

**COMPANY NUMBER 03900547**

# **System1 Research Limited**

**Annual Report and Accounts**  
for the year ended 31 March 2020  
Unaudited

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**System1 Research Limited**  
**Unaudited financial statements for the year ended 31 March 2020**

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## Company information

Company registration number	03900547
Registered office	52 Bedford Row Holborn London, WC1R 4LR
Directors	John Kearon Chris Willford
Secretary	Chris Willford

**System1 Research Limited**  
**Unaudited financial statements for the year ended 31 March 2020**

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## Strategic report

### **Review of the business**

The Directors' report on page 7 sets out a review of the business.

### **Performance indicators**

The Company's financial key performance indicators are set out on page 7.

### **Risk**

The Company's principal risks and uncertainties are set out in the Business risk review on pages 5 and 6.

BY ORDER OF THE BOARD

DocuSigned by:

*Chris Willford*

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Chris Willford  
Director

December 18, 2020 | 10:24 AM GMT

## Business risk review

The Board endeavours to identify and protect the business from the big, remote, risks – those that do not occur very often, but which, when they do, have major ramifications. The types of 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, with the percentage of business from our largest client in the 12 months to 31 March 2020 at 11% of revenue (year ended 31 March 2019: 9%). 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 have a relatively large senior team and do not view the business as being overly dependent on any one individual.

*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 too reliant on any one organisation.

*Material adverse event leading to a significant loss of property, software, or data, or an adverse legal claim.* We 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 small finance and legal teams based in the UK and Brazil. 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.

## Business risk review (continued)

*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 hold ISO 27001 accreditation covering our information security.

*Brexit* The Company believes that any impact is likely to be small due to relatively minor trading with overseas clients and suppliers.

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. However, due to the straightforward nature of the business, its international cost base, the Company's strong balance sheet, and the fact that most of the Company's clients are large, credit-worthy organisations, these risks have historically proved to be modest.

### *Covid-19*

The coronavirus outbreak has affected economies across the globe and continues to cause disruption to businesses. There was minimal impact on FY2019/20 as a result of Covid-19, however the first few months of FY2020/21 have been affected by the reduction in economic activity across multiple geographies and industries. At present, the medium to long term impact of the pandemic are relatively unknown, however the Company acknowledges that it presents financial and operational risks in the short term. The Company has taken the following mitigating actions to manage this risk:

- facilitating home working and eliminating non-essential travel
- reviewing discretionary spend and, at Group level, utilising our credit facility to ensure that the Group has sufficient cash reserves to withstand a potential drop in revenues in the short to medium term;
- controlling salary costs through a combination of reduced working hours and pay deferrals

## Directors' report

The directors present their report and the unaudited financial statements of the Company for the year ended 31 March 2020.

### **Principal activities and business review**

We provide quantitative research with clear qualitative insights. We have invested in the development of web-based software that can be used to extract research, classify it into a usable form and produce a self-generating summary of the study outputs. Our research surveys are conducted on-line and are interactive. They allow respondents to provide free-text answers, and then ask follow-up questions based on previous answers. The surveys can be accessed via the internet, allowing respondents in different countries to contribute to the same survey.

The Company's results for the period and financial position at the end of the period are shown in the attached financial statements.

During the period the Company paid interim dividends of 18.0 pence per ordinary share totalling £2,000,000 (2019: interim dividend of £1,600,000). The directors do not recommend paying a final dividend.

### **Key performance indicators**

The Company's key performance indicators are gross profit growth and profitability. During the year ended 31 March 2020, average gross profit per month declined slightly from £0.37m to £0.33m. Operating profit margin increased from 3% to 4%. Client and employee satisfaction levels are also important performance indicators and are measured through individual client feedback at the end of each project and employee satisfaction through internal surveys.

### **Going concern**

After making enquiries, at the time of approving the financial statements the Directors have a reasonable expectation that the Company has 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.

### **The directors**

The membership of the Board is set out below

John Kearon  
Chris Willford (appointed 4 August 2020)  
James Geddes (resigned 3 April 2020)

## Directors' report (continued)

### Directors' responsibilities

The directors are responsible for preparing the Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 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 United Kingdom Accounting Standards 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.

