Annual Report and Accounts 2019

The future of work

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At a glance

Mind Gym is a leading international behavioural science company delivering business improvement solutions to companies across the world

Founded in 2000 by entrepreneurs and behavioural science experts Octavius Black and Dr Sebastian Bailey, Mind Gym now has offices in London, New York, Houston and Singapore and a network of coaches across the world.

It provides integrated culture and behaviour change solutions to blue-chip organisations by deploying a blend of proven, bite-sized live and digital experiences using a highly scalable methodology.

It has a strong market presence with clients that include 62% of the FTSE 100 and 59% of the S&P 100 as well as governments, private companies and not-for-profit organisations.

It employs 223 employees across 4 offices and delivers an average of 273 live, bite-size workshops a week in up to 69 countries as well as a new suite of purely digital e-workouts.

Over 500,000 professionals in 714 organisations took part in a Mind Gym activity during the year.

Visit the website for further information
www.themindgym.com

Our clients include

62% & **59%**

of FTSE 100 / **of S&P 100**

Delivering up to

402

live workshops a week

Serving clients in

69

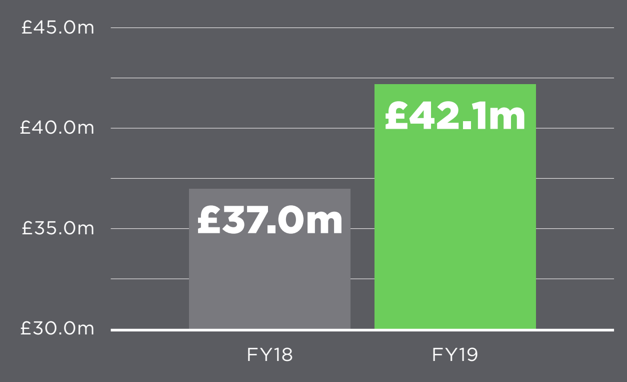
countries

2,000,000+

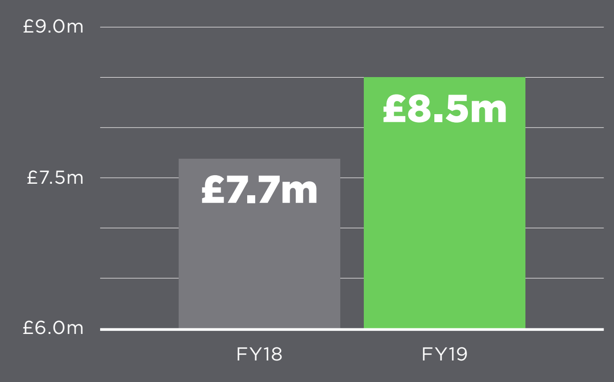
professionals have been to a live Mind Gym session

Financial highlights

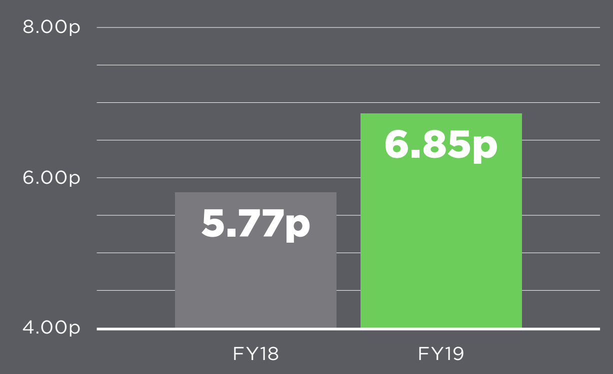
Revenue +14%



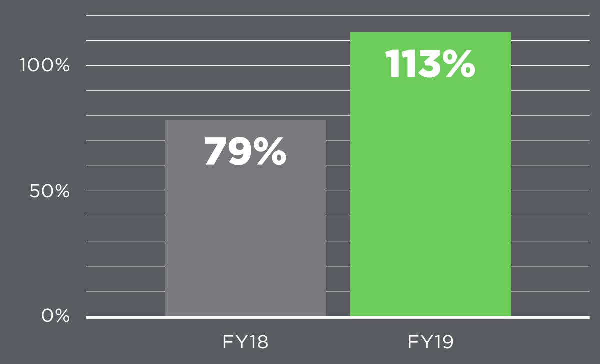
Adjusted EBIT* +12%



Fully diluted Adjusted EPS* +19%



Adjusted cash conversion* %



*An explanation of adjusted results is included on page 27, and a reconciliation of adjusted results is included on page 62.

Final dividend 1.6 pence per share to be paid 30 August

(total post-IPO dividend for the year 2.4 pence)

Strategic report

Better placed than ever

Mind Gym is better placed than ever for growth. It stands to gain from the growing value placed on behavioural science, the increasing attention business leaders are giving to people and culture as sources of strategic advantage and the need for highly scalable, global solutions which are proven to work.

In the period ahead, our focus will be on deepening relationships with existing clients and integrating a growing portfolio of digital products with live experiences, while continuing to disrupt the learning market and set the long-term talent agenda.

Vast, growing market

The global market for Learning and Development (L&D) is over $240 billion (Deloitte, 2018), equivalent to over $1,200 per employee per year. Roughly half of this is in behavioural areas that can be directly addressed by Mind Gym.

Strong growth record

5-year revenue CAGR is 21% and 5-year Adjusted EBIT CAGR is 32%. Our track record of revenue growth is strong and the trajectory positive. The IPO provides optionality, although strategy is not dependent on acquisitions. The company has no debts and a healthy cash position.

Scalable business model

Mind Gym has been built to scale. Over 18 years of Intellectual Property includes 300 products that consist mainly of bite-size workshops that are delivered live, either face-to-face or virtually, by freelance coaches across the world and an increasing number of digital products. 79% of revenue comes from products and services that require only minimal attention from Mind Gym employees to fulfil. By separating sales, account management, design and delivery across different teams, the business model avoids the "feast and famine" and key person dependency of traditional consultancies.

Top tier client relationships

Mind Gym has strong relationships at C-suite/C-1 level with many FTSE 100 and S&P 100 companies and other blue-chip organisations. With the expansion of Mind Gym's offer and its track record for delivering excellence quickly, cost-efficiently and at scale, there is significant opportunity to grow by deepening and extending existing client relationships.

Operational rigour

A new COO and business transformation team are providing robust systems across the global business to fuel the next phase of growth. Becoming more data driven, maintaining the highest quality of delivery and ensuring the integration of digital products are just a few of the projects that will ensure that Mind Gym's track record for great quality is maintained through continued expansion.

Distinctive digital offer

The company has a distinctive digital strategy which focuses on engaging individuals in digital experiences that are grounded in behavioural science. The delivery of the strategy started with the successful launch of a suite of digital e-workouts in 2018. There are now 74 different e-workouts and digital revenue in 2019 is up 72% year-on-year. There is a strong pipeline of new digital innovations that will be added to the portfolio and fuel digital growth.

Statement of the Board Chair

"An exciting time for the Group"

On behalf of the Board I am delighted to introduce Mind Gym's first annual report as a public company.

The Group, a market leader in the growing workplace learning market, has made good progress in 2019 with a 14% increase in revenue to £42.1 million (2018: £37.0 million).

Notably, we have seen 72% growth in digital revenue and increased gross profit margin to 80.6% (2018: 79.3%). Adjusted EBIT has increased by 12% to £8.5 million (2018: £7.7 million) and strong cash generation resulted in year-end cash of £8.3 million and no debt.

Setting the agenda

As the global war for talent continues, organisations are becoming increasingly aware of the importance of developing the people they have and of the significant impact employee performance has on their businesses.

Behavioural science features more often than ever in those conversations and we are very proud that Mind Gym senior leaders and academic board members – Dr Sebastian Bailey, Dr Mary-Clare Race, and Prof. Tomas Chumorro Premuzic – have this year had sell-out appearances at the US ATD conference and the Society of Industrial and Organisational Psychology in the US. In Europe our CEO has helped to shape the conversation in the business media and senior leaders have appeared at the Longevity Forum and CogX. Mind Gym's work continues to be fascinating, meaningful and timely.

Market opportunity

Our significant market opportunity is reflected in the size of the global corporate training market, estimated at $240 billion with both face-to-face and digital markets growing. The market is highly fragmented and Mind Gym remains the only provider of globally scalable behavioural learning interventions. The opportunity for growth remains significant.

Reinforcing for future growth

Looking ahead, the Board has been pleased to support investment in the leadership and infrastructure that will be needed to power the business's growth for its next phase. Part of the success of the Group to date has been in the strength of its senior leaders, particularly in innovation and client relationships. This year has seen longer term planning for operational strength, most notably by the addition of an experienced COO and the establishment of business transformation and digital strategy teams which will drive Mind Gym's digital offering.

People and culture

Mind Gym has a unique culture informed by our people's passion for what we do. We want working at Mind Gym to be the best career experience our people will have, just as what we do sets out to improve the working life of every Mind Gym participant. As the business continues to grow in size, it is seeing an increasing number of employees rejoin after time developing skills in larger organisations.

Once again, the Group has delivered good organic growth, EBIT margin and cash conversion while delivering excellent customer experience. This could not have been achieved without the passion, skill and dedication of our senior management team and our hardworking, talented employees. There is a wonderful spirit and energy among Mind Gym's people across every one of our offices as they deliver on a shared mission to delight clients. On behalf of the Board I thank them all.

I would also like to thank my fellow Board Directors whose breadth of experience and views and attentive hard work ensure that the Board operates effectively to the benefit of the business as it looks forward to its next chapter of growth as a plc.

Dividend

In line with our current dividend policy of paying out not less than 35% of adjusted profit after tax which provides optionality for investment to fund future growth, the Board is pleased to recommend a final dividend of 1.6 pence per share. Following the interim payment of 0.8 pence per share, the total dividend for the year ending 31 March 2019 will amount to 2.40 pence per share.

Summary and outlook

This is an exciting time for the business, with the right structure and strategy for growth, in a growing learning market. A combination of this and the strong start to the current financial year, gives the Board confidence in the Group's prospects and we expect to see further progress during FY20.

Joanne Cash
Board Chair

24 June 2019

Joanne Cash
Board Chair

Behavioural science comes of age

Psychology was once little known outside a small clique of academics and clinicians. Now it is increasingly mainstream.

Between 2001 and 2017, the second most viewed speaker profession in a TED Talk was a psychologist, making up 136,544,306 of the total views. "Author" was first. "Businessman/woman" came in fifth, with 75,641,423 views.

The number of people taking undergraduate psychology degrees in the US has grown from 95,578 to 124,497. Master's in psychology are up 32% and doctorates up 29% over the same period.

The British government in 2010 was the first to introduce behavioural science to the way government operated, setting up the behavioural insights unit in the UK. This example has since been followed in the Netherlands, the US, Mexico, Brazil, Australia, New Zealand, Singapore and Canada.

No-one now questions the need for behavioural science as it is deployed to combat online addiction, increase take-up of NHS appointments or drive consumer behaviour at advertising agencies.

In the last few years, business leaders have seen this trend and are asking how behavioural science can be applied inside their company to address people and talent issues, from the gender pay gap to productivity.

Mind Gym, with its strong academic relationships built over 18 years, is uniquely placed to provide the answer.

Case study

Reinventing performance management

The Challenge

When the leaders at Coca-Cola compared the business outcomes for divisions who had rigorously adopted their performance management approach vs those who did not, they found there was no difference. Given how much time and energy was required to comply, they concluded that this was unproductive effort and decided completely to overhaul the way Coca-Cola manages performance.

Removing ratings and introducing a monthly check-in with managers were helpful process improvements. However, it soon became clear that this wouldn't make much difference without a corresponding change in behaviour. In particular, the "nice" culture was proving to be an obstacle to giving direct, honest feedback and setting suitably stretching goals that colleagues were willing to commit to.

The Solution

Mind Gym delivered a campaign of over 300, 90-minute workouts that focused on feedback, courageous conversations and goal setting.

In order to reach such a geographically dispersed audience quickly and cost effectively (to say nothing of the environmental impact) all the workshops were delivered virtually.

This was the first time the virtual format had been used in Coca-Cola and it was such a success that the client is now using Mind Gym coaches for virtual delivery on a much wider range of topics.

The Result

96% of managers who participated in the programme committed to use what they learned.

> "Our partnership with Mind Gym began in 2016 with the launch of an organisational-wide initiative rethinking our approach to Performance Management. We know that 70% to 80% of organisational initiatives fail. Therefore, we knew the odds were against us, and we needed a strong partner to build not only a learning plan but a change plan to build belief in a new approach to enabling performance. That partner was Mind Gym. Two years later, we can look back through measurable data to determine that the journey to build belief and change our culture around enabling performance was a success; for example, we have seen a significant change in employee perception of fairness in pay decisions as it relates to pay for performance."

Mark Kaestner

Global Director, Learning, Leadership and Executive Development
The Coca-Cola Company

Market overview

Large, growing market

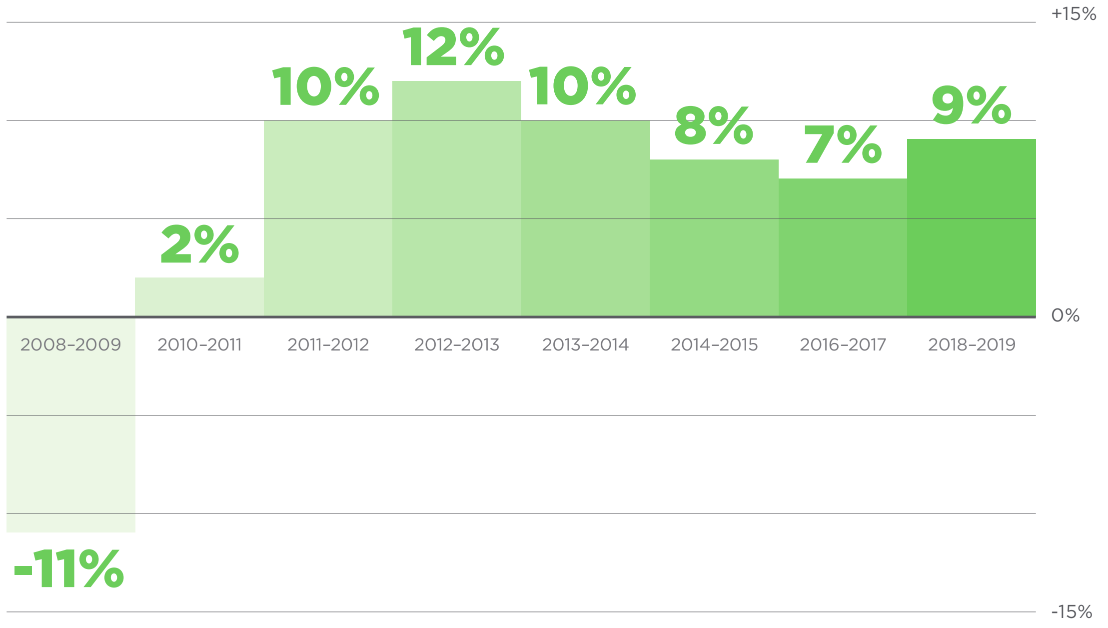
Growth in the L&D market shows no sign of slowing. It is up 9% in the last year with a 5-year Compound Annual Growth Rate (CAGR) of 6%. Time spent on learning provision is skewed towards instructor-led (67%) while self-paced methods (including digital) accounted for 31% and continue to grow significantly faster than the rest of the market.

The market is estimated at $240 billion with roughly half of this made up from behavioural areas which can be addressed by Mind Gym.

This is against a background of increasing awareness and demand for applied behavioural science.

Growth in L&D market

Sources: ATD Market Study, Bersing Corporate Learning Factbooks, Toward maturity Benchmark Surveys, Sierra-Cedar HR systems Survey, Udemy 2017, LinkedIn 2019



The market can be viewed in two parts, the learning and development market, and the market for cultural and organisational change. In each part there is demand for integrated live delivery and digital products.

Learning and Development

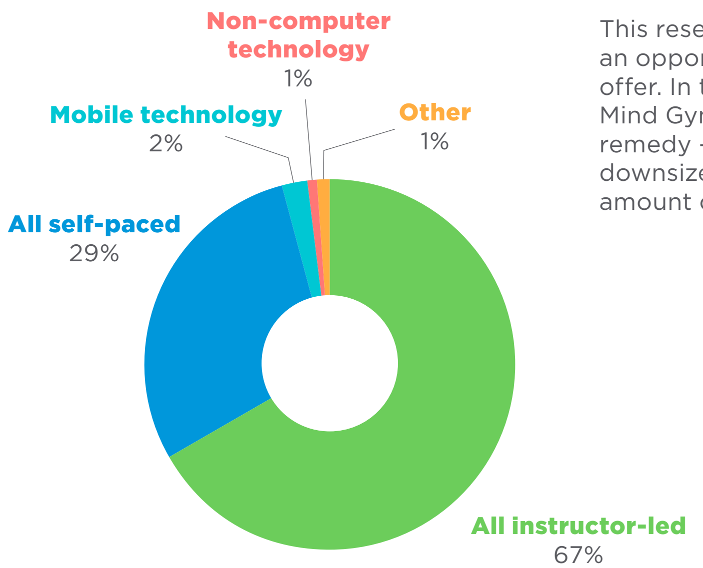
The behavioural proportion of this market includes challenges such as leadership, management, personal effectiveness, onboarding, sales and customer service.

The overwhelming majority of learning and development is still done by instructor-led live delivery, which was at 67% in 2017. This is split between in-person (58%) and virtual (9%). Self-directed learning, of which most is digital, accounts for 31%.

For significant behavioural learning programmes, the consumer preference is for a blended solution which includes both instructor-led and digital learning. Very few companies provide high quality, fully integrated live and digital learning assets.

Mind Gym has an established reputation for providing consistent, global instructor-led live delivery, both in person and virtual.

Instructor-led remains dominant channel for L&D



Source: ATD State of Industry Report

This is the larger part of the market, the harder to enter and the basis from which trusted client relationships are built. It has allowed Mind Gym to enter quickly and easily the digital learning market with its portfolio of digital products. Mind Gym can meet client needs for both blended programmes of live and digital products or either purely live or purely digital.

Cultural and organisational change

The other part of the market can be described as talent and workforce consulting. It is changing significantly as corporate leaders look for alternatives to traditional Human Capital tools and techniques to deliver cultural and organisational change.

For example, in the area of performance management, many companies – from Microsoft and Accenture to Lloyds Bank and Coca-Cola (all Mind Gym clients) – have either dramatically reformed their use of performance ratings or removed them altogether.

Mind Gym's research paper "Reinventing performance management: how to achieve more, with less, forever", provides an alternative approach that is grounded in psychology. This was originally published in 2015 and continues to lead the debate about how to get people to perform at their best.

This research-led approach also creates an opportunity for a counter-cyclical offer. In the last economic downturn, Mind Gym published "Re-organisation remedy – how to upgrade when you downsize" which led to a significant amount of new business.

Creating value for clients by delivering lasting change, faster, for less cost with lower risk

As business leaders strive to make all areas of their company fast and flexible, Mind Gym's unique proposition offers an agile approach to learning and behavioural change which is in contrast with what most of them are used to.

The conventional approach can take over a year from concept to contact with employees, consisting of needs analysis followed by securing budget approval, vendor selection, custom design, piloting, consensus building, redesign and then finally "launching". The probability of the solution working is mixed as it tends to have been designed by consensus and even when it is a great success, the half-life tends to no more than 24 months before being decommissioned and the process starts again.

Business leaders are looking for a solution that is quick to have an impact, easily adapted, doesn't need to be reinvented and achieves lasting behavioural change, while also reducing risk and saving them money. Mind Gym's proposition and market-challenging business model shows how to deliver all of this and more.

