mindgym

Ready for tomorrow

Annual Report and Accounts 2020

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At a glance

Mind Gym is an international behavioural science group 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 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 52% of the FTSE 100 and 65% of the S&P 100 as well as governments, private companies and not-for-profit organisations.

Over 355,000 professionals in 655 organisations took part in a Mind Gym activity during the year.

Visit the website for further information
www.themindgym.com

Stats and financial highlights

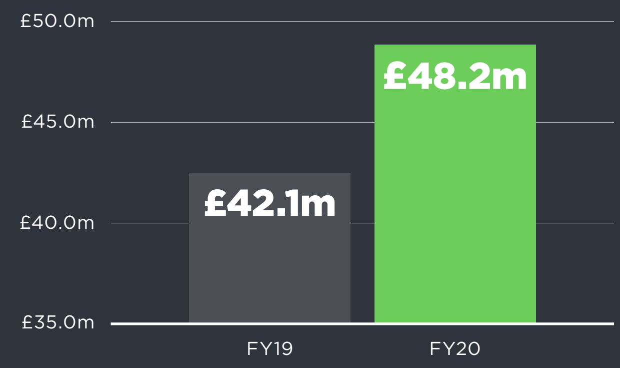
52% **&** **65%**

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

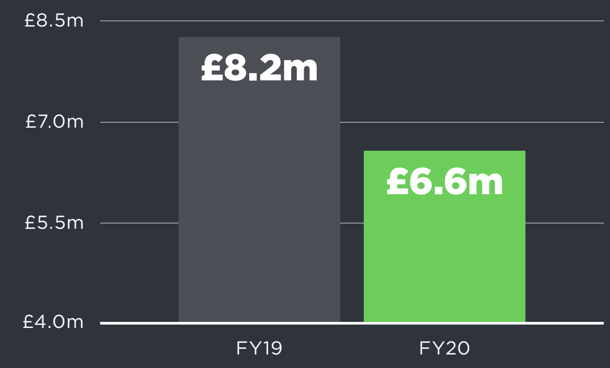
Serving clients in
91
countries

3,000,000+
professionals have been to a live Mind Gym session

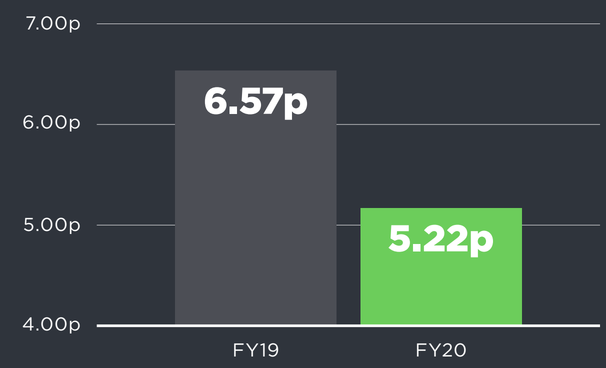
Revenue +15%



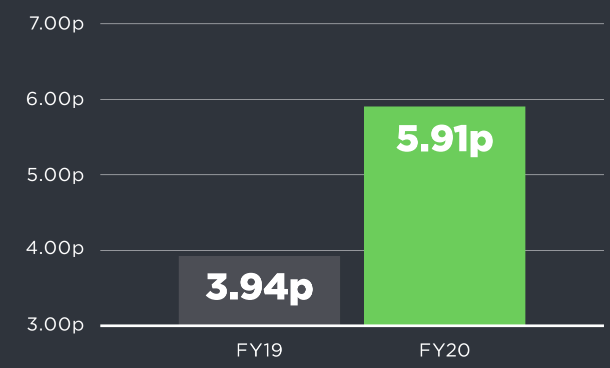
Adjusted* PBT -19%



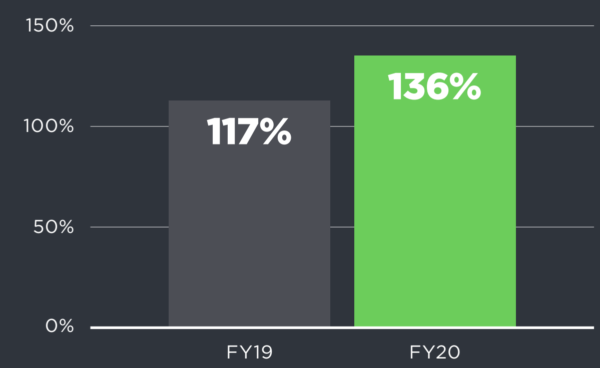
Diluted Adjusted* EPS -21%



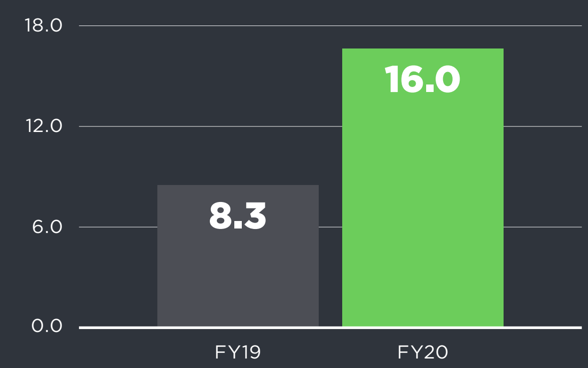
Diluted reported EPS +50%



Adjusted* cash conversion 136%



Period end cash balance +92%



*An explanation of adjusted results is included on page 27, and a reconciliation of adjusted results is included on page 87.

Strategic report

Investment summary

Our goal is to transform the market for human performance by offering an approach that is digitally enabled, grounded in science, and delivers a return greater than traditional alternatives.

Although, like many others, we have experienced the negative impact of a world in lockdown, we believe that the changes left by COVID-19 provide new opportunity as corporate needs change.

After the shock of the immediate crisis, businesses have entered a period of prolonged disruption where the need for different kinds of leadership and new ways of working are critical. Wellness, managing remote teams, how to succeed in an entirely virtual world and leading through unprecedented uncertainty are a few of the new learning needs our clients are already highlighting. Mind Gym's existing content addresses most of them already and our rapid innovation unit means that, where there are gaps, we can develop and launch new products in just a few weeks.

The mode of delivery is changing too, from live in-person to live virtual. Mind Gym's virtual offer, which we have been refining for over a decade, has the same impact as our in-person deliveries. We have 100 existing virtual workshops and 160 coaches across the world who are qualified to deliver them. Our digital strategy will meet the needs of remote workforces with new, market-defining, data-driven, personalised nudges and learning experiences that build human advantage. The investment this year will reposition our entire proposition and give us distinct advantage.

The business has a strong cash position which both protects the company against economic turbulence and provides the resources for our digital investment.

We have the right strategy to deliver a market-shaping proposition and turn the crisis to our advantage.

Reaching remote workforces

Mind Gym has a. track record of delivering live virtual, bite-size workshops. We have over 160 qualified virtual coaches and 100 proven topics. The proportion of delivery revenue for this digitally enabled, virtual offering went from 35% in the 10 months up to and including Jan 2020 to 49% in the subsequent two months. April and May 2020 have seen 100% of live delivery delivered virtually.

The quality, as measured by the participant feedback from our virtual workshops has now exceeded that from face-to-face. The current crisis presents a significant new opportunity to support clients who are looking for effective ways to reach and develop their newly remote workers.

Distinctive digital strategy

Our digital strategy will accelerate the development of market-leading products that provide a data-driven method to deliver mass, highly personalised, behavioural change. These will build on the success of our first-generation digital products in 2018 which now account for c.10% of revenue. We have appointed a Chief Digital Officer and are building a team of 40 for this first phase. We anticipate the launch of our first new, next-generation digital products later this year.

Rapid innovation unit

We are able to respond quickly to changing needs, and have already launched new points of view on virtual working, wellness and other relevant topics in response to the effects of COVID-19. These are supported with packages of largely existing but some new products. This allows us to be agile as the economic situation alters.

Top-tier client relationships

Mind Gym has strong relationships at C-suite/C-1 level with many FTSE 100 and S&P 500 companies and very high levels of repeat purchase (88% of revenue came from existing clients). In the current crisis, clients are even more likely to choose partners who have a proven track record of delivering results in their business.

Healthy balance sheet

The company has a healthy balance sheet with £16m in cash and no bank borrowings at 31 March 2020. As clients are primarily FTSE 100 and S&P 500 and no client accounts for more than 3% of revenue, there is limited exposure to bad debts. This provides support and protection.

Strong new leadership

In the last quarter the company added four leaders to the Executive team including President US (former President and CHRO of Kindercare), Chief Commercial Officer EMEA (former Head of Leadership Development, EMEA, Korn Ferry), Chief Digital Officer (former Chief Commercial and Operating Officer for digital operations at HSBC), and Chief People Officer (former CHRO of TalkTalk). This sets the business up in a much stronger way both to navigate the current turbulence and accelerate growth.

Large global market

Even if COVID-19 has led to some reductions, the global market is vast. Mind Gym operates in three markets: (i) the global market for Learning and Development (L&D) is over $240 billion[1] 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; (ii) the market for which is estimated at $5 billion;[2] (iii) global corporate wellness market size is valued at $52.7 billion expected to reach $97.4 billion by 2027, expanding at a CAGR of 6.9%.[3]

[1] Deloitte, 2018
[2] ALM, Talent and Workforce Consulting report, 2017
[3] Grandview Research 2019

Statement of the Board Chair

On behalf of the Board I am pleased, at this time of global crisis, to be able to report on a period of positive performance.

Despite the Coronavirus shock to global markets that had a significant impact on Mind Gym's Q4, the Group has achieved a 15% increase in revenue to £48.2 million (2019: £42.1 million).

Adjusted PBT for 2020 was £6.6 million (2019: £8.2 million). With the outbreak of COVID-19 so close to the end of the year, we were unable to make material cost savings during the period. However, continued strong cash generation during FY20 resulted in year-end cash of £16.0 million (2019: £8.3 million) and no bank borrowings.

A year in two parts

Pre-COVID-19
Excellent growth and cash generation in the first 10 months of the year reinforced our confidence in the business's strength. In December, the Board approved a three-year investment plan in a digital strategy and the appointment of a Chief Digital Officer to lead it, confident that it will drive Mind Gym's share of the £240 billion global corporate training market. Business leaders continued to look for support in a world of identity politics, accelerated innovation and agile working. Wellbeing, a more recent revenue stream, was rising up their agenda. At the end of January we felt very confident in performance for the year.

Post-COVID-19
Over the course of February and March we began to see the increasing impact of COVID-19's global spread. Mind Gym's clients were thrown into crisis mode as entire industries slowed down and like so many others we were confronted with a sudden drop in revenue. While events happened too close to the year end to enable significant cost mitigation, the leadership team moved quickly to rationalise and adapt. We are grateful to everyone in the business for the generosity they have shown by accepting reduced hours, salary cuts or, in a small number of cases, furlough. The founders waived their salaries entirely for the first quarter of FY21.

This allowed us time to make a considered assessment during this continued period of uncertainty on how to shape our business for the future, accelerating our pivot to digital. We remain vigilant and focused on strategy to ensure that our strong cash balance is applied for maximum return.

Dividend
It is for these reasons that we have decided as a Board not to propose a final dividend payment for the year. We believe it prudent to prioritise cash preservation at this time and to focus on investing for growth.

Market opportunity
The global training market was last estimated at $240 billion and growing, the market for corporate change at $5 billion and for corporate wellness at $53 billion with a CAGR of 6.9%. Whatever the impact of COVID-19, these markets remain vast. The need for organisations to adapt their culture and working practices to the changed global environment has only increased.

The market is highly fragmented which means that Mind Gym, as a leading provider of fully integrated live, virtual and digital behavioural change programmes, has significant opportunity for growth despite the current challenges.

People and culture
The shock and stress of the last quarter across the world is well documented. We are very proud of how the Mind Gym team has responded.

This year's results could not have been achieved without the skill and dedication of our senior management team and our hardworking, talented employees. A spirit of generosity and collaboration was at the fore when all our people made sacrifices in Q4 to support the business through the sudden impact of the pandemic. We are hugely grateful and on behalf of the Board I thank them all.

'Looking to the future with confidence'

Finally, I would also like to thank my fellow Board Directors whose leadership, positivity and hard work throughout this last period has been a valuable support to our leadership team.

Summary and outlook
While this is a time of unprecedented uncertainty for all of us, the Board believes the challenges facing our many clients presents an opportunity for Mind Gym to excel as their partner and advisor. Despite the short-term impact of COVID-19 and an unsurprisingly slow start to the year, the Group is well positioned to respond to the new market needs. This in addition to the strong cash position of the business means we look to the future with confidence.

Joanne Cash
Board Chair

10 June 2020

Joanne Cash
Board Chair

The sudden shift to virtual

For the last 20 years we have been proving the impact behavioural science can have on business performance.

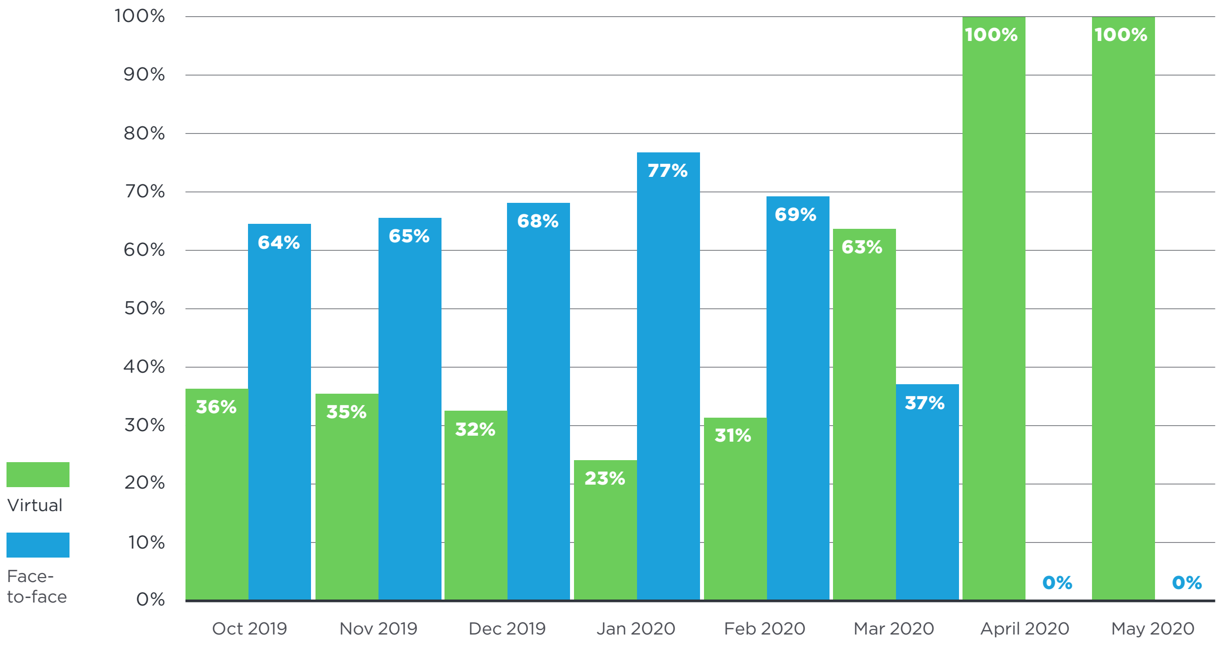
The outbreak of COVID-19 has greatly raised the profile of behavioural science with governments across the world complementing their medical advisors with behavioural scientists.

Now that business leaders see that behavioural science is good enough for Prime Ministers and Presidents, they are far more open to using it themselves to transform behaviour and performance in their companies.

Adapting to the shift to virtual

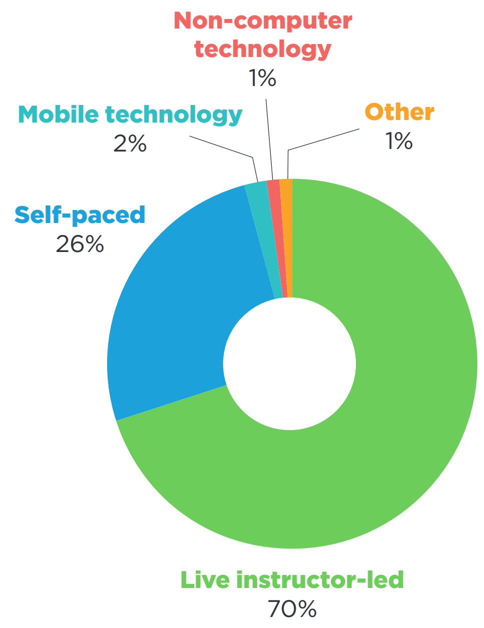
Lockdown and the resulting large-scale, full-time homeworking has been one of the greatest immediate consequences on business from COVID-19. As a result, companies have all but stopped face-to-face gatherings, including training.

To a significant degree these have been replaced by virtual workshops, conducted through Zoom, WebEx and other platforms. The chart below shows how Mind Gym's mix of live delivery, between face-to-face and virtual, altered by month from October to May 2020.