BY ORDER OF THE BOARD

DocuSigned by:

*Chris Willford*

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Chris Willford,

Director

December 18, 2020 | 10:24 AM GMT



## Principal accounting policies

### **Statement of compliance**

The 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, except for the first-time adoption of IFRS 16, 'Leases' which was adopted on 1 April 2019.

IFRS 16 replaced the existing guidance in IAS 17. 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. 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.

As the Company has not entered into any contracts which contain a lease arrangement, the adoption of IFRS 16 has had no impact on the financial statements, and no restatement of comparative information has been required. The dilapidation provisions held by the Company relate to lease contracts held by the ultimate parent Company, System1 Group PLC.

The Company is included in the consolidated financial statements of System1 Group PLC for the 12 months ended 31 March 2020. These accounts are available from the registered office address of the Company, and at [www.system1group.com](http://www.system1group.com) (investor section).

### **Consolidation**

The Company is exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its immediate and ultimate parent undertaking, System1 Group PLC, a company incorporated in England and Wales and whose financial statements are publicly available. These financial statements contain information about System1 Research Limited as an individual entity and do not contain consolidated financial information.

### **Going concern**

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

## Principal accounting policies (continued)

### 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:

1. A statement of cash flows and related notes.
2. The requirement to produce a balance sheet at the beginning of the earliest comparative period.
3. 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.
4. Disclosure of key management personnel compensation.
5. Capital management disclosures.
6. Presentation of a comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period.
7. The effect of future accounting standards not adopted.
8. Disclosures in respect of financial instruments and fair value measurement.

### 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.

## Principal accounting policies (continued)

### Revenue recognition

The Company's revenues are from the delivery of research and advertising agency services. Revenue from all of the Company's Research product lines (Communications, Brand, Innovation, and other research products) and its advertising agency services arise from contracts with customers within the scope of IFRS 15 and are recognised on the same basis, as set out below.

Revenue is recognised at a point in time (rather than over time) as the key performance obligation is the delivery of the final written debrief to the client.

Revenue is recognised only after the final written debrief or content 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 sub-divided into separate discrete deliverables; in such circumstances revenue is recognised on delivery of each separate deliverable. There are no elements of variable consideration in the contracts entered into by the Company. Revenue is measured by reference to the fair value of consideration receivable, excluding sales taxes.

### Contract costs

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

### Cost of sales

Cost of sales includes external costs attributable to client projects including respondent sample, data processing, language translation and similar costs.

### Employee benefits

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

The 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.

## Principal accounting policies (continued)

### 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 period. 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.

### 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. Financial assets arising from contracts with customers are presented within Debtors in the Balance Sheet.

## Principal accounting policies (continued)

**Trade and other receivables.** Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are held at amortised cost under IFRS 9. The Company's amortised cost financial assets 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. In accordance with IFRS 9, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. This assessment takes into account macro-economic and industry factors, as well as historical experience. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows

**Financial liabilities.** Financial liabilities are initially recognised at fair value, net of transaction costs, and subsequently carried at amortised cost using the effective interest rate method. Financial liabilities arising from contracts with customers are presented within Creditors in the Balance Sheet. 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.

**Employee benefits.** The Company has a sabbatical leave scheme, open to all employees, that provides 20 days paid leave for each six years' of service. The carrying amount of the provision at the balance sheet date amounted to £119,600 (31 March 2019: £124,000). 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 6.

**System1 Research Limited**  
**Unaudited financial statements for the year ended 31 March 2020**

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## Profit and loss account

for the year ended 31 March 2020

	Note	31 Mar 2020	31 Mar 2019
		£	£
<b>Turnover</b>	6	5,569,618	6,272,079
Cost of sales		(1,663,177)	(1,849,483)
<b>Gross profit</b>		3,906,441	4,422,596
Other operating charges	7	(3,660,852)	(4,207,941)
<b>Operating profit</b>	8	245,589	214,655
Income from fixed asset investments – dividends		2,042,990	1,699,261
Net interest	11	57,433	6,864
<b>Profit on ordinary activities before taxation</b>		2,346,012	1,920,780
Tax on profit on ordinary activities	12	(63,735)	(26,643)
<b>Profit for the financial period and total comprehensive income attributable to equity holders of the company</b>		2,282,277	1,894,137

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

There are no recognised gains or losses other than the profit for the period.