Mind Gym has a rapid scoping and solution development process. It starts with what the behavioural science suggests will work best for the presenting business issue and then launches a "good enough" solution that has been co-designed with the client. This session is then continuously refined based on data about what works best.

A new programme can be up and running in a few weeks. Improvements can be made at no cost, in an instant by, for example, swapping modules of proven content.

Mind Gym also offers a range of diagnostic products. These can be completed quickly and use psychological techniques to get beyond the presenting issue, e.g. improve communication, to what is underlying, e.g. feeling their identity is under threat.

The more a client adopts Mind Gym the greater its return on investment. The same workshop, say "Courageous conversations", can be used for multiple purposes, e.g. managing performance, addressing bullying and speaking up about ethical transgressions. The feedback from participants on one learning journey can be used to improve it immediately for those coming afterwards.

Mind Gym has a different business model from the rest of the market. It is designed to make it easier to scale, attract talent, delight clients, deliver consistent quality and innovate.

Market trend	Mind Gym positioning
Grounded in behavioural science	All content sourced from peer-reviewed behavioural science; all courses designed by psychologists
Blended: instructor-led and digital	Integrated portfolio of 300 products that are both instructor-led and digital
Agile	Proven products ready to deploy and adapt as circumstances change; from standing start to deliver in a few days
Bite-size	Core products are 90-minute workouts, which deliver same impact as traditional day-long courses, and 10-minute e-workouts
Consistent quality, globally, at scale	Track record with 2m+ professionals; local coaches in 30 countries
Fewer, key suppliers	Established relationships; relative size; credibility as public company
Proven to work	Case studies that demonstrate business impact and high levels of repeat purchase from blue-chip clients

Case study

Creating leaders of tomorrow, today

The Challenge

In ING's "Thinking Forward" strategy, a central plank is to grow the capabilities of their top 300 leaders so they are more agile, resilient and better at collaborating.

The leaders at ING were determined that the Think Forward Leadership Programme needed to be pioneering.

After an extensive competitive tender process which included many global leaders in Executive Development, ING appointed Mind Gym as their partner based on our extensive track record for delivering lasting change using the latest behavioural science.

The Solution

The Mind Gym solution consisted of four stages:

Stage 1: Intensive

A two-day, face-to-face intensive workshop which introduced practical techniques on inclusive leadership, performance coaching and precision collaboration.

Stage 2: Bite-size

Mind Gym ran distributed bite-size two-hour forums that focused on managing relationships: boundaries, civility, repair and much more.

Stage 3: Nudge

Over the next seven months, leaders received tools and techniques to embed and sustain their new leadership habits.

Stage 4: Social

A network has been built up to support the leaders in adopting their new habits.

The Result

9/10 participants in the pilot recommended it for colleagues and 80% said it was much better than any other leadership programme they had attended.

The programme has now been delivered to the vast majority of ING's top 300. It has been so well received that ING has engaged Mind Gym to refine the programme and deliver it to the next layer of 4,500 leaders across the bank.

> "I am delighted with the partnership we built with Mind Gym, since they share our focus on measurable performance improvement and infuse our programme with deep thinking and great experience in bringing about behavioural change."

Hein Knaapen

CHRO
ING

Case study

Digital first, human first.

The Challenge

Schneider Electric has the ambition to become the leader in digital transformation of energy management and automation. To do this, the business's leaders focused on strengthening their managers' skills in empowering and motivating their teams.

The Solution

Schneider Electric selected Mind Gym to build a high-performance leadership skills series. The focus was not just on training, but engaging leaders into how their behaviour needed to change to create the right culture.

The element that made it particularly challenging was the sheer scale of the endeavour: with 20,000 people managers in 80 countries and speaking seven languages. Mind Gym's bite-size approach and certification of Schneider Electric trainers was the perfect solution.

The Result

96% net satisfaction from participants. Many business success stories, including one where the skills contributed to the Schneider team winning a multimillion-dollar contract for an "industry 4.0" factory.

> "Schneider Electric is leading the digital transformation of energy management, and we needed an innovative partner to help us embed a culture that drives performance and transformation. Mind Gym's grounding in behavioural science and their ability to deliver quickly at scale proved the perfect combination. We're delighted with the results."

Peter Hope

Global VP, Leadership Academy
Schneider Electric

CEO's review

A strong performance while investing for growth

This Annual Report marks the first anniversary of Mind Gym's listing on AIM, a significant milestone in our history.

Mind Gym was started at my kitchen table in 2000 and the same entrepreneurial zeal and spirit informs its culture and drives its growth today as a 250-employee global business with clients across the world.

The IPO has given us welcome profile and elevated standing with our clients as well as optionality as we consider different routes to growth. On the anniversary of our listing we are pleased to have delivered on our commitments and to share our plans to build value for all our stakeholders: clients, employees and investors.

Our vision remains the same: to be the leading global provider of behavioural change in the workplace. We are better placed than ever to achieve that goal.

Trading performance

Mind Gym has delivered a positive performance in our first year as a public company, with 14% growth in revenue and an Adjusted EBIT margin of 20.3%.

During the year, the business generated revenues from c. 600 clients and delivered learning programmes in more than 60 countries, through its two main offices in the UK and US, and a small support office in Singapore. Revenues are segmented into EMEA (UK) or US regions according to where the principal client relationship is held and/or where the majority of training takes place. In the year to 31 March 2019 EMEA generated revenues of £20.4 million, a 16% increase on the prior year and which represented 48% of total revenues. US revenues of £21.7 million represented a 12% year-on-year increase.

Our clients are widely spread across industries as well as geographic locations. This gives Mind Gym better protection against a change in economic conditions in any particular region or market.

We continue to deliver for our global clients across the world and are delighted to see growth in clients in APAC, most recently winning significant new work with clients with headquarters in Hong Kong and Australia. As a result, we plan to increase the size of our APAC coach network by over a third during the coming year.

We have seen growth across a wide range of industries including pharmaceuticals, technology, FMCG and hospitality. We have had particular success in financial services where our recently launched proposition on ethics has opened up new relationships and opportunities within existing clients. We have run a number of very successful pilot programmes on ethics, conduct and respect in banks and with insurers, and expect this to continue to grow in FY20.

"In 5 years' time, the most successful companies will be those who use behavioural science to transform performance"

Octavius Black
Chief Executive Officer

We have also increased focus on cash conversion and in our first year as a public company we have improved adjusted cash conversion from 79% to 113%.

Adjusted, fully diluted Earnings Per Share (EPS) have increased by 19% to 6.85 pence (2018: 5.77 pence).

Deepening client relationships

One of our founding values is that clients are delighted and this is at the core of our client retention strategy.

When we are brought in to deal with a priority issue such as performance management or diversity and inclusion, the impact we deliver allows us to grow the client relationship and become the client's partner to address other aspects of cultural and behavioural change. Examples this year included progressing from delivering the transformation of some major clients' performance management to supporting their diversity and inclusion strategy; addressing middle management behaviours so effectively we have been invited to work with all senior leaders and moving from years as a trusted partner on management performance to build out a global client's ethics programme. All of this helps establish Mind Gym as the client's preferred partner for all aspects of cultural and behavioural change.

Market-leading innovation

Part of Mind Gym's success lies in its ability to identify and address the most pertinent and challenging behavioural issues with the science that works. This year has seen some exciting new innovation completed including the successful launch of a suite of new instructor-led and digital products to help clients prevent and address bullying and harassment at work and the development of a customer service point of view which will launch in FY20.

Digital innovation has seen the development of another 13 digital workouts and included the soft launch, in March 2019, of our first psychometrically validated diagnostic which measures an individual's judgement (JQ) as it applies to ethics, inclusion and respect.

As we said at the IPO, we see the use of individual diagnostics and aggregated data as an important part of our strategy to build a personalised and evidence-based approach to behavioural change.

This diagnostic has been developed in partnership with the psychologists who developed Hogan X (Hogan X is the shorter version of Hogan, one of the most robust and respected diagnostics on the market) and both the IP and the aggregated data are owned completely by Mind Gym.

One of our founding values is that clients are delighted

Our first JQ client is running the diagnostic as part of an overall programme to address inclusion and is very impressed with the completion rate of participants (over 80%) and quality of the personalised debrief.

We intend to apply the insights from this, our first psychometrically validated diagnostic, to develop further Mind Gym diagnostics and other measurement tools.

Digital delivery

The market has responded very positively to our e-workouts. Revenue from digital sales grew by 72% on the year coming mainly from existing clients, who tend to use them as additive in key areas such as performance management and diversity & inclusion (D&I). The strategy for the digital offering is two-fold. They can be used to supplement existing live delivery for managers and so sustain the change in behaviour or to reach a wider base of participants who would otherwise be inaccessible.

The D&I suite of e-workouts has been especially popular with 50% of total e-workout users participating in these courses and, as a result, we have translated them into 10 languages.

Our digital offering has also helped to bring in a number of new clients who have come to Mind Gym for the first time attracted by our high-quality integrated, blended (digital with live) solution.

As with all our products, the scientific rigour and focus on quality is paying dividends in client feedback and satisfaction. When a suite of e-workouts was introduced at a major US airline, the sponsor expected the same level of participation as they are used to with e-learning: less than 10%. They were delighted when 70% of the addressable audience voluntarily completed all the courses and everyone rated them either 4 or 5 stars out of 5.

In under two years since we first launched the e-workouts, we have successfully broken into the digital learning space and laid strong foundations from which to expand our longer-term share of this market.

Infrastructure to support growth

We finish FY19 having significantly upgraded the operational strength and systems in the business. This year has seen the creation of a new Business Transformation team and the appointment of a Digital Strategy Director, both overseen by our experienced new COO.

The Business Transformation team is charged with driving internal efficiency, and covers a wide range of areas from process simplification, codification and automation to analysis of business management information and management of our extensive IP.

Digital strategy will include supporting and integrating the new offerings as well as ensuring that management of data and internal technology supports the intended growth of the business.

US mid-market

As we continue to penetrate the US enterprise market, we are trialling a parallel and additive mid-market client team to reach US mid-market companies, which we define as those with fewer than 2,000 employees.

The route to market will be entirely inside sales (telephone, email, etc., but no live visits) and the proposition will be based around proven products, both digital and instructor-led.

The new Houston-based team of six, of whom five are already hired, are already testing and refining the proposition; although we do not anticipate significant revenue from this mid-market segment until the second half of FY20.

Enhanced quality

An important differentiator for us in the market is the quality of our products, and a lead indicator of the performance of the business is how our live sessions are measured by the immediate feedback from participants.

We are pleased to have seen significant improvements in this measure of quality. The percentage of participants rating their Mind Gym experience as "Excellent" (5/5) has risen from 50.4% to 53.3% and those rating it as either 4 or 5 out of 5 from 87.7% to 88.5%.

Strong team

At the core of Mind Gym's continued success are our highly talented and deeply committed people.

We're delighted that we have continued to build the team, both by recruiting exceptional talent from outside the company and, just as importantly, by promoting from within. During the year, the total team grew by 31 to 223 and 52 colleagues were promoted to new roles.

We say to all potential joiners "we don't hire you for who you are but for who you may become". As a result, we invest heavily in growing the capabilities of our colleagues, both with Mind Gym's own learning programmes and also by supporting colleagues with external qualifications, including Master's and PhDs in psychology.

We don't hire people for who they are but for who they may become

At Mind Gym, culture is a lot more than a set of values. We see our culture as central to who we are and we work every day to nurture the passion, generosity, respect and mutual support that means everyone can enjoy their work and feel proud of what we achieve together.

A huge thank you from me to all of the team for their excellent work and continued commitment.

Social Responsibility

We very much believe that Mind Gym should be a leader of corporate social responsibility and at Mind Gym we are proud of and passionate about Parent Gym, our unique, impactful and growing CSR programme.

Recognising the impact that parenting has on a child's life chances, and the minimal attention paid to parenting capability by successive governments, we piloted a six-week parenting programme in 2009. Today that programme is delivered by Parent Gym trained volunteers in over 100 state primary schools a term across the UK. All of this work has been and continues to be fully funded by Mind Gym.

Mind Gym employees are actively involved in many aspects of its work, including the design of the programme, and some of our people cite it as one of the reasons they chose to work for Mind Gym. It speaks to our values and belief in what we do while a series of independent evaluations of the programme are further proof to clients of the impact Mind Gym delivers. We are delighted that last month saw the publication of a significant new peer-reviewed study of the programme by Professor Geoff Lindsay at Warwick University confirming that it is "effective in aiding the positive development of aspects of parenting behaviour, namely parents' self-efficacy, parenting satisfaction and mental well-being, when delivered in community settings". The impact on mental well-being had not previously been established academically and supports our belief that Parent Gym is transforming lives and life chances.

It is no surprise that a number of modern and enlightened corporate clients are recognising that providing the programme is a means of supporting the well-being and engagement of their people.

Summary and Outlook

We are pleased with the Group's performance in our first financial year as a listed business.

With people and talent issues high on corporate leaders' agenda, this is an exciting time for a disruptive, behavioural change company with a track record of delivering lasting impact in many of the world's largest businesses. The opportunity in a growing learning market is substantial and Mind Gym is well structured with a clear growth strategy to help meet the worldwide demand for behavioural science-based solutions.

When Mind Gym first began, not everyone got the importance of psychology, never mind psychology in the workplace. Now it leads business page stories while the vast global market for Learning and Development estimated at $240 billion shows no sign of slowing.

We continue to trade in line with our expectations and having started FY20 strongly, we feel confident about the Group's future and further progress.

The strategic report on pages 5 to 29 was approved by the Board and signed on its behalf by:

Octavius Black

Octavius Black
Chief Executive Officer

24 June 2019

Financial review

A year of continued growth and strong cash generation

Revenues

In the year ended 31 March 2019 revenues grew 14% (13% on a constant currency basis) to £42.1 million (2018: £37.0 million). The EMEA region generated revenues of £20.4 million, delivering a 16% year-on-year increase. In the US revenues of £21.7 million were generated representing a 12% year-on-year increase.

	Year to 31 March 2019 £'000s	Year to 31 March 2018 £'000s	Change
EMEA	20,390	17,586	16%
US	21,743	19,380	12%
GLOBAL	**42,133**	**36,967**	**14%**

Repeat revenues (defined as revenues from clients that have purchased in the current year and in one or more of the previous three years) remained at a high level of 84% of total revenues (2018: 88%).

Revenue growth on a five-year compound annual growth basis is 21%.

Digital revenues in the year increased by 72% to £3.6 million (2018: £2.1 million) representing 9% of total revenues (2018: 6%). Thirteen new e-workouts were developed in the year taking the total e-workout product offer to 78, and 137,000 e-sessions took place.

The higher gross margin attributable to digital revenue was the principal reason for total Gross Profit margin increasing 1.3% in the year to 80.6% (2018: 79.3%). Revenues from live coach-led deliveries increased 9% on the year to £24.7 million (2018: £22.6 million) and represented 59% of total revenues (2018: 61%). The proportion of revenue from other revenue streams in 2019 was broadly in line with 2018.

Revenue mix by type compared to previous year	FY19	FY18	% Change
Live delivery	59%	61%	-2%
Design	16%	16%	0%
Licensing and certification	11%	11%	0%
Digital	9%	6%	3%
Other (e.g. project management)	3%	5%	-2%
Advisory	2%	1%	1%
Total	**100%**	**100%**	**0%**

Gross profit margin in the US (81.3%) was higher than in EMEA (79.8%) due principally to product mix. Licensing, certification and digital have the highest gross margin of revenue streams and represent 21% of revenues in the US compared to 18% in EMEA. Conversely, delivery and design are the lowest gross margin revenue streams and represent 74% of revenues in the US compared to 76% in EMEA.

	Year ended 31 March 2019		
Revenue type	**EMEA**	**US**	**Global**
Live delivery	59%	58%	59%
Design	17%	16%	16%
Digital	10%	8%	9%
Licensing and certification	8%	13%	11%
Other	4%	3%	3%
Advisory	2%	2%	2%
Total	**100%**	**100%**	**100%**

Profitability

Adjusted EBIT in the year to 31 March 2019 grew 12% to £8.5 million (2018: 7.7 million). Adjusted EBIT as a percentage of Revenue was 20.3% (2018: 20.7%) decreasing slightly as the Group invested to support the continued growth of the business, particularly in client-facing and operational roles. Overheads before adjustments rose 17% to £25.4 million (2018: £21.7 million). Staff costs represents 75% (2018: 75%) of total overheads, increasing 17% on the year. The average number of staff during the year increased 13% to 208 (2018: 184). Adjusted EBIT as a percentage of revenue was 8% in the US and 33% in EMEA. The lower Adjusted EBIT margin in the US is due to the royalty re-charges from the UK to the US.

Adjustments to EBIT

The Group uses Adjusted EBIT to provide a better understanding of the underlying profitability of the business. Adjusted EBIT excludes certain costs as detailed in Note 6 to the group financial statements.

Total Adjustments amounted to £3.4 million in the year to 31 March 2019 and mostly resulted from the Group's IPO in June 2018. Adjustments in 2018 were £1.5 million and included £0.8 million of non-recurring costs relating to the uncompleted sale of the business in January 2018.

Adjustments to EBIT	31 March 2019 £'000	31 March 2018 £'000
Transaction-related costs	1,500	815
Employee options surrender costs	1,577	-
Share-based payment	340	170
Foreign exchange losses	-	514
	3,417	1,499

After Adjustments, the Group reported profit before taxation of £5.1 million (2018: £6.2 million).

Taxation

The taxation charge for the year was £1.2 million (2018: £1.8 million) which represents an effective rate (ETR) of 23.0% of profit before tax. There was a £0.5 million tax credit relating to the tax-deductible element of the costs disclosed as Adjustments. The ETR on profit excluding adjustments was 19.5%.

	FY19			FY18		
	Adjusted £'000	Adjustments £'000	Reported £'000	Adjusted £'000	Adjustments £'000	Reported £'000
EBIT	8,547	(3,417)	5,130	7,663	(1,499)	6,164
Interest	-	-	-	(2)	-	(2)
PBT	**8,547**	**(3,417)**	**5,130**	**7,661**	**(1,499)**	**6,162**
Tax	**(1,671)**	**492**	**(1,179)**	**(1,786)**	**-**	**(1,786)**
PAT (Earnings)	**6,876**	**(2,925)**	**3,951**	**5,875**	**(1,499)**	**4,376**
ETR%	19.5%	14.4%	23.0%	23.3%	-	29.0%

Earnings per share

Adjusted diluted earnings per share grew by 19% to 6.85 pence (2018: 5.77 pence). Reported basic earnings per share fell 17% to 4.08 pence (2018: 4.94 pence).

Dividends

At the time of the admission to AIM, the Company indicated that it would pay a dividend of not less than 35% of adjusted net profit after tax.

The Board is recommending a final dividend of 1.60p per share which, together with the 0.80p per share interim dividend paid in January 2019, gives a total post-IPO dividend of 2.40p per share. The final dividend will be paid on 30 August 2019 to shareholders on the register at 2 August 2019 (ex-dividend date 1 August 2019).

Cash flow and balance sheet

Cash generated from operations increased by £2.6 million or 153% to £7.5 million (2018: £4.9 million) mainly due to improvements in working capital increasing cash conversion to 142% (2018: 77%). Cash conversion is defined as cash generated from operations as a percentage of EBITDA. Adjusted cash generated from operations increased by £3.6 million to £9.8 million increasing adjusted cash conversion to 113% (2018: 79%). Adjusted cash conversion is defined as cash generated from operations before transaction-related payments, employee option surrender payments and, in the case of prior year, exchange gains/(losses).

