries	13,427	8,357
Social security costs	2,158	1,099
Pension costs – defined contribution plans	399	268
Long service leave cost	59	95
Share based remuneration	337	112
Redundancies	296	113
Medical benefits	783	564
	17,459	10,608

The Company had 6 key management personnel as at 31 March 2017 (31 December 2015: 6), including the three executive directors (four from 1 April 2017).

Compensation to key management is set out below.

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Short-term employee benefits – salaries, bonuses and benefits in kind	826	661
Short-term employee benefits – employer social security, including £384,000 (12 months to 31 December 2015: £65,000) in respect of share incentive plans	489	147
Post-employment benefits (pension costs – defined contribution plans)	36	33
Share-based payment	341	112
	1,692	953

Details of directors' emoluments are given in the Remuneration Report.

17. Finance costs

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Other interest payable	35	45

18. Income tax expense

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Current tax	2,478	1,461
Deferred tax	60	8
	2,538	1,469

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

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Profit on ordinary activities before taxation	7,225	4,501
Profit on ordinary activities multiplied by standard tax rate	1,445	910
Difference between tax rates applied to Group's subsidiaries	672	402
Expenses not deductible for tax purposes	165	142
Tax on intra-group management charges (Brazil and China)	153	126
Adjustment to current tax in respect of prior years	124	(78)
Withholding tax	75	-
Credit on exercise of share options taken to income statement	(96)	(33)
	2,538	1,469

The standard tax rate for the 15 months to 31 March 2017 was 20%, and for 12 months to 31 December 2015 was 20.21%.

19. Deferred tax

Deferred tax assets and liabilities are as follows.

	31 Mar 2017	31 Dec 2015
	£000	£000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	539	360
- Deferred tax assets to be recovered within 12 months	524	306
	1,063	666
Deferred tax liabilities:		
- Deferred tax liability to be recovered within 12 months	(79)	(77)
Deferred tax asset (net):	984	589

The gross movement in deferred tax is as follows.

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Opening balance	589	814
Foreign exchange differences	31	1
Income statement charge	(60)	(8)
Tax credited/(debited) directly to equity	424	(218)
Closing balance	984	589

The movement in deferred income tax assets and liabilities during the 15 month period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Other provisions	Overseas tax losses	Share options	Dilapidation provisions	Sabbatical provision	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2016	27	43	433	12	151	666
Foreign exchange differences	2	6	10	-	14	32
Charged to income statement	(39)	(38)	34	(1)	(15)	(59)
Debited directly to equity	-	-	424	-	-	424
At 31 March 2017	(10)	11	901	11	150	1,063

Deferred tax liabilities	Accelerated capital allowances
	£000
At 1 January 2016	(77)
Foreign exchange differences	(1)
Charged to income statement	(1)
At 31 March 2017	(79)

There are no unrecognised deferred tax assets. 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.

20. Earnings per share

(a) Basic earnings per share

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

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
Profit attributable to equity holders of the Company (£'000)	4,687	3,032
Weighted average number of Ordinary Shares in issue	12,388,680	12,684,787
Basic earnings per share	37.8p	23.9p

(b) Diluted earnings per share

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

	15 months to 31 Dec 2017	12 months to 31 Dec 2015
Profit attributable to equity holders of the Company and profit used to determine diluted earnings per share (£'000)	4,687	3,032
Weighted average number of Ordinary Shares in issue	12,388,680	12,684,787
Share options	656,993	642,941
Weighted average number of Ordinary Shares for diluted earnings per share	13,045,673	13,327,728
Diluted earnings per share	35.9p	22.7p

21. Dividends

On 11 May 2016 the Company paid a final dividend of 3.5 pence per share, amounting to £445,000 in respect of the year ended 31 December 2015. On 20 October 2016, the Company paid an interim dividend of 1.1 pence per share, amounting to £135,000, in respect of the period ended 31 March 2017 and a special dividend of 12 pence per share amounting to £1,472,000.

	15 months to 31 Dec 2017	12 months to 31 Dec 2015
	£000	£000
Final dividend for 2015: 3.5p per share (prior period: 3.3p per share for 2015)	445	417
Interim dividend for 2016: 1.1p per share (prior period: 1 pence per share)	135	127
Special dividend: 12p per share (prior period: nil)	1,472	-
	1,607	127
Total ordinary dividends paid in the period	2,052	544

The directors are proposing a final dividend in respect of the 15 months to 31 March 2017 of 6.4 pence per share and a special dividend of 26.1 pence per share. These financial statements do not reflect these proposed dividends.