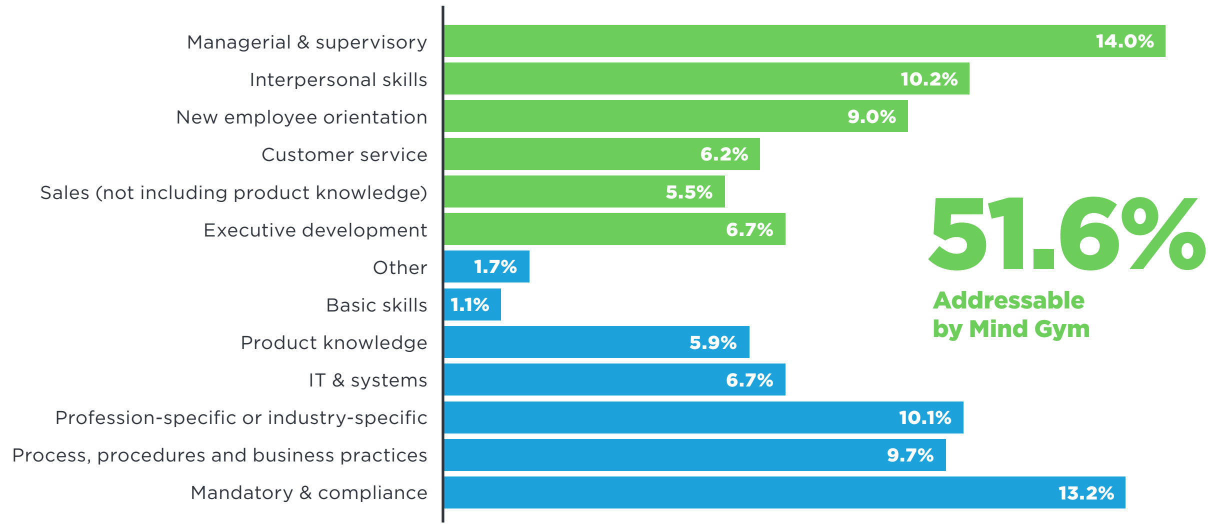
While there has been a steady increase in the proportion of digital self-paced learning over the last two decades, live learning still accounts for 70% of learning time. Lockdown appears to have shifted this from live face-to-face, to live virtual for the time being, although as lockdown lifts we expect to see some return to face-to-face.

Average percentage of formal learning hours available via different delivery methods



Source: ATD 2019 State of the Industry report

Average percentage of learning content by content area



Source: ATD 2019 State of the Industry report

Large, compelling market

The market can be viewed in three parts: the learning and development market, the market for cultural and organisational change and the market to support cultural wellness. **In each part there is demand for both live delivery and digital products.**

1. Learning and development
The L&D market is currently $240 billion and has been growing at 6% for the last five years.

The behavioural proportion of this market, which makes up 50% of the total, includes challenges like leadership, management, personal effectiveness, onboarding, sales and customer service.

The majority of learning and development is still done by instructor-led, live delivery, which was at 70% in 2018. This, pre-COVID is split between in-person (59%) and virtual (11%) (Source: ATD State of Industry Report). Self-directed learning, of which most is digital, accounts for 28%.

The preference for most clients when they initiate significant behavioural learning programmes, is for a blended solution which includes both instructor-led and digital learning. The more integrated the live and digital are, the greater the impact on changing behaviour and the lower the effort (and so cost) for clients in aligning them.

The main digital players do not offer live delivery. The main companies that offer live delivery have quite basic digital assets. Very few companies provide live, virtual and self-paced digital at high quality.

Mind Gym has an established reputation for providing consistent, global instructor-led live delivery, both in-person and virtual. It also has a growing reputation for strong, self-paced digital learning with a library of over 90 programmes which our new, next-generation digital products will only enhance.

2. 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 GSK, 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 October 2015 and continues to lead the debate about how to get people to perform at their best.

This 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.

3. Corporate wellness
The intensity and anxiety of extended isolation has had significant effects on employees' mental health and wellbeing. As a result, bosses are giving renewed attention to what they can do to keep their colleagues mentally as well as physically healthy. The current market for corporate wellness is estimated at $52.7 billion with a CAGR of 6.9%.

Barrier for competitors

The Human Capital Management (HCM) advisory market is made up of a few large players, mainly global consultancies and large tech companies, digital new entrants which tend to be backed by private equity, and tens of thousands of small boutiques. There are only a few mid-sized (£25–250 million) players in this market with a live delivery offer.

The large players, who dominate the market, are heavily vested in the orthodox HCM tools and techniques which they have been prescribing for many years. They tend to rely on in-person consultancy, which is limited by the current lockdowns, and have limited proven products for clients to assemble for rapid response.

The small HCM and behavioural consultancies tend to rely on existing relationships and face-to-face delivery models. Many of them have few cash reserves and lack the resources to pivot to the new environment. If the economic downturn is severe or protracted, it is quite possible that a number of them will cease to trade, which will reduce the level of competition and, potentially, increase the supply of coaches for Mind Gym.

There are a few large, and tens of thousands of small, eLearning providers. It is unlikely that the dominant eLearning providers will enter the large-scale instructor-led market, which is still regarded as a necessary part of any significant behaviour change programme. The smaller digital disrupters, many of which are cash negative, may find the new economic environment tough. This could provide opportunities for Mind Gym.

Despite Mind Gym's remarkable growth over the last 20 years, no one has successfully copied the model.

Consolidation
Corporates are looking to get more control over their spend on L&D and, as part of this, to reduce the number of approved suppliers.

The criteria for being included in the approved supplier roster usually include:

- Size and financial stability of company;
- Track record within the organisation;
- Ability to deliver cost-effectively at scale; and
- Aspect of offer which is unique/rare in the market.

Mind Gym meets these criteria for most large companies and already has approved supplier status with many major corporates. In the current environment, our clients say that it is difficult to add new suppliers to their approved list which supports established partners, like Mind Gym, and makes it harder for new competitors.

Mind Gym well positioned to seize share as the market changes

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 400 products consisting of instructor-led and digital
Live virtual as alternative to face-to-face	Over 100 proven virtual workshops ready to deliver immediately with quality greater than face-to-face
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 sessions, and 10-minute eWorkouts
Consistent quality, globally, at scale	Track record with 3m+ professionals; local coaches in over 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 purchasefrom blue chip clients

Our business model

Delivering the human advantage that drives business performance

As business leaders look for ways to make their company fast and flexible, Mind Gym's unique proposition offers an agile approach to learning and behavioural change unlike anything else in the market. This gives our clients greater impact for less investment and provides investors with a model that's set up for sustainable growth.

Mind Gym's model is distinct in ways that brings enormous value to clients so they can achieve far more and yet spend rather less than they would with conventional partners. It makes the business hard to copy and easier to scale which further increases the appeal for investors and it allows employees to spend their time doing what they excel at rather than being bent out of shape to fit into roles that don't suit them, which makes it easier to attract and keep great talent.

The behavioural change and learning market is made up of a few very large, well-established players and a lot of very small ones. Mind Gym has managed to break the mould to become a mid-sized player, at least in part due to this business model. This model provides the foundations to accelerate growth.

HCM market norm	Mind Gym	Gain for clients	Gain for investors
Bespoke, highly customised solutions	Proven, productised behavioural science assets are easily configured, and re-configured, into customised programmes	▪ Minimal upfront investment ▪ Up running in days, or a few weeks ▪ Greater guarantee of success ▪ Easier to adapt as needs change	▪ Easier to scale with improved margins ▪ Long-lasting products with greater return on innovation investment
The same person sells, leads project, oversees designs and delivers to senior groups	Separate teams for client relationship, design (where needed), delivery and project management – agile resourcing means most capable person does the work	▪ Always get the best person for the task ▪ Don't pay for members of project team when not needed	▪ Easier to scale team ▪ Minimal risk of employees leaving to set up a replica
Client assignments start with extensive needs analysis and solutions are based on orthodox management practices	Clients start with psychology-based template from which, together, we build a prototype to test and refine – soup to nuts in less than a month	▪ Proven to work and based on science ▪ Speed to value – weeks vs months ▪ Alternative to old-fashioned methods that have not delivered	▪ Distinctive in the market ▪ Hard to replicate so barrier to competition ▪ Gains attention from C-suite
Network of associates who have been selected on relationships and past experiences	300 qualified coaches in over 30 countries who have been through a robust certification process	▪ Consistent quality across the world ▪ Local cultural adaptation as standard ▪ Deliver where my people are, with minimal travel costs	▪ Variable cost base for all live delivery ▪ Readily service global clients ▪ Easy to increase supply by geography
Fees based on consultants' time	Fees based on products	▪ In everyone's interests to move quickly ▪ In control of costs – know what I'm getting	▪ Robust gross margin

CEO's review

'Core to our strategy is the pivot to digital'

Octavius Black
Chief Executive Officer

A strategy to accelerate post-COVID growth

The extraordinary circumstances that have followed the outbreak of COVID-19 are changing the rules of work in a dramatic and lasting way.

In the short term, this has affected our clients and our performance. In the medium term, we believe it creates a strong opportunity to accelerate our digital strategy and grow our share of the market.

We are already getting great interest from clients on how the new world of work affects leadership, management, inclusion, performance, wellness and a range of other behavioural areas where we have deep expertise.

Mind Gym's strength in delivering live, bite-size workshops online, positions us well for our clients' immediate needs in a remote-working world. While some clients are cautious about making the switch, the sense that social distancing will be around for a while to come, combined with the data which shows that our virtual sessions are at least as effective as face-to-face, is helping convert even the more conservative clients. This provides a very valuable base to protect the core of the business from which we can build.

The key to our growth is innovation.

We had started developing our digital strategy with an acute focus during 2019, and are now accelerating this in order to launch market-leading products that go significantly beyond traditional e-learning and provide a data-driven method to deliver mass, highly personalised, behavioural change.

Our current digital offer is a strong complement to our portfolio of live sessions and is largely bought by existing clients as a superior alternative to conventional eLearning.

Our new digital offer, based on extensive research with clients to unearth what they most want, will, we believe, be unlike anything else currently in the market. The recent, sudden shift to much more remote working is a compelling reason to accelerate this strategy and we will launch our first new-generation digital product later this year.

Our rapid innovation unit identifies emerging client needs and quickly develops new points of view. In response to the COVID-19 outbreak, we have launched new evidence-based points of view on wellness, working virtually and performance during a global crisis. One of our strengths is that we can configure a solution that is largely made up of existing Mind Gym products supplemented with only a few new topics. As a result, a new point of view with a supporting solution can be launched in a matter of weeks.

CEO's review

While we recognise the immediate disruption to the business from COVID-19, we strongly believe that we have the strategy and agility to emerge from the current economic turbulence stronger than ever.

Trading performance
The year has been made up of two parts: the first 10 months, pre-COVID, and the final two months.

Pre-COVID-19
In the 10 months to end of January 2020, the business was growing at 22%, ahead of our five-year CAGR of 19%. Growth was better in the US than EMEA but both regions were performing well and we were seeing demand across the range or our core areas.

COVID-19
We started to see the impact of COVID-19 with the postponement of the APAC deliveries for a large, face-to-face, ethics programme that we were running for a bank in late January. This was quickly followed by other clients cancelling face-to-face deliveries initially in APAC, then EMEA and then the US.

The team worked hard to encourage clients to switch from live face-to-face to live virtual. There were some considerable successes which is why the revenue outcome for FY20 was at the very top end of the expectations set in our statement on 9 March 2020. Nonetheless, many clients chose not to replace live events, such as global leadership conferences, with virtual alternatives and not to commission significant new work.

Q4 is normally our strongest quarter and so the timing of the outbreak had a disproportionate effect on performance.

FY20 review
Overall Mind Gym delivered a positive performance for the year with 15% (2019: 14%) growth in revenue and an Adjusted PBT margin of 13.7% (2019: 19.5%).

The business generated revenues from c. 650 clients and delivered learning programmes in over 90 countries, through its two main offices in the UK and US, and a small support office in Singapore. Revenues are segmented into EMEA (where APAC also reports) and 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 2020, EMEA generated revenues of £21.8 million, a 7% increase on the prior year representing 45% of total revenues. US revenues of £26.4 million represented a 22% year on year increase. The ratio of US:EMEA is 55:45 (2019: 52:48).

Our clients are widely spread across industries which gives us greater protection in light of the fast-changing economic circumstances. For example, two of the most affected industries, passenger travel and hospitality and leisure, represent 2% and 4% of annual revenue. Our largest industry in the US is Technology, which represents 25% of US revenue, and in EMEA is Banking which represents 23% of EMEA revenue.

Overall, we are globally well represented in healthcare (9%) and technology (17%) which appear to be among the more resilient industries in the current climate. We are also delighted to be a member of the winning consortium for the UK government's Civil Service Learning three-year contract.

Our geographic diversity also mitigates risks. While our deliveries in APAC were the first to suffer, they also look likely to be the first to return. Even within the US, the response to COVID-19 has varied by state and overall the impact from the switch to extended remote working has been less significant than EMEA as home-working has long been a normal working practice. Our US business is structured by region (East, Central, West) and so can adapt to changes in local needs quickly. This geographic diversity gives Mind Gym better protection against a change in economic conditions in any particular region or market.

We have also continued our focus on cash conversion and in our second year as a public company we have improved adjusted cash conversion from 117% to 136%. Partly as a result, our cash balance at end of the year is £16 million, roughly double where it was this time last year (2019: £8 million).

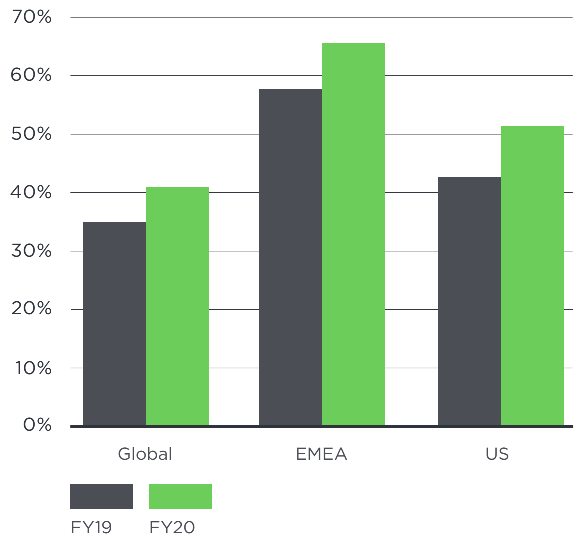
Adjusted, fully diluted earnings per share (EPS) have decreased by 21% to 5.22 pence (2019: 6.57 pence).

Deepening client relationships
A core element of our plan last year was to align our teams around key clients in order to increase the depth of relationships. We are delighted that this has worked well. Revenue from our top 25 accounts has grown to 41% (FY20) from 35% (FY19).

When we are brought in to deal with a priority issue such as management development 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 a major client's performance management to supporting their broader management development curriculum and change agenda; addressing middle management behaviours so effectively that 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 diversity and inclusion programme. All of this helps establish Mind Gym as the client's preferred partner for all aspects of cultural and behavioural change.

As Mind Gym has c.650 active clients, there is significant opportunity to replicate this model across a wider client base.

Revenue from top 25 accounts (%)



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. These have gained record attention in our webinars and CHRO roundtables with current and potential clients as well as in the media with Mind Gym being quoted in The Times, Financial Times, The Economist, Bloomberg and many other mainstream media.

Remote ways of working
The swift move to lockdown meant that many organisations had to transfer large numbers of employees to fully remote working. Alongside the technology challenge there is a human one. All affected employees needed to learn how to operate successfully in this new, fully remote world and managers, in particular, needed to master how to manage people they meet only by screen and, even then, often less frequently and in groups.

'@virtualwork' and 'Remote control' were Mind Gym's most popular Workouts in EMEA in February and March (and 3rd and 5th in the US). In addition, the rapid innovation team developed a series of seven new Workouts specifically designed for this new world of remote working.

Even when lockdown is over, it is very likely that large numbers of employees will spend some or all of their time working remotely and so these new products are likely to continue to be in great demand.

We equip our clients to be ready for tomorrow

CEO's review

Our digital strategy will deliver mass, highly personalised, change

Diversity and inclusion

In 2013 we launched a new research-based point of view on diversity and inclusion (D&I) which revealed that what drove business improvement was not diversity alone, which by itself could be value destroying, but inclusion. At the time this challenged conventional wisdom. Now, seven years later it is widely accepted.

D&I has continued to rise up the Board agenda with legislation and media scrutiny on, for example, women on boards, gender pay gap and 'the pledge' – a letter signed by CEOs of many of the world's largest companies committing to diversity and inclusion objectives.

In order to continue providing our clients with the leading advice in this area, our team of psychologists, working with our Academic Board, have launched a new, updated D&I research-based point of view with a wide range of new supporting products. The early response from CHROs and Chief Diversity Officers has been extremely positive and we have recently won a number of competitive pitches where we have replaced the incumbent advisor.

The recent events in the US have brought the issue of inclusion and, in particular, race to the forefront. We have responded swiftly with direct support for our colleagues and coaches as well as guiding our clients on how to use the latest science so they can address everyday racism and set up constructive dialogue to counter racism and all other bigotry in business.

Wellness and mental strength

The market for corporate Wellness is estimated at $52.7 billion and forecast to grow to $97.4 billion by 2027. In the current environment, the importance of wellness has suddenly increased as companies fear the effects of extended lockdown on mental health and the potential legal challenge if they are perceived to have failed in their duty of care.

We have always had a range of products which help people improve their mental strength and wellbeing. We are in the process of developing an original, evidence-based point of view on wellness which will be supported by a range of existing and some new live and digital products. This offer has already been trailed in our new COVID-related point of view on 'The wellness precipice' and will be launched later in H1.

Customer service

We also launched a new customer service, research-based point of view which has been piloted with impressive results in a number of clients in both the UK and US. The products are designed primarily for customer-facing employees and so, given the current lockdown, we anticipate there will be less demand for these products in the current environment, although this will return once retail and leisure industries return to anything like pre-COVID levels.