Over the year we reduced the time taken to invoice clients and improved the collection of overdue receivables. The number of days revenue tied up in Trade receivables and Accrued income fell by 12 days to 100 days (2018: 112 days), equivalent to a £1.4 million cash improvement. Overdue debt as a percentage of total trade receivables fell to 23% at the year end (2018: 44%) with the amount of overdue debt reducing £1.0 million to £2.4 million (2018: £3.4 million).

UK employees exercised EMI options at the IPO which generated UK corporation tax relief on the gain in the value of the shares. The resulting £2.7 million tax deduction is recognised in equity. A credit of £1.9 million was recognised in FY18 and a further credit of £0.8 million is recognised in FY19 due to the increase in value of the EMI options between 1 April 2018 and IPO. The deduction will be claimed in the FY19 tax computation. £1.2 million will offset the FY19 UK taxable profits and £1.2 million will be carried back to recover the UK tax paid for FY18 and is reflected in current assets. The remaining credit of £0.3 million will be carried forward to relieve future UK profits (see Note 9).

Non-UK EMI option holders were not eligible for the beneficial tax treatment available in the UK and received a cash bonus in return for surrendering their options of £0.8 million which was paid during the year. A further provision of £0.8 million has been made for further costs (see Note 17).

Capital expenditure was £0.4 million (2018: £0.3 million) and corporation tax payments were £0.6 million (2018: £2.3 million).

Cash conversion	31 March 2019 £'000s	31 March 2018 £'000s
Adjusted cash generated from operations	9,816	6,221
Exchange gains (losses)	-	(514)
Transaction-related costs	(1,500)	(815)
Employee options surrender costs	(810)	-
Share based payments	-	-
Cash generated from operations	7,506	4,892
Adjusted EBITDA	8,716	7,874
Reported EBITDA	5,299	6,375
Adjusted cash conversion (Adjusted cash from operations /Adjusted EBITDA)	113%	79%
Cash conversion (cash from operations/EBITDA)	142%	77%

The Group also paid £4.0 million of dividends in cash in the year consisting of £3.2 million of pre-IPO dividends and a £0.8 million post-IPO interim dividend in January 2019.

At the year end, the Group had net cash of £8.3 million and an undrawn £2.0 million uncommitted overdraft facility which expires in March 2020 and is intended to then be renewed.

Changes in accounting standards

The Group is not significantly affected by recent developments in accounting standards. The implementation in the year of IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, did not have a material impact on the financial statements. We will adopt IFRS 16, Leases in FY20, and anticipate this will add £1.9 million to both assets and liabilities and have an effect on operating profit and profit before tax of less than £0.1 million.

Financial risk management

The Group has a diverse portfolio of approximately 600 clients across many industrial sectors delivering coaching sessions in more than 60 countries. The largest client accounted for less than 4% of Group revenue in the year.

The Group has translational foreign currency exposure arising on the consolidation of overseas company results into Sterling. Where possible the exposure is naturally hedged, for example by matching US dollar revenues with US dollar costs in the US subsidiary. The Group does not currently use forward exchange contracts or currency options to hedge currency risk.

Key performance indicators

Key performance indicators (KPIs) relate to sales, profit and cash flow. The sales of the business are tracked through monthly reviews of future confirmed and forecasted revenues against targets approved by the Board and against prior year by region and globally. The profitability of the business is managed through the review of revenues and product mix, gross profit margin and overheads against budget. Cashflow is reviewed on a Group basis aided by rolling cash flow forecasts. Working capital is reviewed using debtor days, overdue debt as a percentage of total debtors, and combined debtor, accrued income and deferred income (net revenue) days. The Group intends to develop and add more non-financial KPIs during the current financial year.

Adjusted performance measures

This document contains certain financial measures that are not defined or recognised under IFRS including Adjusted EBITDA, Adjusted EBIT and Adjusted earnings per share. These adjusted measures exclude the effect of Adjustments. The Group uses these measures for planning and budgeting and for its internal assessment of the operational performance of each business. Given the term Adjusted is not defined under IFRS, the Adjusted measures may not be comparable with similarly titled measures used by other companies. Reconciliations of the Adjusted measures to their IFRS equivalents are shown on the face of the Consolidated Statement of Comprehensive Income, in Note 4 Segmental analysis and in Note 10 Earnings per share.

Richard Steele
Chief Financial Officer

24 June 2019

Principal risks and risk management

Risk management process

The Group has an established process for the identification and management of risk. Risks are identified by both senior management and by the Board and are assessed and prioritised taking account of both their likelihood and impact. Each risk area is assigned to a member of the senior management team and appropriate mitigating actions are put in place. The risk assessment is reviewed by the Audit and Risk Committee.

Key risks

The principal risk areas identified are listed below.

Recruiting and retaining key staff

Our future growth and success depends on attracting, developing and retaining talented staff. The Group manages this by benchmarking salaries and benefits, succession planning and performance management, empowering employees and celebrating achievements. The Group is a stimulating place to work and offers exceptional leadership and development programmes. We have also introduced a long-term incentive plan and employee share incentive plan to encourage retention, and we continue to develop and formalise our Human Resources practices.

Information systems and security breaches

The Group is reliant on its IT systems and a major failure could disrupt its ability to continue servicing its clients. Furthermore, as the Group processes sensitive personal data as part of its business, a security breach could result in data becoming public which could damage the Group's reputation and expose it to liability. The Group operates a central IT function which is responsible for managing all its IT systems and monitoring threats.

Data protection obligations

The General Data Protection Regulation (GDPR) came into effect on 25 May 2018 impacting any organisation that processes the personal data of EU individuals. GDPR is the most significant revision of data privacy to date and represents the beginning of a trend which other nations are starting to follow. To mitigate these risks, Mind Gym has appointed a General Counsel to ensure that all areas of the business adhere to these regulations on a continuous basis. This role oversees our robust security programme and the series of internal policies, processes and practices in place across the organisation to ensure that personal data is protected and processed appropriately.

Contractual arrangements with coaches

The Group's coaches are self-employed, contracting with the Group as contractors or consultants often through companies. There is a risk that if there were a change in employment or tax legislation, some coaches could be regarded as employees. Any such reclassification would result in additional costs to the Group. The Group keeps the operating practices and legislation relating to coaches under regular review.

Economic downturn

An economic downturn may cause clients to reduce their training budgets or delay or cancel their training and development activities. Political uncertainty, especially around Brexit or the possibility of an anti-business government in the UK, could be detrimental to revenues from clients in the EU and to our recruitment of employees and coaches in Europe. The Group seeks to mitigate this risk by diversifying across both different industries and different geographical markets. The Group's offering includes counter-cyclical offerings to assist with the challenges clients face during an economic downturn.

Governance

Board of Directors

Joanne Cash

Board Chair

Joanne Cash is the Board Chair at Mind Gym. A former barrister, Joanne was called to the Bar in 1994 and practised as a human rights barrister until 2010. She co-founded Parent Gym in 2009 and joined the Board of Mind Gym in 2011 becoming Board Chair in 2014. Previous roles include Vice-Chair of the Fawcett Society and board advisor to Women2Win. Joanne read English Literature at Lady Margaret Hall, Oxford University.

Octavius Black

Co-Founder and CEO

Octavius Black is the Co-Founder and CEO of Mind Gym, which he co-founded in 2000. Octavius co-authored Mind Gym's four books and has written in *The Times*, *Financial Times* and *Sunday Telegraph*. Prior to founding Mind Gym, Octavius was a director of the organisational communications consultancy Smythe Dorward Lambert and prior to that he was an analyst at Booz Allen Hamilton. Octavius read Philosophy, Politics and Economics at The Queen's College, Oxford University.

Sebastian Bailey

Co-Founder and Executive Director

Dr Sebastian Bailey is the Co-Founder and Executive Director of Mind Gym. Sebastian has led the development of Mind Gym's products since its inception, from the portfolio of 90-minute workouts to the latest digital e-workouts. Sebastian conducted the definitive academic research on how to maximise the transfer of learning, which underpins Mind Gym's proposition. Sebastian co-authored the four Mind Gym books. Sebastian gained a PhD from Bristol University with a thesis entitled "Maximising transfer: How learning translates into action in organisations."

Richard Steele

Chief Financial Officer

Richard Steele joined Mind Gym as Chief Financial Officer in March 2018. From 2012 until January 2018, Richard served as Finance Director of Cook Trading Limited, the frozen ready meal retailer. Prior to this, he was Finance Director at the retailer White Stuff Limited from 2007 to 2012. Richard has also held a variety of finance roles within Principles Retail Limited and Easy Group and started his career at Tate and Lyle plc where he qualified as an accountant and worked for 10 years from 1989.

Baroness Diana "Dido" Mary Harding

Senior Independent Non-Executive Director

Baroness Diana "Dido" Mary Harding is Senior Independent Non-Executive Director (SID) on the Mind Gym Board. Dido is also a Chair of NHS Improvement, Deputy Chairman of the Court of the Bank of England and Chair of the Bank's Remuneration Committee. Dido was previously Chief Executive of TalkTalk Telecom Group plc from 2010 to May 2017 and prior to that held a variety of senior roles at both J Sainsbury plc and Tesco plc. Dido has also served on the boards of The British Land Company plc and Cheltenham Racecourse. In August 2014, Dido was offered a peerage and sits in the House of Lords as a Conservative peer. She was appointed to the Economic Affairs Committee of the Lords in July 2017 and is also a member of the UK National Holocaust Foundation Board. Dido became Chair of NHS Improvement on 30 October 2017.

Sally Tilleray

Independent Non-Executive Director

Sally Tilleray is Independent Non-Executive Director on the Mind Gym Board. Sally has served as Group Chief Operating Officer and Finance Director at Huntsworth plc, the international public relations and healthcare communications group, from 2004 to 2014. Sally is an experienced marketing services agency executive and has been Non-Executive Chairman at Cognito Europe since 2016. From 1999 to 2003, she held the role of CFO Europe for Predictive Inc., an IT network consulting business which undertook an IPO on Nasdaq in 2000. Prior to this, she held senior finance positions at Imperial Software, Unique Solutions, Dowty Communications and Sunlight. She started her CIMA qualification at Bayer UK and completed it while working at Schlumberger plc.

David Nelson

Non-Executive Director

David Nelson is Non-Executive Director on the Mind Gym Board. David is an advisor to the Chairman and CEO, and therefore not regarded as independent. David qualified as a chartered accountant in 1987 and has been a partner of Dixon Wilson since 1990, serving as Senior Partner from 2008 to 2018. David is a non-executive director of a number of family-owned companies. He is an adviser to UK-based families and their businesses, advising on financial and tax matters in the UK and overseas. He is also a trustee of a number of UK trusts. David is a non-executive director on the board of Daily Mail and General Trust plc (LSE: DMGT) and also sits on the Audit and Risk Committee and Remuneration and Nomination Committee.

Chair's corporate governance statement

As Board Chair, I am responsible for leading the Board and ensuring that we maintain the highest standards of corporate governance throughout the Company's operations and particularly at Board level. As a Board, we recognise that applying sound governance principles is essential to the long-term success of the company in delivering on its strategy and improving shareholder value. The Company listed on AIM in June 2018, and has adopted the Quoted Company Alliance's Corporate Governance Code for small and mid-sized quoted companies (the "QCA Code").

I am therefore pleased to introduce our Corporate Governance Statement which summarises our approach to governance, provides information about how the Board and its Committees operate, and describes how we have complied with the principles of the QCA Code.

Compliance with the QCA Code

The Board believes that it applies the 10 principles of the QCA Code. We recognise the need to continue to develop our governance practices and disclosures in some areas (for example formalising our approach to Board performance evaluation) to ensure we continue to apply the principles going forwards. However, we believe that the policies, procedures and systems we have implemented to date, both in the lead up to, and since our Admission to AIM, provide a firm foundation for our governance structure. The Board will keep the governance structure under review to ensure it develops in line with the growth and strategic development of the Company.

Deliver growth

The Board is responsible for setting the strategic aims and objectives of the Group, and our strategy and business model is articulated on pages 14 to 15 of this Annual Report. In the course of implementing our strategy, the Board takes into account the expectations of our shareholders and wider stakeholders (principally our staff and customers). Given the size of the Group, all matters relating to customers and key employees are dealt with at Board level.

The Board also has responsibility for the Company's internal control and risk management systems. We regularly review the risks and opportunities of the business, and work with management to ensure that appropriate and effective mitigation strategies are adopted.

Dynamic management framework

As Board Chair, I consider the operation of the Board as a whole and the performance of the Directors individually. As the current Board was established in connection with Admission, and has therefore only operated for a relatively short period of time, we have not conducted a formal board evaluation process during the year. We have, however, reviewed our performance as a Board on an ongoing basis, and have worked with management to ensure that the quality and timeliness of the information we receive supports effective Board debate, and that the Non-Executive Directors are able to develop their knowledge and understanding of the business through open access to senior management staff.

Board meetings are scheduled at regular intervals throughout the year, and the Directors receive key reports from the Executive team on business performance and key operational metrics. The Board is also updated regularly on regulatory and governance developments.

The Company is committed to ensuring that the Group operates according to the highest ethical standards and the Board has primary responsibility for fostering and embedding this culture. The Directors believe that the main determinant of whether a business behaves ethically is the quality of its people, and the Board has responsibility for ensuring that individuals employed by the Group demonstrate the highest levels of integrity. The Board seeks to lead by example in its own interactions, and open and constructive debate is encouraged at Board meetings.

Build Trust

During the year, the Board has continued to review and develop the Group's corporate governance framework. The following report, describes the work of the Board and its Committees during the year.

We recognise the importance of communicating effectively with our shareholders and other stakeholders, in particular, to demonstrate how the Company is governed and performing.

We will continue to monitor our application of the QCA Code, and revise our governance framework, as appropriate, as the Group evolves.

Joanne Cash
Board Chair

Composition of the Board

The composition of the Board has been structured to ensure that no one individual can dominate its decision-making processes. The Board currently comprises the Board Chair, three Executive Directors and two independent Non-Executive Directors, and one Non-Executive Director who is not considered by the Board to be independent. Its composition is therefore in line with the QCA Code. The skills and experience of the individual Directors is described in their biographies on page 32.

The independent Non-Executive Directors collectively bring a balance of skills and experience which mean they are able to provide constructive support and challenge to the Executive Directors. The Non-Executive Directors are expected to attend such external events and seminars as necessary to ensure that their knowledge of relevant financial reporting and corporate governance requirements are up to date. The Company Secretary also ensures, through regular updates to the Board, that Directors are aware of developments in corporate governance practice and legislative and regulatory changes which may impact on the Company.

How the Board operates

The Board is responsible for the proper management of the Company by formulating, reviewing and approving the Company's strategy, and setting the Company's values and standards. Certain matters are specifically reserved for decision by the Board, and these are set out in a formal Schedule of Matters Reserved for the Board which was approved on Admission and will be reviewed annually going forwards. The matters reserved include decisions relating to:

- approval of Pathfinder Admission to AIM and subsequent placing;
- approval of the Group's strategic aims and objectives;
- the structure and capital of the Group;
- financial reporting, financial controls and dividend policy;
- approval of significant contracts and expenditure above agreed delegated authority limits;
- effective communication with shareholders; and
- any changes to Board and Committee membership or structure.

Board meetings

Director	Board (out of 6 meetings)	Audit Committee (out of 2 meetings)	Remuneration and Nomination Committee (out of 4 meetings)
Joanne Cash	6	2	4
Octavius Black	6	N/A	N/A
Sebastian Bailey	6	N/A	N/A
Richard Steele	6	2*	N/A
Baroness Harding	6	2	4
David Nelson	6	2	4
Sally Tilleray	6	2	4

* by invitation only

Day-to-day management of the Group is the responsibility of the CEO and Executive Directors.

Board meetings

The Board will normally meet on at least six occasions each year, and has met formally on five occasions during the period since Admission to 31 March 2019. Individual Director attendance at Board and Committee meetings during the year is shown in the table below. In addition the Executive Board met to approve the Group's bank facilities.

The Directors are expected to attend all meetings of the Board and the Committees on which they sit, and the Non-Executive Directors are expected to devote sufficient time to the Company to enable them to fulfil their duties as Directors. The Board is satisfied that the Chair and each of the Non-Executive Directors are able to devote sufficient time to the business, and they each maintain open communication with the Executive Directors and senior management between the formal Board meetings.

Board activity during the year

There are a number of standing and routine items included for review on each Board agenda. These include reports from the CEO and CFO, product and talent updates, corporate governance updates, and consideration of reports from the Board Committees. In addition, key areas put to the Board for consideration and review during the year included:

- approval of the documented separation of duties between the Chair and CEO;
- approval of £1,000 of free shares to all employees through a Share Incentive Plan (SIP);
- approval of a £2 million bank overdraft facility;
- market update from the Company's Nomad (Liberum);
- approval of half-year results;
- interim dividend approval;
- review of D&O insurance;
- review of the Company risk register;
- FY20 budget review.

Board Committees

The Board is supported in its work by two Board Committees, the Audit and Risk Committee and the Remuneration and Nomination Committee. More information about the composition and activities of the Committees is set out in the Audit and Risk Committee report on page 40 and the Remuneration and Nomination Committee report on page 42.

Each Board Committee has approved Terms of Reference setting out its responsibilities. The Terms of Reference were approved by the Board on Admission, and will be reviewed at least annually going forwards. The Terms of Reference are available on the Company's website (uk.themindgym.com/investors).

The Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources to carry out their duties.

External advisers

The Board seeks advice and guidance on various matters from its Nomad (Liberum) and its lawyers (Winston & Strawn London LLP). The Board also uses the services of an external company secretarial provider, Prism Cosec, who assists the Chair in preparing for and running effective Board meetings, including the timely dissemination of appropriate information.

Board evaluation

As noted in the Chair's corporate governance statement, the Board has not conducted a formal performance evaluation process during the period since Admission, although the SID has carried out a performance review of the Chair that has been discussed as a Board. The Board is of the view that a meaningful evaluation of its performance, and the performance of individual Directors and the Chair, can only be carried out once it has completed a full annual cycle of activity, and therefore intends to conduct a formal performance exercise during FY20 which will be reported on in our 2020 Annual Report.

Conflicts of interest

At each meeting of the Board or its Committees, the Directors are required to declare any interests in the matters to be discussed and are regularly reminded of their duty to notify any actual or potential conflicts of interest. The Company's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest if deemed appropriate to do so.

Internal controls

The Board has ultimate responsibility for the Group's system of internal controls, and for the ongoing review of their effectiveness. Internal control systems can only identify and manage risks and cannot eliminate them entirely. As a result, such controls cannot provide an absolute assurance against misstatement or loss. The Board considers that the internal controls which have been established and implemented are appropriate for the size, complexity and risk profile of the Company and Group. The main elements of the Group's internal control system include:

- close management of the day-to-day activities of the Group by the Executive Directors, and in particular of the financial controls by the CFO;
- specific financial controls, including with respect to purchasing and payments, payroll and expenses, and to ensure that appropriate accounting records are maintained;
- approval at Board level required for any decisions relating to the assets or investments of the Company;
- an annual budgeting process requiring approval by the Board;
- Board-approved Bribery and Anti-Corruption Policy and Share Dealing Code;
- regular risk reviews.

The Board continues to review the system of internal controls to ensure it is fit for purpose and appropriate for the size and nature of the Company's operations and resources.

Relations with shareholders and stakeholders

The Group maintains communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's financial results. The Group also communicates with the market generally using a Regulatory Information Service provider for regulatory news releases which are also made available on the Company's website in accordance with AIM Rule 26.

Shareholders and investors will have the opportunity to meet Board members at general meetings (including at the Annual General Meeting; see below), investor meetings and webcasts at which shareholders and stakeholders will be able to ask questions of management.

The Board believes that, other than shareholders, the Group's key stakeholders are its staff and customers. Given the size of the Group, all matters relating to customers and key employees are dealt with at Board level.