**The accompanying accounting policies and notes form an integral part of these financial statements**

**System1 Research Limited**  
**Unaudited financial statements for the year ended 31 March 2020**

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## Balance sheet

as at 31 March 2020

	Note	31 Mar 2020	31 Mar 2019
		£	£
<b>Fixed assets</b>			
Tangible assets	1	18,579	29,229
Investments	2	320,169	320,169
		338,748	349,398
<b>Current assets</b>			
Debtors due within one year	3	1,290,993	2,156,585
Debtors due after one year	3	15,907	21,404
Cash at bank		910,467	898,192
		2,217,367	3,076,181
<b>Creditors: amounts due within one year</b>	4	(867,664)	(1,966,101)
<b>Net current assets</b>		1,349,703	1,110,080
<b>Total assets less current liabilities</b>		1,688,451	1,459,478
<b>Provisions for liabilities</b>	5	(140,026)	(193,449)
<b>Net assets</b>		1,548,425	1,266,029
<b>Capital and reserves</b>			
Share capital	14	111,111	111,111
Share premium account		476,237	476,237
Retained earnings		961,077	678,681
<b>Shareholders' funds</b>		1,548,425	1,266,029


Registered company number: 03900547

For the period ended 31 March 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

**Directors' responsibilities:**

- the members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the directors on December 18, 2020 at 10:24 AM GMT and are signed on their behalf by:

DocuSigned by:  
  
 5CD32CB785B94E2...  
 Chris Willford, Director

**The accompanying accounting policies and notes form an integral part of these financial statements**

**System1 Research Limited**  
**Unaudited financial statements for the year ended 31 March 2020**

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## Statement of changes in equity

for the year ended 31 March 2020

	Note	Share capital	Share premium account	Retained earnings	Total
		£	£	£	£
<b>At 1 April 2018</b>		111,111	476,237	391,626	978,974
<b>Profit for the financial year and total comprehensive income</b>		-	-	1,894,137	1,894,137
Transactions with owners:					
Employee share options scheme:					
- deferred tax credited to equity	13	-	-	(7,588)	(7,588)
- current tax credited to equity		-	-	506	506
Dividends paid to owners	15	-	-	(1,600,000)	(1,600,000)
		-	-	(1,607,082)	(1,607,082)
<b>At 31 March 2019</b>		111,111	476,237	678,681	1,266,029
<b>Profit for the financial period and total comprehensive income</b>		-	-	2,282,277	2,282,277
Transactions with owners:					
Employee share options scheme:					
- deferred tax debited to equity	13	-	-	(278)	(278)
- current tax credited to equity		-	-	397	397
Dividends paid to owners	15	-	-	(2,000,000)	(2,000,000)
		-	-	(1,999,881)	(1,999,881)
<b>At 31 March 2020</b>		111,111	476,237	961,077	1,548,425

**The accompanying accounting policies and notes form an integral part of these financial statements**



## Notes to the financial statements

### 1 Tangible fixed assets

For the year ended 31 March 2020:

	Furniture, Fittings and equipment	Computer hardware	Total
	£	£	£
<b>At 1 April 2019</b>			
Cost	225,627	305,068	530,695
Accumulated depreciation	(197,508)	(303,958)	(501,466)
Net book amount	28,119	1,110	29,229
<b>Year ended 31 March 2020</b>			
Opening net book amount	28,119	1,110	29,229
Additions	-	18,736	18,736
Depreciation charge for the period	(23,229)	(6,157)	(29,376)
Closing net book amount	4,890	13,689	18,579
<b>At 31 March 2020</b>			
Cost	225,627	323,804	549,431
Accumulated depreciation	(220,737)	(310,115)	(530,852)
Net book amount	4,890	13,689	18,579