Distinctive digital strategy

Digital expansion

We were clear at the IPO that a core part of Mind Gym's strategy is to pivot to digital and this is even more the case given the recent, sudden move to extended remote working.

Our first eWorkouts were launched in 2018 and now pure digital makes up c.10% of revenue, while digitally enabled revenue was over 30% of the total. At the end of the year we launched Mind Gym's proprietary platform on which the full library of 91 programmes are hosted. This means that clients without their own Learning Management System, or who wish to bypass it, can now use Mind Gym's eWorkouts. It also opens up the potential for a direct-to-consumer route.

Phase 1 of our digital strategy has been a great success and we now plan to build on this as we embark on phase 2.

Our vision is to use data and technology to deliver highly personalised, integrated learning to build the human advantage that delivers business performance.

In particular to provide a digital proposition that is:

- scalable across and within organisations and can replace clients' disparate content and platforms;
- able to deliver relevant and personalised development journeys that are at the 'speed of life';
- able to serve content to the right person, in the right format at the right time;
- data-driven and delivers measurable results driven by behaviour change techniques; and
- enables social and group dynamics at scale.

We appointed a Chief Digital Officer at the start of Q4 who had initially worked on a digital strategy for us as a consultant during Q3 and is now taking on responsibility for delivering it, starting on 1 March 2020.

The launch of our first new, next-generation products will be later this financial year (FY21) with the first revenue streams from them likely to be from early in the next financial year (FY22).

The team for this first phase will be 40 strong and based in the UK.

Live, virtual delivery

Our experience, built over a decade, of delivering live, virtual bite-size workshops has proved to be extremely valuable during this period of extended lockdown.

The mix of live delivery which is virtual has gone from 35% virtual in the 10 months to end January, to 49% in the remaining two months of the financial year. In April and May 2020, the first two months of our current financial year, 100% of live deliveries have been virtual.

We have increased the number of coaches who are certified to deliver virtually from 120 in January to over 160 by 1 May with the capacity to certify more if the demand requires it. We are also certifying bi-lingual coaches in a range of languages including Hebrew, Mandarin, Vietnamese and Arabic.

This renewed focus on virtual delivery is yielding very positive results in terms of quality as measured by participant feedback. In April the 'Excellence' rate for virtual deliveries was 53.9%, which compares with 51.6% for face-to-face deliveries in FY20. We are, therefore, able to reassure clients that the quality of our virtual sessions is at least as good as face-to-face.

Infrastructure to support growth

We have been investing in a range of operational improvements to support long-term, sustainable growth and realise economies of scale.

In order to help increase the productivity of our Client team we have introduced a new CRM, Salesforce, which will be integrated with our Marketing systems to create a more seamless process and produce data which will help redirect effort and investment to where we will get the greatest return.

We have also instigated a project 'Operational Blueprint' which will bring greater role clarity and more efficient workflow across the business.

As a result of both these initiatives, we anticipate realising significant economies of scale when we return to pre-COVID growth rates.

Strong leadership
A key priority for the year was to bring new leaders with impressive track records and the appetite to lead the business through the next phase of growth.

We are delighted to have appointed four highly experienced new members to the Mind Gym Executive team. These include:

- President, Americas, who was formerly President and CHRO of Kindercare;
- Chief Commercial Officer, EMEA who was formerly the head of the leadership development practice at Korn Ferry;
- Chief Digital Officer, former Digital COO at HSBC, who shaped our new digital strategy as a consultant in Q3 and accepted the role to deliver it in Q4; and
- Chief People Officer, former CHRO at TalkTalk.

These strong additions to our Executive team gives us the confidence not only that we have the right strategy but that we also have the capability to execute on it.

Post year-end changes
As we build the business of the future with a much stronger digital mix, we have always recognised that we will need a different mix of skills in the team.

The changes brought by COVID-19 have accelerated this shift as we altered overheads in response to the new economic circumstances.

In the first quarter of FY21, we introduced a range of temporary measures including salary sacrifice, part-time working and the UK government's Furlough scheme. As the economic trend has become more defined we have commenced a process to replace these temporary measures with more long-term changes to the team which better reflects the mix of talents we will need for the next phase.

The overall effect of all these measures is a reduction in OPEX people-related overheads by 19%. It is expected that the majority of the investment in the digital team will be capitalised as software development costs while the digital products are being developed.

Corporate social responsibility
At the heart of Mind Gym's values is the mission to improve lives by changing the way our participants think and behave. We also believe that businesses serve a vital role in their communities and our social responsibility lies at the heart of our culture.

We are very proud that 2020 is the 10-year anniversary of our first Parent Gym programme. Recognising the impact that parenting has on a child's life chances, and the minimal attention paid to parenting capability by governments, we piloted a six-week parenting programme in 2009. Over 10 years the programme has continued to be delivered by Parent Gym-trained volunteers in over 100 state primary schools a term across the UK, 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. A series of independent academic evaluations of the programme are further proof to clients of the impact Mind Gym delivers. It has been shown to be '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' (Warwick University, 2019).

One of the most challenging impacts of COVID-19 has been the closure of the nation's schools through which, historically, we have connected with and delivered the Parent Gym programme to parents. However, it is testament to our employees' commitment that we have at the time of writing converted the material to a digital programme; created an online support community for parents and embarked on partnerships with a number of family-focused charities to ensure they also have access to the programme. All of this will ensure that throughout this period of uncertainty, parents will continue to be able to access the programme and its positive effects for their families and their mental health.

I would like to pay particular thanks to our Chair who not only came up with the idea of Parent Gym but has led it into the force that it has become. I also greatly appreciate our investors who share our values and have been fully supportive of this philanthropic venture.

Summary and outlook
We are pleased with the Group's overall performance despite the difficulties of the last quarter. At the end of January 2020 we were on track to exceed revenue and deliver on profit expectations. The COVID crisis had a significant impact in February and March 2020 and the effect can be seen in the year's final numbers.

The strength of our digitally enabled offer has protected the business from more severe consequences of COVID-19. Further investment in digital was already underway before the onset of the pandemic and with expectations of lasting change to how people work we will look to grow this revenue stream in the year ahead.

The pandemic and its impact has created a challenging business environment. We are confident that we have the right strategy and are making the right investments to deliver a return to growth once the worst effects of COVID pass.

The strategic report on pages 6 to 37 was approved by the Board and signed on its behalf by:

Octavius Black
Chief Executive Officer

10 June 2020

Case study

Be your best

The challenge
A central part of Lloyds' strategic three-year plan is to transform the Group for success in a digital world. In order to deliver this transformation, Lloyds' CEO, António Horta-Osório, recognised that equipping their 70,000 colleagues to perform at their best would be critical.

They have a uniquely diverse workforce who are a fundamental competitive advantage, so for colleagues to be at their best, bringing their whole self to work, they needed to offer an inclusive, growth-led culture.

Lloyds had a traditional approach to performance management based on ratings and annual reviews. It was unpopular and lacked transparency – only 20% of colleagues believed it was a positive experience and 26% believed it improved performance. They were spending two million hours a year documenting performance reviews, rather than coaching and learning.

Recognising that this was not fit for the new world, Lloyds adopted a new approach to performance management which largely removed ratings and replaced the old annual review with more informal, quarterly check-ins. The leaders recognised that changing the process would have only a very limited impact if they didn't also change how people thought and behaved. Above all, the challenge was to change the performance culture. After a formal review of all the alternatives in the market, Lloyds' leaders chose Mind Gym to be their partner for this vital strategic priority.

The solution
The behavioural programme was built around Mind Gym's six conditions for high performance.

These were applied in the regular 'Check-ins' which were a key part of the new approach. These are effective only if they are adult-to-adult conversations which help people take responsibility for their performance and build the capability and confidence a bit at a time.

To enable the shift, Mind Gym developed a blended learning solution that involved all 70,000 people throughout the UK in immersive, instructor-led bootcamps (delivered face-to-face and virtually for 500–1,000 participants at a time), 80,000 eLearning sessions, as well as digital toolkits and other resources for team huddles. This 'tapas style' approach was successful as it was accessible and flexible which suited the competing business challenges. This saved time and money, and provided legacy training which can be revisited at any time for new and existing colleagues, ensuring that every colleague understands the new approach and can develop the behaviours to engage in it.

Throughout 2019 we delivered four staggered releases, providing time to digest smaller changes regularly and respond to the needs of colleagues and the business. Delivering 250,000+ hours of training is one of the largest transformation programs in Lloyds' history – involving changes to systems, processes and human behaviour. Each release addressed a particular part of the performance management life cycle:

- Release 1: Six Conditions to Be Your Best, objectives and feedback
- Release 2: Check-ins (regular conversations between manager and direct report)
- Release 3: Checkpoint (manager support forums)
- Release 4: Reward and Recognition

At every release, Mind Gym worked closely with Lloyds' communications agency to pique participants' interest, developing a compelling visual identity and enticing communications.

Results
The new approach means that managers now spend 60% less time documenting performance and correspondingly more time coaching and developing their teams. 89% of colleagues believe the changes created a positive experience compared to only 20% in 2018.

The quality of the Check-ins is having a very positive impact. Of colleagues who've had 3+ Check-ins:

80% know how they're performing, compared to 35% who've only had one or fewer

72% believe the Group's commitment to learning is making a difference, compared to 46% who've only had one or fewer

90% feel listened to by their manager, compared to 73% who've only had one or fewer

We've seen a positive relation to colleagues, health and wellbeing too:

95% agree their manager cares about their wellbeing

85% feel they get more praise and recognition

Another year of continued growth and strong cash generation

The Group achieved double-digit top line growth and doubled its cash balance in the year while continuing to invest in future growth including senior hires and digital. The strong balance sheet provides resilience during the continued COVID-19 uncertainty and an opportunity to accelerate our digital investments.

Revenues
In the year ended 31 March 2020, revenues grew 15% (12% on a constant currency basis) to £48.2 million (2019: £42.1 million). The EMEA region generated revenues of £21.8 million, delivering a 7% year-on-year increase. In the US, revenues of £26.4 million were generated representing a 22% (17% on a constant currency basis) year on year increase.

	Year to 31 March 2020 £'000s	Year to 31 March 2019 £'000s	Change
EMEA	21,807	20,390	7%
US	26,442	21,743	22%
GLOBAL	**48,249**	**42,133**	**15%**

Repeat revenues (defined as revenues from clients that have purchased in the current year and in one or more of the previous three years) increased to 88% of total revenues (2019: 84%).

Revenue growth on a five-year compound annual growth basis is 19%.

Digital revenues in the year increased by 1% to £4.3 million (2019: £4.2 million) representing 9% of total revenues (2019: 10%). Digitally enabled revenue, including live Workouts delivered virtually increased by 21% to £14.5m (2019: £12.0m) and represented 30% of total revenues (2019: 28%).

Gross profit
Gross profit in the period increased by 14% to £38.6m (2019: £33.9m). Gross profit as a percentage of revenue in the period decreased by 0.7 percentage points on the prior period to 79.9%. At a Group level there was minimal change in revenue mix and therefore no material impact on Gross profit.

Revenue mix by type compared to previous year	FY20	FY19	% Change
Live delivery	57%	59%	-2%
Design	15%	15%	0%
Licensing and certification	12%	11%	1%
Digital	9%	10%	-1%
Other (e.g. project management)	2%	3%	-1%
Advisory	5%	2%	3%
Total	**100%**	**100%**	**0%**

Gross profit margin in the US (81.7%; 2019: 81.3%) was higher than in EMEA (77.8%; 2019: 79.8%) due principally to product mix. EMEA saw an increase in revenue in APAC where we initially offer higher coach fees to incentivise coaches to travel while we build our coach network to meet increasing demand.

	Year ended 31 March 2020		
Revenue type	**EMEA**	**US**	**Global**
Live delivery	58%	55%	57%
Design	13%	16%	15%
Licensing and certification	14%	12%	12%
Digital	8%	10%	9%
Other	1%	2%	2%
Advisory	6%	5%	5%
Total	**100%**	**100%**	**100%**

Adjustments to PBT
The Group uses Adjusted PBT to provide a better understanding of the underlying profitability of the business. Adjusted PBT excludes certain costs as detailed in Note 7 to the group financial statements.

The definition of adjusted items has been updated to remove the share-based payment charge, and the adjusted results for the year ended 31 March 2019 have been restated as a result.

Total Adjustments amounted to a credit of £0.8 million in the year to 31 March 2020 and comprises the reversal of a provision for employee option surrender costs charged to the income statement in the prior year. Adjustments in 2019 were £3.1 million and mostly resulted from the Group's IPO in June 2018.

Adjustments to EBIT	31 March 2020 £'000	31 March 2019 £'000
Transaction-related costs	-	1,500
Employee options surrender costs	(765)	1,577
	(765)	**3,077**

After Adjustments the Group reported profit before taxation of £7.4 million (2019: £5.1 million).

Profitability
Adjusted PBT in the year to 31 March 2020 reduced 19% to £6.6 million (2019: £8.2 million). Adjusted PBT as a percentage of revenue was 13.7% (2019: 19.5%). The principle reason for the decrease was the impact on revenue in the last two months of the year which due to COVID-19 did not allow sufficient time to re-align the cost base. The Group also invested to support the growth of the business particularly in senior roles and in digital. Our digital expenditure in the year involved extensive research as we built the team to develop our new digital offering. It is anticipated that from April 2020 these future costs will be capitalised. Overheads before adjustments rose 24% to £31.9 million (2019: £25.7 million). Staff costs represent 75% (2019: 76%) of overheads increasing 24% on the year. The average number of staff during the year increased 19% to 247 (2019: 208). Operating profit as a percentage of revenue was 7% in the US and 25% in EMEA. The lower adjusted EBIT margin in the US is due to the royalty re-charges from the UK to the US.

Taxation
The taxation charge for the year was £1.5 million (2019: £1.2 million) which represents an effective rate ('ETR') of 20.2% of profit before tax. The ETR on profit excluding adjustments was 21.4%.

	FY20			FY19		
	Adjusted £'000	Adjustments £'000	Reported £'000	Adjusted £'000	Adjustments £'000	Reported £'000
PBT	6,633	765	7,398	8,207	(3,077)	5,130
Tax	(1,420)	(73)	(1,493)	(1,621)	442	(1,179)
PAT (Earnings)	5,213	692	5,905	6,586	(2,635)	3,951
ETR%	21.4%	9.5%	20.2%	19.7%	14.3%	23.0%

Earnings per share
Adjusted diluted earnings per share decreased by 21% to 5.22 pence (2019: 6.57 pence). Reported, basic earnings per share grew by 46% to 5.93 pence (2019: 4.08 pence).

Dividends
The Board is not recommending a final dividend for the year ended 31 March 2020. An interim dividend of 0.9p per share interim dividend was paid in January 2020.

Cash flow and balance sheet
Cash generated from operations increased by £3.1 million or 41% to £10.6 million (2019: £7.5 million) mainly due to improvements in working capital and the impact of one-off costs in the prior year. Cash conversion, defined as cash generated from operations as a percentage of EBITDA was 124% (2019: 142%). Adjusted cash generated from operations increased by £0.8 million to £10.6 million increasing adjusted cash conversion to 136% (2019: 117%). Adjusted cash conversion is defined as cash generated from operations before transaction-related payments and employee option surrender payments.

Adjusted EBITDA is defined as Adjusted PBT excluding net finance costs, depreciation of property, plant and equipment and the amortisation of intangible assets.

Cash conversion	31 March 2020 £'000s	31 March 2019 £'000s
Adjusted cash generated from operations	10,615	9,816
Transaction-related costs	-	(1,500)
Employee options surrender costs	-	(810)
Cash generated from operations	**10,615**	**7,506**
Adjusted EBITDA	**7,818**	**8,376**
Reported EBITDA	**8,583**	**5,299**
Adjusted cash conversion (Adjusted cash from operations/Adjusted EBITDA)	136%	117%
Cash conversion (cash from operations/EBITDA)	124%	142%

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 32 days to 68 days (2019: 100 days). Overdue debt as a percentage of total trade receivables fell to 20% at the year end (2019: 23%) with the amount of overdue debt reducing £0.7 million to £1.7 million (2019: £2.4 million).

There was a net tax receipt in the year of £0.6 million (2019: £0.6m paid) as £1.2 million of tax recoverable was received from the UK tax authorities in respect of the tax relief on the exercise of EMI options at the IPO in June 2018. Corporation tax payments in respect of the year ended 31 March 2020 were £0.6 million.

Capital expenditure was £0.7 million (2019: £0.4 million). Lease payments of £0.6m are separately identified within cash flows from financing activities for the first time under the newly adopted IFRS 16, Leases accounting standard.

The Group also paid £2.5 million (2019: £4.0 million) of dividends in cash in the year comprising the £1.6m final FY19 dividend and the £0.9m interim dividend for the year ended 31 March 2020.

At the year end, the Group had cash of £16.0 million (2019: £8.3 million) and net cash of £11.6m (2019: £8.3 million) after deducting the lease liability now included on the balance sheet.

Financial impact of COVID-19
The Group experienced a dramatic slowdown in revenues as a response to COVID-19 in the last two months of the financial year. In the 10 months to 31 January 2020, revenues of £40.1 million (2019: £32.8 million) were +22% increase on the year. In February and March 2020 revenues of £8.1 million (2019: £9.3 million) were -13% on the year. The slowdown was particularly prevalent in the EMEA region which includes APAC where the virus originated. Approximately 40% of revenues in the 10 months to January 2020 were generated from live face-to-face sessions. Many of these sessions were cancelled or postponed and where possible converted to virtual sessions. This included the cancellation of an extensive programme with a top 5 client. In addition, there was a considerable impact on pipeline opportunities as clients' priorities changed.