Annual General Meeting

The Company's first Annual General Meeting (AGM) as a public company will be held at 2.00pm on Wednesday, 31 July 2019 at the offices of Liberum, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY. The Notice of AGM, including the resolutions to be proposed, is set out on page 98 of this Annual Report. Shareholders will have an opportunity to raise questions with the Board at the AGM, and to meet informally with Directors following the meeting.

Audit Committee report

Responsibilities and composition

The Audit and Risk Committee has the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on and to ensure the Group's key risks are identified and monitored. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit and Risk Committee meets not less than twice in each financial year and has unrestricted access to the Group's external auditors. The Audit and Risk Committee comprises at least two members of whom both shall be independent Non-Executive Directors and one shall have recent and relevant financial experience with competence in accounting or auditing. Where possible, one member will be a member of the Remuneration and Nomination Committee. The Chair of the Audit and Risk Committee is appointed by the Board. The Chair of the Audit and Risk Committee is Sally Tilleray and its other members are Dido Harding and David Nelson.

Activities during the year

The Committee met twice during the year and once following the year end to consider the financial statements. Meetings may be attended by the Executive Directors and the Group's external auditors. Time is allowed for the Committee to discuss issues with the external auditors without the Executive Directors being present.

The Committee operates under formal terms of reference and these are reviewed annually. The main work undertaken by the Committee during the past year is detailed below.

Financial reporting

The Committee reviewed the half-year and annual financial statements. As part of this review, the Committee discussed the financial statements with the external auditor and management, and considered the appropriateness of the accounting principles, the reasonableness of significant financial reporting judgements, the clarity of disclosures in the financial statements and the effectiveness of internal control over financial reporting. The Committee reviewed and challenged the external auditor's report on these matters, considered the risk of error in revenue recognition, and also reviewed the basis for preparing the accounts on a going concern basis.

In fulfilling its responsibility for monitoring the integrity of financial reports to shareholders, the Committee considered and reviewed the accounting principles, policies and practices adopted in the preparation of public financial information and examined documentation relating to the Annual Report, Interim Report, preliminary announcements and other related reports. The Committee gave due consideration as to whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and can confirm that this is the case.

External auditors

The Committee oversees the relationship with the external auditors, and monitors all services they provide and the fees payable to them, to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained. In particular the Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. At the outset of the audit process, the Committee receives from the auditors a detailed audit plan, identifying their assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure coverage is appropriately focused.

During the year the external auditor undertook significant non-audit work including tax advice and compliance, and services in connection with our IPO. The fees for this work are detailed in Note 7 to the group financial statements. The IPO fees were incurred prior to the Company's admission to AIM and becoming subject to stricter independence rules, and BDO confirmed that they complied with independence standards. Non-audit fees are expected to be significantly lower next year. The Committee will continue to keep the nature, extent and cost of non-audit services under review and, in particular, will reassess whether to use separate suppliers for external audit and tax work.

The Committee has recommended to the Board that BDO be reappointed as the external auditor and the Directors will be proposing the reappointment at the 2019 Annual General Meeting.

Internal control

The Committee has oversight of the internal financial controls and the risk management systems. During the year the Committee reviewed the principal business risks to ensure that they are being adequately captured and reported to the Board. Details of these risks are set out in Principal risks and risk management on page 28. The Committee also considered the Company's whistleblowing policy.

The Committee has considered whether the Group's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that, given the size of the Group, the internal controls in place and the significant executive involvement in the Group's day-to-day business, an internal audit function is not required. The Committee will, however, keep this under review.

Sally Tilleray
Chair, Audit and Risk Committee

Remuneration report

Contents

Membership

The members of the Remuneration Committee and meetings attended are:

Director	Meetings attended (out of 4 meetings)
Baroness Dido Harding (Chair)	4
Sally Tilleray	4
David Nelson	4

Statement by the Chair

On behalf of the Board, I am pleased to present our first Directors' Remuneration Report for the year ending 31 March 2019, which sets out the Remuneration Policy and the remuneration paid to the Directors for the year.

Mind Gym listed on the Alternative Investment Market (AIM) on 28 June 2018 and has adopted the requirements of the Quoted Companies Alliance (QCA) Code. In order to improve transparency with investors and alignment with best practice, the Remuneration Committee (the "Committee") has presented a separate Remuneration Policy and Annual Report on Remuneration.

The aim of the Remuneration Committee

The Committee met twice during the year and once following the year end to consider the financial statements. Meetings may be attended by the Executive Directors and the Group's external auditors. Time is allowed for the Committee to discuss issues with the external auditors without the Executive Directors being present.

The Committee operates under formal terms of reference and these are reviewed annually. The main work undertaken by the Committee during the past year is detailed below.

Our approach to remuneration

The Remuneration Policy is designed to:

- include a competitive mix of base pay and both short- and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Group's performance;
- promote the long-term success of the Group, in line with our strategy and focus on profitability and growth; and
- provide appropriate alignment between the interests of shareholders and executives.

Aligning remuneration to Company strategy

Since listing on AIM in June 2018, the Company has seen strong delivery against its growth plan, seeing Revenue increase to £42.1 million and Adjusted EBITDA for the year ending 31 March 2019 at £8.7 million.

Our remuneration arrangements are designed to support management in its growth plan and strategy, and to enable the Company to be flexible and agile, in light of the fast pace of our growth.

Context of business performance

Since IPO and as detailed in the strategic report, the Company has been recognised as a market disruptor in the behaviour change sector. With its proven unique and highly scalable model, Mind Gym is becoming the definitive platform for behaviour change, from intern to C-suite.

As we continue to grow, we are mindful of keeping our pay arrangements appropriate for a company of Mind Gym's size and complexity.

Remuneration Policy during the year

Over the course of the year ending 31 March 2019, in developing the new Remuneration Policy the Committee has reviewed existing remuneration arrangements to ensure that there is a strong link between both the Remuneration Policy and the business strategy.

Annual bonus for the year ending 31 March 2019

The Committee carefully considered performance against the annual bonus targets for the year ending 31 March 2019, taking into consideration wider business performance in the year. It was therefore determined that a bonus payment of 11% of base salary, which is 35.5% of the maximum bonus opportunity would be due Richard Steele, who is the only Executive Director to participate in the bonus scheme for the year ending 31 March 2019. Achievement against the performance measures can be found on page 49.

Remuneration Policy for the year ending 31 March 2020

As the Company matures, the Committee is keen to ensure that remuneration arrangements for Executive Directors continue to motivate and intends to introduce a new Long-Term Incentive Plan over the course of the year ending 31 March 2020 and further details can be found on page 45.

The Remuneration Committee is also aware of recent developments in corporate governance and best practice in executive remuneration, and intends to review its executive remuneration arrangements to align with these where appropriate for the business.

The Remuneration Policy is set out on pages 44 to 47 and details of how this policy will be implemented for the financial year ahead is set out on pages 49 to 51.

I hope that you will find this report helpful and informative and agree that the determinations made by the Committee are appropriate and in the long-term interests of both the Company and our shareholders.

I look forward to your support at our AGM on 31 July 2019 and will be available at the meeting to answer any questions you may have regarding the work of the Committee.

Harding of Winscombe

Baroness Dido Harding of Winscombe
Chair, Remuneration Committee

Key Messages for 2018–19

- Alignment of remuneration practices with company strategy
- Development of our new Remuneration policy
- Publication of our first Remuneration Report

Our priorities for 2019–20

- Design and introduction of new Long-Term Incentive Plan

Remuneration report

The Directors' Remuneration Policy

This section of the report sets out the new remuneration policy for Executive Directors.

The objective of this Remuneration Policy is to attract, motivate and retain high-quality individuals who will contribute fully to the success of the Group. To achieve this objective, the Group provides competitive pay to all employees.

Executive Directors' remuneration is set to create an appropriate balance between both fixed and performance-related elements. Remuneration is reviewed each year in light of the Group's business objectives and designed to support the growth strategy.

It is the Committee's intention that remuneration should reward achievement of objectives and that these are aligned with shareholders' interests over the medium term.

Remuneration approach

The aim of the Remuneration Policy is to support the Group in:

- aligning individual and business performance with the interests of shareholders through the delivery of clear and stretching targets;
- strengthening the link between employee output and the delivery of shareholder value;
- attracting, motivating and retaining high-quality talent; and
- enabling the Group's remuneration strategy to be tailored to its changing circumstances.

The Company firmly believes that remuneration should be structured in a fair and competitive way, in order to incentivise individuals to achieve the highest levels of performance, and takes a consistent approach throughout the Group.

Packages are designed to be competitive with fixed remuneration set at market competitive levels. Variable rewards, which are linked to objectives based on the performance of the Group, are designed to reward exceptional performance.

Remuneration components

We currently define our main fixed and performance-related elements of remuneration as follows:

- base pay, benefits and pension contribution (fixed); and
- annual performance bonus (variable).

The Company also intends to introduce a Long-Term Incentive Plan (LTIP) in order to create longer-term alignment between the interest of its Directors and shareholders.

Remuneration Policy table

Component	Aim and link to strategy	Operation, Opportunity and Performance Measures	Further Detail
Fixed Base Pay	To attract and retain talent by ensuring base pay is competitive in the market	Paid monthly in cash. Reviewed annually. Company and individual performance considered when setting Executive Director base pay.	Any increase typically takes effect from 1 June annually.
Fixed Core Benefits	Designed to be competitive in the market	Core benefits typically include: ▪ Private medical insurance for Executive Directors and their immediate family ▪ 25 days holiday ▪ Life Assurance Benefits may vary by role.	
Fixed Pension	Designed to be competitive in the market	A defined contribution pension scheme, or a cash payment in lieu of pension contribution in certain circumstances. The Company will make up to 5% base pay contribution. Cash payments in lieu of pension contributions may be made to Executive Directors, but these will be subject to normal tax and NI deductions.	Base pay is the only element of remuneration that is pensionable. Company contributions for all participating employees are made at a minimum of 5% base pay and all employees have the ability to join the Company's defined contribution pension scheme. Company contributions will be reviewed over time, to ensure compliance with minimums set under auto-enrolment guidelines.
Variable Annual Bonus	Designed to focus Executive Directors on the business priorities for the financial year ahead and to align the individual's remuneration with the delivery of shareholder value and the delivery of the strategic plan	Performance is measured on an annual basis for each financial year. The bonus scheme is based on a combination of financial and non-financial measures, which are reviewed annually to ensure they remain appropriate and align with the business strategy. Such measures include EBITDA, Revenue and Quality. At the end of the year the Committee determines the extent to which these were achieved. Performance measures and their weightings may vary from one year to another. Clawback (of any bonus paid) may be applied where the Committee deems it necessary to do so, including in the event of gross misconduct or a material misstatement.	Payment typically made in cash in July each year. The Remuneration Committee retains the ability to exercise discretion to adjust payments up or down in exceptional circumstances where they feel this course of action is appropriate. The bonus scheme pays at the following levels: ▪ Maximum awards for Executive Directors are equivalent to 30% of base pay.
Variable Share-based incentive plans (LTIP)	Designed to reward Executives over the longer term while aligning an individual's interests with those of shareholders	Awards of shares, priced or nil-cost options or cash may be made to participants. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. Malus (of any unvested LTIP) and clawback (of any vested LTIP) may be applied where the Committee determines is necessary, including in the event of gross misconduct or a material misstatement.	Vesting of LTIP awards is subject to performance conditions determined by the Committee. Awards do not vest until at least the third anniversary of the date of grant and may have a deferral element. If employment ceases during the vesting period, awards will by default lapse in full, unless the Remuneration Committee exercises its discretion. In line with the rules of the Mind Gym LTIP the Remuneration Committee has discretion over all aspects of the plan including, but not limited to, performance conditions, formulaic LTIP outcomes (both upwards and downwards), vesting conditions and cancellation of the scheme.

Malus and clawback

For up to three years following the payment of an annual bonus award (and two years after the vesting of an LTIP award), the Committee may require the repayment of all or some of the award if there is corporate failure, a material error or misstatement of the financial results, gross misconduct, or if information comes to light which, had it been known, would have affected the decision as to the extent to which an award would have vested.

The Committee also has the right to reduce or cancel or impose further restrictions on unvested LTIP and deferred bonus shares in similar circumstances (including material failure of risk management).

Recruitment Policy for new hires

When hiring a new Executive Director, the Remuneration Committee will align the remuneration package with the Remuneration Policy stated previously, including the maximum limits for each remuneration component.

The Remuneration Committee will take all relevant factors into consideration when making a remuneration decision on a new Executive hire to ensure that these decisions are being made in the best interests of the Company and its shareholders, including, but not limited to:

- quantum;
- type of remuneration being offered;
- the impact on existing remuneration arrangements for other Directors;
- the remuneration package of any exiting equivalent Director; and
- the remuneration arrangements of the candidate in their previous role.

In hiring a new Executive Director, the Remuneration Committee may also make a "buy-out" award to an external candidate in compensation for any remuneration arrangements forfeited on leaving a previous employer. In making such an award, the Committee will take into consideration relevant performance conditions, vesting periods and the form in which the award was made. It is usual that any "buy-out" awards will be made on a comparable basis. In exceptional circumstances, the Remuneration Committee may make an exceptional award under one of the Company's existing long-term incentive plans in order to compensate a candidate for any remuneration arrangements forfeited on leaving a previous employer.

The Remuneration Committee would only consider making such awards where the individual has lost an award as a result of joining the Group and awards will be subject to continued employment and performance conditions, as appropriate. Following the appointment of a new Executive Director the shareholders will be informed of the details as soon as practicable. Where a variable or performance-related award is made under such circumstances, the Remuneration Committee confirms that the award will be within the limits specified in the Remuneration Policy table.

Service contracts for Executive Directors

Under the Executive Directors' service contracts both parties are required to give six months' notice of termination of employment. At the Company's discretion they may terminate the contract immediately and not require the Director to work their notice and instead pay 12 months' contractual pay plus benefits. The Executive Directors' service contracts also include a six-month non-compete period. These contracts are available for inspection at the Company's registered office.

Relocation packages

There may be occasions when hiring a new Executive Director that a relocation package is awarded, where a candidate and/or the candidate's immediate family relocate either on a temporary or permanent basis in order to fulfil their role for the best interests of the Company and its shareholders. In such instances, the Remuneration Committee retains the right to compensate for reasonable and appropriate relocation expenses.

Expatriate packages

On appointing a new Executive Director, the Remuneration Committee may offer assistance where a candidate and/or the candidate's immediate family is asked to relocate either on a temporary or permanent basis, from an overseas location to the UK or from the UK to an overseas location. In such instances, the Remuneration Committee retains the right to compensate for reasonable and appropriate relocation expenses.

Remuneration Policy for internal promotions

When an existing employee of the Company is promoted internally to the role of Executive Director, the Remuneration Committee will align the remuneration package with the Remuneration Policy stated previously, including the factors it takes into account for new hires. Any remuneration awarded prior to promotion to the role of Executive Director will be retained and will be subject to the previous payment terms. The shareholders will be informed of any such remuneration in the Directors' Remuneration Report following promotion.

Exit payments

The Company operates the following policy in respect of exit payments:

- Executive Directors have a six-month notice period from the Company and they in turn are asked to give the Company six months' notice.
- Exit payments in relation to the service contract are limited to no more than one year's contractual pay plus other benefits, and any contractual notice pay, unless determined otherwise by the Board in exceptional circumstances, or unless otherwise dictated by law.
- The Remuneration Committee may use its discretion to determine appropriate bonus amounts and the vesting of any share-based award, taking into consideration the individual circumstances under which an Executive Director is leaving the Company.

The default position is for annual bonus amounts and the vesting of share-based awards for "good leavers" to be on a pro-rata basis for time served from the start date of the scheme to the individual's exit date and will be subject to the applicable rules of the scheme. The Remuneration Committee will have sole discretion to determine the "good leaver" status of an Executive Director. The Committee will determine on a case by case basis whether any vesting of a share-based award is appropriate.

Fees for the Chair and Non-Executive Directors

The Chair and the other Non-Executive Directors' remuneration comprise only fees. The Chair's fee is approved by the Board on the recommendation of the Remuneration Committee. The other Non-Executives' fees are approved by the Board on the recommendation of the Chair and CEO.

The Chair and Non-Executive Directors do not take part in discussions on their remuneration. The Chair and each of the Non-Executive Directors has a letter of appointment substantially in the form suggested by the Code, and each has a one-month notice period with no compensation for loss of office.

The Company has no age limit for Directors. The dates of each contract are set out on page 51. The fees for the Chair and Non-Executive Directors are set out on page 51 of this report. These fees are reviewed (but not necessarily increased) on an annual basis, taking into account the responsibilities of the role and their participation in the various Governance Committees of the Company.

The Chair and Non-Executive Directors are not entitled to participate in any annual or long-term incentive plans, or any pension arrangements.

Consideration of employment conditions elsewhere in the Group

The Committee considers the pay and conditions of employees throughout the Company when determining the remuneration arrangements for Executive Directors although no direct comparison metrics are applied.

Consideration of shareholder views

The Committee is committed to on-going dialogue with shareholders and welcomes feedback on directors' remuneration. The Committee will continue to monitor trends and developments in corporate governance, market practice and shareholder views to ensure the structure of the executive remuneration remains appropriate.

Remuneration report

Annual Report on Remuneration

This section of the report provides details of how Mind Gym's Remuneration Policy was implemented in the year ended 31 March 2019 and how the Company plans to implement the policy for the year ending 31 March 2020.

Remuneration Committee activities in the year ended 31 March 2019

The Committee was formed on 28 June 2018 following the AIM listing of the Company. The Committee operates under the agreed Terms of Reference and is responsible for reviewing the framework for remuneration arrangements for Executive Directors and other senior executives on an annual basis.

The Committee met three times over the course of the year.

Remuneration Committee activities over the course of the year were as follows:

- establishment of Remuneration Policy;
- drafting of the first Remuneration Report;
- review of future long-term incentive arrangements.

Single total figure of remuneration

The table below details the total remuneration earned by each Director in respect of the year ended 31 March 2019.

Executive Director	Base Pay[1] £'000	Taxable Benefits[2] £'000	Pension[3] £'000	Bonus[4] £'000	Share options[5] £'000	2019 Total £'000
Octavius Black	200	2	10	-	-	212
Sebastian Bailey	200	2	10	-	12,833	13,045
Richard Steele[6,7,8]	147	-	6	50	-	203
Total emoluments	**547**	**4**	**26**	**50**	**12,833**	**13,460**

[1] Value of base pay received in the year.

[2] Value of benefits received by the Directors in the year. Both Octavius Black and Sebastian Bailey are provided with Private Healthcare cover for themselves and their family.

[3] The value of pension contributions made or cash in lieu of pension paid by the Company in the year.

[4] The value of annual bonus payable in respect of the year and based on performance for the financial year.

[5] Sebastian Bailey exercised 8,886,670 share options, with a base cost of 0.01262 per share at a price of £1.46 per share at IPO. LTIP options granted in the year are set out on page 50.

[6] Richard Steel was appointed to the Board on 6 June 2018.

[7] Base pay increased from £150,000 to £180,000 effective 23 April 2018.

[8] In addition to annual bonus for the year ending 31 March 2019, Richard Steele received a bonus of £29,000 at IPO as well as a bonus of £750, which was paid to all employees in May 2018.

Base pay

Year ended 31 March 2019

There were no changes to base pay for Executive Directors in the year and base pay increase for all other employees was 3.36%.

Year ending 31 March 2020

It is not anticipated that there will be any changes to base pay for Executive Directors in the year ending 31 March 2020. Average base pay increases for all other employees will be budgeted at 3% for the year ending 31 March 2019.

Pension contributions

Year ended 31 March 2019

During the course of the year, Executive Directors received Company pension contributions in line with the Remuneration Policy. There were no Executive Directors who were members of a defined benefit pension scheme during the year.