For the year ended 31 March 2019:

	Furniture, Fittings and equipment	Computer hardware	Total
	£	£	£
<b>At 1 April 2018</b>			
Cost	225,627	304,093	529,720
Accumulated depreciation	(173,675)	(297,987)	(471,662)
Net book amount	51,952	6,106	58,058
<b>Year ended 31 March 2019</b>			
Opening net book amount	51,952	6,106	58,058
Additions	-	975	975
Depreciation charge for the period	(23,833)	(5,971)	(29,804)
Closing net book amount	28,119	1,110	29,229
<b>At 31 March 2019</b>			
Cost	225,627	305,068	530,695
Accumulated depreciation	(197,508)	(303,958)	(501,466)
Net book amount	28,119	1,110	29,229

**System1 Research Limited**  
**Unaudited financial statements for the year ended 31 March 2020**

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## Notes to the financial statements (continued)

### 2 Investments

	Group companies
	£
<b>Cost and net book amount</b>	
At 1 April 2019 and at 31 March 2020	320,169

#### Subsidiary undertakings

Details of subsidiary undertakings at 31 March 2020 are as follows:

	Interest in issued share capital	Country of incorporation
System1 Research BV	100%	Netherlands
System1 Research Inc	100%	USA
System1 Research Sarl	100%	Switzerland
System1 Research GmbH	100%	Germany
System1 Marketing Consulting (Shanghai) Co., Ltd	100%	China
System1 Research Do Brazil Servicos de Marketing Ltda.	99%	Brazil
System1 Research France SARL	100%	France
System1 Market Research Pte Ltd	100%	Singapore
BrainJuicer India Private Limited	99.9%	India

The activity of each of the subsidiary undertakings is that of the provision of online market research services.

### 3 Debtors

	31 Mar 2020	31 Mar 2019
	£	£
<b>Due within one year</b>		
Contract costs	76,416	34,360
Trade debtors	966,358	1,884,665
Amounts due from group undertakings	166,470	
Corporation tax debtor	37,072	176,356
Deferred tax (Note 14)	25,053	17,601
Prepayments	19,624	43,603
	1,290,993	2,156,585
<b>Due after one year</b>		
Deferred tax (Note 14)	15,907	21,404

Amounts invoiced to customers where the right to consideration was not unconditional at the balance sheet date totalled £46,100 at 31 March 2020 (31 March 2019: £15,000).

## Notes to the financial statements (continued)

### 4 Creditors: amounts due within one year

	31 Mar 2020	31 Mar 2019
	£	£
Contract liabilities	109,537	110,225
Trade creditors	348,927	902,083
Social security and other taxes	185,157	140,436
Amounts due to group undertakings	-	575,571
Accruals and deferred income	224,043	237,786
	867,664	1,966,101

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. From time to time, payments are received from customers prior to work being completed. Such payments are recognised in the balance sheet as contract liabilities. Included within revenue is £14,600 relating to contract liabilities recognised at 1 April 2019. No revenue has been recognised in the year from performance conditions satisfied, or partially satisfied, in previous periods.

### 5 Provisions for liabilities

	Deferred tax liability	Dilapidation provision	Sabbatical provision	Total
	£	£	£	£
At 1 April 2018	8,346	66,000	76,283	150,629
(Utilised)/provided in the year	(4,897)	-	47,717	42,820
At 31 March 2019	3,449	66,000	124,000	193,449
Utilised in the year	(2,023)	(47,000)	(4,400)	(53,423)
At 31 March 2020	1,426	19,000	119,600	140,026

The Company has a sabbatical leave scheme, open to all employees. The scheme provides 20 days paid leave for each successive period of 6 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 assumes an annual rate of growth in salaries of 7% (year ended 31 March 2019: 7%), a discount rate of 2.1% (year ended 31 March 2019: 1.6%), based upon good quality 6-year corporate bond yields, and an average staff turnover rate of 19% (year ended 31 March 2019: 19%).