22. Net cash generated from operations

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Profit before taxation	7,225	4,501
Depreciation	212	150
Amortisation	344	309
Interest paid	35	45
Loss on disposal of property, plant and equipment	1	-
Share-based payment expense	337	112
(Increase)/decrease in inventory	(5)	105
Decrease in receivables	156	129
Increase/(decrease) in payables	616	(1,287)
Exchange differences on operating items	172	73
Net cash generated from operations	9,093	4,137

23. Related party transactions

Dividends paid to directors were as follows:

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£	£
John Kearon	575,259	165,980
James Geddes	30,736	6,808
Alex Batchelor	21,204	4,380
Ken Ford	3,320	860
Robert Brand	4,980	1,290
Graham Blashill	830	215
	636,329	179,533

Share options were granted to two of the executive directors (James Geddes and Alex Batchelor) and other senior executives under the long-term incentive scheme approved at the Company's general meeting on 12 May 2017 as set out in note 10.

24. Audit exemption

System1 Research Limited (company number 03900547) and System1 Agency Limited (company number 09829202), are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A.


COMPANY BALANCE SHEET

as at 31 March 2017

Registered Company No. 05940040

	Note	31 Mar 2017	31 Dec 2015
		£000	£000
Fixed assets			
Other intangible assets	2	207	519
Tangible assets	3	160	156
Investments	4	581	581
		948	1,256
Current assets			
Debtors due within one year	5	3,957	2,271
Debtors due after one year	5	402	147
Cash at bank		4,628	3,724
		8,987	6,142
Creditors: amounts due within one year	6	(1,622)	(1,408)
Net current assets		7,365	4,734
Total assets less current liabilities		8,313	5,990
Provisions for liabilities	7	(308)	(349)
Net assets		8,005	5,641
Capital and reserves			
Share capital	9	132	132
Share premium account		1,601	1,599
Retained earnings		6,272	3,910
Shareholders' funds		8,005	5,641

These financial statements were approved by the directors on 14 June 2017 and are signed on their behalf by:


John Kearon, Director


James Geddes, Director

COMPANY STATEMENT OF CHANGES IN EQUITY
for the 15 months ended 31 March 2017

	Share capital	Share premium account	Retained earnings	Total
	£000	£000	£000	£000
At 1 Jan 2015	131	1,580	3,444	5,155
Profit for the financial year and total comprehensive income attributable to the equity holders	-	-	1,892	1,892
Transactions with owners:				
Employee share scheme				
Exercise of share options	1	19	-	20
Value of employee services	-	-	112	112
Current tax credited to equity	-	-	123	123
Deferred tax debited to equity	-	-	(169)	(169)
Dividends paid to owners	-	-	(544)	(544)
Sale of treasury shares	-	-	211	211
Purchase of own shares	-	-	(1,159)	(1,159)
	1	19	(1,426)	(1,406)
	132	1,599	3,910	5,641
At 31 Dec 2015				
Profit for the financial period and total comprehensive income attributable to the equity holders	-	-	6,586	6,586
Transactions with owners:				
Employee share scheme				
Exercise of share options	-	2	-	2
Value of employee services	-	-	337	337
Current tax credited to equity	-	-	191	191
Deferred tax credited to equity	-	-	441	441
Dividends paid to owners	-	-	(2,052)	(2,052)
Sale of treasury shares	-	-	395	395
Purchase of own shares	-	-	(3,536)	(3,536)
	-	2	(4,224)	(4,222)
At 31 Mar 2017	132	1,601	6,272	8,005

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the 15 months ended 31 March 2017

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 period.

This Company is included in the consolidated financial statements of System1 Group PLC for the 15 months ended 31 March 2017. These accounts are available from the registered office address of the Company, and at www.system1group.com (investor section).

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 requirement to produce a balance sheet at the beginning of the earliest comparative period;
- (c) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more wholly owned members of the group;
- (d) disclosure of key management personnel compensation;
- (e) capital management disclosures;
- (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 financial instruments and fair value measurement.

Other Intangible assets

Software. Acquired computer software licenses are capitalised at the cost of acquisition. These costs are amortised on a straight-line basis over their estimated useful economic life of two years.

Costs incurred in the development of identifiable and unique software products controlled by the Company, 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.