Pension contributions for Octavius Black and Sebastian Bailey were made by the Company at 5% of their total base pay and at 4% of base pay for Richard Steele.

Year ending 31 March 2020

For the year ending 31 March 2020, there will be no changes to pension contributions for Executive Directors.

Pension contributions for all other employees of the Group are also capped at 5% of their total base pay.

Annual performance bonus

Year ended 31 March 2019

For the year ended 31 March 2019, the annual performance bonus was based on a combination of financial (Revenue and Adjusted EBITDA) and non-financial measures (Quality and Personal Objectives). In line with the Remuneration Policy, Executive Directors had the opportunity to earn between 0% and 30% of base pay.

Octavius Black and Sebastian Bailey do not participate in the annual performance bonus.

The Remuneration Committee carefully considered performance against the annual bonus targets for the year ended 31 March 2019, taking into consideration the wider business performance in the year since IPO. While the Revenue, Adjusted EBITDA and two of the three quality measures were missed, the Committee determined that significant personal contribution had been made over the course of the year across the entire Executive team and determined that a bonus payment should be made to Richard Steele of £19,200, which is 11% of his maximum bonus potential.

Annual bonus for the year ended 31 March 2020

A review of the annual bonus plan was conducted in the year ended 31 March 2019 to ensure that the performance measures continue to be aligned to Company strategy. The expected performance measures and their weightings for the year ending 31 March 2020 are set out below:

Executive Director	Expected weighting
Revenue	16.67%
EBITDA	16.67%
Quality—Excellence	5.55%
Quality—VGE	5.55%
Quality—Error	5.55%
Personal	50%

The Board has determined that the disclosure of performance targets for the year ending 31 March 2020 is commercially sensitive and they are therefore not disclosed in this report. These targets are determined within the context of a longer-term business plan and the disclosure of these targets could give information to Mind Gym's competitors to the detriment of business performance.

Share-based incentives

The Committee strongly believes that long-term share awards incentivise and reward executives for the delivery of long-term business goals and align the interests and objectives of the senior management team with those of shareholders over the medium term.

In its review of share-based incentives, the Remuneration Committee takes into account a number of factors such as:

- the available headroom for new awards;
- the price of previously granted options and whether these continue to act as the intended incentive; and
- share price movements as compared to the Group's performance.

Scheme interests awarded in the year ended 31 March 2019

On 27 April 2018, prior to admission to AIM a one-off LTIP award was granted with a face value of 400% base pay (0.5 % of the issued share capital of the Company) for the Chief Financial Officer. The award will vest in two equal parts two years from the date of grant (50%) and three years from the date of grant (50%). There are no performance conditions attached to this award. The vesting period for this award began on 27 April 2018 and will end on 27 April 2021.

Executive Director	Richard Steele
Date of Grant	27 April 2018
Number of shares issued	496,811[2]
Exercise Price	£0.01
Face Value[1]	£726,000
End of Vesting Period	27 April 2020 and 27 April 2021

[1] Face value is calculated using the award price of £1.46 per option, based on the IPO share price on the date of award.

[2] A maximum of 50,222 options awarded on 27 April 2018. As set out in the Admission Document and in line with the Total Adjusted Option Shares definition set out in the Scheme Rules, this represented 496,881 shares post IPO.

No scheme vested in the year ended 31 March 2019

Year ending 31 March 2020

As the Company matures, the Committee is mindful of the need to incentivise the most senior leaders of the Company in order to deliver against its ambitious growth plans and intends to introduce a new Long-Term Incentive Plan in the year ending 31 March 2020, in line with the Remuneration Policy.

It is not intended that any Executive Directors will participate in the new LTIP scheme in the year ending 31 March 2020.

All-employee share plans

Awards made in the year ended 31 March 2019

Following IPO, awards were made under the Mind Gym Plc Share Incentive Plan (SIP) on 8 October 2018 to eligible employees. The SIP is an HMRC-approved Share Incentive Plan which enables employees to be awarded free shares which are then held in trust for up to five years. The rules of the plan allow free shares to be awarded up to a maximum of £3,600 tax free per person per annum or in line with HMRC limits if these are increased.

Each eligible employee received an award of 685 shares in the Company at a price of £1.46 per share (each award had a face value of £1,000 per employee), which are held in the SIP Trust and will be released to participants three years from the date of grant.

Payments for loss of office and payments to past Directors made in the year ended 31 March 2019.

There were no exit payments made in the year to Executive Directors and there were no payments made to past Directors in the year.

Service contracts

All three Executive Directors signed new service contracts with the Company on admission to AIM on 25 June 2018. These are not of fixed duration and are terminable by either party giving six months' written notice.

Directors' interests and shareholding

In line with Quoted Companies Alliance Remuneration Guide for small and mid-sized quoted companies, Executive Directors are encouraged to build and retain a shareholding in the Company. Current shareholdings as at 31 March 2019 are set out below for Executive Directors and associated persons:

Executive Director	Actual Holding	Actual ownership as a % of base pay[3]
Octavius Black[4]	55,156,500	39.713%
Sebastian Bailey	9,015,668	6.491%
Richard Steele	-	-

[3] Share price on 31 March 2019 of £1.27 used for calculation.

[4] Octavius Black and Joanne Cash hold their shareholding jointly.

There have been no changes to the shareholdings of Executive Directors between 31 March 2019 and 24 June 2019.

Fees for the Chair and Non-Executive Directors

Remuneration for the Chair Non-Executive Directors is set by the Board, taking account of the commitments and responsibilities of the role and their participation in the various governance Committees of the Company. The fees for the Chair and Non-Executive Directors along with their associated appointment dates are set out in the tables below. The Chair and Non-Executive Directors are not eligible to participate in annual bonus, LTIP and pension arrangements.

Non-Executive Director	2019 Fees £'000
Joanne Cash[5]	-
Dido Harding	48
Sally Tilleray	32
David Nelson	50
Aggregate Emoluments	130

[5] Joanne Cash has declined to receive a fee in relation to her role as Non-Executive Board Chair

There are no proposed increases to Non-Executive Director fees in the year ending 31 March 2020.

Letters of appointment – the Chair and Non-Executive Directors

The Chair and Non-Executive Directors signed letters of appointment with the Company for the provision of Non-Executive Directors' services, which may be terminated by either party giving one month's written notice.

Director	Committee Memberships	Date of appointment to the Board	Expiry date of current arrangement
Joanne Cash	Nomination & Remuneration	1 March 2011	25 June 2024
Dido Harding	Nomination & Remuneration, Audit & Risk	14 June 2018	14 June 2024
Sally Tilleray	Nomination & Remuneration, Audit & Risk	14 June 2018	14 June 2024
David Nelson	Nomination & Remuneration	2 April 2014	25 June 2024

Interests and shareholding – the Chair and Non-Executive Directors

There are no shareholding requirements for the Chair or Non-Executive Directors. Joanne Cash jointly holds 55,156,500 shares in the Company with Octavius Black. No Non-Executive Directors hold shares in the Company.

Advice and services provided to the Remuneration Committee

Except when matters concerning their own positions are being considered, the Chair and Chief People Officer are normally invited to attend the meetings of the Remuneration Committee.

Over the course of the year ended 31 March 2019, the Remuneration Committee was advised on matters relating to executive remuneration by Price Waterhouse Cooper (PwC) and Overwood People Consulting Limited (OPC). The Remuneration Committee deems the advisers to be independent from the Company and the advice it received during the year to be appropriate and objective.

PwC is a signatory to the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK.

The fees paid for services are set out below:

Company	Nature of Service	2019 Fees £'000
PwC	Remuneration Matters, Long Term Incentive Design	35
OPC	Remuneration Matters, Long Term Incentive Design	5

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2019. The Corporate Governance Statement on pages 34 to 35 also forms part of this Directors' Report.

Principal activity

Mind Gym plc (the "Company") is a public limited company incorporated in the United Kingdom, registered number 3833448. The Company's shares have been traded on the Alternative Investment Market of the London Stock Exchange since 28 June 2018. The group consists of Mind Gym plc and its subsidiaries, Mind Gym (USA) Inc., Mind Gym Performance PTE, Mind Gym Middle East FZ LLC, Mind Gym (Canada) Inc. (together the "Group").

The principal activity of the Group is to apply behavioural science to transform the performance of companies and the lives of the people who work in them. The Group does this primarily through research, strategic advice, management and employee development, employee communication, and related services.

Review of business

The Strategic report on pages 6 to 28 provides a review of the business, the Group's trading for the year ended 31 March 2019, key performance indicators and an indication of future developments and risks, and form part of this Directors' Report.

Financial results and dividends

The Group's profit before taxation for the year was £5.1 million. More information about the Group's financial performance can be found in the financial review on pages 24 to 27 and in the financial statements on pages 56 to 97.

The Board has recommended a final dividend for the year of 1.60 pence per share, giving a total dividend for the year of 2.40 pence per share. More information about dividends can be found in the Chair's Statement on page 8.

Directors

The Directors of the Company during the year, and subsequently to the date of this report, were:

- Joanne Cash
- Octavius Black
- Sebastian Bailey
- Richard Steele (appointed 6 June 2018)
- Baroness Diana "Dido" Harding (appointed 14 June 2018)
- David Nelson
- Sally Tilleray (appointed 14 June 2018)

The Directors' biographies can be found on page 32. Details of the Executive Directors' service contracts, the Non-Executive Directors' letters of appointment and the Directors' dates of appointment can be found in the Remuneration Report on pages 42 to 51.

Directors' interests

The Directors' interests in the Company's shares are set out in the Remuneration Committee report on pages 42 to 51.

Directors' indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by s236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. The Company has purchased directors' and officers' liability insurance during the period under review, as allowed by the Company's articles.

Share capital

As at 31 March 2019, the Company's issued share capital was £50,994.93 divided into 99,493,210 ordinary shares of 0.001p each and 50,000 redeemable preference shares of £1.00 each. The holders of ordinary shares are entitled to one vote per share at the Company's general meetings. The redeemable preference shares carry no dividend or voting rights and are fully redeemable at the election of the Company or the holder of the redeemable preference shares (Octavius Black).

Significant shareholdings

As of 9 May 2019, the Company is aware of the following holdings of significant shareholders in the Company (as defined in the AIM Rules).

Shareholder	Number of Shares	Percentage of Issued Share Capital
Joanne Cash and Octavius Black (jointly)	55,156,500	55.4%
Sebastian Bailey	9,015,688	9.1%
Merian Global Investors	8,839,440	8.9%
BlackRock Investment Management (UK) Limited	7,291,634	7.3%
Canaccord Genuity Wealth Management	4,258,603	4.3%
Miton Asset Management Limited	2,880,366	2.9%
JP Morgan Asset Management (UK) Limited	2,175,636	2.2%

Restrictions on shares

The Directors are not aware of any agreements between the holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or controls over the Company's share capital.

Relationship agreement

On 25 June 2018, Octavius Black, Joanne Cash and Sebastian Bailey (the "Substantial Shareholders") entered into the Relationship Agreement with the Company. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Substantial Shareholders and their respective associates.

Under the Relationship Agreement, each of the Substantial Shareholders have undertaken that they will (and will procure that their respective associates will), among other things:

a. Ensure that the Group shall be managed for the benefit of the Shareholders as a whole and independently of themselves and their respective associates;

b. Ensure that all transactions and arrangements with the Company and any other member of the Group are on an arm's length basis and on normal commercial terms;

c. Not exercise any of their respective voting or other rights and powers to prevent the Company or any other member of the Group from complying with its obligations under the AIM Rules for Companies or other applicable law; and

d. Not exercise any of their respective voting or other rights and powers to cancel the Company' admission to trading on AIM.

For as long as Octavius Black and Joanne Cash (or their respective personal representatives or successors in title) hold, in aggregate, 20% or more of the total voting rights in the Company they shall be entitled to appoint one Director to the Board, in place of either or both of them.

Financial instruments

The financial risk management objectives of the Group, including credit risk, interest rate risk and currency risk, are provided in Note 20 to the financial statements on page 83.

Political donations

The Company made no political donations in the year.

Authority to purchase own shares

The Company has no current authority to purchase its own shares. A resolution will be put to the shareholders at the forthcoming AGM to grant authority for the Company to make market purchases of its own ordinary shares up to a maximum number of 9,949,321 ordinary shares, representing approximately 10% of the issued ordinary share capital.

Employees

Employees are encouraged to be involved in decision-making processes and are provided with information on the financial and economic factors affecting the Group's performance, through team meetings, updates from the Chief Executive Officer and via an open and inclusive culture.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that workspace and other modifications are made as appropriate. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Post balance sheet events

There are no post balance sheet events.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors believe that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business mode and strategy.

Independent auditors

BDO LLP has expressed its willingness to continue in office as Auditor and a resolution to appoint BDO LLP will be proposed at the forthcoming Annual General Meeting of the Company.

Disclosure of information to auditor

In the case of each Director in office at the date the Directors' Report is approved, the following applies:

- the Director knows of no information, which would be relevant to the auditors for the purpose of their audit report, of which the auditors are not aware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make him/herself aware of any such information and to establish that the auditors are aware of it.

Annual General Meeting

The Annual General Meeting will be held on 31 July 2019. The ordinary business will include receipt of the Directors' Report and audited financial statements for the year ended 31 March 2019, the re-election of Directors, the reappointment of BDO LLP as Auditor and authorisation of the Directors to determine the Auditor's remuneration.

The Notice of Annual General Meeting and the ordinary and special resolutions to be put to the meeting have been sent to shareholders separately and are available on the Company's website.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Strategic 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's Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the 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 of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors' Report was approved by the Board and was signed on its behalf on 24 June 2019.

Richard Steele
Chief Financial Officer

Financial statements

Independent auditor's report

To the members of Mind Gym plc

Opinion

We have audited the financial statements of Mind Gym plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies.

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, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Matter	How we addressed the matter in our audit
Revenue recognition	
Revenues and revenue growth are regarded as key metrics in assessing the performance of the group. Revenues are generated from the provision of training courses and associated products. The accounting policy in respect of revenue recognition is described on page 68 in Note 2 of the financial statements. Certain elements of group revenues are recognised with reference to the stage of delivery of a product or service as the performance obligations are fulfilled. Management undertake an exercise at each period end to estimate the stage of completion of individual deliverables. For certain revenue streams there may be judgement over the point the performance obligations are satisfied. In view of the judgements involved and the significance of this matter to the financial statements overall, we consider this to be an area giving rise to significant risk of material misstatement in the financial statements and a key audit matter.	We have assessed the appropriateness of the revenue recognition policies and considered whether they are consistent with the requirements of law and accounting standards, and have been applied consistently and free from bias. We have carefully reviewed management's impact assessment of IFRS 15, together with the related disclosures in the financial statements. We tested management's judgements over the recognition of revenue and the stage of completion of deliverables across the year end by: ▪ substantively testing revenue recognised and amounts recorded during the year and around the year end to source documentation. This included identification of performance obligations, evidence of customer acceptance and timely payment of amounts due to determine whether the approach to recognising revenue was appropriate. ▪ We examined a sample of agreements and invoices raised in the year and considered the appropriate recognition requirements, with a focus on significant new licensing revenue to ensure that it is recognised either on delivery or over a period, including understanding performance obligations, payment terms and future obligations. ▪ We tested revenue cut off through agreement of a sample of revenues and credit notes recognised either side of year end, and consideration of ongoing projects at the year end, to ensure amounts are recorded in the correct period. ▪ For a sample of year-end accrued income we identified the performance obligation and obtained evidence this had been met prior to year end to ensure the basis for recognition is correct and the balances have been correctly accounted for and should be recoverable from customers. ▪ We tested deferred income from customers to ensure completeness and appropriate application of accounting policies. ▪ We examined postings included in the revenue ledger accounts to ensure they conformed to our expectations and challenged any unusual or unexpected items.

Our application of materiality

We determined materiality for the financial statements as a whole to be £520,000 (2018: £600,000) which represents approximately 6% (2018: 7.5%) of profit before tax and after adding back exceptional costs in the year relating to the IPO. Materiality has been set at £350,000 (2018: £300,000) for significant components and £80,000 (2018: £50,000) for non-significant components. Materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. We agreed with the audit committee that we would report to them misstatements identified during our audit above £25,000 (2018: £24,000).

An overview of the scope of our audit

The parent entity is based in the UK and there is one significant component based in the US, as well as two non-significant components based in Singapore and Dubai. All audit work was performed by the group audit team based in the UK.

We completed a full scope audit for the parent entity and the significant components; we performed analytical review procedures on non-significant components, with specific substantive testing necessary for our opinion on the consolidated financial statements.

The audit team obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of group journals and other adjustments performed on consolidation.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Collins
Senior Statutory Auditor

For and on behalf of
BDO LLP, Statutory Auditor
London
United Kingdom

24 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

	Note	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Continuing operations			
Revenue	*4*	42,133	36,967
Cost of sales		(8,192)	(7,635)
Gross profit		33,941	29,332
Administrative expenses		(28,811)	(23,168)
Operating profit	*4, 5*	5,130	6,164
Adjusted EBITDA		8,716	7,874
Depreciation of property, plant and equipment	*13*	(76)	(83)
Amortisation of intangible assets	*12*	(93)	(128)
Adjusted EBIT		8,547	7,663
Exchange losses (for 2018 only)	*6*	–	(514)
Transaction-related costs	*6*	(1,500)	(815)
Employee options surrender costs	*6*	(1,577)	–
Share-based payments	*6, 22*	(340)	(170)
Total adjustments	*6*	(3,417)	(1,499)
Operating profit		5,130	6,164
Finance costs		–	(2)
Profit before taxation		5,130	6,162
Tax on profit	*9*	(1,179)	(1,786)
Profit for the financial period from continuing operations attributable to owners of the parent		3,951	4,376
Items that may be reclassified subsequently to profit or loss			
Exchange translation differences on consolidation		38	(262)
Other comprehensive income for the period attributable to the owners of the parent		38	(262)
Total comprehensive income for the period attributable to the owners of the parent		3,989	4,114
Earnings per share (pence)	*10*		
Basic		4.08p	4.94p
Diluted		3.94p	4.30p
Adjusted earnings per share (pence)	*10*		
Basic		7.10p	6.63p
Diluted		6.85p	5.77p

Consolidated statement of financial position

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Intangible assets	*12*	445	325
Property, plant and equipment	*13*	139	81
Deferred tax assets	*9*	637	2,008
		1,221	2,414
Current assets			
Inventories	*14*	53	261
Trade and other receivables	*15*	12,661	11,799
Current tax receivable		1,196	88
Cash and cash equivalents		8,294	5,542
		22,204	17,690
Total assets		23,425	20,104
Current liabilities			
Trade and other payables	*16*	8,832	7,278
Provisions	*17*	767	–
Redeemable preference shares	*19*	50	–
Current tax payable		146	637
Total liabilities		9,795	7,915
Net assets		13,630	12,189
Equity			
Share capital	*21*	1	1
Share premium		112	–
Share option reserve		340	408
Retained earnings		13,177	11,780
Equity attributable to owners of the parent Company		13,630	12,189

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2019 and were signed on its behalf by:

Richard Steele
Chief Financial Officer

Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2017		1	–	238	5,952	6,191
Profit for the period		–	–	–	4,376	4,376
Other comprehensive income: Exchange translation differences on consolidation		–	–	–	(262)	(262)
Total comprehensive income for the period		–	–	–	4,114	4,114
Credit to equity for share-based payments		–	–	170	–	170
Tax relating to share-based payments		–	–	–	1,914	1,914
Dividends					(200)	(200)
At 31 March 2018		1	–	408	11,780	12,189
Profit for the period		–	–	–	3,951	3,951
Other comprehensive income: Exchange translation differences on consolidation		–	–	–	38	38
Total comprehensive income for the period		–	–	–	3,989	3,989
Exercise of options	*21*	–	112	(408)	408	112
Credit to equity for share-based payments	*22*	–	–	340	–	340
Tax relating to share-based payments	*9*	–	–	–	793	793
Dividends	*11*	–	–	–	(3,793)	(3,793)
At 31 March 2019		1	112	340	13,177	13,630

Consolidated statement of cash flows

	Note	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Cash flows from operating activities			
Profit for the financial period		3,951	4,376
Adjustments for:			
Amortisation of intangible assets	*12*	93	128
Depreciation of tangible assets	*13*	76	83
Net finance costs		–	2
Taxation charge	*9*	1,179	1,786
Decrease in inventories		208	21
Increase in trade and other receivables		(862)	(1,874)
Increase in payables and provisions		2,521	460
Other recognised gains and losses		–	(260)
Share-based payment charge	*22*	340	170
Cash generated from operations		7,506	4,892
Net tax paid		(615)	(2,345)
Net cash generated from operating activities		6,891	2,547
Cash flows from investing activities			
Purchase of intangible fixed assets		(213)	(238)
Purchase of tangible fixed assets		(137)	(71)
Net cash used in investing activities		(350)	(309)
Cash flows from financing activities			
Repayment of borrowings		–	(51)
Issuance of ordinary shares	*21*	112	–
Issuance of preference shares	*19*	50	–
Dividends paid	*11*	(3,993)	(310)
Interest paid		–	(2)
Net cash used in financing activities		(3,831)	(363)
Net increase in cash and cash equivalents		2,710	1,875
Cash and cash equivalents at beginning of period		5,542	3,667
Effect of foreign exchange rate changes		42	–
Cash and cash equivalents at the end of period		8,294	5,542
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand		8,294	5,542

Notes to the group financial statements

1. General information

Mind Gym plc (the Company) is a public limited company incorporated in England & Wales and its ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange (AIM). The address of the registered office is 160 Kensington High Street, London W8 7RG. The group consists of Mind Gym plc and its subsidiaries, Mind Gym (USA) Inc., Mind Gym Performance (Asia) Pte. Ltd, Mind Gym Middle East FZ LLC (under liquidation) and Mind Gym (Canada) Inc. (together "the Group").