The dilapidation provision represents management's best estimate of the expenditure that could be incurred in the next one to five years in settling liabilities arising from property leases held by the parent Company, System1 Group PLC.

## Notes to the financial statements (continued)

### 6 Turnover

Turnover is attributable to services provided from the United Kingdom.

### 7 Other operating charges

	31 Mar 2020	31 Mar 2019
	£	£
Administrative expenses	3,660,852	4,207,941

### 8 Operating profit

Operating profit is stated after charging:

	31 Mar 2020	31 Mar 2019
	£	£
Depreciation	29,376	29,804
Foreign exchange (gains)/losses	(62,552)	48,956

For the year ended 31 March 2020 the Company took advantage of audit exemption under section 479C of the Companies Act 2006. Auditor's remuneration for the year ended 31 March 2019 was borne by System1 Group PLC, and is disclosed in that company's financial statements.

## Notes to the financial statements (continued)

### 9 Employee benefit expense

The average number of staff employed by the Company during the financial period amounted to:

	31 Mar 2020	31 Mar 2019
	No	No
Number of administrative staff	23	27

The aggregate employment costs of the above were:

	31 Mar 2020	31 Mar 2019
	£	£
Wages and salaries	1,312,150	1,749,111
Social security costs	140,718	172,037
Pension costs – defined contribution plans	50,222	44,695
	1,503,090	1,965,843

Included within wages and salaries are staff costs of £28,484 which have been recharged from group companies (year ended 31 March 2019: £376,611).

### 10 Directors

The directors receive remuneration, including pension benefits, through System1 Group PLC. The details of directors' remuneration are disclosed in the consolidated financial statements of System1 Group PLC.

### 11 Net interest

	31 Mar 2020	31 Mar 2019
	£	£
Bank interest receivable	-	(37)
Intra-group interest receivable	(148,926)	(24,154)
Intra-group interest payable	91,494	17,327
	(57,432)	(6,864)

**System1 Research Limited****22****Unaudited financial statements for the year ended 31 March 2020****Notes to the financial statements (continued)****12 Income tax expense**

	31 Mar 2019	31 Mar 2019
	£	£
Current tax	67,991	40,494
Deferred tax	(4,256)	(13,851)
	63,735	26,643

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

	31 Mar 2020	31 Mar 2019
	£	£
Profit on ordinary activities before taxation	2,346,012	1,920,780
Profit on ordinary activities multiplied by standard rate of tax	445,742	364,948
Dividends not subject to taxation	(388,168)	(322,860)
Expenses not deductible for tax purposes	3,409	(6,325)
Adjustment to tax charge in respect of prior year	4,729	(8,876)
Credit on exercise of share options taken to income statement	(1,977)	(244)
	63,735	26,643

## Notes to the financial statements (continued)

### 13 Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	31 Mar 2020	31 Mar 2019
	£	£
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	15,907	21,404
- Deferred tax assets to be recovered within 12 months	25,053	17,601
	40,960	39,005
Deferred tax liabilities:		
- Deferred tax liability to be recovered within 12 months	(1,426)	(3,449)
Deferred tax asset (net):	39,534	35,556

The gross movement in deferred tax is as follows:

	31 Mar 2020	31 Mar 2019
	£	£
At beginning of period	35,556	29,293
Income statement credit	4,256	13,851
Tax (debited)/credited directly to equity	(278)	(7,588)
At end of period	39,534	35,556

The movement in deferred income tax assets and liabilities during the 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
	£	£	£	£
At 1 April 2019	11,213	4,232	23,560	39,005
Credited/(charged) to income statement	7,023	(3,953)	(837)	2,233
Debited directly to equity	-	(278)	-	(278)
At 31 March 2020	18,236	-	22,723	40,960

Deferred tax liabilities	Accelerated capital allowances
	£
At 1 April 2019	8,346
Credited to income statement	(4,897)
At 31 March 2020	3,449

## Notes to the financial statements (continued)

### 14 Share capital

#### Equity shares

Ordinary shares of 1 pence each:

Allotted, called up and fully paid	Number	£
At 1 April 2019 and 31 March 2020	11,111,110	111,111

#### Share options

System1 Group PLC has issued share options to directors and employees under an HM Revenue and Customs approved Enterprise Management Incentive (EMI) scheme. Details of the share options can be found in the financial statements of System1 Group PLC.

