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Mind Gym PLC
11 June 2021

Mind Gym PLC

("Mind Gym", the "Group" or the "Company")

Full year results for the year ended 31 March 2021

Mind Gym (AIM: MIND), the global provider of human capital and business improvement solutions, is pleased to announce its audited results for the year ended 31 March 2021.

Financial highlights

	12 months to 31 Mar 2021 (FY21)	**12 months to 31 Mar 2020 (FY20)**	***Change***
Revenue	£39.4m	£48.2m	-18%
Gross profit margin	87.4%	79.9%	+7.5pps
Adjusted PBT[1]	£0.3m	£6.6m	-95%
Statutory (loss)/profit before tax	£(0.4)m	£7.4m	
Adjusted[1] Diluted EPS	0.30p	5.22p	-94%
Diluted EPS	(0.23)p	5.91p	
Total Dividend per share[2]	nil	0.9p	
Cash at bank	£16.8m	£16.0m	+5.5%
Cash generated from operations	£5.9m	£10.6m	-44%
Capital expenditure	£3.2m	£0.6m	+396%
Adjusted[1] EBITDA cash conversion[3]	418%	136%	+282pps

[1]*Adjustments include restructuring costs in FY21 and a credit on employee share option surrender bonuses in FY20. These adjustments are detailed in Note 6.*

[2]*FY20 dividend of 0.9p reflects interim dividend only and no final dividend.*

[3]*Adjusted EBITDA cash conversion defined as Adjusted cash generated from operations/Adjusted EBITDA.*

Financial and operating highlights

- **Strong H2 bounce back in revenues following initial impact of COVID-19 lockdown:**
  - H2 revenue 79% higher than H1 in constant currency
  - H2 revenue +6% higher than in H2 FY20 in constant currency
  - Progressive bounce back in quarterly performance in constant currency:

Quarter	**Q1**	**Q2**	**Q3**	**Q4**
% change to prior year	-40%	-38%	-2%	+15%

- **Successful pivot to virtual delivery whilst progressing digital strategy:**
  - Digitally enabled revenue of £30.5m in constant currency (2020: £15.1m), including live workouts delivered virtually, increased by 102% and represented 77% of total revenues (2020: 32%)
  - Pure digital revenues of £6.4m (2020: £4.3m) increased by 51%, representing 16% of total revenue (2020: 9%) which builds confidence for our next generation of digital products
  - Increased proportion of digital revenue and savings on delivering live sessions virtually delivered gross profit margin of 87.4% (FY20: 79.9%)
  - Demonstrated that quality of virtual is at least as good as face-to-face, as percentage of participants rating their Mind Gym experience as "Excellent" rose from 50.1% to 56.1%

- **Resilient repeat revenues whilst winning new clients:**
  - 78% of total revenues (2020: 88%) reflecting new client wins in H2
  - Revenue from top 25 accounts stable at 41% (2020: 41%)

- **Strong financial position enabling significant investment in capex, infrastructure and people:**
  - Cash balance of £16.8m (FY20: £16.0m) due to strong cash conversion and benefit from near doubling in deferred income, together with significant fall in overdue debt
  - £2.8 million capex on developing new digital offer with a further significant investment expected to be made during the current financial year. Two products on track to launch in FY22 and positive feedback from beta trials
  - Continued investment in infrastructure, leadership and talent to support future top line growth; new digital team now has 35 staff

- **Board Changes**
  - Joanne Cash will not seek re-election as Chair at the AGM on 15 July 2021 and will be succeeded by Ruby McGregor-Smith who joined the Board in November 2020. Joanne Cash will remain on the Board as a Non-Executive Director.
  - Trevor Phillips who joined the Board in October 2020 will assume the role Chair of the Company's Remuneration committee, effective 15 July 2021
  - Sally Tilleray, Chair of Audit and Risk Committee, was appointed Senior Independent Director 16 October 2020

Current trading and outlook:

- Strong start to the current financial year (FY22), with continued demand for Mind Gym's distinct offering
- FY22 revenue expected to at least reach pre-COVID FY20 levels
- FY22 expected to be break-even as we continue to make significant investment in our digital offer, with an anticipated return to profitability in FY23

Octavius Black, Chief Executive Officer of Mind Gym, said:

"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.

"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 offer 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.

"We have had a strong first quarter with revenue anticipated to be well ahead of Q1 last year, which suffered from the pandemic, and 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."

The Company will host a webcast and conference call for analysts and investors at 9:00am BST today. If you would like to attend the webcast and conference call, please contact mindgym@mhpc.com.

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About Mind Gym

Mind Gym is a company that delivers business improvement solutions using scalable, proprietary products which are based on behavioural science. The Group operates in three global markets: business transformation, human capital management and learning & development.

Mind Gym is listed on the London Stock Exchange Alternative Investment Market (ticker: MIND) and headquartered in London. The business has offices in London, New York and Singapore.

Further information is available at www.themindgym.com

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.

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 upfront 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 whilst continuing crucial investment in its digital strategy. 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, CEO's 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 Mind Gym 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 Philipps and Ruby McGregor Smith, who have broadened the skills of the Board. Trevor Philipps 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 Philipps has had oversight of Mind Gym'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 Mind Gym 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 to drive market share than ever. None of this would have been possible without our talented Executive and colleagues. It is a testament to the Mind Gym 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 Mind Gym returns to profit and generates surplus free cash.

Joanne Cash
Chair

CEO's review

Emerging stronger

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 and put 'human capital' 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 behavioral 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.

Mind Gym 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 which will deliver sustainable growth and turn Mind Gym 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 Mind Gym 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 which sets us up well for the year ahead.

