Emerging stronger

Annual Report and Accounts 2021

MindGym

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At a glance

MindGym 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, MindGym 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-size 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.

About 400,000 professionals in 584 organisations took part in a MindGym activity during the year.

Visit the website for further information www.themindgym.com

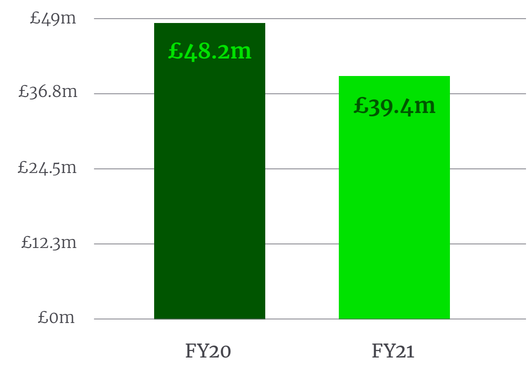
Stats and financial highlights

52%
of FTSE 100

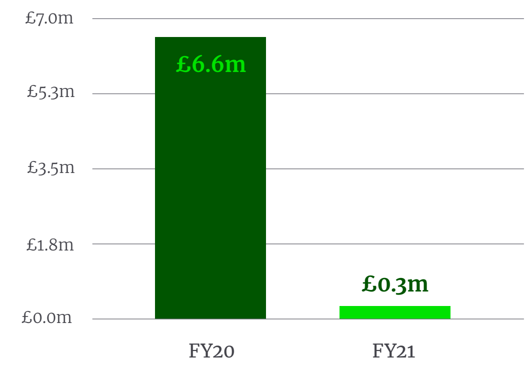
65%
of S&P 100

3,000,000+
Professionals have been to a live MindGym session

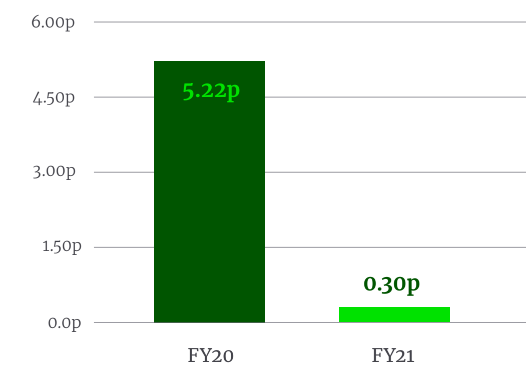
Revenue -18%



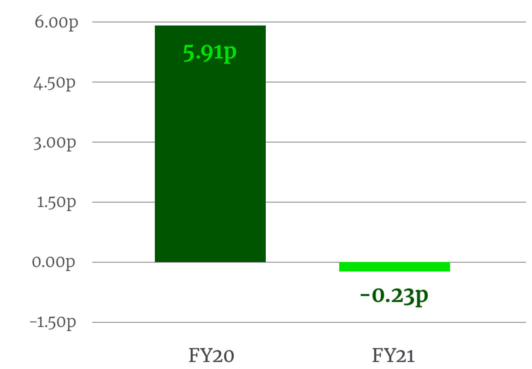
Adjusted* PBT -95%



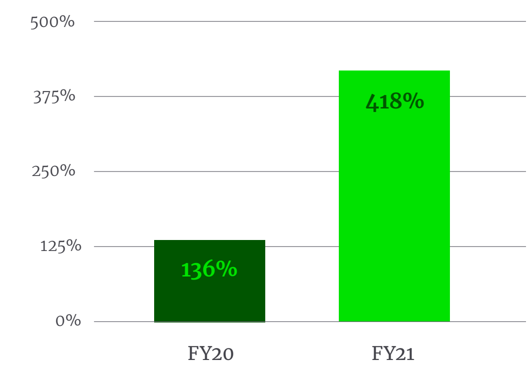
Diluted Adjusted* EPS -94%



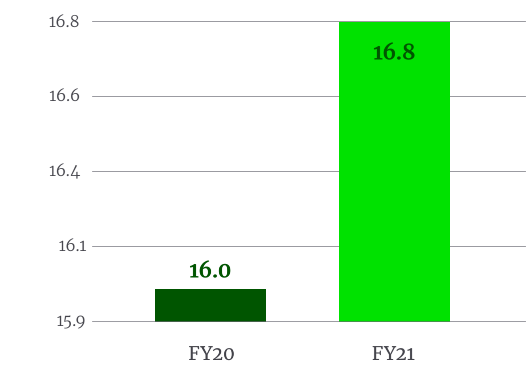
Diluted reported EPS



Adjusted* cash conversion 418%



Period end cash balance +5.5%



*An explanation of adjusted results is included on page 30, and a reconciliation of adjusted results is included on page 94

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Investment summary

The global market for human performance is estimated to be over $240bn and is highly fragmented with no dominant players.

Whereas previous crises have been primarily financial, the pandemic has been all about people. COVID-19 has radically changed the world of work and the role of business in society. As a result, companies will continue to increase their investment in their employees as they adapt to new and constantly changing ways of working.

At the same time, employee, customer and investor expectations of companies have altered dramatically. All three groups of stakeholders now have new expectations of employers including, for example, active promotion of diversity and inclusion, support for physical and mental health, sustainability and strict adherence to high ethical standards.

The changing shape of the human capital management ('HCM') market and the vast opportunity this presents has attracted attention. Significant investment is being made in HCM businesses both by private equity firms in start-ups/grow-ups and by major IT companies and Systems Integrators as they work to achieve a dominant market position.

MindGym is well placed to seize this opportunity and become one of the market's dominant players and we believe that we can do so within the next five years.

MindGym's existing strengths provide a strong foundation:

- Blue chip clients, which include 52% of FTSE 100 and 65% of S&P100. Nearly 80% of revenue comes from existing clients. Three million professionals have taken part in a live MindGym experience.
- A behavioural science core that underpins proprietary IP for market-leading solutions in the 10 most common HCM challenges and over 300 proven learning assets
- The ability to deliver live in-person and virtual experiences with over 300 certified coaches in over 40 countries supported by a suite of digital products
- A reputation built over 20 years with over 75% of revenue from repeat clients.
- A strong cash position which both protects the Company against economic turbulence and provides resources for investment.

We have a great base from which to build. We also have the right strategy to deliver a market-shaping proposition that will set MindGym up to be a dominant player in the HCM performance market.

75%+

Revenue from repeat clients

Virtual live delivery

100%

Global market for Learning and Development

$240bn

In-person and virtual delivery

MindGym has a proven track record of delivering live bite-size workshops both in-person and virtually. We have over 300 qualified coaches in over 40 countries who deliver up to 400 workshops a week drawing from a library of 100 proven topics.

In FY21, 100% of live delivery was virtual and the quality, as measured by participant feedback, exceeded that from in person. The current crisis and the coming shift to more hybrid working present a significant opportunity to support clients who are looking for live, virtual ways to reach and develop their remote workers.

Distinctive digital strategy

MindGym's digital strategy is accelerating 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 which were launched in 2018 and now account for c.16% of revenue. These new digital products will enable a pivot from programme based activity to SaaS as the dominant source of revenue. The launch of the first new, next-generation digital products will be in FY22.

Rapid innovation unit

We were able to respond quickly to changing needs and promptly 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 existing and new products. Our new research paper and supporting products on Diversity and Inclusion provides an opportunity to be seen as a leader in this $19bn market.

We have appointed a new Chief Behavioural Science Officer and are investing to accelerate the development of market-shaping, proprietary IP in a wide range of adjacent areas.

Top-tier client relationships

MindGym has strong relationships at C-suite/C-1 level with many of the world's leading companies. The client list includes 52% of FTSE 100 and 65% of S&P 100. The Company has had historically high levels of repeat purchase which has, this year, been augmented by winning significant contracts with new clients. The combination of high levels of client loyalty with a strong new business function provides strong foundations for accelerating growth.

Healthy balance sheet

The Company has a healthy balance sheet with £16.8m in cash and no bank borrowings at 31 March 2020 which provides security and resources to fund investment. As clients are primarily FTSE-100 and S&P-500 and no client accounts for more than 5% of revenue, there is limited exposure to bad debts. This provides support and protection.

Large global market

Even if COVID-19 has led to some temporary reduction, the global market is vast. MindGym 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 MindGym; (ii) The market for communications and change which is estimated at $5 billion[2]; (iii) global corporate wellness market which is valued at $61 billion[3], and expected to reach USD 97.4 billion[3] by 2027, expanding at a CAGR of 6.9%.

1 Deloitte, 2018
2 ALM, Talent and Workforce Consulting report 2017
3 Grandview Research, 2019 & 2020

Statement of the Board Chair

Reflecting on all that has happened and the challenges the Group has overcome, it is hard to believe only a year has passed since the writing of the last Annual Report.

Joanne Cash
Board Chair

I am pleased to report that despite the hard hit to revenue at the half year (down 40%), the Group recovered quickly and has ended the year with revenue down only 18% for the year to £39.4 million (2020 £48.2 million).

The fall in revenue impacted profitability, with Adjusted PBT for 2021 at £0.3 million (2020 £6.6 million). However, cash generation has remained strong enhanced by increased up-front payments and cash ended the year at £16.8 million (2020 £16.0 million). However, decisions not to cut costs too hard so that the business would be able to recover as demand increased again have been vindicated.

Stronger than ever

The strong cash balance allowed the Group to maintain adequate team numbers and infrastructure in H1 to enable it to accelerate out of the crisis while continuing crucial investment in its digital strategy.

Pivot

It is now well set up to embrace the ongoing opportunities presented by the success of the vaccine programmes.

The Group successfully navigated a pivot to 100% virtual live delivery to meet the demands of global virtual working and the feedback for those virtual sessions has met an even higher threshold than that for live, proving the merit of the Group's focus on quality. The Board's confidence in and commitment to the Group's digital strategy and investment has been reinforced.

Increasing demand

It has been an historical year globally and a significant one for the Group's market. Over the past 12 months, businesses found themselves the focus of social as well as market changes. From Black Lives Matter to mental health, CEOs were expected to lead on issues far from their traditional remit. COVID-19 blurred the ultimate line between professional and private, work and home because work has had to be at home.

Reflecting on three years as Chair since MindGym was admitted to trading on AIM in June 2018, I am struck by how prophetic our predictions have proved to be about the increasing amounts of management time behavioural issues would occupy, and how COVID-19 has accelerated some of these trends.

The global training market is estimated at $240bn, the corporate change market at $5bn and corporate wellness at $61bn. It remains to be seen what the full impact of the last year will have been, however early signs are that C-suite appreciation for the value driven by these budgets has increased.

Governance

During the year we announced the appointment of two new Non-Executive Directors, Trevor Phillips and Ruby McGregor-Smith, who have broadened the skills of the Board. Trevor Phillips chairs the recruitment company Green Park and a data profiling business and from May 2021 presents a weekly show on Sky News. Ruby McGregor-Smith was the Chief Executive of MITIE Group PLC and was on the board of PageGroup for a decade over which time she oversaw their investment in a digital proposition. Since joining, Trevor Phillips has had oversight of MindGym's ESG activity and Ruby McGregor-Smith has chaired the Remuneration and Nomination Committee.

Our non-executives are highly proactive and supportive, providing constant rigorous and attentive oversight. During the most financially challenging months of COVID-19, the Executive provided the Board with weekly updates and I chaired a bi-weekly remote meeting. This regular governance enabled an agile review of activity and in particular capital investment in digital.

Having spent ten years as a director of MindGym and seven years as Board Chair navigating the business through our early years of rapid expansion, a successful IPO and initial period as a quoted company, this feels like the right time to implement our board succession plan. I shall not be seeking re-election as Chair at the AGM and I am delighted that Ruby McGregor-Smith, who was appointed to our board in November 2020, has been nominated to succeed me as Chair. As we drive forward our digital strategy, I believe that Ruby's prior experience as a CEO of a FTSE 250 business, delivering growth at scale is what is needed to realise the Group's potential.

People and culture

It has been a challenging year for everyone. The loss of the day-to-day enjoyment and spontaneity of office life has exacerbated the isolation of the pandemic and the pressures of working life. Despite this, our remarkable team has driven the recovery narrated in this report. The Group is undergoing a major digital transformation which would be challenging in normal times. However, we ended the year strong and confident with greater opportunity than ever to drive market share. None of this would have been possible without our talented Executive and colleagues. It is a testament to the MindGym spirit that both our Board members and our employees accepted salary reductions until the end of Q1 and we are delighted to have ended the year in a position to repay these.

The Board wishes to thank every member of the team for their hard work, resilience and care for clients over this last long year.

Finally, I would like to thank my fellow Board Directors, a fantastic group of professionals for whom no ask is ever too much and whose leadership, work ethic and challenge provide the Executive with the development and confidence so key to the Group's success.

Dividend

The Board's positive strategy at this stage is to conserve cash to invest for growth. The digital strategy has been vindicated by the events of the last year, so we believe that prioritising investment over restoring a dividend is the right decision for the immediate future. We plan to restore dividend payments once MindGym returns to profit and generates surplus free cash.

Joanne Cash
Chair

10 June 2021

We ended the year strong and confident, with greater opportunity than ever to drive market share.

Market overview

Learning and development – a large and growing market

Over $1,200 is spent on Learning and Development (L&D) per employee worldwide. Estimates of the total size of the L&D market vary from $240bn upwards. Although internal training makes up the majority of this, about 40% is still spent on external providers.

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

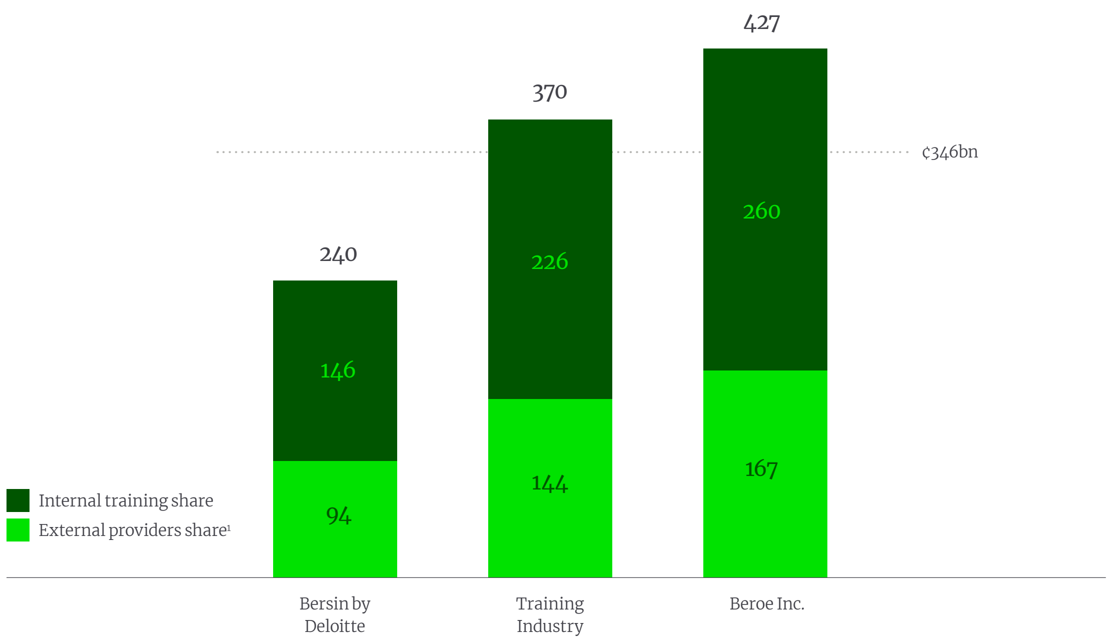
The preference for most clients when they initiate significant behavioural learning programmes is for a blended solution which includes both instructor-led and digital learning. The more integrated the live and digital are, the greater the impact on changing behaviour and the lower the effort (and so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

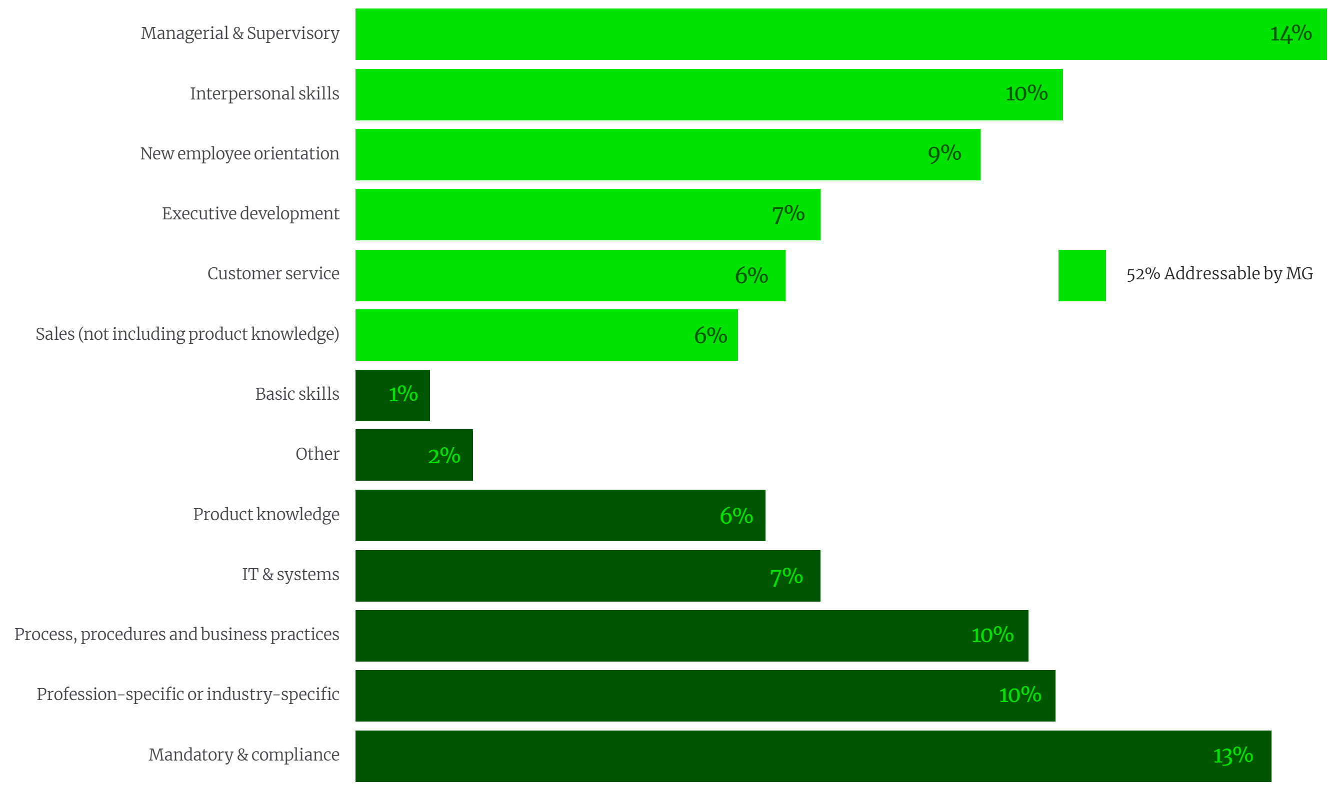
MindGym has an established reputation for providing consistent, global instructor-led, live delivery, both in person and virtual. It also has a growing reputation for strong, self-paced digital learning with a library of over 90 programmes which our new, next-generation digital products will only enhance.