There was a minimal impact on the cost base. Fixed overheads remained unchanged and there was an additional £0.1 million incurred on coach fees and associated travel costs that had been booked and subsequently cancelled at short notice.

It is difficult to accurately assess the financial impact directly associated to COVID-19, though assuming the run rate of revenue to 31 January had continued, it is estimated that revenue for the full year to 31 March 2020 would have been £3.2 million higher at £51.4 million. The impact on Adjusted PBT is estimated to be £2.2 million above the reported £6.6 million. The impact has not been treated as an adjustable item in the accounts.

Mitigating actions in response to COVID-19
The Board rapidly undertook actions to mitigate the financial impact of COVID-19 including:

- Working with clients and coaches to switch live face-to-face coaching sessions to virtual Webex sessions;
- Promoting our digital proposition as an alternative to live sessions;
- Innovating and marketing our product offering to respond to COVID-19;
- Accelerating and adapting our existing digital investment strategy;
- Implementing a cost reduction strategy from 6 April 2020 to 30 June 2020 affecting all employees by being furloughed, reducing hours or 20% salary cut;
- Improving the reporting and monitoring of credit control management. Our client base is typically large corporates and there is very little either historic or current impact from bad debts; and
- To strengthen the cash position further, it is proposed to not pay a final dividend for the year ending 31 March 2020.

‘Our resilient balance sheet provides an opportunity to accelerate our digital investments’

Richard Steele
Chief Financial Officer

Going concern

The Board has reviewed extensive scenario analyses to help assess their forward-looking assessment of the viability of the Group. The Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. The Board have reviewed various scenarios including a range of revenue and cost reductions, which all include a continuation of digital investment. This is supported by a strong balance sheet, cash management and financial controls.

Impact of adoption of new accounting policies

The Group adopted IFRS 16, Leases on 1 April 2019 and has applied 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 has not been restated. The impact of the adoption on Adjusted and Statutory Profit before Tax is immaterial, although Adjusted EBITDA increased by £0.6 million in the period. The impact of the adoption on the balance sheet is set out in Note 4.

Financial risk management

The Group has a diverse portfolio of approximately 650 clients across many industrial sectors delivering coaching sessions in over 90 countries. The largest client accounted for less than 3% 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.

Adjusted performance measures

This announcement contains certain financial measures that are not defined or recognised under IFRS including Adjusted PBT and Adjusted earnings per share. These adjusted measures exclude the effect of Adjustments. The Group use 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, on Note 5 Segmental Analysis and in Note 12 Earnings per share.

Certain statements in this announcement constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company’s future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be constructed as a profit forecast.

Richard Steele
Chief Financial Officer

10 June 2020

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.

Economic downturn in the corporate learning and development market

Management seeks to keep up to date with macro-economic factors which could affect the Group and decides strategically how to respond to them. The current economic downturn caused by the global coronavirus pandemic may impact the Group's future revenue as it may cause clients to cancel, reduce, or postpone existing bookings and not secure potential new revenue. Deteriorating economic conditions could also impact clients' ability to pay or pay on time. In addition, political uncertainty, especially around Brexit, 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. The Group's strong balance sheet and net cash position helps protect against cyclical downturns.

Specifically in relation to COVID-19 the Group has taken swift actions to mitigate the sharp decline in revenue by expanding its virtual proposition, tailoring and marketing its product offering in response to COVID-19, accelerating its digital investment, reducing its cost base through payroll reductions from April to June 2020, withdrawing a final dividend. From an operational perspective the Group has quickly and seamlessly moved to remote working for all its employees and has provided equipment and where needed to support employees. The Group has implemented remote working software earlier in the year and controls are in place to manage our information security.

Digital strategy investment

The Group is investing in a transformational digital proposition, after the appointment of a Chief Digital Officer earlier this year. There is a risk that this project could overrun or fail to meet the expected return on investment, leading to a loss of margin or increased cash consumption for the Group.

The Group seeks to mitigate this risk by undertaking regular Digital strategy review meetings, including senior leadership, to review progress against project and financial milestones.

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. 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. Furthermore, the digital strategy investment is likely to result in different types of personal data being gathered and used in different ways. 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 program 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. The Group had performed extensive preparations on the implementation of IR35 in the UK and was satisfied the UK coaches would fall outside of this legislation. The legislation has recently been delayed until April 2021.

Case study

Jardines

Partner for success

The challenge
Group Learning in Jardines had traditionally focused on many small-scale leadership development programmes for the vital few. As part of the rollout of a new learning strategy, Jardines looked to set up a globally consistent and effective learning offering for the important many.

The solution
Jardines selected Mind Gym to pilot 4 learning programmes for 1,017 employees across 15 businesses and 8 countries. The programmes were:

1. Managing managers
2. Managing others
3. Managing self
4. Personal effectiveness

The pilot had two specific aims.

First, it needed to test the effectiveness of digital, self-directed learning. Classroom and virtual learning alone would not be a viable solution on a fully rolled out programme. Accordingly, 3 of the 4 programmes tested significant digital elements.

Second, the pilot tested whether a bite-size, little-and-often approach to learning would work for Jardines. A real departure from Jardines' traditional approach.

Results
- 93% felt the content was relevant to them
- 87% would recommend the programme to others
- 89% learnt new information and skills from the programme
- 71% successfully applied the knowledge and skills they learnt
- Forecast ROI figures for all programmes that exceeded expectations

From pilot to programme
We could not have anticipated when we designed the future-proofed programme that its format would be stress-tested so rigorously by recent global events in 2020. The programme was set up to primarily leverage virtual and digital learning which has meant that the programme has continued unaffected by COVID-19. We have also further finessed the programme's format off the back of the pilots and have seen feedback scores go from strength-to-strength.

> "Mind Gym have been a great partner for us on our journey to reach the "important many" with a scalable and cost-effective approach without sacrificing the quality of content or learning impact. They are a class act and a firm part of our stable of world-class learning partners."

Peter Attfield

Chief Talent & Learning Officer
Jardines

Section 172 statement

In accordance with their duty to do so under Section 172(1) of the Companies Act 2006 (Section 172(1)), the Company's Directors, individually and collectively, have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

Examples of how they have done so, including having regard to the likely consequences of any decision in the long term; the interests of our employees; the need to foster relationships with key stakeholders; and how the company maintains a reputation for high standards, appear throughout this Annual Report.

The following statement provides an overview of how the Board has performed its duties. As a dynamic and fast-growing Group, day-to-day decision-making, and stakeholder engagement is often delegated to employees through our governance framework and therefore naturally occurs at an operational level. However, the Board regularly receives and discusses information from across the Group to help it understand the impact of the Group's operations as well as the interests and views of key stakeholders. Since the onset of the COVID-19 pandemic, the Board has received weekly updates from all members of the senior leadership team and meets bi-weekly.

Information is provided to the Board through reports and in-person presentations. As a result of these activities, the Board has an overview of the outcomes of the stakeholder engagement, and other factors, enabling the Directors to comply with their duties under s172 of the Companies Act 2006.

For more details on how the Board operates, including a summary of its key activities during the year, see page 45.

Our people and culture
We are a people business and employee engagement is a priority for us. The Board believes culture to be an important factor in retaining and developing key talent. Our high standards of business conduct are the direct result of a culture that focuses not only on achieving high levels of performance, but doing so in a way that is sustainable and has high levels of integrity.

We have continued to support our philanthropic programme Parent Gym which the Group funds to deliver behavioural training to parents in some of the country's most deprived areas. This is cited by some employees as a reason for joining Mind Gym and for others its reviews by Warwick University verifying its impact confirms the value of what we do.

This year the Group undertook a new and comprehensive employee engagement survey conducted across all territories. The feedback was presented to Directors and their feedback informed the Company's response to the team.

The Board continues to be impressed by Mind Gym's commitment to its people's wellbeing, including:

- Transparent communications with employees about strategy and performance to help ensure alignment;
- Sharing by information by departments and individuals at the regular Monday Morning Meetings, where there is regular attendance from executive Board members;
- A community messaging platform as well as regular newsletters from the People and Psychology teams;
- Regular events, continued virtually during the lockdown, including yoga, meditation, social drinks, quizzes and many others to communicate the importance to the Group of our people's sense of belonging.

Section 172 statement

- A constant programme of workouts and behavioural tools to support our team's development and wellness.

This year the Board also approved the introduction of a Sharesave (SAYE) in the UK and Employee Stock Purchase Plan (ESPP) in the US to align the interests of employees with those of our shareholders and build employee engagement.

Clients
We seek to grow our business dynamically and ambitiously, but we are aware also of ensuring that this is done sustainably with capacity. As we acquire new clients, and grow our relationship with existing ones, we seek to do this by delivering business impact. The Group has built exceptional business acumen over 20 years and is able to provide clients with a high-value service that yields incremental value as the relationship matures.

The Executive Directors meet with clients on a frequent basis. They are heavily involved in a wide range of customer-facing activities from attending CHRO round tables to hosting webinars, as well as client review meetings. The Board regularly receives updates on client feedback and sales throughout the year, which supports and informs its strategic decision-making.

In addition, the Board receives regular updates on our quality metrics which are a reliable indicator of high client satisfaction.

Investors/Shareholders
The Board believe that becoming listed on AIM in June 2018 has been beneficial to the Company, and it values regular dialogue with investor to ensure their ongoing knowledge and understanding of the Group's strategy is which is focused on achieving long-term sustainable growth both for the business and its shareholders.

We recognise that strong and ongoing shareholder communication is important and the Board regularly receives updates from investors. The Board is committed to ensuring that shareholders are treated fairly with regard to the level of disclosure provided, while being mindful of the commercially sensitive aspects of the business.

The Executive Directors provide ongoing shareholder communication through regular shareholder meetings normally after full-year and interim-year results have been announced, in addition to regulatory announcements.

Investor relations and a review of the share register are standing items on the Board's agenda. Non-Executive Directors are available to discuss any matters raised by shareholders.

For more information on how we engage with our shareholders and act in their interests, see page 46.

Suppliers
Our suppliers, and in particular our accredited coach network, play a key part in enabling us to deliver a leading level of service to our clients. We seek to choose the best products and services to meet our requirements, and then develop long-term relationships with the suppliers that provide them to build relationships that allow for open review of interests and mutual value over time.

Community and environment
As mentioned above under culture, the Group is very proud of the work it has done to support others through the Parent Gym programme. This is an established part of the Group's commitment to social responsibility. Established in 2009, 'Parent Gym' provides free parenting classes in areas of social deprivation and is funded entirely by Mind Gym. During the current period of lockdowns, the Group has created an online version of the programme to continue to support families in need. The Board regularly receives updates on the activities of Parent Gym.

The company takes its environmental responsibility seriously. There has been a trend to working from home which will be accelerated by the COVID-19 lockdowns. This will lead to increasing numbers of virtual deliveries and the continued digitalisation of L&D and Wellness markets will improve the Company's environmental footprint.

Long-term decision-making
As the world embraces AI and machine learning, we believe that companies which differentiate will be those who can harness their human advantage – their people. Behavioural science companies can help with issues ranging from performance management to inclusion and diversity. A focus on continued innovation and additions to our core product offering ensures we retain our competitive edge. Time and again we have anticipated social and business trends in our points of view as with the recent examples of Ethics and Wellness. Our investment in digital product development again anticipates solutions to drive human advantage which will expand and deepen our customer relationships into the future.

Consideration of the long-term consequences of decisions also forms the foundation of our approach to managing risks. More information on this can be found under the Principal risks and risk management section of our report on pages 32 to 33.

We consider ourselves to be a long-term - focused business and further details of this can be found in the following sections of our report:

- Investment summary page 6
- Market overview page 10
- Our business model page 14

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. She is also the Chair of Scientists for Health and Economic Resilience. 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 *The 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 eWorkouts. 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 Chair of NHS Improvement and the government's Test and Trace programme, a Non-Executive Director on 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.

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. She is also currently a Non-Executive Director of NAHL Group plc, a leading consumer marketing business focused on the legal services market. 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.

Corporate governance report

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 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, and that the policies, procedures and systems we have implemented to date provide a firm foundation for our governance structure. The Board will continue to 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 10 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 employees 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. We have conducted a formal board evaluation process during the year, the feedback from which was discussed and minuted at a Board meeting on 10 June 2020.

We 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. Since the beginning of April 2020 and in response to COVID-19 the Board receives key reports weekly and meets fortnightly. The Board is also updated regularly on regulatory and governance developments.

We are 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 – attending to take questions at at least one company event annually – and open and constructive debate is encouraged at Board meetings.

The Company has a unique culture informed by our people's passion for what we do. The Non-Executive Directors and I regularly attend the Company's offices and other Company events. The Board recognises the importance of promoting that culture, monitoring how it is embedded across the business as the Company grows.

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

10 June 2020

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, 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. As a provider of behaviour change solutions to blue chip organisations across the globe, and an AIM-quoted company, Mind Gym plc requires a range of skills, capabilities and competencies to be represented on the Board, including experience in behavioural science, consultancy, public markets, governance and audit, and business operations. The Board is confident that its members have the appropriate balance of experience, skills, personal qualities and capabilities in order to meet this requirement and to deliver the strategy of the Group for the benefit of the shareholders over the medium to long term. Biographical details for all Directors, including a summary of their relevant experience is provided on page 40.

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 Senior Independent Non-Executive Director acts as a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary. The SID is also available to shareholders should they wish to discuss concerns they have failed to resolve through the normal channels of Chairman, Chief Executive Officer or Executive Directors or for which such contact is inappropriate.

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 is reviewed annually. The matters reserved include decisions relating to:

- approval of the Group's strategic aims and objectives;
- the structure and capital of the Group;
- financial reporting, financial controls, risk management 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.

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 nine occasions during the year. The Board also held a dedicated strategy session in July 2019. Individual Director attendance at Board and Committee meetings during the year is shown in the table below:

Director	Board (out of 9 meetings)	Audit Committee (out of 3 meetings)	Remuneration and Nomination Committee (out of 7 meetings)
Joanne Cash	9/9	N/A	7/7
Octavius Black	9/9	N/A	N/A
Sebastian Bailey	9/9	N/A	N/A
Richard Steele	9/9	N/A	N/A
Baroness Harding	8/9	2/3	7/7
David Nelson	9/9	3/3	7/7
Sally Tilleray	9/9	2/3	7/7

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 time commitment required of all Non-Executive Directors is currently a minimum of two days per month. The Board is satisfied that the Chair and each of the Non-Executive Directors is 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. During the year, the Board agreed to allocate more time to Board meetings to ensure sufficient discussion time is given to all agenda items.

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 Annual Report and Accounts;
- approval of full and half-year results;
- final and interim dividend approvals;
- full-year results investor roadshow feedback;
- review of D&O insurance;
- review of the Company risk register;
- approval of expenditure to deliver the Digital Strategy proposal;
- approval of the rules of the UK SAYE and US ESPP which were launched during the year;
- review of the Company's share dealing procedures; and
- the impact of COVID-19 and scenario modelling.

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 48 and the Remuneration and Nomination Committee report on page 52.

Each Board committee has approved Terms of Reference setting out its responsibilities. The Terms of Reference are reviewed at least annually. The Terms of Reference are available on the Company's website (https://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 conducted a formal performance evaluation process during the year, the review of which was discussed in June 2020.

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; and
- 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. More information on the ways in which we engage with our key stakeholders is provided on page 35 of the strategic report.

Annual General Meeting
The Company's 2020 Annual General Meeting ('AGM') is scheduled to take place at 9am on Monday 13 July 2020 at the Company's registered office at 160 Kensington High Street, London, W8 7RG. The Notice of AGM (the 'Notice'), including the resolutions to be proposed, is set out on pages 116 to 127 of this Annual Report. The Notice sets out additional arrangements for the AGM in light of the COVID-19 pandemic and the Government's social distancing measures. We will communicate any further changes to the arrangements if necessary.

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. 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. Sally Tilleray and Dido Harding are independent Non-Executive Directors and David Nelson has recent and relevant financial experience with competence in accounting or auditing.

Activities during the year
The Committee met three times 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.

Significant issues considered in relation to the Financial Statements
Significant issues and accounting judgements are identified by the finance team and the external audit process and then reviewed by the Audit and Risk Committee. The significant issues considered by the Committee in respect of the year ended 31 March 2020 are set out below:

Significant issue/accounting judgement identified	How it was addressed
The Committee considered the adequacy of the provision for impairment of trade receivables, following the economic downturn related to COVID-19.	The Committee considered and discussed with management and the external auditors a summary of the risks associated with the trade receivables balance as at 31 March 2020. The Committee concluded, based on the review of amounts recovered during the post-balance sheet period and the analysis of the customer base that the provision for impairment was appropriate.
The Committee considered the accounting entries required for the implementation of IFRS 16, Leases, and the adequacy of the relevant disclosures in the financial statements.	The Committee considered a detailed report from management setting out the requirements of the new accounting standards and the judgements applied in calculating the opening balance sheet adjustments. The Committee has satisfied itself that the approach taken and the disclosures included in the financial statements are adequate to comply with the requirements of IFRS 16.
The Committee considered whether it was appropriate to continue to prepare the Annual Report and Accounts on a going concern basis.	The Committee considered a detailed report from management which explained the going concern analysis and detailed scenarios demonstrating the profitability and cashflows under worsening trading conditions. The Committee concluded, based on management's careful analysis that the Group has sufficient cash to enable it to continue to meet its liabilities even under a reasonable worst-case scenario, and therefore it is appropriate to regard the Group as a going concern.
The Committee considered whether it was appropriate to release a $1m provision.	At 31 March 2019, the Company held a provision in respect of compensation paid to a non-UK resident employee in consideration for surrendering EMI options which vested on the IPO. The employee left the business in October 2019 and as a result management consider that the compensation will no longer be payable.
The Committee considered whether share-based payments should be treated as a non-adjusting item.	The FRC Corporate Reporting Thematic Review, stated that 'it was not clear to us why share-based payment charges should be excluded from APMs (Alternative Performance Measures) as they appear to be a valid cost of the business and relieve companies of an alternative cash expense'. The Committee has agreed to follow the guidance and have treated share-based payments as a non-adjusting item.