The Company was previously registered as Mind Gym Limited, a private company. On 22 June 2018 the Company was re-registered as a public company and the name of the Company was changed to Mind Gym plc.

The principal activity of the Group is to apply behavioural science to transform the performance of companies and the lives of the people who work in them. The Group does this primarily through research, strategic advice, management and employee development, employee communication, and related services.

2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and with the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention.

The consolidated financial statements are presented in Sterling. All values are rounded to £1,000 except where otherwise indicated.

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

Going concern

As at 31 March 2019 the Group had £8.3 million of cash and no debt. The Group is profitable with good cash conversion. After enquiry and review of available financial information including a detailed budget, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

New standards and interpretations applied for the first time

The Group adopted the following new or amended IFRSs and IFRIC interpretations from 1 April 2018:

- IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- IFRS 9, Financial Instruments.
- IFRS 15, Revenue from Contracts with Customers.
- IFRIC 22, Foreign Currency Transactions and Advance Consideration.

The adoption of these new standards and interpretations did not have a material impact on the financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments related to the following areas:

- the accounting for the effects of vesting conditions on cash-settled share-based payment transactions;
- the classification of share-based payment transactions with net settlement features for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity settled.

The adoption of these amendments did not have any impact on the Consolidated Financial Statements.

IFRS 9, Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The adoption of IFRS 9 did not result in any changes in the classification for any financial assets or liabilities held by the Group at 31 March 2018.

The impairment model under IFRS 9 reflects expected credit losses as opposed to only incurred credit losses under IAS 39. Under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead an entity accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses, if any, is updated at each reporting date. Write-offs of trade receivables have historically been very low. The adoption of IFRS 9 did not therefore result in a material change in credit losses recognised by the Group upon adoption.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 introduces revised principles for the recognition of revenue with a new five-step model that focuses on the transfer of control instead of a risks and rewards approach. The Group's previous revenue recognition was consistent with the passing of control under IFRS 15. IFRS 15 has not affected the accounting for costs of obtaining a contract as the Group only pays sales commission for revenue that has been recognised in the accounts.

The Group applied the modified retrospective approach which does not require the restatement of comparatives. The adoption of IFRS 15 has not had a material impact on the Group's consolidated financial statements and there is no adjustment required to opening retained earnings.

IFRS 15 has resulted in the disclosure of additional information about revenue.

New standards and interpretations not yet applied

At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective for the financial period and have not been applied. The Directors plan to adopt these standards in line with their effective dates.

	Applicable from
IFRS 16, Leases	1 April 2019
IFRIC 23, Uncertainty over Income Tax Treatments	1 April 2019
Annual Improvements to IFRS Standards 2015-2017 cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	1 April 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 April 2020*
Amendments to IFRS 3, Business Combinations	1 April 2020*
Amendments to IAS 1 and IAS 8: Definition of Material	1 April 2020*

*Not yet endorsed for use in the EU.

The Directors anticipate that the adoption of these standards and amendments will have no material impact on the financial statements except for IFRS 16, Leases.

IFRS 16, Leases introduces changes to lessee accounting by removing the distinction between operating and finance leases. It requires the recognition of a right-of-use asset and a lease liability at the lease commencement for virtually all leases.

The Group's operating leases impacted by IFRS 16 include real estate and office equipment leases.The Group will elect to account for lease payments as an expense on a straight-line basis over the life of the lease for:

- Leases with a term of 12 months or less and containing no purchase options; and
- Leases where the underlying asset has a value of less than $5,000.

For other existing operating leases, the Group will apply the modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information will not be restated. Upon transition the Group will also apply the following practical expedients:

- exclude initial direct costs from the right-of-use assets;
- use hindsight when assessing the lease term; and
- not reassess whether a contract is or contains a lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the transition date, discounted by using the rate implicit in the lease. If this rate cannot be determined, the Group will use an estimate of its incremental borrowing rate. The right of use asset will be depreciated on a straight-line basis and the lease liability will give rise to an interest charge.

The Group estimates that the financial impact of the adopting IFRS 16 will be to:

- recognise a £1.9 million right-of-use asset and a £1.9 million lease liability on adoption;
- increase FY2020 operating profit by £30,000; and
- increase FY2020 finance costs by £63,000.

The undiscounted lease liability on adoption of £2.0 million is consistent with the £2.0 million minimum rental commitments under non-cancellable operating leases as at 31 March 2019 disclosed in Note 23 Operating Lease Commitments. The differences are due to the exclusion of short leases and leases of low value assets are small.

Basis of consolidation

The consolidated financial statements incorporate those of Mind Gym plc and its subsidiary undertakings (i.e. entities that the Group controls when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity). Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Foreign currency translation

The Group's presentation currency is Pound Sterling. The results and financial position of subsidiaries that have a functional currency different from Sterling are translated into Sterling as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average rates of exchange prevailing during the year.

All resulting exchange differences are recognised in equity.

Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets or liabilities denominated in foreign currencies are recognised in income.

Revenue recognition

Revenue is recognised when control over a product or service is transferred to a customer. Due to the short-term nature of the trade receivables, the Group measures them at the original transaction price invoiced without discounting.

The Group generates revenue from business to business customers by satisfying the following performance obligations:

- Delivering coach-led face-to-face and virtual training sessions. Revenue is recognised at a point in time on the date of delivery of the session.
- Developing training programmes customised to specific needs. Revenue is recognised at a point in time on the completion of all development work or, at the end of a stage of work when the contract provides an enforceable right to payment on completion of a stage.
- Licensing digital training modules to clients. When non-cancellable digital modules are provided to the client and hosted on the client's servers, revenue is recognised at a point in time on the date the modules are provided to the client. Where the client has a right to cancel revenue is recognised at the start of the next committed period. When digital modules are hosted on the Group's servers, revenue is recognised over time across the life of the agreement.
- Training and certifying client staff to act as coaches. Revenue is recognised at a point in time on the date of delivery of the certification course.

Any advance consideration received from clients represents a contract liability and is disclosed in Note 16 under the heading deferred income. When the performance obligation has been satisfied but the income has not yet been invoiced, the amount represents a contract asset and is disclosed in Note 15 as accrued income.

The incremental costs of obtaining a contract principally consist of commissions paid to the Group's sales team. The sales team earn commission over time as the revenue they have generated is recognised. Commission costs are not therefore capitalised.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market performance conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market performance conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market performance condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated Statement of Comprehensive Income over the remaining vesting period.

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the period-end date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised on temporary differences arising from the initial recognition of goodwill or other assets and liabilities in a transaction, other than a business combination, that affects neither the accounting nor the taxable profit.

Deferred tax is measured on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Intangible assets

Externally acquired intangible assets are initially recognised at cost. Expenditure on internally developed assets is capitalised if it can be demonstrated that it is technically feasible to develop the product for it to provide expected future economic benefits, adequate resources are available to complete the development, there is an intention to complete the project and expenditure on the project can be measured reliably.

After recognition intangible assets are measured at cost less any accumulated amortisation and impairment losses. Intangible assets are amortised over their estimated useful lives as follows:

- Internally developed software — 2 to 5 years

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Assets are depreciated to their estimated residual value using the straight-line method over their estimated useful lives as follows:

- Leasehold land and buildings — over the period of the lease
- Fixtures, fittings and equipment — 2 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

Inventories

Inventories comprise pack materials used in the delivery of courses and are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. Net realisable value is the estimated selling price less costs to complete and sell.

At each reporting date, inventories are assessed for impairment. If stock is impaired, the carrying amount is reduced to its realisable value. The impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument. The Group only enters into basic financial instruments and does not have any hedging instruments.

Financial assets and liabilities are offset, with the net amounts presented in the Financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets – Loans and receivables

All of the Group's financial assets fall into the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets included in loans and receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.

Financial assets are assessed for indicators of impairment at each reporting date.

A provision for impairment of trade receivables is made for expected lifetime credit losses based on past experience and general economic factors. Further provisions are made against specific trade and other receivables when there is objective evidence that one or more loss events that occurred after the initial recognition of the financial asset have had an impact on the estimated future cash flows of the financial asset. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impaired debts are derecognised when they are assessed as uncollectible.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Financial liabilities – Other financial liabilities

All of the Group's financial liabilities fall into the other financial liabilities category. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

Leases

A lease is classified at the inception date as a finance lease or an operating lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Operating lease payments (net of any lease incentives received) are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Dividends

Dividend income is recognised when the right to receive payment is established.

Dividends payable are recognised as a liability in the period in which the dividends are approved by the shareholders of the Company or paid.

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expense. Actual results may differ from these estimates. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of a material adjustment in the next year are discussed below.

Provision for employee options surrender costs

Provisions at 31 March 2019 include an amount of £767,000 in relation to employee options surrender costs. In estimating the provision, management has made judgements on the interpretation and application of local country tax laws to internationally mobile employees. Employee options surrender costs have been treated as an adjustment (see Note 6). Any reduction in the amount settled from the amount provided would therefore not affect Adjusted EBIT.

Provisions against trade receivables and accrued income

A provision is initially made against trade receivables and accrued income for expected lifetime credit losses. Historic credit losses have been low and the provision rate is based on experience over the last two years. Balances are reviewed on a regular basis and provisions are increased to reflect any increase in credit risk where appropriate. The review takes into account factors such as the age of the debt, recovery since the reporting date and discussions with the customer. Provisions are raised where debtors are not considered recoverable in full or in part. Provisions are released when subsequent information supports the recovery.

Share-based payments

The Group has share-based payment remuneration for employees under a Long-Term Incentive Plan. The fair value of share options at the date of grant is estimated using the Black-Scholes model based on certain assumptions. These assumptions are set out in Note 22 and include expected share price volatility, dividend yield, expected life and the numbers of options expected to vest.

4. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the business. The chief operating decision maker has been identified as the Board. The Group has two operating segments: EMEA (comprising the United Kingdom, Singapore and the United Arab Emirates) and America (comprising the United States and Canada).

Both segments derive their revenue from a single business activity, the provision of human capital and business improvement solutions.

The Group's business is not highly seasonal and the Group's customer base is diversified with no individually significant customer.

Segment results for the year ended 31 March 2019

Segment result	**EMEA £'000**	**America £'000**	**Other £'000**	**Total £'000**
Revenue	20,390	21,743	–	42,133
Cost of sales	(4,128)	(4,064)	–	(8,192)
Administrative expenses	(15,231)	(13,580)	–	(28,811)
Profit before inter-segment charges	1,031	4,099	–	5,130
Inter-segment charges	3,899	(3,899)	–	–
Operating profit – segment result	4,930	200	–	5,130
Finance costs				–
Profit before taxation				5,130

Adjusted EBITDA	**EMEA £'000**	**America £'000**	**Other £'000**	**Total £'000**
Operating profit – segment result	4,930	200	–	5,130
Depreciation	47	29	–	76
Amortisation	93	-		93
EBITDA	5,070	229	–	5,299
Transaction-related costs	1,426	74	–	1,500
Employee options surrender costs	26	1,551	–	1,577
Share-based payments	340	–	–	340
Adjusted EBITDA	6,862	1,854	–	8,716

Segment assets	**EMEA £'000**	**America £'000**	**Other £'000**	**Total £'000**
Non-current assets	890	331	–	1,221
Current assets	16,427	5,777	–	22,204
Liabilities	(5,384)	(4,411)	–	(9,795)
Capital expenditure				
Intangible assets	213	–	–	213
Property, plant and equipment	75	62	–	137

The mix of revenue for the year ended 31 March 2019 is set out below. Comparative figures are not required by IFRS 15 in the year of adoption.

Segment result	EMEA	America	Other
Delivery	59.2%	58.1%	58.7%
Design	17.3%	15.7%	16.5%
Digital	9.4%	7.8%	8.6%
Licensing and certification	8.1%	13.2%	10.6%
Other	3.9%	3.3%	3.6%
Advisory	2.1%	1.9%	2.0%

The vast majority of the Group's contracts are for the delivery of services within the next 12 months. The Group has therefore taken advantage of the practical expedient in paragraph 121(a) of IFRS 15 not to disclose information about remaining performance obligations.

Segment results for the year ended 31 March 2018

Segment result	EMEA £'000	America £'000	Other £'000	Total £'000
Revenue	17,586	19,380	1	36,967
Cost of sales	(4,005)	(3,718)	88	(7,635)
Administrative expenses	(12,382)	(10,786)	–	(23,168)
Profit before inter-segment charges	1,199	4,876	89	6,164
Inter-segment charges	4,656	(4,656)	–	–
Operating profit – segment result	5,855	220	89	6,164
Finance costs				(2)
Profit before taxation				6,162

Adjusted EBITDA	EMEA £'000	America £'000	Other £'000	Total £'000
Operating profit – segment result	5,855	220	89	6,164
Depreciation and amortisation	177	34	–	211
EBITDA	6,032	254	89	6,375
Share-based payment expense	170	–	–	170
Transaction-related costs	815	–	–	815
Foreign exchange losses	147	367	–	514
Adjusted EBITDA	7,164	621	89	7,874

Segment assets	EMEA £'000	America £'000	Other £'000	Total £'000
Non-current assets	2,390	24	–	2,414
Current assets	9,533	8,146	11	17,690
Liabilities	(5,043)	(2,872)	–	(7,915)
Capital expenditure				
Intangible assets	238	–	–	238
Property, plant and equipment	48	23	–	71

5. Operating profit

Operating profit is stated after charging:

	31 March 2019 £'000	31 March 2018 £'000
Coach costs	5,171	5,222
Staff costs (Note 8)	19,194	16,357
Amortisation of intangible assets	93	128
Depreciation of property, plant and equipment	76	83
Operating lease rentals – land and buildings	645	543
Operating lease rentals – plant and machinery	34	34
Impairment of trade receivables	49	124

6. Adjustments

	31 March 2019 £'000	31 March 2018 £'000
Transaction-related costs	1,500	815
Employee options surrender costs	1,577	–
Share-based payment	340	170
Foreign exchange losses (2018 only)	–	514
	3,417	1,499

Transaction-related costs in 2019 consist of advisory fees related to the Company's successful Initial Public Offering (IPO) and admission to the AIM market in June 2018, and in 2018, fees related to the aborted sale of the business in January 2018.

Employee options surrender costs relate to compensation paid to non-UK resident employees in consideration for surrendering Enterprise Management Initiative (EMI) options which vested on the IPO.

Share-based payment relates to the Group's Long-Term Incentive Share Option Plan and Share Incentive Plan (see Note 22). It is a non-cash cost and treated as an adjusting item.

Foreign exchange losses in 2018 mainly related to a high US dollar denominated intercompany balance and were treated as an adjustment in the 2018 financial statements. Foreign exchange losses of £239,000 in 2019 are considered to be in the normal course of business and are not treated as an adjustment.

The cash cost of Adjustments was £2,310,000 (2018: £1,329,000).

7. Auditor remuneration

	31 March 2019 £'000	31 March 2018 £'000
Fees for audit of the Company and consolidated financial statements	59	64
Fees for audit of the Company's subsidiaries pursuant to legislation	12	10
Total audit fees	71	74
Tax compliance services	73	38
Tax advisory services	84	5
Corporate finance services	250	-
Other services	10	-
Total fees payable to the auditor	488	117

8. Employees

Staff costs were as follows:

	31 March 2019 £'000	31 March 2018 £'000
Wages and salaries	16,673	14,182
Social security costs	1,612	1,565
Pension costs – defined contribution plans	569	440
Share-based payments	340	170
	19,194	16,357

The average number of Group's employees by function was:

	31 March 2019	31 March 2018
Delivery	153	136
Support	55	48
	208	184

Key management personnel include all Directors and a number of senior managers across the Group who together have responsibility and authority for planning, directing and controlling the activities of the Group. The compensation paid to key management personnel for services provided to the Group was:

	31 March 2019 £'000	31 March 2018 £'000
Salaries, bonuses and other short-term employee benefits	1,679	783
Post-employment benefits	57	50
Share-based payments	314	160
Total compensation	2,050	993

Details of Directors' remuneration and share options are set out in the Annual Report on Remuneration on pages 48 to 51.

9. Tax

The tax charge for the year comprises.

	31 March 2019 £'000	31 March 2018 £'000
UK current tax	1,288	1,240
UK adjustment in respect of prior periods	(126)	106
Foreign current tax	257	445
Foreign adjustment in respect of prior periods	–	–
Total current tax charge	1,419	1,791
Deferred tax – current year	(245)	(5)
Deferred tax – adjustment in respect of prior periods	5	–
Total deferred tax credit	(240)	(5)
Total tax charge	1,179	1,786

Tax on items charged/(credited) to equity:

	31 March 2019 £'000	31 March 2018 £'000
Current tax credit on share-based payments	(2,402)	–
Deferred tax charge/(credit) on share-based payments	1,609	(1,914)
Total tax credit in equity	(793)	(1,914)

The tax charge for the year can be reconciled to accounting profit as follows:

	31 March 2019 £'000	31 March 2018 £'000
Profit before tax	5,130	6,162
Expected tax charge based on the standard rate of tax in the UK of 19% (2018: 19%)	975	1,171
Differences in overseas tax rates	14	166
Expenses not deductible for tax purposes	280	324
Fixed asset differences	–	106
Foreign tax credits	–	(19)
Adjustments to tax in respect of prior periods	(121)	–
Other tax adjustments	31	38
Total tax charge	1,179	1,786

The US federal rate of tax reduced from 35% to 21% from 1 January 2018. The main UK corporation tax rate will reduce to 17% from 1 April 2020.