The L&D market has shown steady growth over the last decade until 2020 when the COVID-19 caused companies to pause spending temporarily. Companies are now however reinvesting in training and the global market is projected to grow at a 2 to 3% pa until 2025 (Beroe).

Total L&D market size estimates (2019) $bn



Average percentage of learning content by content area (Consolidated)



Source: ATD 2019 State of the Industry report

Trends in the market and impact of COVID

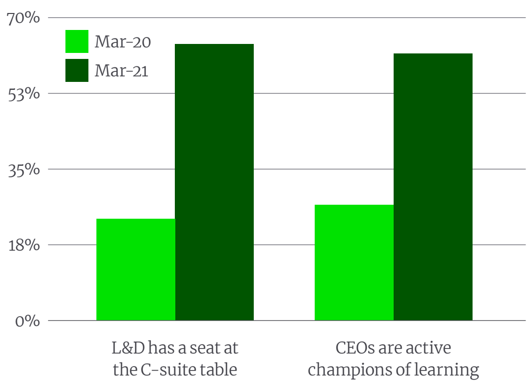
Although the immediate impact of the pandemic led to a contraction in the L&D market in 2020, the crisis has pushed Human Capital Management to the top of the executive agenda. Organisations have had to focus on how to manage their teams remotely and how to help their employees manage through the crisis and stay productive from home.

64% of L&D professionals now agree that L&D has shifted from a 'nice to have' to a 'need to have' and the proportion who believe that their CEOs are active champions of learning and that L&D has a seat at the C-suite table has more than doubled since the start of the pandemic to over 60% (LinkedIn). Reflecting this, the proportion expecting to increase their L&D budgets are now back to pre-pandemic levels.

The skills considered most important in this new environment include resilience, adaptability and digital fluency. The world of work is undergoing profound change and it is clear that ways of working will not return to the way they were before the crisis hit. Upskilling and reskilling will remain essential for organisations and their people to adapt and thrive

Before the pandemic, there was already a trend away from live instructor-led training (ILT) and towards more self-paced online learning. Lockdown has accelerated this transformation and forced live ILT to be replaced by virtual instructor-led training (VILT). Although we expect to see some return to face-to-face delivery, the move to hybrid working with employees often working away from the office means that VILT is here to stay. The model for learning in the future will be based around a blended approach combining online learning and VILT: an approach which is tailored to the learner, available at the moment of need, and can be delivered at scale.

% of L&D professionals who agree that



Source: LinkedIn Workplace Learning Report 2021

Diversity and inclusion (D&I) has become an increasingly important part of the L&D market. According to LinkedIn, 64% of L&D professionals globally and 73% in North America report that D&I programmes are now a priority. D&I ranks number one in programmes planned for 2021 in North America and number two globally.

Corporate wellness

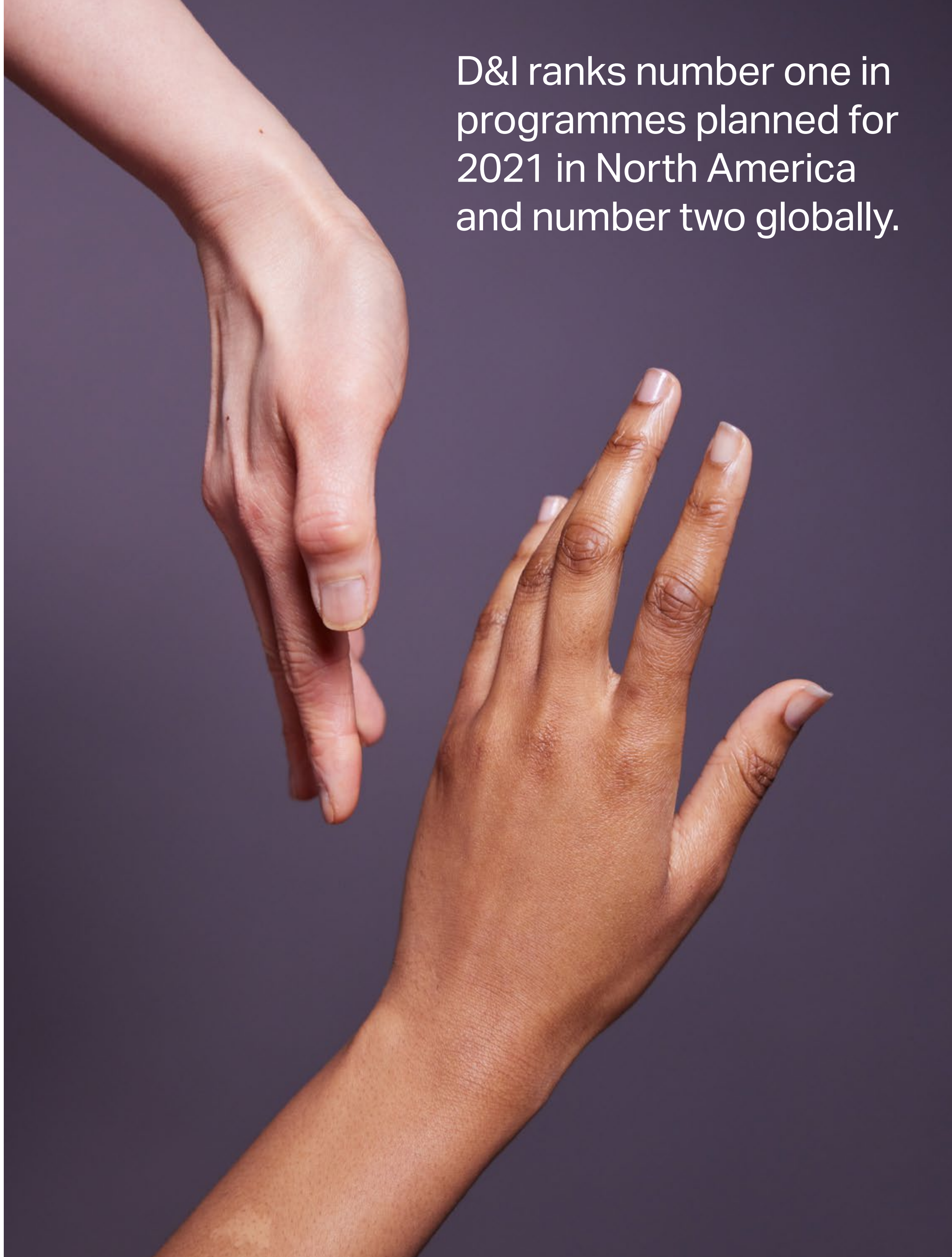
The COVID crisis has presented workers and their families with unprecedented challenges. This has raised the profile of corporate wellness. Corporate wellness addresses a wide range of issues including physical health, fitness, financial health, mental wellbeing, motivation and contribution to society. Any of these can ultimately affect employees' engagement, performance and productivity

The corporate wellness market is estimated to be about $61 billion (Grandview Research) with estimates of its growth ranging from 4.8% to 6.9% per annum (Global Wellness Institute and Grandview Research).

MindGym has always had products that help improve people's mental strength and is in the process of expanding this offering with new live and digital products.

MindGym well positioned to seize share as the market changes

Market trend	MindGym 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 purchase from blue chip clients



D&I ranks number one in programmes planned for 2021 in North America and number two globally.

Our business model

Delivering the human advantage that drives business performance

As business leaders look for ways to make their company fast and flexible, MindGym'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.

MindGym's model is distinct in ways that bring 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, making 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. MindGym 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	MindGym	Gains for clients	Gains for investors
Bespoke, highly customised solutions	Proven, productised behavioural science assets are easily configured, and re-configured, into customised programmes	• Minimal up-front 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

We predicted at the IPO in 2018 that the people agenda would gain prominence in the C-suite. The extraordinary circumstances of the last 15 months have accelerated this trend.

Octavius Black
Chief Executive Officer

Human capital is now centre stage, both in the short term as companies responded to a global lockdown and in the medium term by changing the rules of work in a dramatic and lasting way.

At the same time, the expectations of business and its role in society have altered significantly. There were new demands on companies both to speak out about racism in society and to address racial inequality within. Care for employees' mental and physical health has become mainstream, with over 50,000 current job vacancies in corporate wellbeing. The phenomenon of business leaders resigning more often for behavioural transgressions than financial underperformance, which first occurred in 2018, continues with a flurry of high-profile departures in 2020.

Even before these changes, the market for human performance was large (c. $300bn), growing (c. 5-10% pa), profitable and highly fragmented (no one has more than 0.5% market share). Now, as working culture and behaviour is constantly scrutinised, the market looks set to expand even faster and in new, exciting ways.

Global technology companies and consultancies, as well as private equity firms, are investing heavily in the market for human performance, generating unicorn valuations in businesses that have yet to declare a profit and aggregating digital services to offer 'one stop' solutions.

The market is in flux and this creates an opportunity not just to grow with the market, but to reshape clients' expectations and provide them with a proposition that delivers greater behavioural change, increased performance and less risk, while also reducing costs.

Our strategy is to integrate in-person/virtual/digital in a single proposition across the full range of human performance mindsets and skills, using machine learning to hyper-personalise the user's experience and real-time organisational data to optimise return on investment.

MindGym is well placed to create this new-to-market proposition. We have a reputation built over 20 years, client relationships with the world's top companies, extensive scientific IP, the full range of proven distribution channels, and the track record of successfully pivoting to fully digitally enabled.

Our priority now is to invest in the areas that will deliver sustainable growth and turn MindGym into the global enterprise partner for ambitious companies who want to make the most of their people.

Trading performance – a year of two halves

The year has been made up of two halves: the first six months when clients were focused on the operational consequences of COVID, and the second half when they started to turn attention to areas where MindGym can support, such as performance, engagement, inclusion and leadership.

Although our four year and 10-month revenue CAGR of 20% has been interrupted by the pandemic, we are pleased that the business saw a significant turnaround in the second half that sets us up well for the year ahead.

H1

The impact of global lockdown and remote working would have been more serious without MindGym's strong virtual and digital products. Within the first few weeks of H1, 183 MindGym coaches were trained and qualified to deliver virtual sessions.

MindGym's portfolio of eWorkouts, which are pure digital, provided immediate solutions to clients and revenues subsequently grew from £1.9m (H1 FY20) to £2.1m (H1 FY21).

Management's attention in H1 was focused on:

1) Keeping the business in a stable state to be set up for growth as some semblance of normality returned
2) Continuing to bring new insights to clients so they would value our support when they were ready to re-engage
3) Adapting and accelerating the digital strategy

We asked all employees to make a salary sacrifice. We adopted the UK government's furlough scheme in Q1 and conducted a restructuring in Q2 to bring costs more in line with revenue.

In H1 2021, our revenue shrank at -40% on the same period last year, with low points in June and July of -50% and -54% on the same months in the previous year, and as a result we declared an adjusted loss before tax of £1.3 million (H1 2020: £3.9 million profit).

H2

The investment in innovation and marketing in H1, along with the decision to retain the team needed for a return to growth, began to pay dividends in H2 and, significantly, saw a return to growth far sooner than we had anticipated.

The attention we had given clients during the worst of the pandemic paid off as they came to MindGym for support on the move to hybrid working, the new role of the manager, ethics and a renewed focus on combatting racism, which we were able to address with the rapid development of new products. In addition, some client projects that had been postponed pending a return to live were successfully converted to virtual.

As a result, the business returned to growth faster than expected, delivering +2% revenue growth in H2 (+6% at constant currency) and making an H2 adjusted profit before tax of £1.6 million, even after repaying employees' H1 salary sacrifice.

FY21 review

Overall, MindGym delivered a better performance for the year than we had anticipated at the nadir of the pandemic, reversing a significant decline in revenue and a loss in H1 with a return to growth and profitability in H2. The year ended at -18% (2020: 15%) growth in revenue and a small adjusted profit before tax, delivering an adjusted PBT margin of 0.8% (2020: 13.7%).

The business generated revenues from c. 600 clients and delivered learning globally, 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 2021, EMEA generated revenues of £17.2 million, 21% down on the prior year and representing 44% of total revenues. US revenues of £22.1 million represented a 16% year-on-year decrease. The ratio of US:EMEA is 56:44 (2020: 55:45).

In the last year, MindGym successfully pivoted from largely in-person delivery to become a fully digitally enabled business.

The users rate the virtual experience as highly as in-person and the level of repeat business shows that clients are delighted. With a return to some office working in sight, we anticipate a rebalancing to in-person delivery, which we are very well placed to deliver with over 300 qualified coaches in 40 countries, while maintaining our strong position in virtual delivery.

Our clients are widely spread across industries, which gives us greater protection in light of the fast-changing economic circumstances. Our largest industry in EMEA is financial services and in the US is healthcare. Overall, we are globally well represented in financial services, healthcare and technology, which appear to be among the more resilient industries in the current climate.

	EMEA	Americas	Global
Financial services	41%	18%	28%
Industrial	19%	14%	16%
Healthcare	5%	23%	15%
Services	6%	18%	13%
Technology	9%	12%	11%
FMCG and retail	7%	11%	9%
Government and non-profit	11%	4%	7%
Other	2%	–	1%
Total	**100%**	**100%**	**100%**

Our geographic diversity also mitigated risks. While our deliveries in APAC were the first to suffer from COVID-19, they were also among 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 homeworking 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 MindGym better protection against a change in economic conditions in any particular region or market.

We have continued our focus on cash conversion, and in our third year as a public company we have improved adjusted cash conversion from 136% to a one-off high of 418%. Our blue chip client base has ensured that we have virtually no bad debts and an increased number of our clients have chosen to pre-pay for services, which is a clear demonstration of commitment to the business. For these and other reasons, despite a digital capex spend of £2.8 million, our cash balance at end of the year was £16.8 million, roughly the same as the prior year end (2020: £16.0 million).

Adjusted diluted earnings per share (EPS) decreased by 94% to 0.30 pence (2020: 5.22 pence).

Our vision

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

- Deliver global behaviour change at scale at the 'speed of life'
- Use machine learning to deliver hyper-personalised development
- Respond to changing business priorities immediately and without additional cost
- Continuously improve their return on investment with consistent, real-time data
- Replace disparate existing content and platforms
- Make significant cost savings

Deepening client relationships

Our clients include 52% of the FTSE 100 and 65% of the S&P 100. Our strategy is to build long-lasting relationships with existing clients and to win significant new ones. In previous years, we have predominantly grown existing clients. The challenges in the last year presented new opportunities and we are delighted to have several significant new clients, alongside deepening our relationships with existing ones.

For the first time, five of our top 25 clients were new clients to MindGym. This shows how we can complement our long-term client relationships with winning new ones, which will help accelerate growth in a post-COVID environment.

Market-leading innovation

Part of MindGym's success lies in its ability to identify and address the most pertinent and challenging behavioural issues with the science that works.

These are presented to the market as a 'point of view' ('PoV'), which ultimately takes the form of a published research paper and assisting products, which tend to be bite-size workshops with supporting digital assets. In addition, we create topic-specific webinars and mini-PoVs on current issues. These are all proprietary intellectual property.

In the last year, we gained record attention in our webinars and CHRO round tables with current and potential clients, as well as in the media with MindGym being quoted in *The Times*, *Financial Times*, *The Economist*, Bloomberg and many other mainstream media.

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, eight 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. It received increased focus following the murder of George Floyd and the increased influence of Black Lives Matter.

In 2020, we launched a consultation edition of our new research paper 'The inclusion solution' with a foreword by Trevor Phillips OBE, Founding Chair of the Equalities and Human Rights Commission (and Non-Executive Director at MindGym Plc). This challenged the value of many of the orthodox approaches, such as unconscious bias training, and offered a scientific alternative. We now have 57 learning assets which address 17 topics relevant to D&I.

The response from CHROs and Chief Diversity Officers has been universally positive, with several citing it as the most insightful report they have read on this widely documented topic.

As a result, we have won several competitive tenders with new clients when pitched against their established incumbents, as well as increasing the depth of our relationship with existing clients. The market for D&I training is estimated to be $8 billion in the United States alone and is growing. We see the publication of this report in Q1 FY22 as an opportunity to provide market leadership in this area, as well as increasing our credibility across the C-suite.