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. Following completion of six years as audit partner, Stuart Collins has rotated off and Kieran Storan has taken over as audit partner.

During the year the external auditor undertook non-audit work in relation to tax advice and compliance. The fees for this work are detailed in Note 8 to the group financial statements. 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 2020 Annual General Meeting.

Risk management and 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 pages 32 to 33. The Committee also considered the Company's whistleblowing policy. The Committee reviewed the risk register and managements process in implementing and maintaining control systems during the year.

The Committee has reviewed the Group's insurance arrangements and overseen a conceptual review for the appointment of a global insurance broker.

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, that an internal audit function is not required. The Committee will, however, keep this under review. The Committee is satisfied that the internal controls systems, which have been established, are operating effectively.

Sally Tilleray
Chair, Audit and Risk Committee

10 June 2020

Remuneration report

Contents

Membership

The members of the Remuneration Committee and meetings attended are:

Director	Meetings attended (out of 7 meetings)
Baroness Dido Harding (Chair)	7/7
Sally Tilleray	7/7
David Nelson	7/7

Statement from the Chair

On behalf of the Board, I am pleased to present our second Directors' Remuneration Report for the year ended 31 March 2020, 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 Remuneration Committee is committed to structuring senior executive remuneration that is competitive, incentivises and rewards good performance, and that will help the Company continue to grow profitably, thereby creating value for shareholders. The Remuneration Committee is appointed by the Board and comprises three Independent Non-Executive Directors.

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 executive.

Aligning remuneration to Company strategy

Over the course of the first three quarters of the year to 31 January 2020, underlying trading of the Company remained strong against its growth plan, reinforcing confidence in the business. While the unprecedented socio-economic climate that we currently find ourselves in has impacted the Company's results for the final quarter, the Group has achieved a 15% increase in revenue year on year. Adjusted PBT has decreased by 19% to £6.6 million (2019: £8.2 million) and the Company has a strong year-end cash position of £16 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 in a normal trading environment.

The Board strongly believes in the importance of aligning the interest of its employees to those of the Company and its shareholders. As a result, in the year ended 31 March 2020, the Committee approved the launch of a Long-Term Incentive Plan (LTIP) for members of the executive and senior leadership teams. In addition, the Committee approved the launch of two all-employee share plans; namely Sharesave (SAYE) in the UK and the Employee Stock Purchase Plan (ESPP) in the US. Both all-employee plans resulted in strong employee take up in the first year and further information can be found on page 62 of the report.

Context of business performance

Although, like many others, the Company has experienced the negative impact of a world in lockdown, the Board believes that a post-lockdown world provides enormous opportunity for the Company, as businesses across the globe need to adjust their approach to both the leadership and development of a more agile and remote workforce. With a renewed digital strategy, the Company is well placed to meet the demands of increasingly remote workforces, through the provision of data-driven, more personalised learning experiences.

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

In addition to the usual considerations, this year the Committee discussed the impact of the COVID-19 pandemic when determining both our decision on the payout for the annual bonus for FY20 and our approach to remuneration matters for the year ahead. Further details of the Company's immediate response to the COVID-19 pandemic can be found on page 22 of the report.

Remuneration policy during the year

Over the course of the year ended 31 March 2020, 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 ended 31 March 2020

Bonus payments for the year ended 31 March 2020 were based on a combination of Revenue, Adjusted EBITDA and Quality measures as well as performance against personal objectives. The Committee carefully considered performance against all annual bonus targets for the year ended 31 March 2020, taking into consideration wider business performance in the year and the immediate impact of the COVID-19 pandemic. It was determined that the final bonus outcomes reflected business performance over the past 12 months and that a bonus payment of 10.7% of base salary, which is 35.6% of the maximum bonus opportunity, would be due to Richard Steele, who is the only Executive Director to participate in the bonus scheme during the financial year. Achievement against the performance measures can be found on page 61.

Remuneration Policy for the year ending 31 March 2021

The Committee is resolute in its aim to ensure that remuneration arrangements continue to motivate and retain employees, from Executive Directors down to the wider employee population. Over the course of the year ending 31 March 2021, the Committee intends to undertake a review of remuneration for Executive Directors and members of the executive committee in order to ensure that remuneration arrangements continue to be aligned with the strategic objectives of the Company.

The Remuneration Committee is aware of ongoing 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 56 to 59 and details of how this policy will be implemented for the financial year ahead is set out on pages 61 to 63.

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, its employees and our shareholders.

I look forward to your support at our AGM on 13 July 2020 and encourage you to submit any questions you may have regarding the work of the Committee in advance.

Harding of Winscombe

Baroness Dido Harding of Winscombe
Chair, Remuneration Committee

10 June 2020

Key Messages for 2019–20

- Launch of our new All-Employee share plans in the UK and the US
- Launch of a new Long-Term Incentive Plan

Our priorities for 2020–21

- Retention of our employees in the aftermath of the COVID-19 pandemic
- Review of Executive Director Remuneration

Remuneration report

The Directors' Remuneration Policy

This section of the report sets out the 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);
- annual performance bonus (variable); and
- share-based LTIP in order to create longer-term alignment between the interests of the directors and shareholders.

Dilution limits
There are limits on the number of shares that may be allocated under the Company's share plans and the Company monitors the number of shares issued under all schemes and the impact on dilution. The Company intends to make annual awards under its share plans, which will result in dilution increasing above the limits set out at admission, but shall remain within the required limits. The dilution limits are set out in the scheme rules and are in line with QCA guidelines. Total options awarded under current share plans are set out in Note 23 to the Group Financial Statements.

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 level: ▪ 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 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 know 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).

Mind Gym Save-As-You-Earn (SAYE) scheme
The Company operates an all-employee SAYE scheme in the UK, which all eligible employees and Executive Directors are able to participate in. All eligible employees are invited to join the scheme on an annual basis, subject to maximum participation levels, currently £500 per month, or in line with HMRC limits if these are increased in the future. Details of current schemes can be found in the Annual Report on Remuneration section of this report.

Mind Gym Employee Stock Purchase Plan (ESPP)
The Company operates an all-employee Employee Stock Purchase Plan for its US-based employees. The Mind Gym ESPP enables eligible employees to purchase market priced shares by making regular payroll contributions over a defined 12 month offering period. Details of how the scheme operates can be found on page 62 of the Remuneration report.

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 pro-rated 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 62. The fees for the Chair and Non-Executive Directors are set out on page 63 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 ongoing 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.

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 2020 and how the Company plans to implement the policy for the year ending 31 March 2021.

Remuneration Committee activities in the year ended 31 March 2020
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 seven times over the course of the year.

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

- Establishment of the Mind Gym Long-Term Incentive Plan;
- Establishment of the Mind Gym Save-As-You-Earn (SAYE) scheme for UK employees;
- Establishment of the Mind Gym Employee Share Purchase Plan (ESPP) for US employees; and
- Review the Company's response to the COVID-19 pandemic.

Single total figure of remuneration
The table below details the total remuneration earned by each Director in respect of the year ended 31 March 2020.

Executive Director	Year	Base Pay[1] £'000	Taxable Benefits[2] £'000	Pension[3] £'000	Bonus[4] £'000	Share options[5] £'000	Total £'000
Octavius Black	2020	200	3	10	-	-	213
	2019	200	2	10	-	-	212
Sebastian Bailey	2020	200	4	10	-	-	214
	2019	200	2	10	-	12,833	13,045
Richard Steele[6,7]	2020	180	11	9	19	-	219
	2019	147	-	6	50	-	203
Total emoluments	2020	580	18	29	19	-	646
	2019	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. Richard Steele received a cash contribution towards Private Healthcare cover for himself and his family prior to him joining the Company scheme during the course of the year ended 31 March 2020.

[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.

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

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

Base pay
Year ended 31 March 2020
There were no changes to base pay for Executive Directors in the year and there was no across the board change to base pay for all other employees.

Year ending 31 March 2021
In direct response to the COVID-19 pandemic, both Octavius Black and Sebastian Bailey have requested to receive no base pay payment for a three-month period, effective from 1 April 2020. Richard Steele has also requested that his base pay is temporarily reduced by 20% over the same period. It is anticipated that pay will be reinstated from 1 July 2020. Decisions relating to pay increases for all other employees have been postponed beyond Q1 and will be reviewed by the Committee quarterly.

Pension contributions
Year ended 31 March 2020
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, Sebastian Bailey and Richard Steele were made by the Company at 5% of their total base pay.

Year ending 31 March 2021
For the year ending 31 March 2021, 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 2020
For the year ended 31 March 2020, 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 2020, taking into consideration the wider business performance as well as the immediate impact of the COVID-19 pandemic. The two financial measures, being Revenue and Adjusted EBITDA were missed, as were two of the three quality measures. This resulted in the Company element of Richard Steele's bonus scheme achieving 5.6% out of a potential 50% of the maximum available. The remaining 50% of the bonus was linked to performance against a number of individual strategic objectives, resulting in an achievement of 30% out of a potential 50% of the maximum available.

After due and careful consideration, the Committee determined that performance against the targets set, was reflective of business performance across the year. As a result of this, the bonus outcome for Richard Steele has resulted in a payment of £19,197, which is 35.6% of his maximum bonus potential.

Annual bonus for the year ending 31 March 2021
The Committee has carefully considered the impact of the unprecedented situation that currently exists both internally and externally as a result of the COVID-19 pandemic. The Committee has determined that a decision on the operation of the FY21 Annual Bonus scheme will be deferred until H2. In the event the scheme does operate, it is anticipated that the Company element of the scheme will only operate for the second half of the financial year.

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 2020

Awards were made under the Company's Long-Term Incentive Plan (LTIP) to members of the Senior Leadership Team of the Company, but no Executive Directors participated in this award.

No scheme vested in the year ended 31 March 2020.

Since the end of the financial year ended 31 March 2020, the award made to Richard Steele on 27 April 2018 has reached its first vesting date on 27 April 2020, resulting in the vesting of 50% of the award, this being 248,405 nil priced options. The vesting of these options was not subject to any performance conditions and no options have been exercised at the date of publication.

Year ending 31 March 2021

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 continue to make awards under the Company's Long-Term Incentive Plan in the year ending 31 March 2021, 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 2021.

All-employee share plans

Mind Gym Save-As-You-Earn (SAYE) scheme

The SAYE scheme is administered by a duly authorised Committee of the Board. All UK Executive Directors and employees of Mind Gym are eligible to participate in the SAYE scheme as long as they have been employed for a qualifying period. To participate in the scheme an eligible employee must enter into a Sharesave contract and agree to make monthly contributions between £5 and £500 for a specified period of three or five years. Options granted to acquire Mind Gym shares under the scheme have an option price determined by the Mind Gym Board, which will be not less than the higher of 80% of the middle market quotation price or their nominal value.

Richard Steele participated in the scheme during the year ended 31 March 2020, subscribing to options over 17,307 shares at a discounted option price of £1.04 which was a discount of 15% on the 3-day average share price prior to the invitation period. In line with the SAYE scheme rules, these shares will not reach maturity until 30 September 2022 and will therefore be unavailable to exercise until this date (subject to the Company's Share Dealing Code).

No other Executive Directors participated in this scheme.

Further details of the features and operations of the SAYE scheme can be found in Note 23 to the consolidated financial statements.

Mind Gym Employee Stock Purchase Plan (ESPP)

The ESPP is administered by a duly authorised Committee of the Board. All US employees of Mind Gym are eligible to participate in the ESPP as long as they have been employed for a qualifying period. To participate in the plan, an eligible employee must contribute between $10 and $550 over a 12-month offering period at the end of which, shares in Mind Gym will be purchased on behalf of the employee.

No Executive Directors participated in this scheme.

Payments for loss of office and payments to past Directors made in the year ended 31 March 2020

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 2020 are set out below for Executive Directors and associated persons:

	Ordinary shares of 0.1p	
Executive Director	Actual holding	Actual ownership as a % of base pay[1]
Octavius Black[2]	55,156,500	27,578%
Sebastian Bailey	9,015,668	4,508%
Richard Steele	-	0%

[1] Share price on 31 March 2020 of £1.00 used for calculation.

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

There have been no changes to the shareholdings of Executive Directors between 31 March 2020 and 10 June 2020.

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	Year	Fees £'000	Benefits £'000	Total fees and benefits £'000
Joanne Cash[1,2]	2020	-	2	2
	2019	-	-	-
Dido Harding	2020	60	-	60
	2019	48	-	48
Sally Tilleray	2020	40	-	40
	2019	32	-	32
David Nelson	2020	40	-	40
	2019	50	-	50
Total emoluments	2020	140	2	142
	2019	130	-	130

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

[2] Joanne Cash receives a Private Medical Insurance benefit in relation to her role as Non-Executive Board Chair.

All Non-Executive Directors have agreed to reduce their fees by 20%, in line with other members of the Executive team, initially for a three-month period, from 1 April 2020. It is currently anticipated that fees will be re-instated to their normal levels from 1 July 2020.

There are no proposed increases to Non-Executive Director fees in the year ending 31 March 2021.

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 2020, the Remuneration Committee was advised on matters relating to executive remuneration by 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.

The fees paid for services are set out below:

Company	Nature of service	2020 fees £'000
OPC	Remuneration Matters, Long-Term Incentive Design	14

Baroness Dido Harding of Winscombe
Chair, Remuneration Committee

10 June 2020

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2020. The corporate governance statement on pages 42 to 46 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 ('AIM') 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 (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 Chair's statement on page 8 and the CEO's review on pages 16 to 23 provides a review of the business, the Group's trading for the year ended 31 March 2020, 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 £7.4 million (2019: £5.1 million). More information about the Group's financial performance can be found in the financial review on pages 26 to 31 and in the financial statements on pages 74 to 102.

The Board has not recommended the payment of a final dividend for the year. 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
- Baroness Diana 'Dido' Harding
- David Nelson
- Sally-ann Tilleray

The Directors' biographies can be found on page 40. 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 62 to 63.

Directors' interests
The Directors' interests in the Company's shares are set out in the Remuneration report on page 62.

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 2020, 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 29 May 2020, 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%
Liontrust Asset Management	7,373,458	7.4%
Merian Global Investors	6,000,000	6.0%
Canaccord Genuity Wealth Management	4,308,603	4.3%
Baillee Gifford & Co	4,177,868	4.2%
BGF Investments	2,483,314	2.5%
JO Hambro Capital Management	2,250,000	2.3%
River & Mercantile Asset Management	1,750,000	1.7%
UBS Global Asset Management	1,619,261	1.6%

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's 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 21 to the financial statements on pages 97 to 98.

Political donations
The Company made no political donations in the year.

Authority to purchase own shares
At the Company's AGM held on 31 July 2019, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 9,949,321 of its ordinary shares (10% of the Company's then issued capital at the time). The Company has not repurchased any of its ordinary shares under this authority, which is due to expire at the 2020 AGM. A resolution will be proposed to renew the authority at the 2020 AGM.

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. More information on employee engagement is provided on page 35 of the strategic report.

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.

Stakeholder engagement and key decisions
Details of how we engage with our key stakeholders, key decisions and discussions of the Board during the year and the main stakeholder inputs into those decisions are set out on pages 35 to 37 of the strategic report.

Post balance sheet events
There are no post balance sheet events.

Going concern
The Group meets its day-to-day working capital requirements from the cash flows generated by its trading activities and its available cash resources. As at 31 March 2020 the Group had £16.0 million of cash and £4.4m of lease liabilities. Adjusted cash conversion in the year ended 31 March 2020 was 136% (2019: 117%).

The Group prepares cash flow forecasts and re-forecasts regularly as part of the business planning process. The Directors have reviewed forecast cash flows for the forthcoming 12 months for the Group from the date of the approval of the financial statements and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due. These cash flow forecasts have been analysed in light of the COVID-19 outbreak and expected medium-term economic impact, and subject to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust. The Directors note that in a downturn scenario the Group also has the option to rationalise its cost base including cuts to discretionary capital and overhead expenditure. The Directors consider that the required level of change to the Group's forecast cash flows to give rise to a material risk over going concern are sufficiently remote.

As a result of these assessments performed, the Group's strong cash position and clients predominantly comprising blue-chip corporates, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 is scheduled to be held on 13 July 2020. The ordinary business will include receipt of the Directors' report and audited financial statements for the year ended 31 March 2020, 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 that 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 10 June 2020.

Richard Steele
Chief Financial Officer

10 June 2020

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 2020 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 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 2020 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 and the Parent Company 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. These matters were 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 these matters.