### 15 Dividends

	31 Mar 2020	31 Mar 2019
	£	£
Equity – Ordinary		
Interim paid: 18.0 pence (year ended 31 Mar 2019: 14.4 pence) per share	2,000,000	1,600,000

### 16 Related party transactions

The Company has taken advantage of the exemption available from 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.

### 17 Ultimate controlling party

The immediate and ultimate controlling party of System1 Research Limited is System1 Group PLC, a company registered in England and Wales. The smallest and largest group of undertakings for which group accounts are prepared is that headed by System1 Group PLC. Copies of the group accounts are available from the Company Secretary at 52 Bedford Row, Holborn, London, WC1R 4LR.



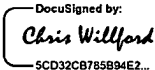
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Signing Complete	Security Checked	12/18/2020 10:24:56 AM
Completed	Security Checked	12/18/2020 10:24:56 AM
Payment Events	Status	Timestamps

**System1 Group**

**London**

52 Bedford Row,  
Holborn,  
London,  
WC1R 4LR

**System1 Group PLC**  
(formerly BrainJuicer Group PLC)

+44 20 7043 1000  
@system1group  
www.system1group.com

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28<sup>th</sup> June 2021

Dear Sirs,

**System1 AdRatings Limited – 11313402**

Please find enclosed the following package of documents for System1 AdRatings Limited – 11313402:

- Financial statements for the year ended 30th September 2019
- Form AA06
- Parent company accounts for the year ended 31st March 2019
- Notice of agreement to exemption from audit of accounts

Yours faithfully,

System1 Group PLC

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

Encs.

**COMPANY NUMBER      11313402**

**System1 AdRatings Limited**

Report and Accounts

For the year ended 30 September 2019

Unaudited

**System1 AdRatings Limited**  
**Unaudited financial statements for the year ended 30 September 2019**

**2**

## Company information

Company registration number	11313402
Registered office	52 Bedford Row Holborn London, WC1R 4LR
Directors	John Kearon Chris Willford
Secretary	John Kearon

**System1 AdRatings Limited**  
**Unaudited financial statements for the year ended 30 September 2019**

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Statement of changes in equity	12
Notes to the financial statements	13 – 15

**System1 AdRatings Limited**  
**Unaudited financial statements for the year ended 30 September 2019**

**4**

## Strategic report

### **Review of the business**

The Directors' report on page 5 sets out a review of the business.

### **Performance indicators**

The Company's financial key performance indicators are set out on page 5.

### **Risk**

The Directors' report on pages 5 and 6 describes the risks that the business faces and the mitigating factors.

BY ORDER OF THE BOARD

DocuSigned by:  
*Chris Willford*  
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Chris Willford  
Director, 9 September 2020

## Directors' report

The directors present their report and the unaudited financial statements of the Company for the 12 month period ended 30 September 2019.

### **Principal activities and business review**

System1 AdRatings Limited ("AdRatings" or "The Company") offers a subscription service which enables subscribers to compare the effectiveness of their advertisements with that of competitors, and to correlate advertising effectiveness with media spend.

The Company was incorporated on 17 April 2018 and was dormant prior to the 12 month period commencing 1 October 2018. The Company generated revenues of £24,418 and an operating profit of £25,370 in the year.

### **Key performance indicators**

The Company's key performance indicators are: number of clients, revenue growth and profitability.

### **Principal risks and uncertainties**

At this early stage in the Company's life we consider the exposure to risks is limited. 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:

- material adverse event leading to significant loss of property, software, or data, or an adverse legal claim;
- cyber-attack causing a material breach in our IT infrastructure.

#### **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.

#### **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 hold ISO 27001 accreditation covering our information security.

### **The directors**

The membership of the Board is set out below:

John Kearon

James Geddes (resigned 3 April 2020)

Chris Willford (appointed 4 August 2020)

## Directors' report (continued)

### Directors' responsibilities

The directors are responsible for preparing the Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 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 UK Accounting Standards 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.