Wellness and mental strength

The market for corporate wellness is estimated at $61 billion and forecast to grow to $97.4bn by 2027. There are over 50,000 vacancies for corporate wellbeing roles. In the current environment, the importance of wellness has 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 that 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 the year.

Leading in a hybrid world

Management and leadership development is the most consistently purchased topic. Our current PoV 'The return of the manager: this time it's personal' was published in 2016. The recent, dramatic changes in the world of work, including the shift to remote and hybrid working, calls for a refreshed approach. We are conducting an in-depth review with our Academic Board and will publish a fully updated PoV with supporting products later this year.

Accelerating innovation

We are delighted to announce the appointment of Dr Janet Ahn as our first Chief Behavioural Science Officer in January 2021. Janet was formerly a tenure track professor at William Paterson University and completed her PhD at New York University. Janet will lead a new team with responsibility for the development of MindGym's evidence-based points of view and products. This will lead to a significant increase in quality and speed of innovation.

Whereas it has previously taken up to two years from initiation to the publication of a new point of view in a White Paper, we plan to reduce this to between 9 and 12 months. A new point of view lasts for up to eight years before it needs to be refreshed and so this will greatly help build a strong foundation of proprietary IP across a wide range of universal Human Capital challenges.

Distinctive digital strategy

Digital expansion

The recent, sudden move to extended remote working and the clear signs that hybrid working is here to stay has reinforced the value in our digital strategy.

Our first eWorkouts were launched in 2018. Now pure digital makes up 16% of revenue (up from 9% in FY20). We now have a library of 85 eWorkouts and in the last year, we have converted 31 to make them AA rated for accessibility, and translated four into four languages (French, German, Spanish and simplified Mandarin). Digitally enabled revenue, which includes virtual delivery, was 77% of total revenue.

Phase 1 of our digital strategy has been a great success. Last year we embarked on phase 2, which is the next stage in our digital transformation.

In the coming year, we will launch two new products, which are the next steps towards realising this vision. Both will be offered on a SaaS basis, which is consistent with how we have successfully grown our eWorkout, digital revenue.

One of the new products is pure digital and the other is digitally enabled. Both products have had positive feedback from beta trials, with participants reporting that they have implemented insights and improved their skill levels. We expect the first, digitally enabled, product to be revenue-generating by the end of H1 and the second, pure digital, product to be revenue-generating by the end of H2.

Our investment in this digital transformation in the last year was slightly less than we had planned (£3m against a budgeted £4m) as it has taken longer to recruit the talent we want. Nonetheless, the delivery of the new products is on schedule, which is a great tribute to the excellent team who have joined in the last 12 months and helps position the business as an attractive place for top-class digital talent.

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 that is virtual has gone from 32% virtual in FY19 and 37% in FY20 (when we first experienced the effects of COVID) to 100% in FY21.

We have increased the number of coaches who are certified to deliver virtually from 120 to 200, with the capacity to certify more if the demand requires it. We have also certified bilingual 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 the year the 'Excellence' rate for all deliveries was 56.1%, which compares with 50.1% 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.

With the success of the vaccination programmes in our main markets, we anticipate a return to live, face-to-face delivery in the coming year. If there is a return of leadership conferences and all company gatherings, as we expect in H2, this will create additional opportunity.

We have plans in place to provide a refreshed and improved live, in-person delivery experience for when clients request it.

Infrastructure to support growth

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

As part of the digital transformation, we have designed a new Target Operating Model that we plan to implement during the coming year. This will provide clear accountabilities and the structure that we need to deliver on the in-person/virtual/digital aggregated proposition in a way that is seamless for clients and realises operating efficiencies.

At the end of FY20, we introduced a new CRM, Salesforce, which, this year, we have integrated with our Marketing systems to create a more seamless process and produce data that helps redirect effort and investment to where we will get the greatest return.

These are two of the many operational improvements that will set the business up to scale efficiently.

Expand

Strong leadership

In FY20, we added experienced new members to the MindGym Executive team including:

- President, Americas, who was formerly President and CHRO of Kindercare and, before that, Ann Inc.
- Chief Commercial Officer, EMEA, formerly the head of the leadership development practice at Korn Ferry, EMEA
- Chief Digital Officer, former Digital COO at HSBC

These strong additions are now established and bringing great value to the business.

This year we have added further to our leadership strength with the appointment of a Chief Behavioural Science Officer who has joined the Executive team. We have also added experienced new hires to our extended leadership team, including a new Chief Commercial Officer, Americas, a new Head of Creative, Americas and a new Chief Technology Officer.

This strength and depth in leadership helps reduce founder dependence and provides the foundations for long-term, sustainable growth.

ESG

MindGym has been a proud proponent of ESG from before the term was coined. Our business mission is to help people use their minds more effectively so they can get more out of life and give more to others. In the last year hundreds of thousands of professionals have been to a MindGym experience and committed to take action to improve their lives and those of their colleagues.

We also believe that businesses serve a vital role in their communities and our social responsibility lies at the heart of our culture. Each year we publish new research, that we share openly at no cost, to help company bosses make better decisions about how they run their businesses and so contribute to the social gains that are central to the 'S' of ESG. All of these steps help make companies more sustainable and contribute to a richer and healthier society.

Our work is not restricted to companies. We are very proud of ParentGym. 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 and ran our first fully-fledged ParentGym programme in 2010.

Over 10 years, the programme has continued to be delivered by ParentGym-trained volunteers in over 100 state primary schools a term across the UK, fully funded by MindGym. At the market rate for MindGym's comparable products, this is equivalent to a donation of c. £3.5m pa.

MindGym 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 MindGym. A series of independent academic evaluations of the programme are further proof to clients of the impact MindGym 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 wellbeing, 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 ParentGym programme to parents. However, it is testament to our employees' commitment that we have 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.

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

Governance

I would like to express immense thanks to Joanne Cash who, as MindGym's Chair, has been instrumental in shaping the transformation of the business over the last decade. Joanne's strategic foresight, forensic analysis and robust leadership have been critical to our success in developing from a small, private company into a fast-growing listed business and creating our ability to shape the agenda both within and beyond the corporate sphere.

Joanne also launched ParentGym, now in its eleventh year of providing invaluable guidance to parents both in socially deprived parts of the UK and within our clients, and so changing lives for tens of thousands of people for generations to come. We are all immensely proud of what ParentGym has already achieved.

It is a further tribute that Joanne, one of only a few female Chairs of an AIM company, has built one of the most diverse Boards on the market. While we will greatly miss Joanne as Chair, I am very grateful that she has agreed to remain on the Board as a Non-Executive Director, so we will all continue to gain from her insight.

I am also delighted that Ruby McGregor-Smith has accepted the role of Chair. Ruby's experience as CEO growing Mitie into a FTSE 250 company, as well as her breadth of insight as Chair of the British Chamber of Commerce, will bring immense value as we enter MindGym's third decade and deliver on our strategy to become a global leader in the market for Human Performance.

Summary and outlook

We are pleased with how the Group responded to the extraordinary circumstances of the last year with a clear plan to deliver highly topical, fresh insight to clients and accelerate our pivot to virtual and pure digital delivery. We are already seeing the results with a much faster than anticipated return to revenue growth and 51% increase in our pure digital business, which now represents 16% of revenue, up from 9% last year. While our repeat revenues remained high at 78%, we were delighted to see significant revenue wins from new clients as they responded to our propositions in a virtual world.

This recovery in revenue is before we start to see the return from our continuing digital capex, with the launch of two new, market-leading digital products in FY22. We anticipate that even with the return to live, in-person delivery, the majority of our business will be digitally enabled (which includes virtual) and our pure digital mix will also continue to grow.

As the core business returns to profitability, we will invest those profits, primarily in digital, proprietary IP and marketing. This will form the basis for long-term, sustainable growth and puts us in a better position than ever to become one of the dominant players in this vast, growing and highly fragmented market.

Our mission is to help people use their minds more effectively. This is not only good for our clients, but also helps participants get more out of life and give more to others. The tragic death of George Floyd in 2020 exemplifies how our proposition has never been more important or relevant. Our D&I revenues climbed 77% in FY21 on the previous year as ESG continues rightly to gain attention.

We have had a strong first quarter with revenue anticipated to be well ahead of Q1 last year, which suffered from the pandemic, but also up on the previous pre-COVID year. While there is still global and economic uncertainty, we and our clients have adapted quickly, and we anticipate building on the momentum of H2 in the year ahead. We are well placed to at least match our FY20 pre-COVID revenues in FY22 and return to profitability in FY23.

Octavius Black

Octavius Black
Chief Executive Officer

10 June 2021

Financial review

Following the initial COVID-19 downturn, a recovery of revenues in the second half enabled continued investment for future growth while maintaining a resilient balance sheet.

Richard Steele
Chief Financial Officer

Following the initial COVID-19 downturn, a recovery of revenues in the second half enabled continued investment for future growth while maintaining a resilient balance sheet with cash at bank of over £16 million and investing £2.8m of capital expenditure in new digital products.

Revenues

In the year ended 31 March 2021, revenues declined 18% (16% on a constant currency basis) to £39.4 million (2020: £48.2 million). EMEA region revenues declined 21% to £17.2 million (2020: £21.8 million). In the US, revenues of £22.1 million (2020: £26.4 million) were down 16%, and down 12% on a constant currency basis.

	Year to 31 March 2021 £000	Year to 31 March 2021 £000	Change %
EMEA	17,241	21,807	-21%
US	22,142	26,442	-16%
Global	**39,383**	**48,249**	**-18%**

As governments introduced lockdown restrictions in response to the COVID-19 pandemic and clients pressed pause to fathom their business needs and responses, we saw cancellations of many programmes and of all face-to-face deliveries by clients across Europe, the USA and Asia. Despite rapidly transitioning to delivering all live sessions remotely, revenue for H1 was 40% down on the prior year.

Revenues started to improve year on year from August as clients increasingly adapted to COVID-19. In October to December 2020, revenues were almost back at pre-COVID levels at only -2% decrease on the previous year. Overall H2 revenue was 6% higher on a constant currency basis than in H2 FY20.

A number of new client wins in the second half resulted in repeat revenues for the year (defined as revenues from clients that have purchased in the current year and in one or more of the previous three years) falling to 78% of total revenues (2020: 88%).

Pure digital revenues from our suite of 85 eWorkouts in the year increased by 51% to £6.4 million (2020: £4.3 million) representing 16% of total revenues (2020: 9%). Digitally enabled revenue, including live virtual deliveries increased 102% on the previous year to £30.5m, representing 77% of total revenue compared to 32% last year.

Revenue mix by type compared to previous year	Fy21	FY20	% change
Live delivery	55%	57%	-2%
Design	13%	15%	-2%
Licensing and certification	8%	12%	-4%
Digital	16%	9%	7%
Other (e.g. project management)	6%	2%	4%
Advisory	2%	5%	-3%
Global	**100%**	**100%**	

Gross profit

Gross profit as a percentage of revenue increased from 79.9% in the prior year to 87.4% due to the increased proportion of digital and to certain costs of live sessions being saved when they are delivered virtually. This partially offset the revenue fall, and gross profit for the year therefore declined by 11% to £34.4 million (2020: £38.6million).

Gross profit margin in the US (87.7%; 2020: 81.7%) was slightly higher than in EMEA (87.0%; 2020: 77.8%) due principally to product mix.

	Year ended 31 March 2021		
Revenue type	**EMEA**	**US**	**Global**
Live delivery	60%	52%	55%
Design	13%	13%	13%
Licensing and certification	6%	9%	8%
Digital	15%	17%	16%
Other	4%	7%	6%
Advisory	2%	2%	2%
Total	**100%**	**100%**	**100%**

We expect some return to face-to-face delivery when our clients are ready. We plan in FY22 to differentiate the pricing of live and virtual delivery further to take account of the increased costs of live and so protect the gross profit in absolute terms. A return to face-to-face will however reduce the gross profit margin in percentage terms.

Profitability and investment

During H1 21, we took measures in response to COVID-19 to reduce ongoing costs while continuing to invest to support a return to growth. People costs reduced by £1.1 million before restructuring costs of £0.7 million. Measures taken included a temporary pay reduction, furloughing some employees and deciding not to pay a final dividend for FY20. We, however, continued to invest in the Group's digital strategy and initiated our investment in a marketing function.

During H2 21, we increased our investment in marketing and operations. Administrative expenses in FY21 included £1.3 million on digital and operations including implementation of a CRM system. As part of our plan to build a more strategic and data-driven marketing function that will drive future growth, we also increased our expenditure on marketing by £0.6 million. This included development and design costs for a new website to be launched in FY22. As a result, overheads before adjustments rose 6.5% to £34.0 million (2020: £31.9 million). In February 2020, we signed a lease on a new office in New York, which had a £0.3m increased impact on depreciation as a right-of-use asset.

The average number of staff during the year increased 2% to 251 (2020: 247), however, staff numbers at the end of the year were 276 (2020: 255) including 35 in the new digital team. Staff costs (before Adjustments) represented 76% of overheads (2020: 75%) increasing 9% on the year. This includes £0.8m repayment to staff that took temporary deduction in H121.

As a result, Adjusted PBT in the year to 31 March 2021 reduced 95% to £0.3 million (2020: £6.6 million). Adjusted PBT as a percentage of revenue was 0.8% (2020: 13.7%).

Operating profit as a percentage of revenue was 4% in the US but -6% in EMEA. The negative margin in the EMEA is largely due to a reduction in the royalty charges from the UK to the US.

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 6 to the group financial statements.

Adjustments in the year to 31 March 2021 comprised £0.7 million of restructuring costs, including redundancy payments and related consulting and legal costs.

Adjustments in 2020 were a £0.8 million credit on the reversal of a provision for employee option surrender costs.

Adjustments to PBT	31 March 2021 £000	31 March 2020 £000
Restructuring costs	662	–
Employee options surrender credit	–	(765)
	662	**(765)**

After Adjustments, the Group reported a loss before taxation of £0.4 million (2020: profit of £7.4 million).

Taxation

There was a tax credit for the year of £0.1 million (2020: charge of £1.5 million) which represents an effective rate ('ETR') of 34.8% of profit before tax. The ETR on profit excluding adjustments was 2.8%.

FY21	Adjusted £'000	Adjustments £'000	Reported £'000
Profit/(loss) before tax	306	(662)	(356)
Tax credit/(charge)	(9)	133	124
PAT (earnings)	297	(529)	(232)
ETR %	2.8%	20.0%	34.8%

FY20	Adjusted £'000	Adjustments £'000	Reported £'000
Profit/(loss) before tax	6,633	765	7,398
Tax credit/(charge)	(1,420)	(73)	(1,493)
PAT (earnings)	5,213	692	5,905
ETR %	21.4%	9.5%	20.2%

In FY21, the ETR is distorted by both £0.2 million of adjustments to tax in respect of prior periods and by the mix of profits by jurisdiction. The Group incurred a tax charge on taxable profit in the USA where the combination of federal and state taxes gives a rate of approximately 28% but benefited from a tax credit on a loss in the UK where the tax rate is 19%.

Earnings per share

Adjusted diluted earnings per share decreased by 94% to 0.30 pence (2020: 5.22 pence). On a reported basis, there was a loss per share of 0.23 pence (2020: basic earnings per share of 5.93 pence).

Dividends

The Board has taken the decision to allocate excess cash to investment in digital. No dividend has therefore been paid or proposed for the year ended 31 March 2021. An interim dividend of 0.9p per share was paid in January 2020 and represented the total dividend in respect of FY20.

Cash flow and balance sheet

Reported EBITDA was £0.9 million, 89% down on the FY20 EBITDA of £8.6 million. An increase of £4.9 million in payables, however, resulted in cash generated from operations of £5.9 million, which was 44% down on the £10.6 million cash generated from operations in the prior year. The working capital benefit resulted in cash conversion, defined as cash generated from operations as a percentage of EBITDA, of 647% (2020: 124%).

Adjusted cash generated from operations was £6.6 million (2020: £10.6 million) resulting in Adjusted cash conversion of 418% (2020: 136%). Adjusted cash conversion excludes the effect of restructuring costs and is defined as cash generated from operations before the cash effect of Adjustments as a percentage of Adjusted EBITDA. Adjusted EBITDA is defined as Adjusted PBT excluding net finance costs, depreciation of property, plant and equipment and the amortisation of intangible assets.

Both Cash conversion and Adjusted cash conversion are unusually high this year as the cash inflow from the working capital improvements dwarfs the relatively low EBITDA.

Cash conversion	31 March 2021 £000	31 March 2020 £000
Adjusted cash generated from operations	6,594	10,615
Restructuring costs	662	–
Employee options surrender costs	–	–
Cash generated from operations	**5,932**	**10,615**
Adjusted EBITDA	**1,579**	**7,818**
Reported EBITDA	**917**	**8,583**
Adjusted cash conversion (Adjusted cash from operations/ Adjusted EBITDA)	418%	136%
Cash conversion (cash from operations/EBITDA)	647%	124%

Over the year, we again reduced the time taken to invoice clients and improved the collection of overdue receivables. March 2021 was our highest recorded revenue month, with revenue £1.9m higher than in March 2020. This resulted in the number of days revenue tied up in Trade receivables and Accrued income increasing by 21 days to 89 days (2020: 68 days). Taking account of the monthly revenue profile, the days sales tied up in Trade receivables however fell. Overdue debt as a percentage of total trade receivables fell to 11% at the year end (2020: 20%) with the amount of overdue debt reducing £0.7 million to £1.0 million (2020: £1.7 million). We saw deferred income increase by 98% to £4.6 million (FY20: £2.3 million) as clients secured budgets for their following financial year.

Tax paid in the year was £0.5 million (2020: £0.6 million received).