Revenue recognition (with reference to Notes 2 and 5)

Key audit matter	How we addressed the matter in our audit
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 in Note 2 to 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, this was considered to be an area of focus for our audit.	We have assessed the appropriateness of the revenue recognition policies and considered whether they are consistent with the requirements of accounting standards, and have been applied consistently and free from bias. We tested management's judgements over the recognition point for revenue across the year end, which included: ▪ we tested 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 delivery, and timely payment of amounts due to determine whether the approach to recognising revenue was appropriate; ▪ we examined a sample of invoices raised in the year and considered the appropriate recognition requirements, with a focus on significant licensing and development revenue to check 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 revenue entries and credit notes recognised either side of year end, to check amounts are recorded in the correct period; ▪ for a sample of year-end accrued income, focused on aged items, we identified the performance obligation and obtained evidence this had been met prior to year end to check the basis for recognition is correct, the balances have been correctly accounted for, and should be recoverable from customers; and ▪ we examined postings included in the revenue ledger accounts to check they conformed to our expectations and challenged any unusual or unexpected items.

Key observations
Based on the work performed we consider that revenue has been recognised appropriately and in accordance with the group's revenue recognition accounting policy.

Our application of materiality
We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £330,000 (2019: £520,000) which represents 5% (2019: 6%) of profit before tax after adding back a £0.8m exceptional credit in relation to employee surrender costs (2019: we added back exceptional costs in the year relating to the IPO totalling £3.4m). We considered adjusted profit before tax to be the measure of most interest to the users of the financial statements.

Materiality has been set at £245,000 (2019: £350,000) for the parent company and significant components.

Performance 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 set performance materiality based on 75% (2019 – 75%) of materiality.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £13,200 (2019: £25,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

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 one non-significant component based in Singapore. 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 component, as well as testing over the consolidation necessary for our opinion on the group financial statements. We performed analytical review procedures and specific testing on group audit risk areas on the non-significant component.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, 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 Statement of Directors' responsibilities set out on page 67, 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: 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieran Storan
Senior Statutory Auditor

For and on behalf of
BDO LLP, Statutory Auditor
London, UK

10 June 2020

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 2020 £'000	Year to 31 March 2019 £'000
Continuing operations			
Revenue	*5*	48,249	42,133
Cost of sales		(9,680)	(8,192)
Gross profit		38,569	33,941
Administrative expenses		(31,147)	(28,811)
Operating profit	*5, 6*	7,422	5,130
Finance income	*10*	51	–
Finance costs	*10*	(75)	–
Profit before tax		7,398	5,130
Adjusted profit before tax		6,633	8,207
Transaction related costs	*7*	–	(1,500)
Employee options surrender credit/(costs)	*7*	765	(1,577)
Total adjustments	*7*	765	(3,077)
Profit before tax		7,398	5,130
Tax on profit	*11*	(1,493)	(1,179)
Profit for the financial period from continuing operations attributable to owners of the parent		5,905	3,951
Items that may be reclassified subsequently to profit or loss			
Exchange translation differences on consolidation		88	38
Other comprehensive income for the period attributable to the owners of the parent		88	38
Total comprehensive income for the period attributable to the owners of the parent		5,993	3,989
Earnings per share (pence)	*12*		
Basic		5.93p	4.08p
Diluted		5.91p	3.94p
Adjusted earnings per share (pence)	*12*		
Basic		5.24p	6.80p
Diluted		5.22p	6.57p

Consolidated statement of financial position

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Intangible assets	*14*	95	445
Property, plant and equipment	*15*	4,395	139
Deferred tax assets	*11*	85	637
Other receivables	*17*	567	–
		5,142	1,221
Current assets			
Inventories	*16*	73	53
Trade and other receivables	*17*	10,131	12,661
Current tax receivable		–	1,196
Cash and cash equivalents		15,952	8,294
		26,156	22,204
Total assets		31,298	23,425
Current liabilities			
Trade and other payables	*18*	8,921	8,832
Lease liability	*24*	914	–
Provisions	*19*	–	767
Redeemable preference shares	*20*	50	50
Current tax payable		384	146
		10,269	9,795
Non-current liabilities			
Lease liability	*24*	3,472	–
Total liabilities		13,741	9,795
Net assets		17,557	13,630
Equity			
Share capital	*22*	1	1
Share premium		112	112
Share option reserve		684	340
Retained earnings		16,760	13,177
Equity attributable to owners of the parent Company		17,557	13,630

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2020 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 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		–	112	(408)	408	112
Credit to equity for share-based payments	*23*	–	–	340	–	340
Tax relating to share-based payments	*11*	–	–	–	793	793
Dividends	*13*	–	–	–	(3,793)	(3,793)
At 31 March 2019		1	112	340	13,177	13,630
Profit for the period		–	–	–	5,905	5,905
Other comprehensive income:						
Exchange translation differences on consolidation		–	–	–	88	88
Total comprehensive income for the period		–	–	–	5,993	5,993
Credit to equity for share-based payments	*23*	–	–	344	–	344
Tax relating to share-based payments	*11*	–	–	–	77	77
Dividends	*13*	–	–	–	(2,487)	(2,487)
At 31 March 2020		1	112	684	16,760	17,557

Consolidated statement of cash flows

	Note	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Cash flows from operating activities			
Profit for the financial period		5,905	3,951
Adjustments for:			
Amortisation of intangible assets	*14*	444	93
Depreciation of property, plant and equipment	*15*	717	76
Net finance costs	*10*	24	–
Taxation charge	*11*	1,493	1,179
(Increase)/decrease in inventories		(20)	208
Decrease/(increase) in trade and other receivables		2,279	(862)
(Decrease)/increase in payables and provisions		(571)	2,521
Share-based payment charge	*23*	344	340
Cash generated from operations		10,615	7,506
Net tax received/(paid)		638	(615)
Net cash generated from operating activities		11,253	6,891
Cash flows from investing activities			
Purchase of intangible fixed assets		(94)	(213)
Purchase of tangible fixed assets		(556)	(137)
Interest received		51	–
Net cash used in investing activities		(599)	(350)
Cash flows from financing activities			
Cash repayment of lease liabilities		(565)	–
Issuance of ordinary shares	*22*	–	112
Issuance of preference shares	*20*	–	50
Dividends paid	*13*	(2,487)	(3,993)
Net cash used in financing activities		(3,052)	(3,831)
Net increase in cash and cash equivalents		7,602	2,710
Cash and cash equivalents at beginning of period		8,294	5,542
Effect of foreign exchange rate changes		56	42
Cash and cash equivalents at the end of period		15,952	8,294
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand		15,952	8,294

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, and 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.

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
The Group meets its day-to-day working capital requirements from the cash flows generated by its trading activities and its available cash resources. As at 31 March 2020 the Group had £16.0 million of cash and £4.4m of lease liabilities. Adjusted cash conversion in the year ended 31 March 2020 was 136% (2019: 117%).

The Group prepares cash flow forecasts and re-forecasts regularly as part of the business planning process. The Directors have reviewed forecast cash flows for the forthcoming 12 months for the Group from the date of the approval of the financial statements and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due. These cash flow forecasts have been analysed in light of the COVID-19 outbreak and expected medium-term economic impact, and subject to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust. As described on page 29, the Group was significantly impacted by COVID-19 but has been protected from more severe consequences by our digitally enabled revenue. The sensitivity analysis has assessed the impact of various degrees of downturn in medium-term revenues generated. The Directors note that in a downturn scenario the Group also has the option to rationalise its cost base including cuts to discretionary capital and overhead expenditure. The Directors consider that the required level of change to the Group's forecast cash flows to give rise to a material risk over going concern are sufficiently remote.

As a result of these assessments performed, the Group's strong cash position and clients predominantly comprising blue-chip corporates, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

New standards and interpretations applied for the first time

The Group adopted the following new or amended IFRSs and IFRIC interpretations from 1 April 2019

- IFRS 16, Leases
- IFRIC 23, Uncertainty over Income Tax Treatments

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continued to be reported under IAS 17 and IFRC 4. The details of accounting policies under IAS 17 and IFRC 4 are disclosed separately as they are different from those under IFRS 16.

The impact of the adoption of IFRS 16 is set out in Note 3, the adoption of IFRIC 23 did not have a material impact on the financial statements.

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
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
Amendments to IFRS 9, IAS 37 and IFRS 7: Interest Rate Benchmark Reform	1 April 2020*
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 April 2022*

*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.

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; and
- 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 profit or loss.

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 each 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 18 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 17 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 therefore not 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 — 1 to 5 years

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

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 improvements — 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.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Leases – policy applicable from 1 April 2019

Lease identification

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right-of-use asset
The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

The lease liability is measured at amortised cost using the effective interest method.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

As a lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Amounts due from lessees under finance leases are recognised as finance lease receivables at the amount of the Group's present value of the lease receipts. The finance lease receivable is subsequently measured by increasing the carrying amount to reflect interest on the finance lease receivable (using the discount rate used at commencement) and by reducing the carrying amount to reflect the lease payments received.

Leases – policy applicable before 1 April 2019
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.

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.

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

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

3. Change in accounting policy

The Group has adopted IFRS 16, Leases from 1 April 2019.

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 has elected 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 has applied 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 has not been restated. The Group has also applied the following practical expedients:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

The accounting policy adopted by the Group under IFRS 16 is set out in Note 2 above.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The rate applied to the UK lease is 3.5% and the rate applied to the US lease is 4.5%.

The change in accounting policy impacted the opening balance sheet as follows:

	At 31 March 2019 £'000	IFRS 16 adjustment £'000	At 1 April 2019 £'000
Non-current assets			
Intangible assets	445	–	445
Property, plant and equipment	139	1,794	1,933
Deferred tax assets	637	–	637
	1,221	1,794	3,015
Current assets			
Inventories	53	–	53
Trade and other receivables	12,661	(92)	12,569
Current tax receivable	1,196	–	1,196
Cash and cash equivalents	8,294	–	8,294
	22,204	(92)	22,112
Total assets	23,425	1,702	25,127
Current liabilities			
Trade and other payables	8,832	(107)	8,725
Lease liability	-	563	563
Provisions	767	–	767
Redeemable preference shares	50	–	50
Current tax payable	146	–	146
	9,795	456	10,251
Non-current liabilities			
Lease liability	–	1,246	1,246
Total liabilities	9,795	1,702	11,497
Net assets	13,630	–	13,630

The impact of the adoption on Adjusted and Statutory profit before tax is immaterial, although Adjusted EBITDA is increased by £0.6 million in the year.

A reconciliation of the prior year disclosed future operating lease commitment to the lease liability recognised under IFRS 16 is set out below.

	£'000
Operating lease liability disclosed as at 31 March 2019	2,018
Impact of discounting using the incremental borrowing rate	(138)
Rent prepayment as at 31 March 2019	(61)
Recognition exemption for leases with less than 12 months of lease term	(10)
Lease liability recognised under IFRS 16 at 1 April 2019	1,809

4. Use of judgements and estimates

In preparing these consolidated Financial Statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Dividend income is recognised when the Judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are:

Going concern

As noted in Note 2, the Financial Statements have been prepared on a going concern basis, following detailed scenario testing and review.

Assumptions and estimation uncertainties

Assumptions and estimation uncertainties at 31 March 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are:

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, current economic indicators for the industry of the customer, 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 23 and include expected share price volatility, dividend yield, expected life and the number of options expected to vest.

5. 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 and Singapore) 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 2020

Segment result	EMEA £'000	America £'000	Total £'000
Revenue	21,807	26,442	48,249
Cost of sales	(4,832)	(4,848)	(9,680)
Administrative expenses	(16,525)	(14,622)	(31,147)
Profit before inter-segment charges	450	6,972	7,422
Inter-segment charges	5,064	(5,064)	–
Operating profit – segment result	5,514	1,908	7,422
Finance income			51
Finance costs			(75)
Profit before taxation			7,398

Adjusted profit before tax	EMEA £'000	America £'000	Total £'000
Operating profit – segment result	5,514	1,908	7,422
Employee options surrender costs	–	(765)	(765)
Adjusted EBIT	5,514	1,143	6,657
Finance income			51
Finance costs			(75)
Adjusted profit before taxation			6,633

Management do not report segmental assets and liabilities internally and as such an analysis is not reported.

The mix of revenue for the year ended 31 March 2020 is set out below.

	EMEA	America	Group
Delivery	58.2%	54.6%	57.2%
Design	12.8%	16.2%	14.9%
Digital	7.5%	10.0%	8.9%
Licensing and certification	14.4%	12.6%	12.0%
Other	1.2%	1.8%	1.6%
Advisory	5.9%	4.8%	5.4%

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 2019

Segment result	EMEA	America	Total
	£'000	£'000	£'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 profit before tax	EMEA	America	Total
	£'000	£'000	£'000
Operating profit – segment result	4,930	200	5,130
Transaction related costs	1,426	74	1,500
Employee options surrender costs	26	1,551	1,577
Adjusted EBIT	6,382	1,825	8,207
Finance income			–
Finance costs			–
Adjusted profit before taxation			8,207

The mix of revenue for the year ended 31 March 2019 is set out below.

	EMEA	America	Group
Delivery	59.2%	58.1%	58.7%
Design	16.5%	13.3%	14.9%
Digital	10.2%	10.2%	10.2%
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.

6. Operating profit

Operating profit is stated after charging:

	31 March 2020	31 March 2019
	£'000	£'000
Coach costs	6,030	5,171
Staff costs (Note 9)	23,786	19,194
Amortisation of intangible assets	444	93
Depreciation of property, plant and equipment	717	76
Operating lease rentals – land and buildings	–	645
Operating lease rentals – plant and machinery	–	34
Short-term and low-value lease expense	132	–
Impairment of trade receivables	254	49

7. Adjustments

	31 March 2020	31 March 2019
	£'000	£'000
Transaction-related costs	–	1,500
Employee options surrender costs	(765)	1,577
	(765)	3,077

Adjusted items for the year ended 31 March 2019 have been restated to exclude share-based payments.

Transaction-related costs in the year ended 31 March 2019 consist of advisory fees related to the Company's successful Initial Public Offering ('IPO') and admission to the AIM market in June 2018.

Employee options surrender costs in the year ended 31 March 2019 relate to compensation paid to non-UK resident employees in consideration for surrendering Enterprise Management Initiative ('EMI') options which vested on the IPO. This included an amount included within provisions at 31 March 2019 in respect of compensation paid to a non-UK resident employee. The employee left the business in October 2019 and as a result the compensation will no longer be payable and the provision was released in the year ended 31 March 2020.

Credits in respect of prior year adjustments to the tax charge of £151,000 have been treated as an adjusting item in the year ended 31 March 2020.

The cash cost of Adjustments was £nil (2019: £2,310,000).

8. Auditor remuneration

	31 March 2020 £'000	31 March 2019 £'000
Fees for audit of the Company and consolidated financial statements	66	59
Fees for audit of the Company's subsidiaries pursuant to legislation	15	12
Total audit fees	81	71
Tax compliance services	58	73
Tax advisory services	37	84
Corporate finance services	–	250
Other services	10	10
Total fees payable to the auditor	186	488

9. Employees

Staff costs were as follows:

	31 March 2020 £'000	31 March 2019 £'000
Wages and salaries	20,613	16,673
Social security costs	2,006	1,612
Pension costs – defined contribution plans	823	569
Share-based payments	344	340
	23,786	19,194

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

	31 March 2020	31 March 2019
Delivery	183	153
Support	64	55
	247	208

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 2020 £'000	31 March 2019 £'000
Salaries, bonuses and other short-term employee benefits	1,952	1,679
Post-employment benefits	59	57
Share-based payments	262	314
Total compensation	2,273	2,050

Details of Directors' remuneration and share options are set out in the Annual Report on Remuneration on pages 52 to 63.

10. Net finance costs

	31 March 2020 £'000	31 March 2019 £'000
Finance income		
Bank interest receivable	51	–
Finance costs		
Lease interest (IFRS 16)	(75)	–
	(24)	–

11. Tax

The tax charge for the year comprises:

	31 March 2020 £'000	31 March 2019 £'000
UK current tax	1,117	1,288
UK adjustment in respect of prior periods	(44)	(126)
Foreign current tax	257	257
Foreign adjustment in respect of prior periods	(107)	–
Total current tax charge	1,223	1,419
Deferred tax – current year	270	(245)
Deferred tax – adjustment in respect of prior periods	–	5
Total deferred tax credit	270	(240)
Total tax charge	1,493	1,179

Tax on items charged/(credited) to equity:

	31 March 2020 £'000	31 March 2019 £'000
Current tax credit on share-based payments	(373)	(2,402)
Deferred tax charge on share-based payments	296	1,609
Total tax credit in equity	(77)	(793)

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

	31 March 2020 £'000	31 March 2019 £'000
Profit before tax	7,397	5,130
Expected tax charge based on the standard rate of tax in the UK of 19% (2019: 19%)	1,406	975
Differences in overseas tax rates	165	14
Expenses not deductible for tax purposes	11	280
Adjustments to tax in respect of prior periods	(151)	(121)
Other tax adjustments	62	31
Total tax charge	1,493	1,179

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 2018	–	1,914	94	2,008
Charged 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
Credited/(charged) to income	–	35	(305)	(270)
Credited/(charged) to equity	(296)	–	–	(296)
Exchange differences	–	–	14	14
At 31 March 2020	–	85	–	85

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 was carried forward. These losses have been fully utilised in the year ended 31 March 2020.

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.

12. 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 23). Adjusted earnings per share removes the effect of transaction-related costs, employee option surrender costs and one-off taxation credits.