BY ORDER OF THE BOARD

DocuSigned by:

*Chris Willford*

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Chris Willford, Director

9 September 2020



## Principal accounting policies

### Statement of compliance

The 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, with the exception of the first time adoption of IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' (both standards effective for accounting periods beginning on or after 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 adoption of IFRS 15 has had no impact on these accounts, the Company having been dormant in the previous period. The Company has adopted IFRS 15 'Revenue from contracts with customers' from 1 October 2018 under the modified retrospective method. The Company has presented revenue contract liabilities, assets and receivables from this date.

The Company's revenues are derived from subscriptions to a database of adverts rated on long-term effectiveness. Revenue is recognised over time on a straight-line basis as this reflects the pattern of delivery of the key performance obligations to clients.

IFRS 9 introduced 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.

The adoption of IFRS 9 has had no impact on these financial statements. The Company has applied IFRS 9 from 1 October 2018, and no financial instruments that have been previously designated as measured at fair value are no longer so designated.

The Company is included in the consolidated financial statements of System1 Group PLC for the 12 months ended 31 March 2020. These accounts are available from the registered office address of the Company, and at [www.system1group.com](http://www.system1group.com) (investor section).

## Principal accounting policies (continued)

### 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:

1. A statement of cash flows and related notes.
2. 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.
3. Disclosure of key management personnel compensation.
4. Capital management disclosures.
5. The effect of future accounting standards not adopted.
6. Disclosures in respect of financial instruments and fair value measurement.

### Cash at bank

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

### Revenue recognition

The Company's revenues are derived from subscriptions to a database of adverts rated on long-term effectiveness. Revenue is recognised over time on a straight-line basis as this reflects the pattern of delivery of the key performance obligations to clients. All revenues arise from contracts with customers within the scope of IFRS 15. There are no elements of variable consideration in the contracts entered into by the Company. Revenue is measured by reference to the fair value of consideration receivable, excluding sales taxes.

### Employee benefits

The Company has no employees other than Directors, who receive no remuneration from the Company.

### 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 or loss for the period. 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.

## Principal accounting policies (continued)

### Income taxes (continued)

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.

### 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. Financial assets arising from contracts with customers are presented within Debtors in the Balance Sheet.

**Trade and other receivables.** Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Amounts previously designated as loans and receivables under IAS 39 have been reclassified to amortised cost under IFRS 9. The Company's amortised cost financial assets 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. In accordance with IFRS 9, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. This assessment takes into account macro-economic and industry factors, as well as historical experience. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

**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.

**System1 AdRatings Limited**  
**Unaudited financial statements for the year ended 30 September 2019**

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## Profit and loss account

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	30 September 2019	30 September 2018
		£	£
<b>Turnover</b>	4	24,418	-
Operating credits	5	953	-
<b>Operating profit</b>		25,370	-
Net interest		-	-
<b>Profit on ordinary activities before taxation</b>		25,370	-
Tax on profit on ordinary activities	8	-	-
<b>Profit for the financial period and total comprehensive profit attributable to equity holders of the company</b>		25,370	-

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

There are no recognised gains or losses other than the loss for the period.

**The accompanying accounting policies and notes form an integral part of these financial statements**

**System1 AdRatings Limited**  
**Unaudited financial statements for the year ended 30 September 2019**

11

## Balance sheet

AS AT 30 SEPTEMBER 2019

	Note	30 September 2019	30 September 2018
		£	£
<b>Current assets</b>			
Debtors	1	7,560	1
Cash at bank		42,525	-
		50,085	1
<b>Creditors: amounts due within one year</b>	2	(24,715)	-
<b>Net current assets</b>		25,371	-
<b>Total assets less current liabilities</b>		25,371	1
<b>Net assets</b>		25,371	1
<b>Capital and reserves</b>			
Share capital	10	1	1
Profit and loss account		25,370	-
<b>Shareholders' funds</b>		25,371	1

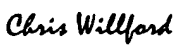
Registered company number: 11313402

For the period ended 30 September 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