Capital expenditure was £3.2 million (2020: £0.7 million) which included £2.8 million of costs capitalised on developing our new digital products and £0.2m on fitting out the new New York office.

Lease payments on our offices in the UK and the USA were £1.1 million (2020: £0.6m). No dividends were paid in the year whereas in FY20 the Group paid £2.5 million of dividends in cash comprising the £1.6m final FY19 dividend and the £0.9 million interim dividend for the year ended 31 March 2020.

At the year end, the Group had cash of £16.8 million (2020: £16.0 million) and net cash of £13.7 million (2020: £11.6 million) after deducting the lease liability included on the balance sheet.

Going concern

The Board has reviewed 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 scenarios including a range of revenues and the cost reduction actions that could be taken to mitigate a downturn. This is supported by a strong balance sheet, cash management and financial controls.

Financial risk management

The Group has a diverse portfolio of approximately 600 clients across many industrial sectors and countries. The largest client accounted for less than 6% 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, in Note 4 Segmental analysis and in Note 11 Earnings per share.

Richard Steele
Chief Financial Officer

10 June 2021

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.

During the year, the Board reviewed the nature and extent of the principal risks that the Group is willing to take to achieve its objectives. In determining its risk appetite, the Board recognises that the corporate learning and development market the Group operates in is a large and growing and changing market. It considers the risk appetite of the Group in the context of the regulatory environment, sectors where it operates. This includes:

- Innovation of our proposition using the latest behavioural science research
- Developing and extending our product offer to encompass the latest digital technology
- Building awareness and quality lead generation through data-driven marketing
- Improving systems and processes to scale cost effectively
- Attracting and retaining world-class talent

Key risks

The principal risk areas identified are listed below.

Digital strategy investment

The Group is investing in a transformational digital proposition. There is a risk that this project could overrun or fail to meet the expected return on investment, leading to a loss of profit and increased cash consumption for the Group.

A Chief Digital Officer is in place to drive the digital strategy and a skilled team is being recruited. A Digital Steering Committee has been established to provide formal governance over the programme. This committee monitors progress against approved project and financial milestones and reviews a digital risk register at regular digital strategy review meetings.

Recruiting of key staff

Our future growth and success depends on attracting key staff with the appropriate skills. The Group manages this by benchmarking and paying competitive salaries and benefits. It has invested in its talent acquisition to provide the best opportunity to attract the right talent and partners with specialist external search firms and agencies when deemed necessary. It offers an attractive talent acquisition referral plan for employees.

Retention of key staff

The Group is a stimulating place to work and offers exceptional leadership and development programmes. We actively encourage all employees to learn and develop and frequent training of its product offering to all employees. 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.

Brand reputation

Throughout its 20-year history, the Group has built a strong reputation for the quality of its products and services and has approximately 600 clients in any one year, with repeat revenues of c.80%. The Group has a series of policies and controls to protect its reputation including a strong legal function to protect its intellectual property.

The Group has a strong culture of integrity. We provide our staff with regular training and communication in issues such as Black Lives Matter and diversity, equity and inclusion and have established an internal DEI Steering Committee. Staff are encouraged to speak up and a whistleblowing process is in place for staff to report any wrongdoing in confidence.

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 that is responsible for managing all its IT systems and monitoring threats.

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, MindGym has appointed a General Counsel to ensure that all areas of the business adhere to these regulations on a continuous basis. This role oversees our robust security programme and the series of internal policies, processes and practices in place across the organisation to ensure that personal data is protected and processed appropriately.

Contractual arrangements with coaches

The Group's coaches are self-employed, contracting with the Group as contractors or consultants often through companies. There is a risk that if there were a change in employment or tax legislation, some coaches could be regarded as employees. Any such reclassification would result in additional costs to the Group. The Group keeps the operating practices and legislation relating to coaches under regular review. Changes to the legislation governing off-payroll working (IR35) came into force in April 2021. The Group has performed extensive preparations on the implementation of IR35 in the UK and is satisfied that the UK coaches fall outside of this legislation.

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. A further economic downturn, whether caused by a pandemic or other crisis, 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.

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.

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. Over the period from April to July 2020, as the Group adapted to the COVID-19 pandemic, the Board received weekly updates from all member of the senior leadership team and met bi-weekly.

Information is provided to the Board through reports and through presentations at in-person or virtual meetings. 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 46.

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 ParentGym 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 MindGym and for others its reviews by Warwick University verifying its impact confirms the value of what we do.

This year the Group undertook a 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.

We are a people business and employee engagement is a priority for us.

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

- Transparent communications with employees about strategy and performance to help ensure alignment.
- Sharing of 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.
- A constant programme of workouts and behavioural tools to support our team's development and wellness.

This year the Board also approved the second award 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 investors to ensure their ongoing knowledge and understanding of the Group's strategy 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. Feedback from meetings with investors is shared with the Board. 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 51.

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 ParentGym programme. This is an established part of the Group's commitment to social responsibility. Established in 2009, ParentGym provides free parenting classes in areas of social deprivation and is funded entirely by MindGym. 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 ParentGym.

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.

Considering stakeholders

The Board considers the views of its stakeholders when making decisions on what would be most likely to promote the success of the Company for the benefit of its members as a whole. The principal considerations taken into account for certain strategic decisions made during the year ended 31 March 2021 are set out below.

Board decision	Considerations
The Board approved the Group's new digital strategy and the associated investment.	• The need to develop the Group's offering to maximise long-term growth. • Driving future revenue growth in the long-term interest of shareholders and employees.
The Board considered and approved the application for furlough support under the UK Coronavirus Job Retention Scheme and the application of temporary Group wide salary cuts in response to COVID-19.	• The need to protect the short-term financial position of the Group to safeguard its long-term future for the benefit of shareholders and employees. • Maintaining the ability to continue investing to drive long-term growth. • Protecting jobs which continue to be viable in the medium term. • Sharing the salary sacrifice fairly between directors and employees.
The Board considered and approved the repayment of amounts previously deducted under the temporary salary cuts.	• Fairness to employees given that the Group for the full year ended 31 March 2021 made a small Adjusted profit before tax.
The Board made a decision not to pay any bonus linked to Group results for FY21.	• Maintaining the link between remuneration and the Group's financial performance.

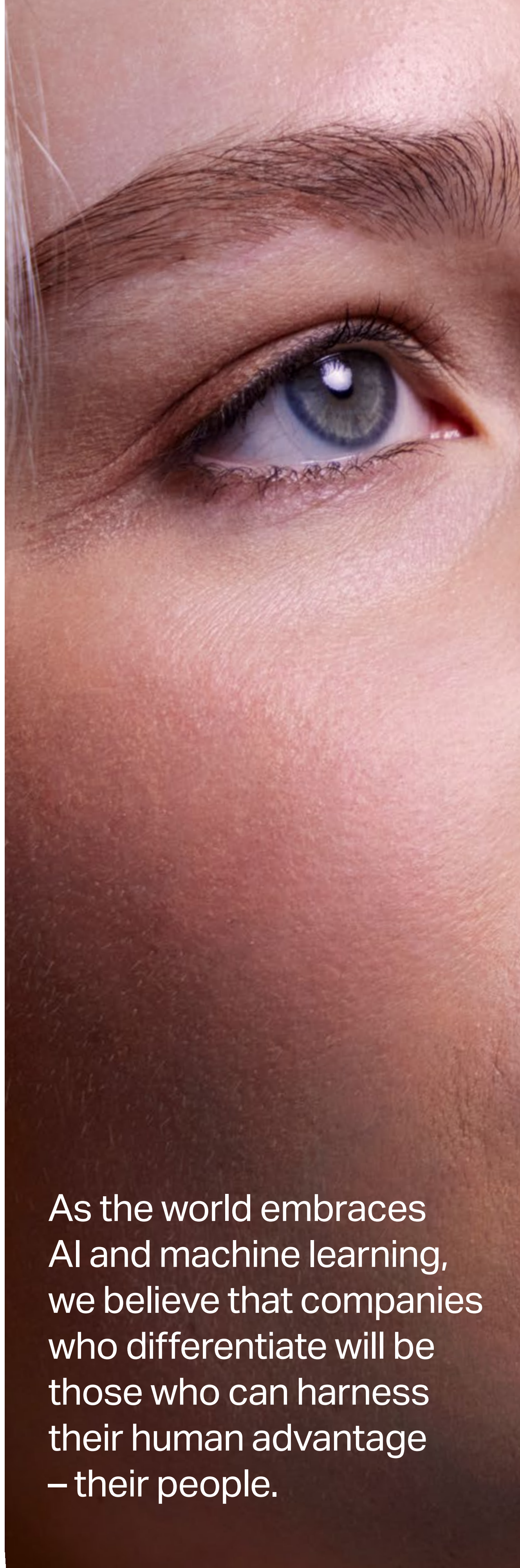
Long-term decision-making

As the world embraces AI and machine learning, we believe that companies who 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 page 34.

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 8)
- Market overview (page 14)
- Our business model (page 18)



Marsh

The challenge

Having acquired a number of businesses (Jelf, JLT, Bluefin), the executive team at Marsh was motivated to take a closer look at their culture and ensure that they integrated the best aspects of each business. Spurred on by Lloyd's of London's decision to launch the largest ever culture survey conducted in the insurance sector, Marsh sought to conduct a similarly sweeping and rigorous review.

The Marsh team wanted to better understand the health of their own company culture and ensure they were leading the industry across key metrics including performance, diversity, inclusion and ethics.

The solution

Phase 1: Research

MindGym carried out rigorous research to uncover the current state of Marsh's culture. This involved:

1) Conducting a total of five interviews to develop hypotheses about Marsh's culture to inform an online culture survey.
2) The dispensing of a comprehensive online culture survey sent to all employees to identify strengths and 'cultural hotspots' – the topics that needed most attention. The key topics of the survey were Leadership, Inclusion, Ethical behaviour, Respect, Performance, Customer-centricity and Commercial behaviours.

Marsh selected inclusion as the first area of focus. The survey revealed that Marsh was heading in the right direction with some positive inclusive behaviours already being shown – in particular, role-modelling by senior leadership.

The survey also identified some inconsistencies and areas for improvement:

- Employees lacked the confidence to speak up or call out exclusive behaviours they observed.
- There were insufficient levels of psychological safety for employees to admit or acknowledge mistakes.
- It was felt that 'who you know' got you ahead, as opposed to fair and equitable practices.

To gather further behavioural examples, Marsh decided to run a focus group to triangulate these findings with the Colleague Council Committee (representatives from across the business).

Phase 2: Behavioural interventions

With the diagnostic phase complete, MindGym and Marsh designed a behaviour change programme to start shifting and embedding inclusive behaviours across the business.

The programme began with a kick-off event (a 60-minute Virtual Go Large) for all managers on the topic of inclusion, co-facilitated by Marsh's CEO and a MindGym coach. The event:

- Revealed the high-level findings from the survey
- Shared pre-recorded videos of employees telling personal and vulnerable stories of when they'd been included or excluded
- Focused on the key behaviours required to enable inclusion as a manager

This was the first time in Marsh's recent history that all managers had come together along with senior leadership, signalling Marsh's commitment to the change.

Following this kick-off, all managers attended a two-hour deep-dive session called Leading inclusively.

The session helped all people leaders understand their unique position as role models for inclusive behaviour, and how to create an environment of psychological safety, uncover subtle exclusion and effectively manage bias. In total, this session was run 76 times to 810 managers over a 4-month period.

Managers also received an Activation ePack to help them talk about inclusion with their direct reports and start shifting team norms.

Phase 3: The next chapter

This is just the first chapter in what Marsh sees as a 'cultural journey'. Looking ahead, MindGym will partner with Marsh to build on the positive behavioural shifts taking place across the business – continuing to build psychological safety, helping individuals manage work pressures and de-biasing people decisions.

Results

From 2020 to 2021, positive responses across all culture segments have increased significantly, ranging from 7% to 21%. Given the particular focus on inclusion, Marsh has been pleased to report 16% more people agreeing that diverse opinions are being sought out, and that the organisation fosters an inclusive and respectful culture for everyone.

Culture:	+21%	Ethical behaviour:	+7%
Leadership:	+15%	Performance:	+11%
Inclusion:	+13%	Customer-centricity:	+9%
Respect:	+11%	Commercial behaviours:	+10%

'From a partnership perspective, MindGym has struck exactly the right balance between being strategic and pragmatic, listening and challenging, speed and accuracy. Critically, their scalable and cost-effective approach to the tricky topic of culture change has started to deliver significant and measurable results across the business.'

Steve Woodhouse
Human Resources Director, Marsh, UK & Ireland

Governance

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Board of Directors

Joanne Cash

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

Committee membership:
Member of the Remuneration and Nomination Committee

Sebastian Bailey

Dr Sebastian Bailey is the Co-founder and Executive Director of MindGym. Sebastian has led the development of MindGym'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 MindGym's proposition. Sebastian co-authored the four MindGym books. Sebastian gained a PhD from Bristol University with a thesis entitled 'Maximising transfer: How learning translates into action in organisations'.

Octavius Black

Octavius Black is the Co-founder and CEO of MindGym, which he co-founded in 2000. Octavius co-authored MindGym's four books and has written in *The Times*, *Financial Times* and *The Sunday Telegraph*. Prior to founding MindGym, 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.

Richard Steele

Richard Steele joined MindGym 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.

Sally Tilleray

Sally Tilleray is the Senior Independent Non-Executive Director on the MindGym Board. Sally 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 and became Non-Executive Chairman of digital agency, Kagool during 2020. In July 2019 she became a Non-Executive Director of NAHL plc, the AIM-listed consumer legal focused marketing and services business. 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.

Committee membership:
Chair of the Audit and Risk Committee and member of the Remuneration and Nomination Committee.

Ruby McGregor-Smith

Ruby McGregor-Smith is Independent Non-Executive Director on the MindGym Board. Ruby is the President of the British Chambers of Commerce and a member of the House of Lords. She also chairs the Air Operators Association, is a Non-Executive Director at the Department of Education and the Tideway Tunnel and Senior Advisor at Mace Group. Ruby was the Chief Executive of MITIE Group PLC, the strategic outsourcing company, employing over 65,000 people predominantly in the UK. She is one of a small number of women who have held the position of Chief Executive in the FTSE 100 and FTSE 250 and is the first Asian woman to be appointed in such a role within that group of companies. She was recognised as a top 50 female world business leader by the FT in 2013. Ruby was also an Independent Non-Executive Director of PageGroup, appointed to the Board in May 2007. She chaired the Audit Committee, was a Member of Nomination and Remuneration Committees and also latterly their Senior Independent Director.

Committee membership:
Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee.

Trevor Phillips

Trevor Phillips is Independent Non-Executive Director on the MindGym Board. Trevor is a writer and television producer. He is the Co-founder of the data analytics consultancy Webber Phillips, and Chairman of Green Park Interim and Executive Search. He is the Chairman of the global freedom of expression campaign charity Index on Censorship, a Senior Fellow at the Policy Exchange think tank and a Vice-President of the Royal Television Society. He was the President of the John Lewis Partnership Council until 2018, and founding chair of the Equality and Human Rights Commission.

Committee membership:
Member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

David Nelson

David Nelson is Non-Executive Director on the MindGym 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 advisor 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).

Committee membership:
Member of the Audit and Risk Committee and the 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 8–40 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

The challenges presented by the COVID-19 pandemic, including social distancing, travel restrictions and the requirement for COVID-safe working environments, have had an impact on the Board's activities during the year. However, the business reacted quickly to adapt our ways of working remotely, and the Board was able to continue to effectively support the Executive team in making important decisions.

Both the Board and the Board Chair's performance were positively evaluated during the year. The Board's review was conducted by the Chair and the review of the Chair by Sally Tilleray in her role as Senior Independent Director, using anonymous feedback.

We are very proud of our Board, which is now one of the most diverse among listed businesses, applying the criteria of gender, ethnicity, socio-economic background and expertise. MindGym is also one of only a handful of listed businesses chaired by a woman.

During the year, we were delighted that Trevor Phillips OBE and Ruby McGregor-Smith joined the Board in October and November 2020 respectively.

Journalist and broadcaster Trevor Phillips also has extensive business experience. He currently chairs recruitment company Green Park and is the Co-founder of the data business WeberPhillips. Formerly Chair of the John Lewis Partnership he is also Recruitment Chairman of the Index on Censorship, a Senior Fellow at the Policy Exchange think tank, VP of the Royal Television Society and founding Chair of the Equality and Human Rights Commission.

Ruby McGregor-Smith is the President of the British Chambers of Commerce and chairs the Air Operators Association. She is a Non-Executive Director at the Dept of Education and the Tideway Tunnel and Senior Advisor at Mace Group. As a Non-Executive Director at Michael Page she oversaw their digital transformation. She was Chief Executive of the MITIE Group plc and is one of a small number of women who have held the position of Chief Executive in the FTSE 100 and FTSE 250 and is the first Asian woman to be appointed in such a role. She was recognised as a top 50 female world business leader by the FT in 2013.

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. In order to monitor the ongoing impact of COVID-19, the Board received key reports weekly and met fortnightly until July 2020. 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 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. In normal circumstances, the Non-Executive Directors and I regularly attend the Company's offices and other Company events and we will consider when it will be appropriate to resume this as the lockdown in the UK eases. The Board recognises the importance of promoting that culture and monitoring how it is embedded across the business as the Company grows and a result of this, one of our independent Non-Executive Directors, Trevor Phillips, has been appointed as the Board member to oversee the monitoring and promotion of culture, on behalf of the Board. More work will be carried out in this area during the next financial year and we will provide more information on this in the 2022 Annual Report and Accounts.

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 2021

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, three 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, MindGym 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 44.