	31 March 2020	31 March 2019
Weighted average number of shares in issue	99,493,210	96,915,040
Potentially dilutive shares (weighted average)	445,571	3,405,218
Diluted number of shares (weighted average)	99,938,781	100,320,258

	31 March 2020			31 March 2019		
	£'000	Basic eps Pence	Diluted eps Pence	£'000	Basic eps Pence	Diluted eps Pence
Net profit attributable to shareholders	5,905	5.93	5.91	3,951	4.08	3.94
Exclude:						
Adjustments	(765)	(0.76)	(0.76)	3,077	3.18	3.07
Tax on adjustments	73	0.07	0.07	(442)	(0.46)	(0.44)
Adjusted net profit after tax	5,213	5.24	5.22	6,586	6.80	6.57

13. Dividends

	Per share Pence	31 March 2020 £'000	31 March 2019 £'000
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 FY19 dividend on ordinary shares (paid Jan 2019)	0.80	–	793
FY19 Final dividend on ordinary shares (paid Aug 2019)	1.60	1,592	–
Interim FY20 dividend on ordinary shares (paid Jan 2020)	0.90	895	–
		2,487	3,793
Final dividend proposed		–	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 Board has not proposed a final dividend therefore the interim dividend paid in January 2020 represents the total dividend for the year of £895,000 (0.90 pence per share) (2019: £2,385,000, 2.40 pence per share).

14. Intangible assets

	Patents £'000	Development costs £'000	Total £'000
Cost			
At 1 April 2018	63	1,620	1,683
Additions	–	213	213
At 31 March 2019	63	1,833	1,896
Additions	–	94	94
At 31 March 2020	63	1,927	1,990
Amortisation			
At 1 April 2018	63	1,295	1,358
Amortisation charge	–	93	93
At 31 March 2019	63	1,388	1,451
Amortisation charge	–	444	444
At 31 March 2020	63	1,832	1,895
Net book value			
At 31 March 2019	–	445	445
At 31 March 2020	–	95	95

15. Property, plant and equipment

	Right-of-use asset £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 April 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
Adoption of IFRS 16	1,794	–	–	1,794
Additions	2,922	20	536	3,478
Disposals	(654)	–	(37)	(691)
Exchange differences	132	–	32	164
At 31 March 2020	4,194	254	1,772	6,220

	Right-of-use asset £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Depreciation				
At 01 April 2017	–	231	1,009	1,240
At 01 April 2017	–	–	76	76
At 01 April 2017	–	(2)	–	(2)
Depreciation charge	–	–	22	22
At 31 March 2019	–	229	1,107	1,336
Depreciation charge	591	–	126	717
Disposals	(187)	–	(37)	(224)
Exchange differences	(25)	–	21	(4)
At 31 March 2020	379	229	1,217	1,825

	Right-of-use asset £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Net book value				
At 31 March 2019	–	5	134	139
At 31 March 2020	3,815	25	555	4,395

16. Inventories

	31 March 2020 £'000	31 March 2019 £'000
Finished goods	73	53

Write-downs of inventory amounted to £16,000 (2019: £146,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £2.0 million (2019: £1.7 million).

17. Trade and other receivables

Current assets

	31 March 2020 £'000	31 March 2019 £'000
Trade receivables	8,235	10,405
Less provision for impairment	(303)	(114)
Net trade receivables	7,932	10,291
Net investment in sub-lease	162	-
Other receivables	305	497
Prepayments	645	601
Accrued income	1,087	1,272
	10,131	12,661

Non-current assets includes £289,000 of prepayments in respect of property deposits and £278,000 of net investment in sub-lease that will be recovered in over one year's time. There were no non-current other receivables in the year ended 31 March 2019.

The maturity analysis of the net investment in sub-lease is set out in Note 24.

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

	31 March 2020 £'000	31 March 2019 £'000
Not past due	6,549	8,023
Past due 0–30 days	1,027	1,177
Past due 31–60 days	266	461
Past due 61–90 days	177	275
Past due more than 90 days	216	469
	8,235	10,405

The movement in the allowance for impairment losses was:

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the period	114	130
Charges	254	19
Utilisation of provision	(70)	(40)
Foreign exchange adjustment	5	5
At the end of the period	303	114

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.

18. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Trade payables	1,997	2,203
Other taxation and social security	833	982
Other payables	673	467
Accruals	3,075	3,214
Deferred income	2,343	1,966
	8,921	8,832

19. Provisions

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the year	767	–
Charge for the year	–	767
Released in the year	(765)	–
Foreign exchange	(2)	–
At the end of the year	–	767

At 31 March 2019, the Company held a provision in respect of compensation paid to a non-UK resident employee in consideration for surrendering EMI options which vested on the IPO. The employee left the business in October 2019 and as a result the compensation will no longer be payable.

20. 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.

21. 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 2020 £'000	31 March 2019 £'000
Net trade receivables	7,932	10,291
Other receivables	594	497
Cash and cash equivalents	15,952	8,294
Financial assets at amortised cost	24,478	19,082
Trade payables	1,997	2,203
Other payables	673	467
Lease liabilities	4,386	–
Financial liabilities at amortised cost	7,056	2,670

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 17 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 2020	31 March 2019
	£'000	£'000
Trade receivables	7,932	10,291
Other receivables	594	497
Cash and cash equivalents	15,952	8,294
At the end of the period	24,478	19,082

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 three months of the reporting date, apart from operating lease liabilities. The maturity of the operating lease commitments is set out in Note 24.

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 2020					
Net trade receivables	3,914	3,465	445	108	7,932
Cash and cash equivalents	13,283	2,137	212	320	15,952
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

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

22. Share capital

	31 March 2020	31 March 2020 Cost	31 March 2019	31 March 2019 Cost
	Number	£'000	Number	£'000
Ordinary shares of £0.0001 at 1 April	99,493,210	1	8,860,000	1
Effect of 10:1 share split	–	–	79,740,000	–
Exercise of options (Note 23)	–	–	10,762,375	–
Issue of new shares to EBT	–	–	130,835	–
Ordinary shares of £0.00001 at 31 March	99,493,210	1	99,493,210	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 in the prior 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 2020	31 March 2020 Cost	31 March 2019	31 March 2019 Cost
	Number	£'000	Number	£'000
As at 1 April	130,835	–	–	–
Issue of new shares to EBT	–	–	130,835	–
Ordinary shares of £0.00001 at 31 March	130,835	–	130,835	–
Market value at 31 March		131		166

23. 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.

On 30 September 2019 the Group launched a Save As You Earn Scheme ('SAYE') and an Employee Share Purchase Plan ('ESPP') for all eligible employees in the UK and USA respectively.

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 2020 £'000	31 March 2019 £'000
Equity settled share-based payments	344	340

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

	31 March 2020 Number	31 March 2020 Weighted average exercise price £	31 March 2019 Number	31 March 2019 Weighted average exercise price £
Outstanding at the beginning of the period	1,606,434	0.90305	13,526,391	0.00971
Granted during the period	1,105,380	0.58583	1,620,819	0.89504
Forfeited during the period	(528,557)	1.37231	(2,778,401)	0.00074
Exercised during the period	–	–	(10,762,375)	0.01040
Outstanding at the end of the period	2,183,257	0.62884	1,606,434	0.90305
Exercisable at the end of the period	2,055		nil	
Weighted average fair value of awards granted (£)	0.55		0.67	

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

	31 March 2020 £'000	31 March 2019 £'000
£ nil	484,255	116,000
£0.00001	579,536	496,812
£1.04000	622,656	–
£1.46000	496,810	993,622
	2,183,257	1,606,434
Weighted average remaining contractual life (years)	7.9	8.7

Share options awarded under the LTIP, SAYE and ESPP 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)*	FY 2018	5.82	0.01	2	24.5%	0.0%	1.0%	4.21
LTIP (2 year vesting)	27.04.18	1.24	Nil	2	n/a	1.4%	n/a	1.20
LTIP (3 year vesting)	27.04.18	1.24	Nil	3	n/a	1.4%	n/a	1.19
LTIP (2 year vesting)	25.06.18	1.46	1.46	10	19%	1.4%	1.0%	0.28
LTIP (3 year vesting)	25.06.18	1.46	1.46	10	19%	1.4%	1.0%	0.28
SIP	08.10.18	1.67	Nil	n/a	n/a	n/a	n/a	1.67
SAYE	30.09.19	1.22	1.04	3	19%	1.4%	1.0%	0.25
ESPP	30.09.19	1.22	1.04	1	19%	1.4%	1.0%	0.20
LTIP (3 year vesting)	31.03.20	1.00	Nil	3	n/a	n/a	n/a	0.96
LTIP (4 year vesting)	31.03.20	1.00	Nil	4	n/a	n/a	n/a	0.95
LTIP (5 year vesting)	31.03.20	1.00	Nil	5	n/a	n/a	n/a	0.93

* share price and fair value of FY 2018 grants are expressed in amounts per old share and not adjusted for the share split.

24. Lease liabilities

The future aggregate minimum lease payments under non-cancellable operating leases under the prior year accounting policy:

	31 March 2019 £'000
Less than one year	585
Between 1 and 5 years	1,433
More than 5 years	–
	2,018

There are no significant variable lease costs or lease term judgements. The maturity analysis of the contractual undiscounted cash flows are:

	31 March 2020 £'000
Less than one year	1,087
Between 1 and 5 years	3,750
More than 5 years	–
Total undiscounted lease liabilities at 31 March 2020	4,837

Lease liabilities included in the statement of financial position at 31 March 2020:

	31 March 2020 £'000
Current	914
Non-current	3,472
	4,386

The related right-of-use asset is disclosed in Note 15.

A reconciliation of the movement in the lease liability in the year is as follows:

	31 March 2020 £'000
Adoption of IFRS 16	1,809
Lease payments	(565)
Finance cost	75
New leases entered into during the year	2,922
Exchange differences	145
	4,386

The Group sub-leased its New York office in March 2020. The Group has classified the sub-lease as a finance lease, because the sub-lease is for the whole of the remaining term of the head lease.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. The related net investment in sub-lease is disclosed in Note 17.

	31 March 2020 £'000
Less than one year	179
One to two years	201
Two to three years	87
Total undiscounted lease payments receivable	467
Unearned finance income	(27)
Net investment in the lease	440

There were no cash receipts or interest income recognised in the year.

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;
- Key management compensation as disclosed in Note 9.

Parent company statement of financial position

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Intangible assets	*5*	95	445
Property, plant and equipment	*6*	1,024	79
Investments in subsidiaries	*7*	50	50
Deferred tax assets	*8*	86	366
		1,255	940
Current assets			
Inventories	*9*	11	18
Trade and other receivables	*10*	9,789	9,294
Current tax receivable		–	1,196
Cash and cash equivalents		13,562	6,199
		23,362	16,707
Total assets		24,617	17,647
Current liabilities			
Trade and other payables	*11*	9,315	5,823
Lease liability	*14*	352	–
Redeemable preference shares	*12*	50	50
Current tax payable		256	–
		9,973	5,873
Non-current liabilities			
Lease liability	*14*	482	–
Total liabilities		10,455	5,873
Net assets		14,162	11,774
Equity			
Share capital	*12*	1	1
Share premium		112	112
Share option reserve		684	340
Retained earnings		13,365	11,321
Equity attributable to owners of the Company		14,162	11,774

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 £4,454,000 (2019: £3,887,000).

The Accounting Policies and Notes on pages 106 to 115 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2020 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 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
Credit to equity for share-based payments	–	–	340	–	340
Exercise of options	–	112	(408)	408	112
Tax relating to share-based payments	–	–	–	784	784
Dividends	–	–	–	(3,793)	(3,793)
At 31 March 2019	1	112	340	11,321	11,774
Profit for the period	–	–	–	4,454	4,454
Total comprehensive income for the period	–	–	–	4,454	4,454
Credit to equity for share-based payments	–	–	344	–	344
Tax relating to share-based payments	–	–	–	77	77
Dividends	–	–	–	(2,487)	(2,487)
At 31 March 2020	1	112	684	13,365	14,162

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, see Note 2 of the Group Financial Statements, 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 assets and property, plant and equipment;
- 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 8 (Auditor remuneration), Note 13 (Dividends), Note 20 (Redeemable preference shares), Note 22 (Share capital) and Note 23 (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.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately below.

The impact of the adoption of IFRS 16 is set out in Note 2.

Foreign currency translation

The functional currency is 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 11 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 10 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 therefore not 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 — 1 to 5 years

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

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 – applicable from 1 April 2019

Lease identification
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right-of-use asset
The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

The lease liability is measured at amortised cost using the effective interest method.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Leases – applicable before 1 April 2019

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 when paid, or as a liability in the period in which the dividends are approved by the shareholders of the Company.

2. Change in accounting policy
The Company has adopted IFRS 16, Leases from 1 April 2019.

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 Company's operating leases impacted by IFRS 16 include real estate and office equipment leases.

The Company has elected 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 Company has applied 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 has not been restated. The Company has also applied the following practical expedients:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

The accounting policy adopted by the Company under IFRS 16 is set out in Note 1 above.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019. The rate applied to the UK leases is 3.5%.

The change in accounting policy impacted the opening balance sheet as follows:

	At 31 March 2019 £'000	IFRS 16 adjustment £'000	At 1 April 2019 £'000
Non-current assets			
Intangible assets	445	–	445
Property, plant and equipment	79	1,157	1,236
Investments in subsidiaries	50	–	50
Deferred tax assets	366	–	366
	940	1,157	2,097
Current assets			
Inventories	18	–	18
Trade and other receivables	9,294	(92)	9,202
Current tax receivable	1,196	–	1,196
Cash and cash equivalents	6,199	–	6,199
	16,707	(92)	16,615
Total assets	17,647	1,065	18,712
Current liabilities			
Trade and other payables	5,823	(107)	5,716
Lease liability	–	369	369
Redeemable preference shares	50	–	50
	5,873	262	6,135
Non-current liabilities			
Lease liability	–	803	803
Total liabilities	5,873	1,065	6,938
Net assets	11,774	–	11,774

A reconciliation of the prior year disclosed future operating lease commitment to the lease liability recognised under IFRS 16 is set out below.

	£'000
Operating lease liability disclosed as at 31 March 2019	1,336
Impact of discounting using the incremental borrowing rate	(72)
Rent prepayment as at 31 March 2019	(92)
Lease liability recognised under IFRS 16 at 1 April 2019	1,172

3. Employees and auditor's remuneration

Staff costs were as follows:

	31 March 2020 £'000	31 March 2019 £'000
Wages and salaries	8,860	7,581
Social security costs	1,145	974
Pension costs – defined contribution plans	400	288
Share-based payments	344	340
	10,749	9,183

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

	31 March 2020	31 March 2019
Delivery	86	75
Support	48	41
	134	116

Details of Directors' remuneration and share options are set out in the Annual Report on Remuneration on pages 52 to 63.

Fees payable to the auditor for the audit of the Company's financial statements are set out in Note 8 of the group financial statements.

4. Dividends

Details of the Company's dividends are set out in Note 13 of the group financial statements.

5. Intangible assets

	Patents £'000	Development costs £'000	Total £'000
Cost			
At 01 April 2019	63	1,833	1,896
Additions	–	94	94
At 31 March 2020	63	1,927	1,990
Amortisation			
At 01 April 2019	63	1,388	1,451
Amortisation charge	–	444	444
At 31 March 2020	63	1,832	1,895
Net book value			
At 31 March 2019	–	445	445
At 31 March 2020	–	95	95

6. Property, plant and equipment

	Right-of-use asset	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 April 2019	–	228	808	1,036
Adoption of IFRS 16	1,157	–	–	1,157
Additions	–	–	185	185
At 31 March 2020	1,157	228	993	2,378
Depreciation				
At 1 April 2019	–	223	734	957
Depreciation charge	327	–	70	397
At 31 March 2020	327	223	804	1,354
Net book value				
At 31 March 2019	–	5	74	79
At 31 March 2020	830	5	189	1,024

7. Investments in subsidiaries

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	475 Park Avenue South, Floor 2, 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

8. 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 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
Credited/(charged) to income	–	35	(19)	16
Credited/(charged) to equity	(296)	–	–	(296)
At 31 March 2020	–	85	1	86

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.

9. Inventories

	31 March 2020 £'000	31 March 2019 £'000
Finished goods	11	18

Write-downs of inventory amounted to £nil (2019: £106,000).

10. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Trade receivables	4,461	5,705
Amounts owed by group undertakings	4,179	2,296
Other receivables	218	328
Prepayments	361	317
Accrued income	570	648
	9,789	9,294

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. The credit loss provision has increased to £148,000 (2019: £53,000).

Balances due from fellow group companies are repayable on demand and interest free. The company has applied a probability-based approach to measuring expected credit losses based on the expected manner of recovery and recovery period. Based on this assessment no credit loss provision was required at 31 March 2020 or 2019.

11. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Trade payables	1,305	1,428
Amounts owed to group undertakings	4,546	646
Other taxation and social security	834	978
Other payables	335	301
Accruals	1,425	1,873
Deferred income	870	597
	9,315	5,823

12. Share capital and redeemable preference shares

Details of the Company's redeemable preference shares and share capital are set out in Notes 20 and 22 to the Group Financial Statements.

13. Share-based payments

Details of the Company's share-based payment plans are set out in Note 23 to the Group Financial Statements.

14. Leases

The future aggregate minimum lease payments under non-cancellable operating leases under the prior period accounting policies were:

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

The maturity analysis of the contractual undiscounted cash flows under the current year accounting policies are:

	31 March 2020 £'000
Less than one year	374
Between 1 and 5 years	496
More than 5 years	–
Total undiscounted lease liabilities at 31 March 2020	870

Lease liabilities included in the statement of financial position at 31 March 2020

	31 March 2020 £'000
Current	352
Non-current	482
Total undiscounted lease liabilities at 31 March 2020	834

A reconciliation of the movement in the lease liability in the year is as follows:

	31 March 2020 £'000
Adoption of IFRS 16	1,172
Lease payments	(375)
Finance cost	37
	834

The related right-of-use asset is disclosed in Note 6.