H1
The impact of global lockdown and remote working would have been more serious without Mind Gym's strong virtual and digital products. Within the first few weeks of H1, 183 Mind Gym coaches were trained and qualified to deliver virtual sessions. Mind Gym'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 and (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 Mind Gym 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, Mind Gym 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, Mind Gym 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, whilst 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 Mind Gym 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 Mind Gym. 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 Mind Gym's success lies in its ability to identify and address the most pertinent and challenging behavioural issues with the science that works.

These 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 roundtables with current and potential clients as well as in the media with Mind Gym being quoted in The Times, Financial Times, The Economist, Bloomberg and many other mainstream media.

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 Mind Gym 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 which help people improve their mental strength and wellbeing. We are in the process of developing an original, evidence-based point of view on wellness which will be supported by a range of existing and some new live and digital products. This offer has already been trailed in our new COVID-related point of view on 'The wellness precipice' and will be launched later in 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 Mind Gym'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 whitepaper, we plan to reduce this to between nine and twelve 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 which 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 bi-lingual coaches in a range of languages including Hebrew, Mandarin, Vietnamese and Arabic.

This renewed focus on virtual delivery is yielding very positive results in terms of quality as measured by participant feedback. In 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 which 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 which 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.

Strong leadership
In FY20 we added experienced new members to the Mind Gym 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
Mind Gym 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 Mind Gym 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 Parent Gym. 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 Parent Gym programme in 2010. Over 10 years the programme has continued to be delivered by Parent Gym-trained volunteers in over 100 state primary schools a term across the UK, fully funded by Mind Gym. At the market rate for Mind Gym's comparable products, this is equivalent to a donation of c. £3.5m pa.

Mind Gym employees are actively involved in many aspects of its work, including the design of the programme and some of our people cite it as one of the reasons they chose to work for Mind Gym. A series of independent academic evaluations of the programme are further proof to clients of the impact Mind Gym delivers. It has been shown to be 'effective in aiding the positive development of aspects of parenting behaviour, namely parents' self-efficacy, parenting satisfaction and mental well-being, when delivered in community settings' (Warwick University 2019).

One of the most challenging impacts of COVID-19 has been the closure of the nation's schools through which, historically, we have connected with and delivered the Parent

Gym programme to parents. However, it is testament to our employees' commitment that we have 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 Parent Gym, 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 Mind Gym'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 11th 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 Mind Gym'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 theextraordinary 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
Chief Executive Officer

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 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	Year to 31 March 2020	Change
	£000	£000	%
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 e-Workouts 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%
Total	**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 whilst continuing to invest to support a return to growth. People costs reduced by £1.1m before restructuring costs of £0.7m. 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	31 March 2020
	£'000	£'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 £0.1million (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			FY20	
	Adjusted £'000	Adjustments £'000	Reported £'000	Adjusted £'000	Adjustments £'000	Reported £'000
Profit/(loss) before tax	306	(662)	(356)	6,633	765	7,398
Tax credit/(charge)	(9)	133	124	(1,420)	(73)	(1,493)
PAT (earnings)	297	(529)	(232)	5,213	692	5,905
ETR %	2.8%	20.0%	34.8%	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 benefitted 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 £4.6m (FY20: £2.3m) 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 £0.9m 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 £13.7m (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 (KPI's) 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.

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

Richard Steele
Chief Financial Officer

MIND GYM 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			

	Note		
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 parent		(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

MIND GYM PLC CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2021 £'000	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

MIND GYM 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**

MIND GYM 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

MIND GYM PLC NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General information

Mind Gym 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 Mind Gym plc and its subsidiaries, Mind Gym (USA) Inc., Mind Gym Performance (Asia) Pte. Ltd, and Mind Gym (Canada) Inc. (together 'the Group').

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

2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 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 Mind Gym plc and its subsidiary undertakings (i.e. entities that the Group controls when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity). Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

Foreign currency translation

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

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

All resulting exchange differences are recognised in equity.

Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets or liabilities denominated in foreign currencies are recognised in 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 software — 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 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 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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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
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
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 £'000	31 March 2020 £'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

9. Net finance costs

	31 March 2021 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 Pence	31 March 2021 £'000	31 March 2020 £'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 £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'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

	31 March 2021 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 share holder. The preference share capital, however, counts towards the £50,000 minimum share capital required under the Companies Act 2006 and cannot therefore be redeemed unless the Company increases its other share capital. The preference shares are non-voting, give no rights to dividends or interest and entitle the holder to the return of the nominal value on a winding up.

21. Financial instruments and financial risk management

Financial instruments by category

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

	31 March 2021 £'000	31 March 2020 £'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	31 March 2020
	£'000	£'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	USD	EUR	Other	Total
	£'000	£'000	£'000	£'000	£'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	31 March 2021 Cost	31 March 2020	31 March 2020 Cost
	Number	£'000	Number	£'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	31 March 2021 Cost	31 March 2020	31 March 2020 Cost
	Number	£'000	Number	£'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 Mind Gym plc Share Incentive Plan (SIP). An initial award of £1,000 of free shares was granted in October 2018 to all employees at the IPO price of 146 pence. The shares are held in an employee benefit trust and vest after three years subject only to remaining employed up to the vesting date. The holder is entitled to dividends over the vesting period.
On 30 September 2019 the Group launched a Save As You Earn scheme ('SAYE') and an Employee Share Purchase Plan ('ESPP') for all eligible employees in the UK and USA respectively.
The total share-based payments expense was:

	31 March 2021 £'000	31 March 2020 £'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 £'000	31 March 2020 £'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 Mind Gym 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 Mind Gym 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.

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