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 (SID) 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
- 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 eleven occasions during the year. The Board also held a dedicated strategy session in September 2020. Individual Director attendance at Board and Committee meetings during the year is shown in the table below:

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.

Director	Board (out of 11 meetings)	Audit Committee (out of 5 meetings)	Remuneration and Nomination Committee (out of 4 meetings)
Joanne Cash	11	N/A	4
Octavius Black	11	N/A	N/A
Sebastian Bailey	11	N/A	N/A
Richard Steele	10	N/A	N/A
Dido Harding[1]	5	2	2
David Nelson	11	5	4
Sally Tilleray	11	5	4
Trevor Phillips[2]	3	2	2
Ruby McGregor-Smith[3]	2	1	1

1. Resigned from the Board on 16 October 2020
2. Appointed to the Board on 16 October 2020
3. Appointed to the Board on 23 November 2020

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 and risk appetite statement
- Approval of expenditure to deliver the Digital Strategy proposal
- Review of the Company's share dealing procedures
- Review of Commercial Strategy
- Review of the Group's budget
- Review of Group policies including the Modern Slavery Statement
- Environmental, Social and Corporate Governance factors
- 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 52 and the Remuneration and Nomination Committee report on page 56.

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 (www.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 advisors

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

Both the Board and the Board Chair's performance were positively evaluated during the year. The Board's review was conducted by the Chair and the review of the Chair by Sally Tilleray in her role as Senior Independent Director, using anonymous feedback.

We are very proud of our Board which is now one of the most diverse among listed businesses, applying the criteria of gender, ethnicity, socio-economic background and expertise. MindGym is also one of only a handful of listed businesses chaired by a woman.

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Conflicts of interest

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

Internal controls

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

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

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

Relations with shareholders and stakeholders

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

Shareholders and investors will have the opportunity to meet Board members at general meetings (including, in normal circumstances, 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 36 of the strategic report.

Annual General Meeting

The Company's 2021 Annual General Meeting ('AGM') is scheduled to take place at 9am on Thursday 15 July 2021 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 122 to 128 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 and Risk 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 David Nelson, Ruby McGregor-Smith and Trevor Phillips. Sally Tilleray, Ruby McGregor-Smith and Trevor Phillips 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 five 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.

Significant issue/accounting judgement identified	How it was addressed
The Committee considered the extent to which software development costs should be capitalised in accordance with the criteria in IAS 38 Intangible Assets.	The Committee reviewed and discussed with management and the external auditor as to whether: • Development costs met the capitalisation criteria under IAS 38 • Cost capitalised were in relation to projects that were technically and commercially viable • Costs capitalised could be reliably measured The Committee is satisfied with the judgements and estimates applied by management in determining the value of the costs capitalised.
The Committee considered whether it was appropriate to continue to prepare the Annual Report and Accounts on a going concern basis.	The Committee reviewed and discussed with management: • Management's budget for FY22 and medium-term plan • A range of downside scenarios modelled by management • Potential mitigating cost saving actions • the risks and uncertainties facing the business The Committee concluded that the Group has sufficient cash to enable it to continue to meet its liabilities for the foreseeable future even under a reasonable worst-case scenario, and therefore that it is appropriate to regard the Group as a going concern.
The Committee considered the adequacy of the provision for impairment of trade receivables.	The Committee reviewed and discussed with management and the external auditor the estimates made by management in determining the provision for impairment of trade receivables. The Committee concluded that the provision for impairment was appropriate.

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 and considered the risk of error in revenue recognition.

During the year, the Committee considered the impact and risk of COVID-19 on the Group's revenue, particularly in relation to the preparation of the Group's financial statements on a going concern basis. An extensive downside revenue scenario modelling exercise was undertaken and reviewed by the Committee.

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 2021 are set out in the table on the left.

External auditors

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

During the year, the external auditor undertook non-audit work in relation to a review of the interim financial statements, tax compliance and employment tax advice. The fees for this work are detailed in Note 7 to the group financial statements. During the year, the Committee continued to keep the nature, extent and cost of non-audit services under review and intends to reduce the amount of non-audit work undertaken by the external auditor in the next financial year.

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 2021 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 page 34. The Committee also considered the Company's whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. During the year under review, there were no reported incidents.

During the year, the Committee held a dedicated risk session. As a result, the Group's Risk Framework was enhanced and includes the identification of the Group's threats and opportunities, a risk appetite statement, a policy and internal controls framework. The Committee also reviewed the risk register, the delegated authority framework, the Group's insurance arrangements and management's process in implementing and maintaining control systems during the year.

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 2021

Remuneration report

The report is split into three main areas:

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The statement by the Chair of the Remuneration Committee 56

The Directors' Remuneration Policy 60

The Annual Report on Remuneration 64

Membership

The members of the Remuneration Committee and meetings attended are:

Director	Meetings attended (out of 7 meetings)
Ruby McGregor-Smith (Chair)	1/1
Joanne Cash	4/4
Sally Tilleray	4/4
David Nelson	4/4
Trevor Phillips	2/2
Former members:	
Dido Harding (Chair)	2/2

Statement from the Chair

On behalf of the Board, I am pleased to present my first Directors' Remuneration report for the year ended 31 March 2021, having taken over from Baroness Dido Harding on 23 November 2020. Dido had chaired the Committee since 2018 and I would like to take the opportunity on behalf of the Board to thank her for her stewardship.

MindGym listed on the Alternative Investment Market ('AIM') on 28 June 2018 and has adopted the requirements of the Quoted Companies Alliance (QCA) code. 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.

This report sets out the Remuneration policy and the remuneration paid to the Directors for the year in the context of the Group's Remuneration Policy which can be found on page 60 of this report.

The aim of the Remuneration Committee

he Remuneration Committee is committed to structuring senior executive remuneration that is competitive, incentivises and rewards good performance, and that will support the Group's growth and profitability ambitions, thereby creating value for shareholders. In addition, the Committee reviews and considers remuneration of the wider workforce and monitors related policies, satisfying itself that incentives and rewards are aligned with the Group's strategy and culture. The Remuneration Committee is appointed by the Board and comprises three Independent Non-Executive Directors and one other Non- Executive Director who is not considered to be independent

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
- Provide appropriate alignment between the interests of shareholders and executives and where appropriate, the wider workforce

In addition, over the past 12 months, the Committee has continued to observe the impact of the COVID-19 pandemic on the world of work and the impact this has had, not only on Executive Directors, but also on the wider workforce. In direct response to the pandemic over the year:

- Pay awards linked to promotions or additional responsibilities were delayed for the wider workforce from April to July 2020.
- The annual bonus scheme was scaled back by 50% for all eligible participants, with no bonus payments being made to Executive Directors for the year.
- The committee determined that target setting in respect of LTIP awards made to the CFO, members of the Executive Leadership Team and other members of the leadership team in March 2021 should be delayed for up to six months.
- Employees reduced their pay over a three-month period between April and June 2021 (with repayments being made in June 2021).

Looking forward, the Committee is pleased to note that merit-based pay awards will be made to the wider workforce in the year ending 31 March 2022, the annual bonus plan is expected to operate as normal, albeit with a reduced number of Group metrics and employees will continue to have the opportunity to participate in all employee share plans (Sharesave (SAYE) in the UK and the Employee Stock Purchase Plan (ESPP) in the US) during the first half of the year.

Aligning remuneration to Group strategy

Over the course of the first half of the year to 31 January 2021, the Group continued to be impacted by the ongoing lockdown as, the world over, workforces had to adjust to a new normal of remote working and stringent cost control. As businesses were forced to reassess how to lead remote workforces through uncertain times, many turned to MindGym for support to help navigate the new landscape. As a result, the Group successfully navigated a pivot to 100% digital and digitally enabled revenue generation to meet the demands of global virtual working, with strong client feedback surpassing that of live sessions in the past, resulting in revenue recovery over the second half of the year. While the effects of the pandemic have undoubtedly impacted on our overall results, with Revenue down by 18% and Adjusted profit before tax at £0.3million for the year, we are hugely reassured by our strong performance in the final quarter, with Revenue 9% up on the same period in the prior year.

Our remuneration arrangements are designed to support management in its growth plan and strategy, and to enable the Group to be flexible and agile, considering the fast pace of our growth in a normal trading environment. The Group's ability to pivot to digitally enabled revenue growth has reinforced the Board's commitment to the Group's digital strategy and investment.

The Board believes in the importance of aligning the interest of its employees to those of the Group and its shareholders. As a result, in the year ended 31 March 2021, the Committee made awards under its new Long-Term Incentive Plan, which was approved by shareholders at the July 2020 AGM, to members of the executive and senior leadership teams. The measures relating to these awards are set out on page 66 of the report. In addition, employees continue to participate in Sharesave (SAYE) in the UK and the Employee Stock Purchase Plan (ESPP) in the US.

Context of business performance

Over the first half of the year, the Group, like many others, continued to experience the negative impact of a world in ongoing lockdown, but through the resilience and flexibility of its products and services, including a renewed digital strategy, the Group has been well placed to begin to meet the demands of increasingly remote workforces across the Globe. Our provision of data-driven and more personalised learning experiences have translated into strong revenue performance in the last quarter and a renewed focus on the opportunity that a post-lockdown world provides for the Group.

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

In addition to the usual considerations, once again this year, the Committee discussed the impact of the COVID-19 pandemic and ongoing shareholder experience when determining both its decision on the payout for the annual bonus for FY21 and our approach to remuneration matters for the year ahead.

Remuneration policy during the year

Over the course of the year ended 31 March 2021, the Committee has reviewed existing remuneration arrangements to ensure that there has continued to be a strong link between both the Remuneration policy and the business strategy, particularly during the ongoing pandemic.

Annual bonus for the year ended 31 March 2021

Maximum Bonus potential for the year ended 31 March 2021 reduced by 50% in direct response to the COVID-19 pandemic. For the CFO and members of MindGym's Executive team, performance was measured against on a combination of Revenue and PBT targets as well as performance against strategic KPIs. For all other eligible members of the Group, performance was based on personal objectives.

The Committee carefully considered performance against all annual bonus targets for the year ended 31 March 2021, and in making their decision, took into consideration:

- Shareholder experience: dividend suspended and share price performance balanced by strong business resilience over the course of the year.
- Employee experience: minimal workforce redundancies countered by base pay cuts across all employees (which the Group expects to repay in Q1 of FY22).
- Government support: utilisation of the Government's Coronavirus Job Retention Scheme and other such schemes. (£216,000 of funding has been received by the Group during the year.) No additional Government funding or loans were received by the Group.
- Action taken regarding Executive remuneration during the year: pay reductions for Executive and Non-Executive Directors as well as other members of the Executive Leadership Team for a three-month period.

It was noted that formulaic bonus outcomes for the year reflected business performance and resilience over the past 12 months and would have resulted in a bonus payment of 28% of the maximum bonus opportunity for Richard Steele.

Taking all of the above into consideration, however, the Committee determined that to align with shareholder experience, with no dividends having been paid in the year, no bonus should be paid to Executive Directors for the year ending 31 March 2021.

Remuneration policy for the year ending 31 March 2022

The Committee is resolute in its aim to ensure that remuneration arrangements continue to motivate and retain all Directors and employees. Over the course of the year ending 31 March 2022, the Committee intends to undertake a review of variable remuneration for Executive Directors and members of the Executive Leadership Team to ensure that all remuneration arrangements continue to be aligned with the strategic objectives of the Group.

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 60 to 63 and details of how this policy will be implemented for the financial year ahead is set out on pages 64 to 69.

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 Group, its employees and our shareholders.

I look forward to your support at our AGM on 15 July 2021 and encourage you to submit any questions you may have regarding the work of the Committee in advance.

Ruby McGregor-Smith
Chair of the
Remuneration Committee

10 June 2021

Key messages for 2020–21

- Protecting jobs throughout the COVID-19 pandemic
- Payment of all employee Thank You gesture

Our priorities for 2021–22

- Retention of our employees in the aftermath of the COVID-19 pandemic
- Repayment of base pay reductions
- Simplified approach to annual bonus measures

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.

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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
- Enabling the Group's remuneration strategy to be tailored to its changing circumstances

The Group passionately 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)
- Long-Term Incentive Plan

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. Group 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 Group 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. Group contributions for all participating employees are made at a minimum of 5% base pay and all employees can join the Group's defined contribution pension scheme. Group 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 Revenue, PBT and Quality. At the end of the year the Committee determines the extent to which these were achieved. Performance measures and their weightings may vary from one year to another. Clawback (of any bonus paid) may be applied where the Committee deems it necessary to do so, including in the event of gross misconduct or a material misstatement.	Payment typically made in cash in July each year. The Remuneration Committee retains the ability to exercise discretion to adjust payments up or down in exceptional circumstances where they feel this course of action is appropriate. The bonus scheme pays at the following levels: · Maximum awards for Executive Directors are equivalent to 50% 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 MindGym LTIP the Remuneration Committee has discretion over all aspects of the plan including but not limited to performance conditions, formulaic LTIP outcomes (both upwards and downwards) vesting conditions and cancellation of the scheme.

Malus and clawback

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

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

Other share-based remuneration

MindGym Save As You Earn (SAYE) scheme

The Group operates an all-employee SAYE scheme in the UK, which all eligible employees and Executive Directors can 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.

MindGym Employee Stock Purchase Plan (ESPP)

The Group operates an all-employee, Employee Stock Purchase Plan for its US based employees. The MindGym 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 67 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 Group 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
- 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 Group's existing long-term incentive plans 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 because 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 Group's discretion they may terminate the contract immediately and not require the Director to work their notice and instead pay six 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 Group'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 to fulfil their role for the best interests of the Group 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 Group 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 considers 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 Group operates the following policy in respect of exit payments:

- Executive Directors have a six-month notice period from the Group and they in turn are asked to give the Group 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 Group.
- 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 Group has no age limit for Directors. The dates of each contract are set out on page 68. The fees for the Chair and Non-Executive Directors are set out on page 68 of this report. These fees are reviewed (but not necessarily increased) on an annual basis, considering the responsibilities of the role and their participation in the various Governance Committees of the Group.

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 Group 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 MindGym's Remuneration policy was implemented in the year ended 31 March 2021 and how the Group plans to implement the policy for the year ending 31 March 2022.

Remuneration Committee activities in the year ended 31 March 2021

The Committee was formed on 28 June 2018 following the AIM listing of the Group. 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 also reviews information on pay outcomes and processes for the wider workforce to take account of wider workforce pay and conditions when setting executive remuneration and to consider alignment between pay structures.

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

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

- Review the Group's response to the COVID-19 pandemic, particularly in respect of pay awards and annual bonus payments
- Review of remuneration for members of the Executive leadership team
- Issue of awards under the MindGym Long-Term Incentive Plan

Single total figure of remuneration

The table below details the total remuneration earned by each Director in respect of the year ended 31 March 2021.

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(6)	2021	152	4	8	–	–	164
	2020	200	3	10	–	–	213
Sebastian Bailey(6)	2021	152	5	8	–	–	165
	2020	200	4	10	–	–	214
Richard Steele(7)	2021	180	8	9	–	253	450
	2020	180	11	9	19	–	219
Total emoluments	2020	484	17	25	–	253	779
	2020	580	18	29	19	–	646

(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 receives a cash contribution towards Private Healthcare cover for himself and his family.

(3) The value of pension contributions made or cash in lieu of pension paid by the Group in the year.

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

(5) Richard Steele exercised 248,405 options, which had been issued under the Group's EMI scheme on 1 September 2020. The face value on the date of exercise was £253,498.

(6) Both Octavius Black and Sebastian Bailey received no pay for the period 7 April to 30 June 2020.

(7) Richard Steele reduced his pay by 20% for the period 7 April to 30 June 2020, although this will be repaid during Q1 of the year ending 31 March 2022.

Base pay

Year ended 31 March 2021

As disclosed in last year's report, in direct response to the COVID-19 pandemic, both Octavius Black and Sebastian Bailey requested to receive no base pay from 7 April to 30 June 2020 inclusive. Over the same period, Richard Steele also reduced his base pay by 20%.

Year ending 31 March 2022

The pay reduction for Richard Steele of £8,585 in respect of the period 7 April to 30 June 2020 will be repaid to him during June 2021, in line with the Committee's approved approach to other employees of the Group.

No repayments will be made to the two Founders Directors, being Octavius Black and Sebastian Bailey for the same period.

There are not expected to be any changes to base pay for Executive Directors for the year ending 31 March 2022.

Pension contributions

Year ended 31 March 2021

During the year, Executive Directors received Group 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 Group at 5% of their total base pay.

Year ending 31 March 2022

For the year ending 31 March 2022, 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 2021

As disclosed in last year's report, the Committee deferred their decision-making in respect of FY21 annual bonus design until H2 of the financial year, as a direct response to the COVID-19 pandemic.

In reaching its decision in respect of bonus payments for the year ended 31 March 2021, the Committee considered:

- Shareholder experience: dividend suspended and share price performance balanced by strong business resilience over the course of the year.
- Employee experience: minimal workforce redundancies countered by base pay and fee cuts for all employees.
- Government support: utilisation of the Government's Coronavirus Job Retention Scheme and other such schemes (totaling c.£216k for the year). No additional funding grants were received by the Group.
- Action taken with regard to Executive remuneration during the year: pay reductions for Executive and Non-Executive Directors as well as other members of the Executive Leadership Team for a three-month period.

Annual bonus performance was assessed against a number of both financial (Revenue and PBT) and strategic measures (Plan Delivery). The financial measures, which make up 50% of the total bonus available, were determined to have paid out at target and minimum performance respectively, resulting in 18.75% out of a potential 50% of the maximum available. The Plan Delivery measure, which makes up the remaining 50% of the reduced maximum bonus, was assessed against a series of strategic key performance indicators, resulting in the achievement of 37.5% out of the potential 50%.