The main categories of deferred tax assets recognised by the Group are:

	Tax losses £'000	Share-based payments £'000	Other £'000	Total £'000
At 1 April 2017	–	–	99	99
Charged to income	–	–	3	3
Credited to equity	–	1,914	–	1,914
Exchange differences	–	–	(8)	(8)
At 31 March 2018	–	1,914	94	2,008
Credited to income	–	50	190	240
Credited/(charged) to equity	296	(1,914)	9	(1,609)
Exchange differences	–	–	(2)	(2)
At 31 March 2019	296	50	291	637

A deferred tax credit was recognised in equity in the year ended 31 March 2018 in respect of the anticipated exercise of EMI options in the next financial year. The EMI options exercised in the year ended 31 March 2019 generated a tax deduction that relieved the UK current year tax payable and gave rise to a tax loss, part of which was carried back resulting in a current tax receivable, and part of which is carried forward.

Net deferred tax assets have been recognised on the basis that sufficient taxable profits are forecast to be available in the future for them to be utilised. The tax losses may be carried forward indefinitely.

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has potentially dilutive shares in respect of the share-based payment plans (see Note 22). Adjusted earning per share removes the effect of Transaction-related costs, employee option surrender costs, the non-cash share-based payment charge, and in 2018 exchange losses (see Note 6).

	31 March 2019	31 March 2018
Weighted average number of shares in issue	96,915,040	88,600,000
Potentially dilutive shares (weighted average)	3,405,218	13,224,920
Fully diluted number of shares (weighted average)	100,320,258	101,824,920

	2019			2018		
	£'000	Basic eps Pence	Diluted eps Pence	£'000	Basic eps Pence	Diluted eps Pence
Adjusted net profit after tax	6,876	7.10	6.85	5,875	6.63	5.77
Adjustments (net of tax)	(2,925)	(3.02)	(2.91)	(1,499)	(1.69)	(1.47)
Net profit attributable to shareholders	3,951	4.08	3.94	4,376	4.94	4.30

11. Dividends

	Per share Pence	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Pre-IPO dividend on F & G ordinary shares (paid April 2018)	1.695	–	200
Pre-IPO dividend on F ordinary shares (paid May 2018)	38.983	2,300	–
Pre-IPO dividend on G ordinary shares (paid May 2018)	11.864	700	–
Interim dividend on ordinary shares (paid Jan 2019)	0.80	793	–
		3,793	200
Final dividend proposed	1.60	1,592	–

For dividends paid before 21 June 2018, per share amounts have been restated for the 10:1 share split and so are expressed in amounts per new share.

The final dividend proposed taken together with the interim dividend paid in January 2019 give a total post-IPO dividend for the year of £2,385,000 (2.40 pence per share).

12. Intangible assets

	Patents £'000	Development costs £'000	Total £'000
Cost			
At 1 April 2017	63	1,382	1,445
Additions	–	238	238
At 31 March 2018	63	1,620	1,683
Additions	–	213	213
At 31 March 2019	63	1,833	1,896
Amortisation			
At 1 April 2017	63	1,167	1,230
Amortisation charge	–	128	128
At 31 March 2018	63	1,295	1,358
Amortisation charge	–	93	93
At 31 March 2019	63	1,388	1,451
Net book value			
At 31 March 2018	–	325	325
At 31 March 2019	–	445	445

13. Property, plant and equipment

	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 01 April 2017	235	1,015	1,250
Additions	1	70	71
At 31 March 2018	236	1,085	1,321
Additions	–	137	137
Disposals	(2)	(5)	(7)
Exchange differences	–	24	24
At 31 March 2019	234	1,241	1,475
Depreciation			
At 01 April 2017	230	927	1,157
Depreciation charge	1	82	83
At 31 March 2018	231	1,009	1,240
Depreciation charge	–	76	76
Disposals	(2)	–	(2)
Exchange differences	–	22	22
At 31 March 2019	229	1,107	1,336
Net book value			
At 31 March 2018	5	76	81
At 31 March 2019	5	134	139

14. Inventories

	31 March 2019 £'000	31 March 2018 £'000
Finished goods	53	261

Write-downs of inventory amounted to £146,000 (2018: £16,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £1.7 million (2018: £1.2 million).

15. Trade and other receivables

	31 March 2019 £'000	31 March 2018 £'000
Trade receivables	10,405	7,827
Less provision for impairment	(114)	(130)
Net trade receivables	10,291	7,697
Other receivables	497	190
Prepayments	601	206
Accrued income	1,272	3,706
	12,661	11,799

Trade receivables have been aged with respect to the payment terms as follows:

	31 March 2019 £'000	31 March 2018 £'000
Not past due	8,023	4,407
Past due 0-30 days	1,177	1,483
Past due 31-60 days	461	980
Past due 61-90 days	275	231
Past due more than 90 days	469	726
	10,405	7,827

The movement in the allowance for impairment losses was:

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the period	130	–
Charges	19	130
Utilisation of provision	(40)	–
Foreign exchange adjustment	5	–
At the end of the period	114	130

The requirement to use an expected loss method of impairment on adoption of IFRS 9 on 1 April 2018 did not have a material impact on the Group. The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9, and recognises a loss allowance based on the lifetime expected credit loss.

16. Trade and other payables

	31 March 2019 £'000	31 March 2018 £'000
Trade payables	2,203	1,261
Other taxation and social security	982	480
Other payables	467	405
Accruals	3,214	3,129
Deferred income	1,966	1,803
Dividends payable	–	200
	8,832	7,278

17. Provisions

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the year	–	–
Charge for the year	767	–
At the end of the year	767	–

The provision is in respect of compensation paid to non-UK resident employees in consideration for surrendering EMI options which vested on the IPO. The amount payable depends on the interpretation and application of local country tax laws to internationally mobile employees. The provision is classified as a current liability.

18. Borrowing facilities

The Group entered into an uncommitted overdraft facility on 24 September 2018 with a limit of £2 million, which was undrawn at the year end. The facility carries an interest rate of 2.5% per annum over Bank of England base rate. The facility is due to be reviewed in March 2020.

19. Redeemable preference shares

The Company allotted and issued 50,000 redeemable preference shares of £1.00 each to Octavius Black in June 2018. The shares are fully paid up. Under the Articles of Association, the Company may redeem the preference shares at their nominal amount at any time specified by either the Directors or the preference share holder. The preference share capital, however, counts towards the £50,000 minimum share capital required under the Companies Act 2006 and cannot therefore be redeemed unless the Company increases its other share capital. The preference shares are non-voting, give no rights to dividends or interest and entitle the holder to the return of the nominal value on a winding up.

20. Financial instruments and financial risk management

Financial instruments by category

Trade and other receivables (excluding prepayments), Cash and cash equivalents, and Trade and other payables are initially measured at fair value and subsequently held at amortised cost.

	31 March 2019 £'000	31 March 2018 £'000
Net trade receivables	10,291	7,697
Other receivables	497	190
Cash and cash equivalents	8,294	5,542
Financial assets at amortised cost	19,082	13,429
Trade payables	2,203	1,261
Other payables	467	405
Financial liabilities at amortised cost	2,670	1,666

The Group holds no assets or liabilities which are held at fair value through income statement or OCI.

As the trade and other receivables and trade and other payables have a maturity of less than one year, the notional amount is deemed to reflect the fair value.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Group's sources of funding currently comprise cash flows generated from operations, and equity contributed by shareholders. The Group has no borrowings and is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders to the extent allowed by the Company's articles or issue new shares.

Financial risk management

The Group's risk management is overseen by the Audit and Risk Committee. The Group is exposed to a variety of financial risks which result from its operations including credit risk, liquidity risk and foreign currency risk. Since the Group has no debt it is not significantly exposed to interest rate risk. The Group has not entered into any derivative transactions such as interest rate swaps or forward foreign exchange contracts.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them from previous periods unless otherwise stated in this note.

Credit risk

Credit risk arises principally from the Group's trade receivables from customers and monies on deposit with financial institutions.

Credit risk on trade receivables is considered to be relatively low as the Group's customers mainly consist of large credit-worthy organisations. Credit exposure is spread over a large number of customers and so there is no significant concentration of credit risk. Outstanding and overdue balances are regularly reviewed and resulting actions are put in place on a timely basis. The Group establishes an allowance for impairment. This is based on a review of individual balances taking into account the results of credit control communications and our knowledge about the customer relationship. See Note 15 Trade and other receivables for further information on ageing and impairment of Trade receivables.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties are accepted and management maintain a close relationship with the Group's banks.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 March 2019	31 March 2018
	£'000	£'000
Trade receivables	10,291	7,697
Other receivables	497	190
Cash and cash equivalents	8,294	5,542
At the end of the period	19,082	13,429

Liquidity risk

The Group ensures, as far as possible, that it has sufficient funds to meet foreseeable operational expenses. Cash flow forecasting is performed by Group Finance who monitor rolling forecasts of the Group's liquidity requirements. Such forecasting takes into consideration expected cash receipts, regular spending and payment of taxes such as VAT, payroll and corporate income tax.

Currently, the Group's liquidity risk is low as it is in a cash-generating position with a surplus of cash in all entities. All Group liabilities in the current and prior year are due within 3 months of the reporting date.

Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Sterling. The currencies giving rise to this risk are primarily the US dollar and the Euro. Where possible the exposure is mitigated by a natural hedge. For example, US dollar revenues are partially matched by US dollar costs in the US subsidiary.

The Group holds cash in the UK in Sterling, Euro and USD bank accounts, and in the USA in US dollar and Canadian dollar bank accounts.

Trade receivables, and cash and cash equivalents are analysed by currency as follows:

	GBP	USD	EUR	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 31 March 2019					
Net trade receivables	5,016	4,402	634	239	10,291
Cash and cash equivalents	5,732	2,062	284	216	8,294
At 31 March 2018					
Net trade receivables	3,706	3,414	340	237	7,697
Cash and cash equivalents	1,528	3,053	303	658	5,542

The Group does not currently use forward foreign exchange contracts or currency options to hedge currency risk.

21. Share capital

	31 March 2019	31 March 2019 Cost	31 March 2018	31 March 2018 Cost
	Number	£'000	Number	£'000
Ordinary shares of £0.0001 at 1 April	8,860,000	1	8,860,000	1
Effect of 10:1 share split	79,740,000	–	–	–
Exercise of options (Note 22)	10,762,375	–	–	–
Issue of new shares to EBT	130,835	–	–	–
Ordinary shares of £0.00001 at 31 March	99,493,210	1	8,860,000	1

On 21 June 2018, a share sub-division was entered into, whereby 8,860,000 shares with a nominal value of £0.0001 were exchanged for 88,600,000 E-ordinary shares with a nominal value of £0.00001. On this date, the total share capital remained unchanged at £886.

On 22 June 2018, an additional 10,762,375 ordinary shares were allotted and issued to option holders with a nominal value of £0.00001, bringing the total share capital to £994 and giving rise to share premium of £112,000.

An Employee Benefit Trust (EBT) was established during the year in connection with the Group's Share Incentive Plan. The movements in own shares held by the Employee Benefit Trust and the market value of the shares held at the year end are shown below.

	31 March 2019	31 March 2019 Cost	31 March 2018	31 March 2018 Cost
	Number	£'000	Number	£'000
As at 1 April	–	–	–	–
Issue of new shares to EBT	130,835	–	–	–
Ordinary shares of £0.00001 at 31 March	130,835	–	–	–
Market value at 31 March		166		–

Notes to the group financial statements

22. Share-based payments

The Group awards options to selected employees under a Long-Term Incentive Share Option Plan (LTIP). The options granted to date vest subject only to remaining employed up to the vesting date. Unexercised options do not entitle the holder to dividends or to voting rights.

The Group operates the Mind Gym plc Share Incentive Plan (SIP). An initial award of £1,000 of free shares was granted in October 2018 to all employees at the IPO price of 146 pence. The shares are held in an employee benefit trust and vest after three years subject only to remaining employed up to the vesting date. The holder is entitled to dividends over the vesting period.

Before the IPO, the Group also granted options to certain employees under Enterprise Management Incentive plans (EMI plans). All such options were exercised or forfeited on the IPO.

The total share-based payments expense was:

	31 March 2019 £'000	31 March 2018 £'000
Equity settled share-based payments	340	170

The movements in the number of share awards and share options and the weighted average exercise price of awards are:

	Number	31 March 2019 Weighted average exercise price £	Number	31 March 2018 Weighted average exercise price £
Outstanding at the beginning of the period	13,526,391	0.00971	13,097,572	0.00961
Granted during the period	1,620,819	0.89504	500,220	0.00001
Forfeited during the period	(2,778,401)	0.00074	(71,401)	0.00236
Exercised during the period	(10,762,375)	0.01040	–	–
Outstanding at the end of the period	1,606,434	0.90305	13,526,391	0.00971
Exercisable at the end of the period	nil		nil	
Weighted average fair value of awards granted (£)	0.67		0.31	

The range of exercise prices and weighted average remaining contractual life of share awards and share options outstanding at 31 March were:

	31 March 2019 £'000	31 March 2018 £'000
£ nil	116,000	13,526,391
£0.00001	496,812	–
£1.46000	993,622	–
	1,606,434	13,526,391
Weighted average remaining contractual life (years)	8.7	

Share options awarded under the LTIP are valued using the Black-Scholes model. Shares awarded under the SIP are valued directly by reference to the share price at date of grant. Shares awarded in the year ended 31 March 2018 under the EMI plans were valued using the Black-Scholes model and adjusted by a 30% discount for lack of marketability. The principal assumptions used in these valuations were:

	Date of grant	Share price at grant £	Exercise price £	Expected life years	Expected volatility %	Dividend yield %	Risk free rate %	Fair value £
EMI plans (weighted average)*	FY2018	5.82	0.01	2	24.5%	0.0%	1.0%	4.21
LTIP (2 year vesting)	27 Apr 2018	1.24	Nil	2	n/a	1.4%	n/a	1.20
LTIP (3 year vesting)	27 Apr 2018	1.24	Nil	3	n/a	1.4%	n/a	1.19
LTIP (2 year vesting)	25 Jun 2018	1.46	1.46	10	19%	1.4%	1.0%	0.28
LTIP (3 year vesting)	25 Jun 2018	1.46	1.46	10	19%	1.4%	1.0%	0.28
SIP	8 Oct 2018	1.67	Nil	n/a	n/a	n/a	n/a	1.67

*share price and fair value of FY2018 grants are expressed in amounts per old share and not adjusted for the share split.

23. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are:

	31 March 2019 £'000	31 March 2018 £'000
Within one year	585	527
Between 1 and 5 years	1,433	1,793
Later than 5 years	–	–
	2,018	2,320

24. Controlling party

The Group was controlled by O Black and J Cash by virtue of their joint shareholding in the Company throughout the period.

There were the following related party transactions during the year and balances at the end of the year:

- The payment of dividends to O Black and J Cash on their shareholding in the Company.
- The issuance of redeemable preference shares to O Black as disclosed in Note 19.
- Key management compensation as disclosed in Note 8.
- £26,000 was paid for corporate finance and tax services to Dixon Wilson, an accounting firm in which D Nelson is a partner.
- In June 2018, O Black, J Cash and S Bailey entered into a Relationship Agreement with the Company.

Parent company statement of financial position

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Intangible assets	*4*	445	325
Property, plant and equipment	*5*	79	57
Investments in subsidiaries	*6*	50	59
Deferred tax assets	*7*	366	1,940
		940	2,381
Current assets			
Inventories	*8*	18	147
Trade and other receivables	*9*	9,294	11,036
Current tax receivable		1,196	–
Cash and cash equivalents		6,199	2,051
		16,707	13,234
Total assets		17,647	15,615
Current liabilities			
Trade and other payables	*10*	5,823	4,557
Redeemable preference shares	*11*	50	–
Current tax payable		–	614
Total liabilities		5,873	5,171
Net assets		11,774	10,444
Equity			
Share capital	*11*	1	1
Share premium		112	–
Share option reserve		340	408
Retained earnings		11,321	10,035
Equity attributable to owners of the Company		11,774	10,444

The company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Company's Income Statement and Statement of Comprehensive Income. The Company's profit for the financial year was £3,887,000 (2018: £4,662,000).

The Accounting Policies and Notes on pages 90 to 97 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2019 and signed on its behalf by:

Richard Steele
Chief Financial Officer

Parent company statement of changes in equity

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2017	**1**	**–**	**238**	**3,659**	**3,898**
Profit for the period	–	–	–	4,662	4,662
Total comprehensive income for the period	–	–	–	**4,662**	**4,662**
Credit to equity for share-based payments	–	–	170	–	170
Tax relating to share-based payments	–	–	–	1,914	1,914
Dividends				(200)	(200)
At 31 March 2018	**1**	**–**	**408**	**10,035**	**10,444**
Profit for the period	–	–	–	3,887	3,887
Total comprehensive income for the period				**3,887**	**3,887**
Exercise of options	–	112	(408)	408	112
Credit to equity for share-based payments	–	–	340	–	340
Tax relating to share-based payments	–	–	–	784	784
Dividends	–	–	–	(3,793)	(3,793)
At 31 March 2019	**1**	**112**	**340**	**11,321**	**11,774**

Notes to the parent company financial statements

1. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework as (FRS 101) issued by the FRC and with the Companies Act 2006.

The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to:

- presentation of a cash flow statement and related notes;
- comparative period reconciliations for intangible and tangible fixed assets;
- related party transactions with wholly owned subsidiaries;
- financial instruments;
- capital management;
- share-based payments;
- compensation of key management personnel;
- standards not yet effective.

Where required, equivalent disclosures are given in the Group financial statements.

Note 7 (Auditor remuneration), Note 11 (Dividends), Note 19 (Redeemable preference shares), Note 21 (Share capital) and Note 22 (Share based payments) of the group financial statements form part of these financial statements.

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

Foreign currency translation

The Functional currency is Pound Sterling. Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets or liabilities denominated in foreign currencies are recognised in income.

Revenue recognition

Revenue is recognised when control over a product or service is transferred to a customer. Due to the short-term nature of the trade receivables, the Company measures them at the original transaction price invoiced without discounting.

The Company generates revenue from business to business customers by:

- Delivering coach-led face-to-face and virtual training sessions. Revenue is recognised at a point in time on the date of delivery of the session.
- Developing training programmes customised to specific needs. Revenue is recognised at a point in time on the completion of all development work or, at the end of a stage of work when the contract provides an enforceable right to payment on completion of a stage.
- Licensing digital training modules to clients. When non-cancellable digital modules are provided to the client and hosted on the client's servers, revenue is recognised at a point in time on the date the modules are provided to the client. Where the client has a right to cancel, revenue is recognised at the start of the next committed period. When digital modules are hosted on the Company servers, revenue is recognised over time across the life of the agreement.
- Training and certifying client staff to act as coaches. Revenue is recognised at a point in time on the date of delivery of the certification course.

Any advance consideration received from clients represents a contract liability and is disclosed in Note 10 under the heading deferred income. When the performance obligation has been satisfied but the income has not yet been invoiced, the amount represents a contract asset and is disclosed in Note 9 as accrued income.

The incremental costs of obtaining a contract principally consist of commissions paid to the Company's sales team. The sales team earn commission over time as the revenue they have generated is recognised. Commission costs are not therefore capitalised.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market performance conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market performance conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market performance condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the period-end date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised on temporary differences arising from the initial recognition of goodwill or other assets and liabilities in a transaction, other than a business combination, that affects neither the accounting nor the taxable profit.

Deferred tax is measured on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Intangible assets

Externally acquired intangible assets are initially recognised at cost. Expenditure on internally developed assets is capitalised if it can be demonstrated that it is technically feasible to develop the product for it to provide expected future economic benefits, adequate resources are available to complete the development, there is an intention to complete the project and expenditure on the project can be measured reliably.