**Directors' responsibilities:**

- the members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the directors on 9 September 2020 and are signed on their behalf by:

DocuSigned by:  
  
 5CD32CB785B94E2...  
 Chris Willford, Director  
 9 September 2020

**The accompanying accounting policies and notes form an integral part of these financial statements**

**System1 AdRatings Limited****12****Unaudited financial statements for the year ended 30 September 2019****Statement of changes in equity****FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Note	Share capital	Profit and loss account	Total
		£	£	£
At 17 April 2017 and incorporation		-	-	-
Profit for the financial period and total comprehensive profit		-	-	-
Transactions with owners:				
Issue of shares		1	-	1
		1	-	1
At 30 September 2018		1	-	1
Profit for the financial period and total comprehensive profit		-	25,370	25,370
At 30 September 2019		1	25,370	25,371

**The accompanying accounting policies and notes form an integral part of these financial statements**

**System1 AdRatings Limited**  
**Unaudited financial statements for the year ended 30 September 2019**

13

## Notes to the financial statements

### 1 Debtors

	30 September 2019	30 September 2018
	£	£
Trade debtors	7,560	-

Amounts invoiced to customers where the right to consideration was not unconditional at the balance sheet date totalled £5,400 at 30 September 2019 (30 September 2018: £nil).

### 2 Creditors: amounts due within one year

	30 September 2019	30 September 2018
	£	£
Contract liabilities	11,384	-
Social security and other taxes	4,560	-
Other creditors	8,771	-
	24,714	-

Trade and other payables are due within one year and are not interest bearing. From time to time, payments are received from customers prior to work being completed. Such payments are recognised in the balance sheet as contract liabilities. No revenue has been recognised in the year from performance conditions satisfied, or partially satisfied, in previous periods.

### 3 Turnover

Turnover is attributable to services provided from the United Kingdom.

### 4 Operating charges

	30 September 2019	30 September 2018
	£	£
Administrative credits	(953)	-

**System1 AdRatings Limited**  
**Unaudited financial statements for the year ended 30 September 2019**

14

## Notes to the financial statements (continued)

### 5 Operating profit

Operating profit is stated after charging:

	30 September 2019	30 September 2018
	£	£
Foreign exchange gains	(1,107)	-

For the period ended 30 September 2019 the Company took advantage of audit exemption under section 479C of the Companies Act 2006.

### 6 Income tax expense

	30 September 2019	30 September 2018
	£	£
Current tax	-	-
Deferred tax	-	-
	-	-

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

	30 September 2019	30 September 2018
	£	£
Profit on ordinary activities before taxation	25,370	-
Profit on ordinary activities multiplied by standard UK tax rate	4,820	-
Group relief received	(4,820)	-
	-	-

The standard tax rate for the year ended 30 September 2019 was 19%.

### 7 Share capital

The share capital of the Company consists only of fully paid Ordinary Shares ("**Shares**") with a par value of £0.01 each. All Shares are equally eligible to receive dividends and the repayment of capital, and represent one vote.

#### ***Shares of £0.01 each***

Allotted, called up and fully paid	Number	£
At 1 October 2018 and 30 September 2019	100	1



## Notes to the financial statements (continued)

### **8 Employee benefit expense**

The Company had no employees except for the Directors during the year ended 30 September 2019 or the period ended 30 September 2018. The Directors receive remuneration, including pension benefits, through System1 Group PLC. The details of Directors' remuneration are disclosed in the consolidated financial statements of System1 Group PLC.

### **9 Related party transactions**

The Company has taken advantage of the exemption available from 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.

### **10 Ultimate controlling party**

The immediate and ultimate controlling party of System1 AdRatings Limited is System1 Group PLC, a company registered in England and Wales. The smallest and largest group of undertakings for which group accounts are prepared is that headed by System1 Group PLC. Copies of the group accounts are available from the Company Secretary at 52 Bedford Row, Holborn, London, WC1R 4LR.

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Chris Willford

chris.willford@system1group.com

Chief Financial Officer

System1 Group PLC

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