It was noted that formulaic bonus outcomes for the year reflected business performance and resilience over the past 12 months and would have resulted in a bonus payment of 28% of the maximum bonus opportunity for Richard Steele.

After due and careful consideration and taking all of the above into consideration, however, the Committee determined that to align with shareholder experience, with no dividends having been paid in the year, no bonus should be paid to Executive Directors for the year ending 31 March 2021.

Annual bonus for the year ending 31 March 2022

Following a review of Remuneration for members of the Executive Leadership team, the Committee determined that maximum bonus potential for all eligible members of this group should be aligned to create a greater degree of transparency and fairness. As such, the maximum bonus potential for Richard Steele will increase from 30% to 50% base pay from 1 April 2021.

During the year, careful consideration was given to the appropriate measures and targets for the annual bonus scheme for FY22. With the uncertainty of the ongoing pandemic, despite the encouraging progress of the worldwide vaccine programme, the Committee felt that it was important to focus on key elements for the next 12 months. As a result, for Richard Steele and other members of the Executive leadership team, measures for the 50% of the annual bonus linked to Company performance have been simplified and for the next 12 months, will be based on a Group Revenue target only.

The remaining 50% of the annual bonus will be based on a series of key strategic Plan Delivery targets.

For all other eligible employees of the Group, 50% of the annual bonus will be based on a Group Revenue target and 50% will be based on personal performance.

In addition, a profit before tax (PBT) underpin will apply to the annual bonus scheme for all participants, meaning that if PBT is less than £0 for the year ending 31 March 2022, the Remuneration Committee will have discretion to determine whether any vesting should occur in respect of the Group element of the bonus scheme.

The Board has determined that the disclosure of performance targets for the year ending 31 March 2022 is commercially sensitive and they are therefore not disclosed in this report. These targets are determined within the context of a longer-term business plan and the disclosure of these targets could give information to MindGym's competitors to the detriment of business performance..

Share-based incentives

The Committee 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 considers several 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
- Share price movements as compared to the Group's performance

Scheme interests awarded in the year ended 31 March 2021

Awards were made under the Group's Long-Term Incentive Plan (LTIP) to Richard Steele and to members of the Executive and Senior Leadership Teams of the Group on 31 March 2021. Awards were made in the form of nil priced options for UK-based employees and in the form of Restricted Stock awards for US based employees, with a five-day average share price of £1.30 used to calculate awards.

Richard Steele was granted 138,461 nil priced options in respect of this award.

Octavius Black and Sebastian Bailey did not participate in this award.

In respect of Richard Steele and members of the Executive Leadership team, Awards will vest 50% three years after grant, 25% four years after grant, with the remaining 25% vesting five years after grant, subject to the extent to which stretching performance conditions set out below are met.

Performance will be measured against a series of stretching performance conditions linked to Group Revenue (45%), Earnings Per Share (45%) and Total Shareholder Return (10%).

The Board has determined that the disclosure of performance targets in respect of awards granted in the year ending 31 March 2021 are commercially sensitive and they are therefore not disclosed in this report. These targets are determined within the context of a longer-term business plan and the disclosure of these targets could give information to MindGym's competitors to the detriment of business performance. The Committee is committed to disclosing specific targets and performance against these targets on vesting of the awards.

Scheme interests vesting in the year ended 31 March 2021

As disclosed in last year's report, the first 50% of the award made to Richard Steele on 27 April 2018 reached its first vesting date, resulting in 248,405 nil priced options vesting on 27 April 2020, with a face value on the date of vesting of £260,825. 20,944 shares were sold to cover associated exercise costs on 1 September 2020 at a price of £1.02 per share. All other shares resulting from this award were retained.

Since the end of the financial year ended 31 March 2021, the award made to Richard Steele on 27 April 2018 has reached its second and final vesting date on 27 April 2021, 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. It is anticipated that Richard Steele will retain all vested options, save for those expected to be sold to cover associated exercise costs, subject to the Company's share dealing policy. No options have been exercised in respect of this second vesting tranche at the date of publication.

Year ending 31 March 2022

As the Group matures, the Committee is mindful of the need to incentivise the most senior leaders of the Group to deliver against its ambitious growth plans and intends to continue to make awards under the Group's Long-Term Incentive Plan in the year ending 31 March 2022, in line with the Remuneration policy.

It is anticipated that the CFO will be granted awards under the Group's Long-Term Incentive Plan in the year ending 31 March 2022. Neither of the Founders, being Octavius Black or Sebastian Bailey, will participate in these awards.

All employee share plans

MindGym 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 MindGym are eligible to participate in the SAYE scheme if they have been employed for a qualifying period. To participate in the Scheme an eligible employee must enter 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 MindGym shares under the Scheme have an option price determined by the MindGym 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 2019 SAYE invitation period as disclosed in last year's report, but no Executive Directors participated in the 2020 invitation.

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

MindGym Employee Stock Purchase Plan (ESPP)

The ESPP is administered by a duly authorised Committee of the Board. All US employees of MindGym are eligible to participate in the ESPP if 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 MindGym Plc 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 2021

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 Group 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 Group. Current shareholdings as at 31 March 2021 are set out below for Executive Directors and associated persons:

Executive Director	Actual holding	Actual ownership as a % of base pay(1)
Octavius Black (2)	55,156,500	34,473%
Sebastian Bailey	9,015,668	5,635%
Richard Steele	227,461	158%

(1) Share price on 31 March 2021 of £1.25 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 2021 and 11 June 2021.

Fees for the Chair and Non-Executive Directors

Remuneration for the Chair and 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 Group. 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.

As disclosed in last year's report, all Non-Executive Directors reduced their fees by 20%, in line with other members of the Executive team, from 7 April 2020 to 30 June 2020. These fee reductions will be repaid to Non-Executive Directors in June 2021 and are therefore reflected in the fees set out below.

Non-Executive Director	Year	Fees £'000	Benefits £'000	Total fees and benefits £'000
Joanne Cash[1, 2]	2021	–	3	3
	2020	–	2	2
Dido Harding[3]	2021	30	–	30
	2020	60	–	60
Sally Tilleray[4]	2021	45	–	45
	2020	40	–	40
David Nelson	2021	40	–	40
	2020	40	–	40
Trevor Phillips[5]	2021	20	–	40
	2020	–	–	20
Ruby McGregor-Smith[6]	2021	15	–	15
	2020	–	–	–
Aggregate emoluments	2020	150	3	153
	2020	140	2	142

(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
(3) Dido Harding stepped down from the Board on 16 October 2020
(4) Sally Tilleray was appointed as Senior Independent Director on 16 October 2020 and her fees were adjusted accordingly
(5) Trevor Phillips was appointed to the Board on 16 October 2020
(6) Ruby McGregor-Smith was appointed to the Board on 23 November 2020

There are no proposed increases to Non-Executive Director fees in the year ending 31 March 2022, save for where there may be a change in responsibilities over the course of the year.

Letters of appointment – the Chair and Non-Executive Directors

The Chair and Non-Executive Directors signed letters of appointment with the Group 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
Trevor Phillips	Nomination & Remuneration	16 October 2020	30 September 2023
Ruby McGregor-Smith	Nomination & Remuneration, Audit & Risk	23 November 2020	12 November 2023
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 Group with Octavius Black. No Non-Executive Directors hold shares in the Group.

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 2021, the Remuneration Committee was advised on matters relating to executive remuneration by Overwood People Consulting Limited 'OPC'. The Remuneration Committee deems the advisors to be independent from the Group 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	2021 £'000s
OPC	Remuneration Matters, Long-Term Incentive Design	7

Ruby McGregor-Smith
Chair of the Remuneration Committee

10 June 2021

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2021. The corporate governance statement on pages 46–51 also forms part of this Directors' report.

Principal activity

MindGym 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 MindGym plc and its subsidiaries, MindGym (USA) Inc., MindGym Performance PTE, MindGym (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 Chairman's statement on page 10 and the CEO's review on page 20 provides a review of the business, the Group's trading for the year ended 31 March 2021, 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 loss before taxation for the year was £0.4 million (2020: profit of £7.4 million). More information about the Group's financial performance can be found in the financial review on page 28–33 and in the financial statements on page 76 onwards.

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 12.

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
- David Nelson
- Sally Tilleray
- Trevor Phillips (appointed on 16 October 2020)
- Ruby McGregor-Smith (appointed on 23 November 2020)
- Diana 'Dido' Harding (resigned on 16 October 2020)

The Directors' biographies can be found on page 44. 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 page 68.

Articles of Association

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders. A copy of the Articles of Association can be found on the Company's website: www.uk.themindgym.com/investors/share-capital-not-public-hands

Directors' interests

The Directors' interests in the Company's shares are set out in the Remuneration report on page 67.

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 2021, the Company's issued share capital was £50,999.90 divided into 99,791,784 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 28 May 2021, 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)	55,712,055	55.83%
Liontrust Asset Management	11,363,374	11.39%
Sebastian Bailey	9,516,373	9.54%
Canaccord Genuity Wealth Management	4,308,603	4.32%
Baillie Gifford & Co	4,288,002	4.3%
JO Hambro Capital Management	3,622,448	3.63%
River and Mercantile Asset Management	2,550,780	2.56%
BGF Investments	2,483,314	2.49%
UBS Global Asset Management	1,625,561	1.63%
Cazenove Capital Management	1,208,718	1.21%

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.

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 and currency risk, are provided in Note 21 to the financial statements on pages 105 to 107.

Political donations

The Company made no political donations in the year.

Authority to purchase own shares

At the Company's AGM held on 13 July 2020, 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 2021 AGM. A resolution will be proposed to renew the authority at the 2021 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 36 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 36 to 39 of the strategic report.

Greenhouse gas emissions

The Group is required to disclose its UK energy use and associated greenhouse gas (GHG) emissions under the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As a minimum, the Group is required to disclose those GHG emissions relating to purchased natural gas, electricity and transport fuel.

Indirect emissions from purchased electricity have been calculated based on figures for emissions per kWh provided by our electricity supplier and so reflect the mix of fuels used in the electricity generation.

The UK energy use and emissions for the year ended 31 March 2021 are set out in the table below.

	2020/21
Total UK energy consumption	129,744 kWh
Direct emissions – natural gas (Scope 1)	nil
Indirect emissions from purchased electricity (Scope 2)	48 tonnes of CO_2
Other indirect emissions – vehicle fuel (Scope 3)	-
Total tonnes CO_2	48 tonnes of CO_2
Tonnes of CO_2 per UK employee	0.35 tonnes of CO_2

The Group's UK energy consumption reduced 35% from the previous year due to the restrictions associated with the COVID-19 pandemic. As this is the first year the Group has assessed its emission, energy efficiency actions have not yet been taken.

Post balance sheet events

The performance conditions on share-based payment awards made on 31 March 2021 under the LTIP were approved in May 2021. See Note 22 and the Annual Report on Remuneration for further details.

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 2021 the Group had £16.8 million of cash and £3.2m of lease liabilities. Adjusted cash conversion in the year ended 31 March 2021 was 418% (2020: 136%).

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 ongoing COVID-19 pandemic 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.
- 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 15 July 2021. The ordinary business will include receipt of the Directors' report and audited financial statements for the year ended 31 March 2021, 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 are included in this document on pages 122 to 128 and are available on the Company's website.

The Board is closely monitoring developments in relation to the COVID-19 pandemic and the related UK Government guidelines and will provide an update by an announcement via a Regulatory Information Service if any changes are required to the AGM arrangements.

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') in conformity with the requirements of the Companies Act 2006, 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
- 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 2021.

Richard Steele
Finance Director

10 June 2021

Environmental, social and governance highlights

Environmental

We have commenced reporting on our UK energy consumption and greenhouse gas emissions following the guidance on Streamlined Energy and Carbon Reporting (SECR). See Directors Report.

The pandemic has driven a move to fully virtual delivery in FY20 and to our staff working from home. Consequently, there has been almost no business travel or commuting this year. Virtual delivery has also greatly reduced the printing of course materials. Although some travel will resume as the world recovers from COVID-19, we do not intend to go back to the old business as usual. Maintaining a high proportion of virtual delivery and a move to flexible hybrid working for our people will lessen our impact on the environment.

Social

We fully fund ParentGym, one of the largest school-based parenting programmes in the UK. ParentGym normally runs approximately 100 programmes every term. With schools closed over lockdown, we have 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 give them access to the programme.

Our products in areas such as diversity, inclusion and wellbeing help our clients make their workplaces healthier.

We seek to be a leader in making our own work environment inclusive, engaging and supportive for our employees and have established an employee wellbeing programme.

Governance

The Board applies the 10 principles of the Quoted Companies Alliance (QGA) Corporate Governance Code.

We have increased the diversity of our Board. Our Board of eight members now includes two from a minority ethnic background, as well as three women.

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Independent auditor's report to the members of MindGym plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of MindGym plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding, challenging and corroborating the key assumptions included in their cash flow forecasts against prior year, our knowledge of the business and industry, and other areas of the audit.
- Review of board minutes and review of external resources for any key future events that may have been omitted from cash flow forecasts and assessing the impact these could have on future cash flows and cash reserves.
- Confirming that sensitised cash flow forecasts prepared by the Directors included the preparation of a reverse stress test to analyse the level of reduction in trade that could be sustained before a liquidity shortfall would be indicated. We assessed the assumptions against prior year and our knowledge of the business, and accuracy of these calculations.
- Considering the adequacy of the disclosures relating to going concern included within the annual report against the requirements of the accounting standards and consistency of the disclosures against the forecasts and going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised f or issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	98% (2020: 99%) of Group profit before tax 99% (2020: 99%) of Group revenue 99% (2020: 99%) of Group total assets
Key audit matters	Revenue recognition — 2021 ☐ — 2020 ☐
Materiality	Group financial statements as a whole £305,000 (2020:£330,000) based on 6% (2020: 5%) of three year average adjusted profit before tax (2020: adjusted profit before tax).

[1] These are areas which have been subject to a full scope audit by the group engagement team

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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.

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) that 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition	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 licencing 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. **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 apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Shareholder	Group financial statements		Parent company financial statements	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	305	330	225	245
Basis for determining materiality	6% of 3 year average adjusted profit before tax	5% of adjusted profit before tax	Approximately 75% of Group materiality	
Rationale for the benchmark applied	We considered adjusted profit before tax to be the most appropriate measure for the basis of materiality given it is a key performance indicator for the group. Adjustments are included on the Consolidated Income Statement and detailed in note 6 to the financial statements. Adjusted measures have been used as we believe this more appropriately reflects the Group's underlying performance. A three year average measure has been used this year to account for fluctuations in the Group's profitability as a result of the Coronavirus pandemic.		Calculated as a percentage of Group materiality for Group reporting purposes We used our judgement to allocate materiality, including taking account of aggregation risk.	
Performance materiality	75% of materiality			
	229	248	169	184
Basis for determining performance materiality	We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments			

Component materiality

We set materiality for each component of the Group based on a percentage of between 25% and 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £76,250 to £225,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £12,000 (2020: £13,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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.
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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	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 in respect of the Annual Report and the financial statements, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group to understand where they considered there was a susceptibility to fraud. Fraud risks were communicated to all members of the audit team during both the planning and execution of the audit.
- Our audit planning identified fraud risks in relation to management override and revenue recognition. (Revenue recognition has been assessed as a Key Audit Matter above). We considered the processes that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes.
- Our procedures included journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business; enquiries with the management outside of the finance function; and focussed testing as referred to in the Key Audit Matters section above.
- We focused on laws and regulations that could give rise to a material misstatement in the financial statements throughout our audit, including, but not limited to, the Companies Act 2006, International Financial Reporting Standards and tax legislation. Our procedures included reviewing minutes of board and other committee meetings to identify any instances of non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.
There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the 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 2021

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

MindGym plc consolidated statement of comprehensive income

	Note	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Continuing operations			
Revenue	4	39,383	48,249
Cost of sales		(4,967)	(9,680)
Gross profit		34,416	38,569
Administrative expenses		(34,635)	(31,147)
Operating (loss)/profit	4, 5	(219)	7,422
Finance income	9	30	51
Finance costs	9	(167)	(75)
(Loss)/profit before tax		(356)	7,398
Adjusted profit before tax		306	6,633
Restructuring costs	6	(662)	–
Employee options surrender credit	6	–	765
Total adjustments	6	(662)	765
(Loss)/profit before tax		(356)	7,398
Tax on loss/profit	10	124	(1,493)
(Loss)/profit for the financial period from continuing operations attributable to owners of the parent		(232)	5,905
Items that may be reclassified subsequently to profit or loss Exchange translation differences on consolidation		(281)	88
Other comprehensive income for the period attributable to the owners of the parent		(281)	88
Total comprehensive (loss)/income for the period attributable to the owners of the parentt		(513)	5,993
(Loss)/earnings per share (pence)	11		
Basic		(0.23)	5.93p
Diluted		(0.23)	5.91p
Adjusted earnings per share (pence)	11		
Basic		0.30	5.24p
Diluted		0.30	5.22p

MindGym plc consolidated statement of financial position

	Note	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Non-current assets			
Intangible assets	13	2,877	95
Property, plant and equipment	14	3,406	4,395
Deferred tax assets	10	230	85
Other receivables	16	339	567
		6,852	5,142
Current assets			
Inventories	15	–	73
Trade and other receivables	16	10,620	10,131
Current tax receivable		280	–
Cash and cash equivalents		16,833	15,952
		27,733	26,156
Total assets		34,585	31,298
Current liabilities			
Trade and other payables	17	13,813	8,921
Lease liability	18	1,085	914
Redeemable preference shares	20	50	50
Current tax payable		104	384
		15,052	10,269
Non-current liabilities			
Lease liability	18	2,081	3,472
Total liabilities		17,133	13,741
Net assets		17,452	17,557
Equity			
Share capital	22	1	1
Share premium		157	112
Share option reserve		674	684
Retained earnings		16,620	16,760
Equity attributable to owners of the parent company		17,452	17,557