After recognition intangible assets are measured at cost less any accumulated amortisation and impairment losses. Intangible assets are amortised over their estimated useful lives as follows:

- Internally developed software — 2 to 5 years

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company. All other repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Assets are depreciated to their estimated residual value using the straight-line method over their estimated useful lives as follows:

- Leasehold land and buildings — over the period of the lease
- Fixtures, fittings and equipment — 2 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost less provision for impairment. The Company assesses at each balance sheet date whether there is objective evidence that an investment is impaired.

Inventories

Inventories comprise pack materials used in the delivery of courses and are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. Net realisable value is the estimated selling price less costs to complete and sell.

At each reporting date, inventories are assessed for impairment. If stock is impaired, the carrying amount is reduced to its realisable value. The impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument. The Company only enters into basic financial instruments and does not have any hedging instruments.

Financial assets and liabilities are offset, with the net amounts presented in the Financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets – Loans and receivables

All of the Company's financial assets fall into the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets included in loans and receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.

Financial assets are assessed for indicators of impairment at each reporting date.

A provision for impairment of trade receivables is made for expected lifetime credit losses based on past experience and general economic factors. Further provisions are made against specific trade and other receivables when there is objective evidence that one or more loss events that occurred after the initial recognition of the financial asset, have had an impact on the estimated future cash flows of the financial asset. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impaired debts are derecognised when they are assessed as uncollectible.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Financial liabilities – Other financial liabilities

All of the Company's financial liabilities fall into the other financial liabilities category. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

Leases

A lease is classified at the inception date as a finance lease or an operating lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Operating lease payments (net of any lease incentives received) are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Dividends

Dividend income is recognised when the right to receive payment is established.

Dividends payable are recognised as a liability in the period in which the dividends are approved by the shareholders of the Company or paid.

2. Employees and auditor's remuneration

Staff costs were as follows:

	31 March 2019 £'000	31 March 2018 £'000
Wages and salaries	7,581	6,905
Social security costs	974	1,002
Pension costs – defined contribution plans	288	253
Share-based payments	340	170
	9,183	8,330

The average number of the Company's employees by function was:

	31 March 2019	31 March 2018
Delivery	75	68
Support	41	37
	116	105

Details of Directors' remuneration and share options are set out in the Annual Report on Remuneration on pages 48 to 51.

Fees payable to the auditor for the audit of the Company's financial statements are set out in Note 7 of the group financial statements.

3. Dividends

Details of the Company's dividends are set out in Note 11 of the group financial statements.

4. Intangible assets

	Patents £'000	Development costs £'000	Total £'000
Cost			
At 01 April 2018	63	1,620	1,683
Additions	–	213	213
At 31 March 2019	**63**	**1,833**	**1,896**
Amortisation			
At 01 April 2018	63	1,295	1,358
Amortisation charge	–	93	93
At 31 March 2019	**63**	**1,388**	**1,451**
Net book value			
At 31 March 2018	–	325	325
At 31 March 2019	–	445	445

5. Property, plant and equipment

	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 01 April 2018	228	739	967
Additions	–	75	75
Disposals	–	(6)	(6)
At 31 March 2019	**228**	**808**	**1,036**
Depreciation			
At 01 April 2018	223	687	910
Depreciation charge	–	47	47
Disposals	–	–	–
At 31 March 2019	**223**	**734**	**957**
Net book value			
At 31 March 2018	5	52	57
At 31 March 2019	5	74	79

06. Investments in subsidiariess

The Directors believe that the carrying amount of the investments is supported by their underlying net assets.

The investments consist of a 100% interest in the following subsidiaries, all of which had the principal activity of providing management and development training.

Name	Country of incorporation	Registered office
Mind Gym (USA) Inc	USA	9 East 37th Street, New York, NY 10016 USA
Mind Gym Performance (Asia) Pte. Ltd	Singapore	PWC Building, # 28-63, 8 Cross Street, Singapore 048424
Mind Gym (Canada) Inc	Canada	145 King Street West, Toronto, Ontario, Canada, M5H 4G2
Mind Gym Middle East FZ-LLC (under liquidation)	Dubai, United Arab Emirates	Building 03, 1st Floor, Office No. 114, Dubai

Management commenced the liquidation of Mind Gym Middle East FZ-LLC during the year and the process was largely complete at the year end.

07. Deferred tax assets

The main categories of deferred tax assets recognised by the Company are:

	Tax losses £'000	Share-based payments £'000	Other £'000	Total £'000
At 1 April 2017	–	–	23	23
Charged to income	–	–	3	3
Credited to equity	–	1,914	–	1,914
At 31 March 2018	–	1,914	26	1,940
Credited/(charged) to income	–	50	(6)	44
Credited/(charged) to equity	296	(1,914)	–	(1,618)
At 31 March 2019	296	50	20	366

Net deferred tax assets have been recognised on the basis that sufficient taxable profits are forecast to be available in the future for them to be utilised.

08. Inventories

	31 March 2019 £'000	31 March 2018 £'000
Finished goods	18	147

Write-downs of inventory amounted to £106,000 (2018: £7,000).

9. Trade and other receivables

	31 March 2019 £'000	31 March 2018 £'000
Trade receivables	5,705	4,281
Amounts owed by group undertakings	2,296	4,429
Other receivables	328	95
Prepayments	317	87
Accrued income	648	2,144
	9,294	11,036

The requirement to use an expected loss method of impairment on adoption of IFRS 9 on 1 April 2018 did not have a material impact on the Company. The Company has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9, and recognises a loss allowance based on the lifetime expected credit loss.

10. Trade and other payables

	31 March 2019 £'000	31 March 2018 £'000
Trade payables	1,428	860
Amounts owed to group undertakings	646	262
Other taxation and social security	978	479
Other payables	301	286
Accruals	1,873	1,804
Deferred income	597	666
Dividends payable	–	200
	5,823	4,557

11. Share capital and redeemable preference shares

Details of the Company's redeemable preference shares and share capital are set out in Notes 19 and 21 to the group financial statements.

12. Share-based payments

Details of the Company's share-based payment plans are set out in Note 22 to the group financial statements.

13. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are:

	31 March 2019 £'000	31 March 2018 £'000
Within one year	378	355
Between 1 and 5 years	958	1,188
Later than 5 years	–	–
	1,336	1,543

14. Controlling party

The Company was controlled by O Black and J Cash by virtue of their joint shareholding in the Company throughout the period.

There were the following related party transactions during the year and balances at the end of the year:

- the payment of dividends to O Black and J Cash on their shareholding in the Company;
- the issuance of redeemable preference shares to O Black as disclosed in Note 19 of the group financial statements.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Mind Gym plc (the "Company") will be held at the offices of Liberum Capital Limited, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY on 31 July 2019 commencing at 2:00 pm for the following purposes:

Ordinary Resolutions

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

Report and Accounts

1) To receive the Company's financial statements for the year ended 31 March 2019 together with the reports of the Directors and auditor thereon.

Dividend

2) To declare a final dividend of 1.6 pence per ordinary share of the Company.

Directors' Remuneration Report

3) To approve the Directors' Remuneration Report for the year ended 31 March 2019.

Directors

4) To re-elect Joanne Cash as a Director of the Company.

5) To re-elect Sebastian Bailey as a Director of the Company.

6) To re-elect Octavius Black as a Director of the Company.

7) To elect Baroness Diana Harding as a Director of the Company.

8) To re-elect David Nelson as a Director of the Company.

9) To elect Richard Steele as a Director of the Company.

10) To elect Sally Tilleray as a Director of the Company.

Auditors

11) To re-appoint BDO LLP as the Company's auditor to hold office until the conclusion of the next Annual General Meeting of the Company at which accounts are laid.

Remuneration of auditors

12) To authorise the Audit & Risk Committee to agree the remuneration of the auditor of the Company.

Directors' authority to allot shares

13) To generally and unconditionally authorise the Directors, pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act"), in substitution for all previous authorities to the extent unused, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company

   a) up to an aggregate nominal amount of £331.64 (representing approximately one third of the total ordinary share capital in issue at 24 June 2019, being the latest practicable date prior to publication of this notice of meeting); and

   b) comprising equity securities (as defined by Section 560 (1) of the Act) up to a further aggregate nominal value of £331.64 in connection with an offer by way of rights issue;

   such authorities to expire at the conclusion of the next Annual General Meeting, or if earlier, at close of business on 31 October 2020, save that the Company may, before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the authority ends.

   For the purposes of this resolution, "rights issue" means an offer to:

   a) shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

   b) holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;

   to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors consider necessary or appropriate in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

Special Resolutions

To consider and, if thought fit, pass the following resolutions as Special Resolutions:

Disapplication of pre-emption rights

14) To authorise the Board, provided that resolution 13 is passed, to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

   a) to allotments for rights issues and other pre-emptive issues; and

   b) to the allotment of equity securities or sale of treasury shares (otherwise than in paragraph (a) above) up to a nominal amount of £49.74, such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 31 October 2020) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

15) To authorise the Board, provided that resolution 13 is passed, and in addition to any authority granted under resolution 14, to allot equity securities (as defined under the Companies Act 2006) for cash under the authority given by resolution 13 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment of sale, such authority to be:

   a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £49.74; and

   b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Dis-applying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 31 October 2020) save that, in each case, the Company may before such expiry make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Authority to purchase own shares

16) To authorise the Company, generally and unconditionally, for the purpose of Section 701 of the Companies Act 2006 (the "Act"), to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 0.001 pence each in the capital of the Company ("ordinary shares") provided that:

   a) the maximum number of ordinary shares hereby authorised to be purchased is 9,949,321;

b) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 0.001 pence per share, being the nominal amount thereof;

c) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of: (i) 5% above the average of the middle market quotations for such shares as taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS); and

d) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the next Annual General Meeting, save that the Company may before such expiry make a contract or agreement to make a market purchase of its own ordinary shares which will or may be executed wholly or partly after the expiry of such authority and the Company may purchase such shares as if the authority conferred hereby had not expired.

By order of the Board

Prism Cosec Limited
Company Secretary

24 June 2019

Registered Office:
60 Kensington High Street
London
W8 7RG

Registered in England and Wales
Number: 03833448

Explanatory notes to the resolutions

Resolutions 1 to 13 are ordinary resolutions; resolutions 14 to 16 are special resolutions. To be passed, ordinary resolutions require more than 50% of the votes cast to be in favour of the resolution, while special resolutions require at least 75% of the votes cast to be in favour of the resolution.

Ordinary Resolutions

To receive the Annual Report and Accounts for the year ended 31 March 2019.

Resolution 1 is a standard resolution. The Companies Act 2006 requires Directors to lay the annual accounts before a general meeting of the Company, together with the Directors' report and auditors' report on the accounts. At the Annual General Meeting, the Directors will present these documents to the shareholders for the financial year ended 31 March 2019.

Declaration of a final dividend

Resolution 2 deals with the recommendation of the Directors that a final dividend of 1.6p per ordinary share be paid. If approved it is intended that a final dividend be paid on 30 August 2019 to shareholders on the register of members at the close of business on 2 August 2019.

Directors' Remuneration Report

Although it is not a requirement for companies listed on the AIM market, the Company is putting before shareholders resolution 3 to approve the Directors' Remuneration Report. The Directors' Remuneration Report for the year ended 31 March 2019 is set out on pages 42 to 51 of the Annual Report and Accounts and includes details of the Directors' remuneration.

Please note that the vote on the Directors' Remuneration Report is advisory in nature and no Director's remuneration is conditional upon the passing of the resolution.

Election and re-election of Directors

Resolution 4 seeks approval for the re-election of Joanne Cash as a Director of the Company.

Resolution 5 seeks approval for the re-election of Sebastian Bailey as a Director of the Company.

Resolution 6 seeks approval for the re-election of Octavius Black as a Director of the Company.

Resolution 7 seeks approval for the election of Baroness Diana Harding, who was appointed as a Director on 14 June 2018.

Resolution 8 seeks approval for the re-election of David Nelson as a Director of the Company.

Resolution 9 seeks approval for the election of Richard Steele, who was appointed as a Director on 6 June 2018.

Resolution 10 seeks approval for the election of Sally Tilleray, who was appointed as a Director on 14 June 2018.

In accordance with best practice, all the Directors will retire and submit themselves for election or re-election at this Annual General Meeting. Biographies of each of the Directors can be found in the Governance section of the Annual Report for the year ended 31 March 2019 and on the Company's website, www.themindgym.com. Following completion of the Company's annual evaluation of the Directors, it is the view of the Board that both the Executive and Non-Executive Directors continue to perform effectively and that it is appropriate for them to continue to serve as Directors of the Company. The Board accordingly supports the re-election of the Directors submitting themselves for re-election.

Reappointment of auditors

The auditors of the Company must be appointed or re-appointed at each general meeting at which the accounts are laid. Resolution 11 seeks approval to appoint BDO LLP as the Company's auditors until the conclusion of the next general meeting of the Company at which the accounts are laid.

Remuneration of auditors

In accordance with standard practice, Resolution 12 seeks consent for the Audit and Risk Committee to determine the remuneration of the auditors.

Directors' authority to allot shares

Resolution 13 seeks authority for the Directors to allot shares.

The authority granted in paragraph (a) will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to approximately one third of the issued ordinary share capital of the Company which at 24 June 2019 being the latest practicable date prior to the publication of this notice of meeting is equivalent to a nominal value of £331.64.

The authority granted in paragraph (b) will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares only in connection with a rights issue up to a further nominal value of £331.64 which is equivalent to approximately one third of the total issued ordinary share capital of the Company at 24 June 2019.

There are no present plans to undertake a rights issue or to allot new shares other than in connection with employee share incentive plans. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise. The authorities will expire at the next Annual General Meeting of the Company or, if earlier, at close of business on 31 October 2020.

Special Resolutions

Disapplication of pre-emption rights

Resolutions 14 and 15 will be proposed as special resolutions. If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share incentive plan), company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

Resolution 14 deals with the authority of the Directors to allot new shares or other equity securities pursuant to the authority given by resolution 13, or sell treasury shares, for cash without the shares or other equity securities first being offered to shareholders in proportion to their existing holdings. Such authority shall only be used in connection with a pre-emptive offer, or otherwise, up to an aggregate nominal amount of £49.74, being approximately 5% of the total issued ordinary share capital of the Company as at 24 June 2019.

In addition, the Pre-Emption Group's Statement of Principles supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities (and sales of treasury shares for cash) representing no more than a further 5% of issued share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines "specified capital investment" as meaning one or more specific capital investment related uses for the proceeds of an issuance of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, and in line with the template resolutions published by the Pre-Emption Group, resolution 15 seeks to authorise the Directors to allot new shares and other equity securities pursuant to the authority given by resolution 13, or sell treasury shares, for cash up to a further nominal amount of £49.74, being approximately 5% of the issued ordinary capital of the Company as at 24 June 2019, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in resolution 15 is used, the Company will publish details of the placing in its next Annual Report. If these resolutions are passed, the authorities will expire at the end of the next Annual General Meeting or on 31 October 2020, whichever is the earlier.

The Board considers the authorities in resolutions 14 and 15 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a rights issue or other pre-emptive offer without the need to comply with the strict requirements of the statutory pre-emption provisions. The Board does not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non-emptive basis in any rolling three-year period (other than in connection with an acquisition or specified capital investment as described in the Pre-Emption Group's Statement of Principles) without prior consultation with shareholders.

Authority to purchase own shares

Resolution 16 is a special resolution and seeks authority for the Company to make market purchases of its own ordinary shares up to a maximum number of 9,949,321 ordinary shares, representing approximately 10% of the issued ordinary share capital at 24 June 2019. The authority requested would expire at the end of the next Annual General Meeting, or if earlier, 31 October 2020.

In reaching a decision to purchase ordinary shares, the Directors will take account of the Company's cash resources and capital and the general effect of such purchase on the Company's business. The authority would only be exercised by the Directors if they consider it to be in the best interests of the shareholders generally and if the purchase could be expected to result in an increase in earnings per ordinary share.

Notes relating to the Notice

i The right to vote at the meeting is determined by reference to the register of members. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and section 360B of Companies Act 2006 (the "Act"), only those persons entered in the register of members of the Company (the "Register") as at 6.30 pm on 29 July 2019 (the "Specified Time") shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. Changes to entries on the Register for certificated and uncertificated shares of the Company after the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting. Should the Annual General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Annual General Meeting. Should the Annual General Meeting be adjourned for a longer period, to be so entitled, members must have been entered on the Register by 6.30 pm on the day which is two working days prior to the adjourned Annual General Meeting, or, if the Company gives notice of the adjourned Annual General Meeting, at the time specified in such notice.

ii A shareholder entitled to attend and vote at the Annual General Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person"). A shareholder may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. A proxy may only be appointed in accordance with the procedures set out in notes iii and iv below and the notes to the proxy form. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

iii A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar Equiniti Limited, by calling 0371 384 2030 (callers from overseas should contact the Equiniti overseas helpline on +44 121 415 7047. Lines are open from 8.30 am to 5.30 pm UK time Monday to Friday excluding public holidays in England and Wales) or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed. To be valid, the proxy form (together with the power of attorney or other authority (if any) under which it is signed or certified by a notary or office copy of the same) must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, by no later than 2.00 pm on 29 July 2019 (or, if the meeting is adjourned, no later than 48 hours (excluding non-business days) before the time of any adjourned meeting).

iv CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Equiniti Limited (ID RA19) no later than 2.00 pm on 29 July 2019 (or if the Annual General Meeting is adjourned, no later than 48 hours (excluding non-business days) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

v A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

vi In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

vii Copies of the service contracts of the Executive Directors and all letters of appointment between the Company and its Non-Executive Directors are available for inspection at the registered office of the Company during normal business hours and at least 15 minutes prior to the commencement of, and during the continuance of, the Annual General Meeting.

viii The information required to be published by section 311(A) of the Act (information about the contents of this notice and numbers of shares in the company and voting rights exercisable at the meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.themindgym.com.

ix A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Annual General Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

x If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Annual General Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Annual General Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

xi To facilitate entry to the meeting, shareholders are requested to bring with them suitable evidence of their identity. Persons who are not shareholders of the Company (or their appointed proxy) will not be admitted to the Annual General Meeting unless prior arrangements have been made with the Company. For security reasons, all hand luggage may be subject to examination prior to entry to the Annual General Meeting. Cameras, tape recorders, laptop computers and similar equipment may not be taken into the Annual General Meeting. We ask all those present at the Annual General Meeting to facilitate the orderly conduct of the meeting and reserve the right, if orderly conduct is threatened by a person's behaviour, to require that person to leave.

xii Each of the resolutions to be put to the meeting will be voted on by a poll and not by a show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. These cards will be collected at the end of the meeting. The results of the poll will be published on the Company's website once the votes have been counted and verified.

Directors and advisers

Directors

Joanne Cash
Non-Executive Board Chair

Octavius Black
Chief Executive Officer

Sebastian Bailey
Executive Director

Richard Steele
Chief Financial Officer

Baroness Diana “Dido” Mary Harding
Non-Executive Director

Sally Tilleray
Non-Executive Director

David Nelson
Non-Executive Director

Company registration

Registered in England and Wales No. 03833448

Registered office

160 Kensington High Street, London, W8 7RG, UK

Company secretary

Prism Cosec Limited, Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey, KT13 0TS

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU, UK

Nominated adviser and broker

Liberum Capital Limited, Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9LY, UK

Registrars

Equinti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA,UK

Financial PR

Maitland/AMO, 3 Pancras Square, London, N1C 4BU, UK

Solicitors

Winston & Strawn London LLP, CityPoint, One Ropemaker Street, London, EC2Y 9AW,UK

Bankers

HSBC Bank Plc, 3 Temple Quay, 4th Floor, Temple Back East, Bristol, BS1 6DZ, UK

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