Furthermore, internally-generated software is recognised as an intangible asset only if the Company can demonstrate all of 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;
- (e) 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;

- (f) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (g) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful economic lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to administrative expenses in the period in which it is incurred. Once completed, and available for use in the business, internally developed software is amortised on a straight-line basis over its useful economic life which varies between 2 and 7 years.

The Company's main research software platform, which it developed over a number of years, was brought into use on 1 January 2011 and is being amortised over its estimated useful economic life of 7 years.

Amortisation on all intangible assets is charged to administrative expenses.

Tangible 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.

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 in order 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, that 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.

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 for sabbatical leave are recognised when: the Company has a legal or constructive obligation as a result 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

Financial assets. The Company's financial assets comprise loans and receivables. The Company does not possess assets held at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. The classification is determined by management at initial recognition, being dependent upon the purpose for which the financial assets were acquired. 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.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Company's loans and receivables comprise trade and other debtors and cash at bank in the balance sheet.

Trade debtors are initially recorded at fair value, but subsequently at amortised cost using the effective interest rate method. Provision against trade debtors is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those debtors. 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.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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 into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of 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 so as 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.

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

Share-based payments. The fair value of options granted is determined using a Black Scholes based Employee Stock Option Valuation model (for the employee share option scheme) and a Monte Carlo simulation model (for the long-term incentive scheme). These models require a number of 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.

During the year (and in previous years) the Company has often purchased shares arising from the exercise of share options in order 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. In order to determine whether the Company's share options are equity or cash-settled, consideration needs to be given 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 a present obligation to settle in cash. The Company does not publicise to option holders that treasury shares may be repurchased and the decision to do so is only made at the point of option exercise. Consequently, for subsequent settlements treasury shares issued may not be purchased. For this reason, treating the transaction as a whole would not reflect the transaction's substance. There is no present obligation to settle in cash given that the Company does not have a policy of repurchasing treasury shares and has not advertised to employees that this option will be open to them until the point of exercise. As a result, the Company's share options continue to be accounted for as equity rather than cash-settled.

In prior periods 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.

Employee benefits. The Company has a sabbatical leave scheme, open to all employees, which provides 20 days paid leave for each six years' of service. The carrying amount of the provision at the balance sheet date amounted to £276,000 (31 December 2015: £304,000). The provision for liabilities under the scheme is measured using the projected unit credit method. This model requires a number of estimates and assumptions. The significant inputs into the model are rate of salary growth and average staff turnover as explained in Note 7.

2. Other intangible assets

For the 15 months ended 31 March 2017:

	Software licenses	Software	Total
	£000	£000	£000
At 1 January 2016			
Cost	435	1,672	2,107
Accumulated amortisation	(375)	(1,213)	(1,588)
Net book amount	60	459	519
15 months ended 31 March 2017			
Opening net book amount	60	459	519
Additions	31	-	31
Amortisation charge	(57)	(286)	(343)
Closing net book amount	34	173	207
At 31 March 2017			
Cost	466	1,672	2,138
Accumulated amortisation	(432)	(1,499)	(1,931)
Net book amount	34	173	207

For the year ended 31 December 2015:

	Software licenses	Software	Total
	£000	£000	£000
At 1 January 2015			
Cost	405	1,672	2,077
Accumulated amortisation	(297)	(984)	(1,281)
Net book amount	108	688	796
Year ended 31 December 2015			
Opening net book amount	108	688	796
Additions	30	-	30
Amortisation charge	(78)	(229)	(307)
Closing net book amount	60	459	519
At 31 December 2015			
Cost	435	1,672	2,107
Accumulated amortisation	(375)	(1,213)	(1,588)
Net book amount	60	459	519

3. Tangible assets

For the 15 months ended 31 March 2017:

	Furniture, fittings and equipment	Computer hardware	Total
	£000	£000	£000
At 1 January 2016			
Cost	99	386	485
Accumulated depreciation	(17)	(312)	(329)
Net book amount	82	74	156
15 months ended 31 March 2017			
Opening net book amount	82	74	156
Additions	48	81	129
Disposals	-	(1)	(1)
Depreciation charge for the year	(32)	(92)	(125)
Closing net book amount	98	62	160
At 31 March 2017			
Cost	147	466	613
Accumulated depreciation	(49)	(404)	(453)
Net book amount	98	62	160

For the 12 months ended 31 December 2015:

	Furniture, fittings and equipment	Computer hardware	Total
	£000	£000	£000
At 1 January 2015			
Cost	154	336	490
Accumulated depreciation	(152)	(224)	(376)
Net book amount	2	112	114
Year ended 31 December 2015			
Opening net book amount	2	112	114
Additions	91	50	141
Depreciation charge for the year	(11)	(88)	(99)
Closing net book amount	82	74	156
At 31 December 2015			
Cost	99	386	485
Accumulated depreciation	(17)	(312)	(329)
Net book amount	82	74	156

4. Investments

Group companies	
	£000
Cost and net book amount at 1 Jan 2016 and 31 Mar 2017	581

Subsidiary undertakings

Details of subsidiary undertakings and country of incorporation of each, at 31 March 2017 are as follows:

System1 Research Limited	UK
System1 Research B.V.	Netherlands
System1 Research, Inc.	USA
System1 Research Sarl	Switzerland
System1 Research GmbH	Germany
BrainJuicer Marketing Consulting (Shanghai) Co. Limited	China
System1 Research Do Brazil Servicos de Marketing Ltda.	Brazil
System1 Research France Sarl	France
System1 Market Research Pte Ltd	Singapore
System1 Research Pty Ltd.	Australia
BrainJuicer India Private Limited	India
System1 Agency Limited	UK

System1 Research Limited and System1 Agency 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 online market research services, apart from System1 Agency Limited which provides advertising agency services.

5. Debtors

	31 Mar 2017	31 Dec 2015
	£000	£000
Due within one year		
Trade debtors	226	-
Amounts due from group companies	2,957	1,713
Other debtors	22	32
Corporation tax recoverable	-	150
Deferred tax (Note 8)	458	210
Prepayments	294	166
	3,957	2,271
Due after one year		
Deferred tax (Note 8)	402	147

6. Creditors: amounts due within one year

	31 Mar 2017	31 Dec 2015
	£000	£000
Trade creditors	216	238
Social security and other taxes	28	88
Amounts due to group undertakings	303	522
Corporation tax	195	-
Accruals and deferred income	880	560
	1,622	1,408

7. Provisions for liabilities

	Deferred tax (note 8)	Sabbatical provision	Total
	£000	£000	£000
At 1 January 2015	30	261	291
Provided in the year	15	63	78
Utilised in the year	-	(20)	(20)
At 31 December 2015	45	304	349
Utilised in the 15 month period	(13)	(28)	(41)
At 31 March 2017	32	276	308

The Group has a sabbatical leave scheme, open to all employees. The scheme provides 20 days paid leave for each successive period of six years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is measured using the projected unit credit method. The calculation of the provision for the 15 months to 31 March 2017 assumes an annual rate of growth in salaries of 7% (12 months to 31 December 2015: 5%), a discount rate of 2.5% (12 months to 31 December 2015: 2.75%), based upon good quality 6-year corporate bond yields, and an average staff turnover rate of 19% (12 months to 31 December 2015: 15%).

8. Deferred tax

Deferred tax assets and liabilities are as follows.

	31 Mar 2017	31 Dec 2015
	£000	£000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	402	147
- Deferred tax assets to be recovered within 12 months	458	210
	860	357
Deferred tax liabilities:		
- Deferred tax liability to be recovered within 12 months	(32)	(45)
Deferred tax asset (net):	828	312

The gross movement in deferred tax is as follows.

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Opening balance	312	483
Income statement credit/(charge)	75	(2)
Tax credited/(debited) directly to equity	441	(169)
Closing balance	828	312

The movement in deferred income tax assets and liabilities during the 15 month period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Other provisions	Share options	Sabbatical provision	Total
	£000	£000	£000	£000
At 1 January 2016	2	294	61	357
Credited/(charged) to income statement	-	70	(8)	62
Debited directly to equity	-	441	-	441
At 31 March 2017	2	805	53	860

Deferred tax liabilities	Accelerated capital allowances
	£000
At 1 January 2016	(45)
Credited to income statement	13
At 31 March 2017	(32)

9. Share capital

Allotted, called up and fully paid Ordinary Shares	Number	£'000
At 1 January 2016	13,223,762	132
Exercise of share options	3,011	-
At 31 March 2017	13,226,773	132

10. Profit for the period

The Company has made use of the exemptions as permitted by Section 408 of the Companies Act 2006 and accordingly the income statement of the Company is not presented as part of the accounts. The parent company profit for the 15 months to 31 March 2017 of £6,586,000 (12 months to 31 December 2015: £1,892,000) is included in the Group profit for the financial year. Details of executive and non-executive directors' emoluments and their interest in shares and options of the company are shown within the directors' Remuneration Report on pages 33 to 35.

Company Information

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