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2021 and were signed on its behalf by:

Richard Steele
Chief Financial Officer

MindGym plc 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 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	10	–	–	–	77	77
Dividends	12	–	–	–	(2,487)	(2,487)
At 31 March 2020		**1**	**112**	**684**	**16,760**	**17,557**
Profit for the period		–	–	–	(232)	(232)
Other comprehensive income:						
Exchange translation differences on consolidation		–	–	–	(281)	(281)
Total comprehensive income for the period		**–**	**–**	**–**	**(513)**	**(513)**
Exercise of options	22	–	45	(308)	308	45
Credit to equity for share-based payments	23	–	–	298	–	298
Tax relating to share-based payments	10	–	–	–	65	65
At 31 March 2021		**1**	**157**	**674**	**16,620**	**17,452**

MindGym plc consolidated statement of cash flows

	Note	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Cash flows from operating activities			
(Loss)/profit for the financial period		(232)	5,905
Adjustments for:			
Amortisation of intangible assets	13	52	444
Depreciation of property, plant and equipment	14	1,084	717
Profit on disposal of property, plant and equipment		(2)	–
Net finance costs	9	137	24
Taxation (credit)/charge	10	(124)	1,493
Decrease/(increase)/decrease in inventories		73	(20)
(Increase)/decrease in trade and other receivables		(246)	2,279
Increase/(decrease) in payables and provisions		4,892	(571)
Share-based payment charge	23	298	344
Cash generated from operations		5,932	10,615
Net tax (paid)/received		(521)	638
Net cash generated from operating activities		5,411	11,253
Cash flows from investing activities			
Purchase of intangible assets		(2,834)	(94)
Purchase of property, plant and equipment		(388)	(556)
Proceeds from sale of property, plant and equipment		10	–
Interest received		15	51
Net cash used in investing activities		(3,197)	(599)
Cash flows from financing activities			
Cash repayment of lease liabilities		(1,075)	(565)
Issuance of ordinary shares	22	45	–
Dividends paid	12	–	(2,487)
Net cash used in financing activities		(1,030)	(3,052)
Net increase in cash and cash equivalents		1,184	7,602
Cash and cash equivalents at beginning of period		15,952	8,294
Effect of foreign exchange rate changes		(303)	56
Cash and cash equivalents at the end of period		**16,833**	**15,952**

Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	16,833	15,952

Notes to the group financial statements

1. General information

MindGym plc ('the Company') is a public limited company incorporated in England and 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 MindGym plc and its subsidiaries, MindGym (USA) Inc., MindGym Performance (Asia) Pte. Ltd and MindGym (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') in conformity with the requirements of the Companies Act 2006, 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 Pound 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 2021, the Group had £16.8 million of cash and £3.2m of lease liabilities. Adjusted cash conversion in the year ended 31 March 2020 was 418% (2020: 136%).

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 subjected to stress testing and scenario modelling which the Directors consider sufficiently robust. The Group was significantly impacted by COVID-19 but has been protected from more severe consequences by our digitally enabled revenue. The scenario modelling 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 is 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 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (Phase 1)

The adoption of these amended IFRSs 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 IFRS 16 Leases: COVID-19-Related Rent Concessions	1 April 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)	1 April 2021
Amendments to IFRS 4 Insurance Contracts: deferral of IFRS 9	1 April 2021
IFRS 17 Insurance Contracts*	1 April 2023
Amendments to IAS 1: Presentation of Financial Statements*	1 April 2023
Amendments to IFRS 3: Reference to the Conceptual Framework*	1 April 2022
Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use*	1 April 2022
Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*	1 April 2022
Annual Improvements to IFRS Standards 2018–2020 Cycle*	1 April 2022*

*Not yet endorsed by the UK

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

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

Foreign currency translation

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

- Assets and liabilities are translated at the closing rate at the balance sheet date
- Income and expenses are translated at average rates of exchange prevailing during the year

All resulting exchange differences are recognised in equity.

Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets or liabilities denominated in foreign currencies are recognised in 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 17 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 16 as accrued income.

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

Share-based payments

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

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors that 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 the 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with any conditions attached to them. Government grants are recognised in the income statement over the same period as the costs for which the grants are intended to compensate.

Government grant income under the Coronavirus Job Retention Scheme and other schemes reimbursing employee wages is netted against staff costs and is disclosed in Note 8.

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.

Other research and development costs that do not meet the above criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

After recognition, intangible assets are measured at cost less any accumulated amortisation and impairment losses. Amortisation is charged to administrative expenses on a straight-line basis from the date on which the asset is available for use. Intangible assets are amortised over their estimated useful lives as follows:

Internally developed softwares	Three to five years
Other intangible assets	One to five 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 equipments	Two to five 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

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.

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. 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

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.

Capitalisation of internally developed intangibles

Costs of £2.8 million incurred on developing software and new digital products have been capitalised in the year (see Note 13). Initial capitalisation is based on management's judgement on which costs meet the definition of development costs. Costs capitalised include directly attributable labour costs and purchases of directly attributable products and services. No overheads have been capitalised. Initial capitalisation and any subsequent impairment is also based on management's judgement that technological and economic feasibility is demonstrated and assumptions regarding the expected future cash generation of the projects and the expected period of benefits.

Assumptions and estimation uncertainties

Assumptions and estimation uncertainties at 31 March 2021 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 three years and current and expected economic conditions. 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 numbers of options expected to vest.

4. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the business. The chief operating decision-maker has been identified as the Board. The Group has two operating segments: EMEA (comprising the United Kingdom 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 2021

Segment result	EMEA	America	Total
	£'000	£'000	£'000
Revenue	17,241	22,142	39,383
Cost of sales	(2,237)	(2,730)	(4,967)
Administrative expenses	(18,349)	(16,286)	(34,635)
(Loss)/profit before inter-segment charges	(3,345)	3,126	(219)
Inter-segment charges	2,258	(2,258)	–
Operating (loss)/profit – segment result	(1,087)	868	(219)
Finance income			30
Finance costs			(167)
Loss before taxation			(356)

Adjusted profit before tax	EMEA	America	Total
	£'000	£'000	£'000
Operating (loss)/profit – segment result	(1,087)	868	(219)
Restructuring costs	587	75	662
Adjusted EBIT	(500)	943	443
Finance income			30
Finance costs			(167)
Adjusted profit before taxation			306

Management does 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 2021 is set out below.

	EMEA	America	Group
Delivery	59.7%	52.5%	55.6%
Design	12.7%	13.3%	13.0%
Digital	15.3%	16.8%	16.2%
Licensing and certification	6.3%	9.0%	7.8%
Other	4.2%	6.9%	5.7%
Advisory	1.8%	1.5%	1.7%

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 2020

Segment result	EMEA	America	Total
	£'000	£'000	£'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	America	Total
	£'000	£'000	£'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

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.

5. Operating profit

Operating loss/profit is stated after charging:

	31 March 2021	31 March 2020
	£'000	£'000
Coach costs	3,369	6,030
Staff costs (Note 8)	26,491	23,786
Amortisation of intangible assets	52	444
Depreciation of property, plant and equipment	1,084	717
Short-term and low-value lease expense	35	132
(Write-back)/impairment of trade receivables	(41)	254

6. Adjustments

	31 March 2021	31 March 2020
	£'000	£'000
Restructuring costs	662	–
Employee options surrender costs	–	(765)
	662	(765)

Restructuring costs in the year ended 31 March 2021 include redundancy costs related to the headcount reduction exercise undertaken in response to the COVID-19 impact on the business.

The credit for employee options surrender costs in the year ended 31 March 2020 reflects the release of a provision in respect of compensation paid to a non-UK resident employee in relation to the IPO in June 2018. The employee left the business in October 2019.

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 £662,000 (2020: £nil).

7. Auditor remuneration

	31 March 2021	31 March 2020
	£'000	£'000
Fees for audit of the Company and consolidated financial statements	88	66
Fees for audit of the Company's subsidiaries pursuant to legislation	15	15
Total audit fees	103	81
Tax compliance services	82	58
Tax advisory services	15	37
Other services	10	10
Total fees payable to the auditor	210	186

8. Employees

Staff costs were as follows:

	31 March 2021	31 March 2020
	£'000	£'000
Wages and salaries	22,464	20,613
Social security costs	2,249	2,006
Pension costs – defined contribution plans	897	823
Share-based payments	298	344
Restructuring payroll costs included in adjusted items	583	–
	26,491	23,786

Wages and salaries in 2021 are stated net of £216,000 of government grants under the UK Coronavirus Job Retention Scheme and similar schemes.

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

	31 March 2021	31 March 2020
	£'000	£'000
Delivery	170	183
Support	61	64
Digital	20	–
	251	247

The year-end number of the Group's employees by function was:

	31 March 2021	31 March 2020
	£'000	£'000
Delivery	174	186
Support	67	69
Digital	35	–
	276	255

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 2021	31 March 2020
	£'000	£'000
Salaries, bonuses and other short-term employee benefits	2,583	1,952
Post-employment benefits	53	59
Share-based payments	207	262
Total compensation	2,843	2,273

Details of Directors' remuneration and share options are set out in the Annual Report on Remuneration on pages 64 to 69.

9. Net finance costs

	31 March 2021	31 March 2020
	£'000	£'000
Finance income		
Bank interest receivable	15	51
Finance lease income	15	–
Finance costs		
Lease interest	(167)	(75)
	(137)	(24)

10. Tax

The tax (credit)/charge for the year comprises:

	31 March 2021	31 March 2020
	£'000	£'000
UK current tax	(191)	1,117
UK adjustment in respect of prior periods	(97)	(44)
Foreign current tax	299	257
Foreign adjustment in respect of prior periods	(2)	(107)
Total current tax charge	9	1,223
Deferred tax – current year	(6)	270
Deferred tax – adjustment in respect of prior periods	(127)	–
Total deferred tax credit	(133)	270
Total tax (credit)/charge	(124)	1,493

Tax on items credited to equity:

	31 March 2021	31 March 2020
	£'000	£'000
Current tax credit on share-based payments	(48)	(373)
Deferred tax (credit)/charge on share-based payments	(17)	296
Total tax credit in equity	(65)	(77)

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

	31 March 2021	31 March 2020
	£'000	£'000
(Loss)/profit before tax	(356)	7,398
Expected tax (credit)/charge based on the standard rate of tax in the UK of 19% (2020: 19%)	(68)	1,406
Differences in overseas tax rates	71	165
Expenses not deductible for tax purposes	21	11
Adjustments to tax in respect of prior periods	(226)	(151)
Other tax adjustments	78	62
Total tax (credit)/charge	(124)	1,493

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

	Tax losses	Share-based payments	Other	Total
	£'000	£'000	£'000	£'000
At 1 April 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
Credited to income	–	31	102	133
Credited to equity	–	17	–	17
Exchange differences	–	–	(5)	(5)
At 31 March 2021	–	133	97	230

The standard rate of corporation tax in the UK is 19%. The March 2021 Budget Statement announced an increase in the main corporation tax rate to 25% with effect from April 2023. This increase was not substantively enacted at the balance sheet date.

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.

11. Earnings per share

Basic earnings per share (EPS) 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 restructuring, employee option surrender costs and in 2020 one-off taxation credits.

	31 March 2021	31 March 2020
Weighted average number of shares in issue	99,660,395	99,493,210
Potentially dilutive shares (weighted average)	587,629	445,571
Diluted number of shares (weighted average)	100,248,024	99,938,781

	31 March 2021			31 March 2020		
	£'000	Basic EPS pence	Diluted EPS pence	£'000	Basic EPS pence	Diluted EPS pence
Net (loss)/profit attributable to shareholders	(232)	(0.23)	(0.23)	5,905	5.93	5.91
Exclude:						
Adjustments	662	0.66	0.66	(765)	(0.76)	(0.76)
Tax on adjustments	(133)	(0.13)	(0.13)	73	0.07	0.07
Adjusted net profit after tax	297	0.30	0.30	5,213	5.24	5.22

12. Dividends

	Per share	31 March 2021	31 March 2020
	Pence	£'000	£'000
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
Final dividend proposed		–	–

The Board did not propose a final dividend for the year ended 31 March 2020 and therefore the interim dividend paid in January 2020 represents the total dividend for the year of £895,000 (0.90 pence per share).

No dividends have been paid or proposed for the year ended 31 March 2021.

13. Intangible assets

	Patents	Development costs	Total
	£'000	£'000	£'000
Cost			
At 1 April 2019	63	1,833	1,896
Additions	–	94	94
At 31 March 2020	**63**	**1,927**	**1,990**
Additions	–	2,834	2,834
At 31 March 2021	**63**	**4,761**	**4,824**
Amortisation			
At 1 April 2019	63	1,388	1,451
Amortisation charge	–	444	444
At 31 March 2020	**63**	**1,832**	**1,895**
Amortisation charge	–	52	52
At 31 March 2021	**63**	**1,884**	**1,947**
Net book value			
At 31 March 2020	–	95	95
At 31 March 2021	–	2,877	2,877

Development cost additions in the year to 31 March 2021 include software development costs directly incurred in the creation of new digital assets.

14. Property, plant and equipment

	Right-of-use asset	Leasehold improvements	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2019	1,794	234	1,241	3,269
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**
Additions	34	72	316	422
Disposals	–	–	(561)	(561)
Exchange differences	(307)	(5)	(83)	(395)
At 31 March 2021	**3,921**	**321**	**1,444**	**5,686**
Depreciation				
At 1 April 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**
Depreciation charge	903	5	176	1,084
Disposals	–	–	(553)	(553)
Exchange differences	(32)	–	(44)	(76)
At 31 March 2021	**1,250**	**234**	**796**	**2,280**
Net book value				
At 31 March 2020	3,815	25	555	4,395
At 31 March 2021	2,671	87	648	3,406

At 31 March 2021, capital expenditure of £135,000 in respect of property, plant and equipment was contracted for but not provided for in the accounts.

15. Inventories

Staff costs were as follows:

	31 March 2021	31 March 2020
	£'000	£'000
Finished goods	–	73

Write-downs of inventory amounted to £70,000 (2020: £16,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £18,000 (2020: £2.0 million).

16. Trade and other receivables

	31 March 2021	31 March 2020
	£'000	£'000
Non-current		
Net investment in sub-lease	79	278
Prepayments in respect of property deposits	260	289
	339	567
Current		
Trade receivables	9,138	8,235
Less provision for impairment	(227)	(303)
Net trade receivables	8,911	7,932
Net investment in sub-lease	172	162
Other receivables	143	305
Prepayments	688	645
Accrued income	706	1,087
	10,620	10,131

The maturity analysis of the net investment in sub-lease is set out in Note 18.

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

	31 March 2021	31 March 2020
	£'000	£'000
Not past due	8,128	6,549
Past due 0–30 days	530	1,027
Past due 31–60 days	185	266
Past due 61–90 days	22	177
Past due more than 90 days	273	216
	9,138	8,235

The movement in the allowance for impairment losses was:

	31 March 2021	31 March 2020
	£'000	£'000
At the beginning of the period	303	114
(Write-back)/charges	(41)	254
Utilisation of provision	(22)	(70)
Foreign exchange adjustment	(13)	5
At the end of the period	227	303

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.

17. Trade and other payables

	31 March 2021	31 March 2020
	£'000	£'000
Trade payables	2,514	1,997
Other taxation and social security	549	833
Other payables	536	673
Accruals	5,578	3,075
Deferred income	4,636	2,343
	13,813	8,921

18. Lease liability

The lease liabilities included in the statement of financial position are:

	31 March 2021	31 March 2020
	£'000	£'000
Current	1,085	914
Non-current	2,081	3,472
	3,166	4,386

There are no significant variable leases costs or lease term judgements. The related right-of-use asset is disclosed in Note 14.

The movements in the lease liability were as follows:

	31 March 2021	31 March 2020
	£'000	£'000
At the beginning of the year	4,386	1,809
Lease payments	(1,075)	(565)
Finance cost	166	75
Additions	34	2,922
Exchange differences	(345)	145
At the end of the year	3,166	4,386

The maturity analysis of the contractual undiscounted cash flows is:

	31 March 2021	31 March 2020
	£'000	£'000
Less than one year	1,204	1,087
Between one and five years	2,213	3,750
More than five years	–	–
Total future lease payments	3,417	4,837
Total future interest payments	(251)	(451)
Total lease liability	3,166	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 16.

	31 March 2021	31 March 2020
	£'000	£'000
Less than one year	180	179
One to two years	80	201
Two to three years	–	87
Total undiscounted lease payments receivable	260	467
Unearned finance income	(9)	(27)
Net investment in the lease	251	440

19. Provisions

	31 March 2021	31 March 2020
	£'000	£'000
At the beginning of the year	–	767
Released in the year	–	(765)
Foreign exchange	–	(2)
At the end of the year	–	–

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 shareholder. 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 2021	31 March 2020
	£'000	£'000
Net trade receivables	8,911	7,932
Other receivables	143	305
Prepayments in respect of property deposits	260	289
Cash and cash equivalents	16,833	15,952
Financial assets at amortised cost	26,147	24,478
Trade payables	2,514	1,997
Other payables	536	673
Lease liabilities	3,166	4,386
Financial liabilities at amortised cost	6,216	7,056

The Group holds no assets or liabilities that 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 that 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 16 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 2021 £'000	31 March 2020 £'000
Trade receivables	8,911	7,932
Other receivables	143	305
Prepayments in respect of property deposits	260	289
Cash and cash equivalents	16,833	15,952
At the end of the period	26,147	24,478

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 lease liabilities. The maturity of the lease liability is set out in Note 18.