15. 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;
- Key management personnel compensation as disclosed in Note 9 of the Group Financial Statements.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the 'AGM') of Mind Gym plc (the 'Company') will be held at the office of the Company at 160 Kensington High Street, London, W8 7RG on 13 July 2020 commencing at 9am. Pursuant to the stay at home measures which have been applied in the UK in response to the COVID-19 pandemic, shareholders will not be permitted to attend the meeting and access will be refused. Shareholders are invited to submit any questions for the Board by sending an email at least two business days prior to the AGM to investors@themindgym.co.uk. We encourage all shareholders to vote by proxy, further details of which are contained in this document. The AGM will be 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 2020 together with the reports of the Directors and auditor thereon.

Directors' remuneration report
2) To approve the Directors' remuneration report for the year ended 31 March 2020.

Directors
3) To re-elect Joanne Black as a Director of the Company.

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

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

6) To re-elect Baroness Diana Harding as a Director of the Company.

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

8) To re-elect Richard Steele as a Director of the Company.

9) To re-elect Sally-ann Tilleray as a Director of the Company.

Auditors
10) 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
11) To authorise the Audit & Risk Committee to agree the remuneration of the auditor of the Company.

Directors' authority to allot shares
12) 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 10 June 2020, 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 2021, 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.

Mind Gym Employee Stock Purchase Plan
13) That:

a) the rules of the Mind Gym Employee Stock Purchase Plan (the 'ESPP'), a copy of which has been produced to the meeting and initialled by the Chair for the purposes of identification, and the main features of which are summarised in Appendix 1 to this notice which have been approved and adopted by the Company, and the board of directors of the Company or a duly authorised committee thereof (the 'Board') on 31 July 2019 are hereby authorised to do all such acts and things as they may consider necessary or expedient to establish and carry the ESPP into effect.

b) the Board be and are hereby authorised to establish schedules to or further plans based on the ESPP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that shares issued pursuant to such schedules or further plans count towards the limits on individual and overall participation applicable under the ESPP, and that the Board be and are hereby authorised to do all such acts and things as they may consider necessary to expedient to carry such schedules or further plans into effect; and

c) the Board be authorised to do all acts and things which they may consider necessary or expedient for the purposes of implementing and giving effect to the same.

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 12 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 2021) 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 12 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 12 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 2021) 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

10 June 2020

Registered Office:
160 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 2020.

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' reports and auditors' report on the accounts. The Annual Report and Accounts for the financial year ended 31 March 2020 are available on the Company's website www.themindgym.com.

Directors' remuneration report

Although it is not a requirement for companies listed on the AIM market, the Company is putting before shareholders resolution 2 to approve the Directors' remuneration report. The Directors' remuneration report for the year ended 31 March 2020 is set out on pages 52 to 63 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.

Re-election of Directors

Resolution 3 seeks approval for the re-election of Joanne Black as a Director of the Company.

Resolution 4 seeks approval for the re-election of Sebastian Bailey as a Director of the Company.

Resolution 5 seeks approval for the re-election of Octavius Black as a Director of the Company.

Resolution 6 seeks approval for the re-election of Baroness Diana Harding as a Director of the Company.

Resolution 7 seeks approval for the re-election of David Nelson as a Director of the Company.

Resolution 8 seeks approval for the re-election of Richard Steele as a Director of the Company.

Resolution 9 seeks approval for the re-election of Sally-ann Tilleray as a Director of the Company.

In accordance with best practice, all of the Directors will retire and submit themselves for 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 2020 and on the Company's website www.themindgym.com. 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 all of the Directors.

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 10 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 11 seeks consent for the Audit & Risk Committee to determine the remuneration of the auditors.

Directors' authority to allot shares

Resolution 12 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 10 June 2020 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 10 June 2020.

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 2021.

Mind Gym Employee Stock Purchase Plan

The Company currently operates the Mind Gym plc Long-Term Incentive Share Option Plan 2018 for executives and employees and the Mind Gym Sharesave scheme for the benefit of the its UK employees.

The Company has a significant number of employees based in the United States ('US'). In light of this, the Company has also established the Mind Gym Employee Stock Purchase Plan ('ESPP') as a US tax-qualified share plan, so that eligible employees of US subsidiaries may elect to purchase shares in the Company that qualify for tax advantages under Section 423 of the US Internal Revenue Code (the 'Code').

The Remuneration Committee believes that the ESPP will help align the interest of the Company's US employees with those of the Company's shareholders, assist with retention of its US workforce and contribute to the success of the Company.

The ESPP will enable eligible US employees to elect to purchase shares in the Company using payroll contributions that the participating employees have made over a designated offering period (which may be up to 27 months' duration), at a price set at a discount of up to 15% of the fair market value of the shares at the beginning or the end of that offering period, or the lower of the two amounts. The Board may also impose a holding period on the shares purchased under the ESPP.

As required by the Code, employees of the Company's designated corporate subsidiaries will not be granted options if any such employee would be treated as owning shares worth 5% or more of the total combined voting power or value of all classes of shares of the Company (or any parent or subsidiary). There will also be an individual limited on the value of the Company's shares that an employee may purchase under the ESPP of $25,000 per year (calculated based on the undiscounted market value of the Company's shares at grant).

A maximum of 1,000,000 of the Company's ordinary shares will be available for purchase under the ESPP, representing approximately 0.01% of the Company's issued share capital as at the date of this notice. To the extent that new shares are issued under the ESPP, they will comply with the individual and overall limits on participation summarised in Appendix 1 of this notice.

While as an AIM-quoted company there is no regulatory requirement to seek shareholder approval for share option schemes, shareholder approval for the ESPP is a requirement under the Scheme Rules, which should be sought within 12 months of its adoption. Resolution 13 (a) proposes that Shareholders retrospectively approve the establishment of the ESPP, while Resolution 13 (b) gives the Board authority to retrospectively establish schedules or separate plans to the ESPP for the purpose of granting awards to employees who are based overseas. Resolution 13 (c) authorises the Board to do all acts that they may consider necessary or expedient for the purposes of implementing and giving effect to (a) and (b).

A summary of the principle terms of the ESPP are set out in Appendix 1 to this notice. The rules of the ESPP will be available for inspection as noted at the Company's registered office.

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 12, 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 10 June 2020.

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 12, 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 10 June 2020, 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 2021, 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-preemptive 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 10 June 2020. The authority requested would expire at the end of the next Annual General Meeting, or if earlier, 31 October 2021.

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

The following notes explain your general rights as a shareholder and your right to vote at this Meeting or to appoint someone else to vote on your behalf. Given the restrictions in place during the COVID-19 pandemic, shareholders are encouraged to submit their proxy form to ensure that their votes are registered and the Board strongly advises shareholders to appoint the chairman of the meeting as proxy for all votes. Please note that appointing a proxy who cannot attend the AGM will effectively void your vote.

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 6.30pm on 9 July 2020 (the 'Specified Time') shall be entitled to 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 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 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 6.30pm 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 Given the restrictions in place during the COVID-19 pandemic, shareholders are encouraged to submit their proxy form to ensure that their votes are registered. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. Under the current circumstances, the Board strongly advises shareholders to appoint the chairman of the meeting as proxy for all votes. Please note that appointing a proxy who cannot attend the AGM will effectively void your vote. 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. In normal circumstances, the appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting. However, as noted above, shareholders will not be permitted to attend this AGM in person due to ongoing restrictions relating to the COVID-19 pandemic.

iii A proxy form 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 (0)121 415 7047. Lines are open from 9.00am to 5.00pm 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 2pm on 9 July 2020 (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 9am on 9 July 2020 (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) 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. Under the current circumstances, corporate shareholders are strongly encouraged to complete and return a form of proxy appointing the chairman of the meeting to ensure their votes are included in the poll.

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 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 As the meeting will be a closed meeting, shareholders are invited to submit any questions for the Board by sending an email at least two business days prior to the AGM to investors@themindgym.co.uk.

xii Voting on all resolutions will be conducted by way of a poll as the meeting will be a closed meeting and shareholders will not be permitted to form a quorum. The results of the poll will be announced via a Regulatory Information Service and made available on the Company's website as soon as practicable after the meeting.

Appendix 1 – Summary of the Mind Gym Employee Stock Purchase Plan

General
The Mind Gym Employee Stock Purchase Plan (**'ESPP'**) is a United States (**'US'**) employee stock purchase plan which is designed to qualify for the tax advantages provided for under Section 423 of the US Internal Revenue Code (the **'Code'**).

The ESPP will be administered by the Board of Directors of the Company or a duly authorised committee (the **'Board'**).

The ESPP will permit eligible employees of designated subsidiaries of the Company to be granted options over ordinary shares in the capital of the Company (**'Shares'**) using payroll contributions made from their eligible compensation during designated offering periods.

No payment will be required for the grant of an option.

Options are not transferrable and may only be exercised by the employees to whom they were granted.

Subject to application of individual and plan limits as described below, the number of Shares subject to an option will be determined by the level of contribution an eligible employee agrees to make in respect of the offering.

Options granted under the ESPP may be satisfied using newly issued Shares, Shares purchased in the market or treasury Shares. Shares allotted or transferred under the ESPP will rank in pari passu with the Shares of the same class then in issue. Participants do not have any voting or dividend or other rights in respect of any Shares subject to an option until the option is exercised and the Shares are issued or transferred to them. The Company will apply to the UK Listing Authority and the London Stock Exchange for any newly issued Shares to be admitted to listing and trading.

Benefits under the ESPP are not pensionable benefits.

Eligibility
All employees of designated corporate subsidiaries of the Company, including any of their executive directors, will be invited to participate in the ESPP whenever the Board decides to make an offering under the ESPP, subject to certain permissible exceptions as described below.

Pursuant to Section 423 of the Code and the rules of the ESPP, the Board may exclude from participation employees who have not completed any service requirement as set by the Board (which may be up to two years), employees who customarily work 20 hours or less per week and/or not more than five months in any calendar year, and employees who are citizens or residents of a non-US jurisdiction when granting such employees an option under the ESPP would violate the laws of such jurisdiction or where compliance with such laws would cause the ESPP to violate Section 423 of the Code.

Offering periods
Participants in the ESPP will contribute over an offering period of a length determined by the Board prior to the commencement of an offering (but which will not exceed 27 months).

Grant of options
The Board has discretion to decide when an offering may be made, and whether offering periods may run concurrently or consecutively. In addition, the Board may determine that offering periods (and each employee's election to participate) will apply on an evergreen basis to successive offering periods until the employee chooses to withdraw, in which case an offering period will begin the day following the expiry of the previous offering period.

Otherwise (and in relation to the first offering under the ESPP), options may be granted within a period of 42 days commencing on: the date the ESPP is approved by the Board; the day immediately following the day that the Company announces its results for the last preceding financial year, half year or other period; a date on which the Board resolves that exceptional circumstances exist which justify the issue of invitations; any day on which changes to the legislation or regulations affecting share plans are announced or take effect; or the lifting of Dealing Restrictions which prevented the issue of invitations during the periods specified above.

Contributions
Eligible employees in the ESPP will elect to contribute a specified amount or percentage (as determined by the Board) from their eligible compensation, which will be deducted through payroll. The Board may set a maximum payroll deduction amount or percentage on or prior to the commencement of an offering period. In relation to the first offering, the maximum level of monthly contributions was the US Dollar amount equal to the contribution limit applicable from time to time under the Mind Gym Sharesave scheme in the UK. Where there are concurrent offering periods, it is currently anticipated that the maximum contribution will be split between those offerings.

The number of Shares purchased pursuant to the option will be determined according to the contributions a participant has made (after conversion into Pounds Sterling, where relevant).

A participant may not change his level of contributions during the offering period. No interest will accrue or be paid in respect of participants' contributions.

The Board has discretion to determine if any amounts which are insufficient to buy a whole Share will either be carried over to the next offering period or refunded to him as soon as reasonably practicable at the end of the offering period. Excess amounts other than the portion for a fractional share will be returned to the participants.

A participant may withdraw from an offering at any time, save that any elections to withdraw received by the Company within the 30 days prior to the end of an offering period will not be effective in relation to that offering (but where the ESPP is operated on an evergreen basis, will take effect in relation to the next offering). Upon withdrawal, contributions will be returned to the withdrawn participant as soon as reasonably practicable.

Purchase price
The price per share on exercise of an option will be determined by the Board and will be:

- a proportion (to be not less than 85 per cent) of the Fair Market Value as of the award date as derived from the Daily Official List of the London Stock Exchange for the AIM market (of if the Board determines, any other market on which the shares are traded);
- a proportion (to be not less than 85 per cent) of the Fair Market Value as of the Exercise Date as derived from the Daily Official List of the London Stock Exchange for the AIM market (or if the Board determines, any other market on which the shares are traded); or
- the lower of the two amounts above.

In the case of any option under which Shares are to be issued, the purchase price will not be lower than the nominal value of a Share.

Holding period
The rules of the ESPP allow the Board to grant options under the ESPP subject to a holding period, such that, where a holding period is imposed, the Shares purchased pursuant to the option may not be sold by the participant for a specified period after the date the relevant option was granted.

Individual limits
As required by the Code:

- employees may not be granted options under the ESPP if they would be treated as owning Shares possessing five percent (5%) or more of the total combined voting power of all classes of shares of the Company or any parent corporation or subsidiary corporation; and
- there will be an individual limit of $25,000 per year (or such other limit as specified in the Code from time to time) under the ESPP, for each calendar year in which such option is outstanding at any time.

The Board may also set a maximum payroll deduction amount or percentage for an offering period, as described above.

Plan limits
No option to subscribe may be granted under the ESPP that would, at the time of grant, cause the number of Shares that have been or may be issued in pursuance of options or awards granted in the preceding 10 years under the ESPP or any other employee share schemes established by the Company to exceed

ten percent (10%) of the Company's ordinary share capital. In accordance with the Investment Association's current guidelines, treasury shares count towards this limit.

In addition to the limit described above, the maximum number of Shares that will be available for purchase under the ESPP is 1,000,000.

If applications are received for options over a number of Shares in excess of these limits, or any other limits the Board has set in relation to the number of Shares that will be made available on a particular occasion, applications will be scaled back.

Exercise of options
Options will normally be automatically exercised on behalf of participants at the end of the offering period, and their accumulated payroll contributions will be used (after being converted into Pounds Sterling where relevant) to purchase as many whole Shares as possible at the purchase price.

If the purchase price is based on a proportion of the value of a Share at the beginning of the offering period but, at the end of the offering period, such discounted purchase price is more than the fair market value of a Share, the offering will automatically terminate and no purchases would be made, in which case the options would lapse and the participants' accumulated payroll contributions would be returned to them.

Cessation of employment
Participants who leave employment with a designated subsidiary for any reason (including due to death) during an offering period will automatically be withdrawn from the ESPP and their accumulated payroll contributions will be returned to them as soon as reasonably practicable.

Where a participant leaves employment for any reason other than death after their option has been exercised but while their Shares are subject to any holding period, such holding period will continue to apply. In the event of a participant's death, Shares will no longer be subject to the holding period.

Corporate events, etc.
In the event of a takeover, a scheme of arrangement or voluntary winding up of the Company:

- options may normally be exercised within specified time periods to the extent of the contributions made at that time or, in some circumstances, may be exchanged for equivalent options over shares in an acquiring company; and
- holding periods may cease to apply.

Alternatively, the Board may decide that options shall lapse or adjust the terms of the options.

In the event of any capitalisation issue, rights issue, sub-division, consolidation or reduction of capital or any other variation of the share capital of the Company, the number of Shares under outstanding options and the applicable purchase price may be adjusted by the Board.

Amendments
The Board may amend the ESPP at any time, save that no amendments to the advantage of eligible employees or participants may be made to the provisions determining eligibility to participate in the ESPP, the limitations on the number of Shares subject to the ESPP, the maximum entitlement for any eligible employee under the ESPP, the basis for determining an eligible employee's entitlement to Shares under the ESPP, the terms of Shares to be provided under the ESPP and the adjustments of options in the event of any variation of capital of the Company without the prior approval of the Company's shareholders.

There is an exception from the requirement for shareholder approval where such amendment is minor and is in order to benefit the administration of the ESPP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees and participants of any member of the Group.

Notwithstanding the exception, no amendment to the ESPP that would require shareholder approval under Section 423 of the Code shall be made without obtaining such approval.

Any change to the aggregate maximum limit of shares that may be placed under option may be made by the Board, provided it would not enable the dilution limit to be exceeded, and subject to obtaining approval of the Company's shareholders within 12 months of the date of such change, provided no additional shares may be issued or transferred in excess of the aggregate maximum limit unless and until shareholder approval to increase such limit is obtained.

Overseas operation
The rules of the ESPP permit the Board to adopt Appendices for the purpose of granting awards to employees based outside the US, which will set out specific requirements in relation to particular countries that are necessary or desirable to take account of local tax, exchange control or securities laws in such countries. Any shares issued under any Appendices to the ESPP will count towards the limits on individual and overall participation in the ESPP set out above.

Termination
No options may be granted under the ESPP after the tenth anniversary of its adoption by shareholders or at such earlier time as the Board may determine, but the rights of existing participants will not thereby be affected. In the event of termination of the ESPP no further options will be granted.

This summary does not form part of the rules of the ESPP and should not be taken as affecting the interpretation of their detailed terms and conditions.

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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