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 US Dollar 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 £'000	USD £'000	EUR £'000	Other £'000	Total £'000
At 31 March 2021					
Net trade receivables	2,509	4,806	1,451	145	8,911
Cash and cash equivalents	14,465	1,974	80	314	16,833
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

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

22. Share capital

	31 March 2021 Number	31 March 2021 Cost £'000	31 March 2020 Number	31 March 2020 Cost £'000
Ordinary shares of £0.00001 at 1 April	99,493,210	1	99,493,210	1
Issue of shares to satisfy options	298,574	–	–	–
Ordinary shares of £0.00001 at 31 March	99,791,784	1	99,493,210	1

An Employee Benefit Trust ('EBT') has been established 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 2021 Number	31 March 2021 Cost £'000	31 March 2020 Number	31 March 2020 Cost £'000
As at 1 April	130,835	–	130,835	–
Issue of new shares to EBT	(10,960)	–	–	–
Ordinary shares of £0.00001 at 31 March	119,875	–	130,835	–
Market value at 31 March		156		131

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 MindGym 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.

The total share-based payments expense was:

	31 March 2021	31 March 2020
	£'000	£'000
Equity settled share-based payments	298	344

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

	Number	31 March 2021 Weighted average exercise price	Number	31 March 2020 Weighted average exercise price
		£		£
Outstanding at the beginning of the period	2,183,257	0.63	1,606,434	0.90
Granted during the period	741,070	0.67	1,105,380	0.59
Forfeited during the period	(327,768)	0.97	(528,557)	1.37
Exercised during the period	(309,535)	0.17	–	–
Outstanding at the end of the period	2,287,024	0.66	2,183,257	0.63
Exercisable at the end of the period	2,055		2,055	
Weighted average fair value of awards granted (£)	0.27		0.55	

The number granted during the year to 31 March 2021 excludes 2,055,839 awards in the form of nil cost options and restricted stock awards awarded under the LTIP on 31 March 2021 as these are subject to performance conditions which were not set until after the year end.

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

	31 March 2021	31 March 2020
	£'000	£'000
£ nil	463,705	484,255
£0.00001	427,129	579,536
£0.77000	592,537	-
£1.04000	306,843	622,656
£1.46000	496,810	496,810
	2,287,024	2,183,257
Weighted average remaining contractual life (years)	5.4	7.9

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. The principal assumptions used in these valuations were:

	Date of grant	Share price at grant	Exercise price	Expected life	Expected volatility	Dividend yield	Risk-free rate	Fair value
		£	£	years	%	%	%	£
LTIP (2 year vesting)	27 Apr 2018	1.24	Nil	2	n/a	1.4%	n/a	1.20
LTIP (3 year vesting)	27 Apr 2018	1.24	Nil	3	n/a	1.4%	n/a	1.19
LTIP (2 year vesting)	25 Jun 2018	1.46	1.46	10	19%	1.4%	1.0%	0.28
LTIP (3 year vesting)	25 Jun 2018	1.46	1.46	10	19%	1.4%	1.0%	0.28
SIP	8 Oct 2018	1.67	Nil	n/a	n/a	n/a	n/a	1.67
SAYE	30 Sep 19	1.22	1.04	3	19%	1.4%	1.0%	0.25
ESPP	30 Sep 19	1.22	1.04	1	19%	1.4%	1.0%	0.20
LTIP (3 year vesting)	31 Mar 20*	1.00	Nil	3	n/a	1.4%	n/a	0.96
LTIP (4 year vesting)	31 Mar 20*	1.00	Nil	4	n/a	1.4%	n/a	0.95
LTIP (5 year vesting)	31 Mar 20*	1.00	Nil	5	n/a	1.4%	n/a	0.93
SAYE	1 Sep 20	0.90	0.77	3	19%	1.4%	1.0%	0.25
ESPP	1 Sep 20	0.90	0.77	1	19%	1.4%	1.0%	0.20

* Includes further options granted on 12 Jun 2020 on the same terms and with the same valuation assumptions

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:

- Key management compensation as disclosed in Note 8.
- Trevor Phillips, a non-executive director of MindGym plc, is also chairman and director of Green Park Interim and Executive Search which provided services to the Group totalling £83,000 in the year ended 31 March 2021.
- David Nelson, a non-executive director of MindGym plc, is also a partner of Dixon Wilson. Dixon Wilson provided services to the Group totalling £12,000 in the year ended 31 March 2021.
- The payment of dividends in the year ended 31 March 2020 to O. Black and J. Cash on their shareholding in the Company.

25. Events after the reporting period

The performance conditions on share-based payment awards made on 31 March 2021 under the LTIP were approved in May 2021. See Note 23 and the Annual Report on Remuneration for further details.

MindGym plc parent company statement of financial position

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Intangible assets	4	2,877	95
Property, plant and equipment	5	772	1,024
Investments in subsidiaries	6	50	50
Deferred tax assets	7	112	86
		3,811	1,255
Current assets			
Inventories	8	-	11
Trade and other receivables	9	5,231	9,789
Current tax receivable		280	-
Cash and cash equivalents		14,688	13,562
		20,199	23,362
Total assets		24,010	24,617
Current liabilities			
Trade and other payables	10	9,834	9,315
Lease liability	11	357	352
Redeemable preference shares	12	50	50
Current tax payable		-	256
		10,241	9,973
Non-current liabilities			
Lease liability	11	125	482
Total liabilities		10,366	10,455
Net assets		13,644	14,162
Equity			
Share capital	12	1	1
Share premium		157	112
Share option reserve		674	684
Retained earnings		12,812	13,365
Equity attributable to owners of the Company		13,644	14,162

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 loss for the financial year was £926,000 (2020: profit of £4,454,000).

The Accounting Policies and Notes on pages 112 to 120 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2021 and signed on its behalf by:

Richard Steele
Chief Financial Officer

MindGym plc 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 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**
Loss for the period	–	–	–	(926)	(926)
Total comprehensive income for the period	–	–	–	**(926)**	**(926)**
Credit to equity for share-based payments	–	–	298	–	298
Exercise of options		45	(308)	308	45
Tax relating to share-based payments	–	–	–	65	65
At 31 March 2021	**1**	**157**	**674**	**12,812**	**13,644**

MindGym plc 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 (FRS 101) as 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 7 (Auditor remuneration), Note 12 (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.

Foreign currency translation

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

Revenue recognition

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

The Company generates revenue from business-to-business customers by:

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

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

The incremental costs of obtaining a contract principally consist of commissions paid to the Company's sales team. The sales team earn commission over time as the revenue they have generated is recognised. Commission costs are 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 that 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 the 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with any conditions attached to them. Government grants are recognised in the income statement over the same period as the costs for which the grants are intended to compensate.

Government grant income under the Coronavirus Job Retention Scheme is netted against staff costs and is disclosed in Note 2.

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.

Other research and development costs that do not meet the above criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

After recognition intangible assets are measured at cost less any accumulated amortisation and impairment losses. Amortisation is charged to administrative expenses on a straight-line basis from the date on which the asset is available for use. Intangible assets are amortised over their estimated useful lives as follows:

Internally developed softwares	Three to five years
Other intangible assets	One to five 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	Two to five 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

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.

Dividends

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

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

2. Employees and auditor's remuneration

Staff costs were as follows:

	31 March 2021	31 March 2020
	£'000	£'000
Wages and salaries	9,940	8,860
Social security costs	1,370	1,145
Pension costs – defined contribution plans	344	400
Share-based payments	298	344
Restructuring payroll costs included in adjusted items	517	–
	12,469	10,749

Wages and salaries in 2021 are stated net of £181,000 of government grants under the UK Coronavirus Job Retention Scheme.

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

	31 March 2021	31 March 2020
Delivery	73	86
Support	43	48
Digital	20	–
	136	134

Details of Directors' remuneration and share options are set out in the Annual Report on Remuneration on pages 64 to 69.

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

3. Dividends

Details of the Company's dividends are set out in Note 12 of the Group financial statements.

4. Intangible assets

	Patents	Development costs	Total
	£'000	£'000	£'000
Cost			
At 1 April 2020	63	1,927	1,990
Additions	–	2,834	2,834
At 31 March 2021	**63**	**4,761**	**4,824**
Amortisation			
At 1 April 2020	63	1,832	1,895
Amortisation charge	–	52	52
At 31 March 2021	**63**	**1,884**	**1,947**
Net book value			
At 31 March 2020	–	95	95
At 31 March 2021	–	2,877	2,877

5. Property, plant and equipment

	Right-of-use asset	Leasehold improvements	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2020	1,157	228	993	2,378
Additions	–	–	196	196
Disposals	–	–	(561)	(561)
At 31 March 2021	**1,157**	**228**	**628**	**2,013**
Depreciation				
At 1 April 2020	327	223	804	1,354
Depreciation charge	324	5	111	440
Disposals	–	–	(553)	(553)
At 31 March 2021	**651**	**228**	**362**	**1,241**
Net book value				
At 31 March 2020	830	5	189	1,024
At 31 March 2021	506	–	266	772

6. 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
MindGym (USA) Inc.	USA	475 Park Avenue South, Floor 2, New York, NY 10016 USA
MindGym Performance (Asia) Pte. Ltd	Singapore	PWC Building, # 28-63, 8 Cross Street, Singapore 048424
MindGym (Canada) Inc.	Canada	145 King Street West, Toronto, Ontario, Canada, M5H 4G2

7. Deferred tax assets

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

	Tax losses	Share-based payments	Other	Total
	£'000	£'000	£'000	£'000
At 1 April 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
Credited/(charged) to income	–	31	(22)	9
Credited/(charged) to equity	–	17	–	17
At 31 March 2021	–	133	(21)	112

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.

8. Inventories

	31 March 2021	31 March 2020
	£'000	£'000
Finished goods	–	11

Write-downs of inventory amounted to £11,000 (2020: £nil).

9. Trade and other receivables

	31 March 2021	31 March 2020
	£'000	£'000
Trade receivables	4,146	4,609
Less provision for impairment	(107)	(148)
Net trade receivables	4,039	4,461
Amounts owed by group undertakings	169	4,179
Other receivables	133	218
Prepayments	444	361
Accrued income	446	570
	5,231	9,789

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.

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 2021 or 2020.

10. Trade and other payables

	31 March 2021	31 March 2020
	£'000	£'000
Trade payables	1,824	1,305
Amounts owed to group undertakings	2,688	4,546
Other taxation and social security	549	834
Other payables	295	335
Accruals	2,965	1,425
Deferred income	1,513	870
	9,834	9,315

11. Leases

The lease liabilities included in the statement of financial position are:

	31 March 2021	31 March 2020
	£'000	£'000
Current	357	352
Non-current	125	482
	482	834

There are no significant variable leases costs or lease term judgements. The related right-of-use asset is disclosed in Note 5.

The movements in the lease liability were as follows:

	31 March 2021	31 March 2020
	£'000	£'000
At the beginning of the year	834	1,172
Lease payments	(377)	(375)
Finance cost	25	37
At the end of the year	482	834

The maturity analysis of the contractual undiscounted cash flows is:

	31 March 2021	31 March 2020
	£'000	£'000
Less than one year	369	374
Between one and five years	127	496
More than five years	–	–
Total future lease payments	496	870
Total future interest payments	(14)	(36)
Total lease liability	482	834

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. 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:

- Key management compensation as disclosed in Note 8 of the Group financial statements.
- Trevor Phillips, a non-executive director of MindGym plc, is also chairman and director of Green Park Interim and Executive Search which provided services to the Group totalling £83,000 in the year ended 31 March 2021.
- David Nelson, a non-executive director of MindGym plc is also a partner of Dixon Wilson. Dixon Wilson provided services to the Company totalling £12,000 in the year ended 31 March 2021.
- The payment of dividends in the year ended 31 March 2020 to O. Black and J. Cash on their shareholding in the Company.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the 'AGM') of MindGym plc (the 'Company') will be held at the office of the Company at 160 Kensington High Street, London, W8 7RG on 15 July 2021 commencing at 9.00am. Our preference had been to welcome shareholders in person to our AGM, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. However, at present under UK Government guidelines, shareholders will be unable to attend the AGM in person. We are therefore proposing to hold the AGM with the minimum attendance required to form a quorum. 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.com.

Should any of the arrangements relating to the holding of the AGM change, we will make an announcement to the London Stock Exchange. Shareholders should also check the Company website at www.themindgym.com. We encourage all shareholders to vote by proxy, further details of which are contained in this document.

The AGM will be held 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 2021 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 2021.

Directors

3) To elect Ruby McGregor-Smith as a Director of the Company.

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

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

6) To re-elect Octavius Black 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.

10) To elect Trevor Phillips as a Director of the Company.

Auditors

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

Remuneration of auditors

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

Directors' authority to allot shares

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

a) up to an aggregate nominal amount of £332.64 (representing approximately one-third of the total ordinary share capital in issue at 11 June 2021, 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 £332.64 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 2022, save that the Company may, before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the authority ends.

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

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

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

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

Special Resolutions

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

Disapplication of pre-emption rights

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

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

b) to the allotment of equity securities or sale of treasury shares (otherwise than in paragraph (a) above) up to a total nominal amount of £49.90 being 5% of the total ordinary share capital in issue at 11 June 2021, being the latest practicable date prior to publication of this notice of meeting, 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 2022) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

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

a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £49.90; 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 2022) 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 9,979,178;

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

11 June 2021

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 2021.

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 auditor's report on the accounts. The Annual Report and Accounts for the financial year ended 31 March 2021 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 2021 is set out on pages 56 to 69 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 election of Ruby McGregor-Smith 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 Joanne Black as a Director of the Company.

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

Resolution 7 seeks approval for the 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.

Resolution 10 seeks approval for the election of Trevor Phillips as a Director of the Company.

Under the Company's Articles of Association, Directors that have been appointed by the Board since the last Annual General Meeting are obliged to retire and offer themselves for election. Furthermore, in accordance with best practice, all of the other Directors will retire and submit themselves for re-election at this Annual General Meeting.

As announced on 11 June 2021, Joanne Black has notified the Board of her intention to step down as Chair of the Company at the AGM. Ruby McGregor-Smith, who was appointed to the Board as a non-executive director in November 2020, has been nominated by the Board to succeed Joanne as Chair. Joanne will continue to serve as a non-executive director of the Company.

Biographies of each of the Directors can be found in the Governance section of the Annual Report for the year ended 31 March 2021 and on the Company's website: www.themindgym.com. The Board has no hesitation in recommending the election and re-election of these Directors to shareholders. In making these recommendations, the Board confirms that it has given careful consideration to the Board's balance of skills, knowledge and experience, and is satisfied that each of the Directors putting themselves forward for election or re-election has sufficient time to discharge their duties effectively, taking into account their other commitments.

Reappointment of auditors

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

Remuneration of auditors

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

Directors' authority to allot shares

Resolution 13 seeks authority for the Directors to allot shares.

The authority granted in paragraph (a) will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to approximately one-third of the issued ordinary share capital of the Company which at 11 June 2021 being the latest practicable date prior to the publication of this notice of meeting is equivalent to a nominal value of £332.64.

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 £332.64 which is equivalent to approximately one-third of the total issued ordinary share capital of the Company at 11 June 2021.

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 2022.

Special Resolutions

Disapplication of pre-emption rights

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

Resolution 14 deals with the authority of the Directors to allot new shares or other equity securities pursuant to the authority given by resolution 13, or sell treasury shares, for cash without the shares or other equity securities first being offered to shareholders in proportion to their existing holdings. Such authority shall only be used in connection with a pre-emptive offer, or otherwise, up to an aggregate nominal amount of £49.90, being approximately 5% of the total issued ordinary share capital of the Company as at 11 June 2021.

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

Accordingly, and in line with the template resolutions published by the Pre-Emption Group, resolution 15 seeks to authorise the Directors to allot new shares and other equity securities pursuant to the authority given by resolution 13, or sell treasury shares, for cash up to a further nominal amount of £49.90, being approximately 5% of the issued ordinary capital of the Company as at 11 June 2021, 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 2022, 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 9,979,178 ordinary shares, representing approximately 10% of the issued ordinary share capital at 11 June 2021. The authority requested would expire at the end of the next Annual General Meeting, or if earlier, 31 October 2022.

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 13 July 2021 (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, at present under UK Government guidelines, shareholders will be unable to attend the AGM in person.

iii A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar Equiniti Limited, by calling 0371 384 2030 (callers from overseas should contact the Equiniti overseas helpline on +44 (0)121 415 7047. Lines are open from 9.30am 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 9.00am on 13 July 2021 (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 9.00am on 13 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. Corporate shareholders are 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 shareholders will be unable to attend the 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.com.

xii Voting on all resolutions will be conducted by way of a poll as shareholders will be unable to attend. 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.

Directors and advisors

Directors

Joanne Cash
Non-Executive Board Chair

Octavius Black
Chief Executive Officer

Sebastian Bailey
Executive Director

Richard Steele
Chief Financial Officer

Ruby McGregor-Smith
Non-Executive Director

Sally Tilleray
Non-Executive Director

Trevor Phillips
Non-Executive Director

David Nelson
Non-Executive Director

Company registration
Registered in England and Wales No. 03833448

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160 Kensington High Street, London W8 7RG, UK

Company secretary
Prism Cosec Limited
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207 Brooklands Road, Weybridge
Surrey KT13 0TS

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

Nominated advisor and broker
Liberum Capital Limited
Ropemaker Place, 25 Ropemaker Street
London EC2Y 9LY, UK

Registrars
Equinti Limited
Aspect House, Spencer Road
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Financial PR
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Solicitors
Winston & Strawn London LLP
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Bankers
HSBC Bank Plc
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Temple Back East
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