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Mind Gym PLC
23 November 2020

Mind Gym PLC

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

Half year results for the six months ended 30 September 2020

Mind Gym (AIM: MIND), the global provider of human capital and business improvement solutions, announces its half year results for the six months ended 30 September 2020.

Key Financials

	6 months to 30 Sept 2020 (H1 FY21)	6 months to 30 Sept 2019 (H1 FY20)	12 months to 31 Mar 2020 (FY20)	*Change (H1 FY21 v H1 FY20)*
Revenue	£14.5m	£23.9m	£48.2m	-40%
Digitally enabled[1] revenue	£10.3m	£7.1m	£14.5m	+43%
Gross profit margin	88.3%	78.8%	79.9%	+9.5pps
Adjusted PBT[2,3]	£(1.3m)	£3.9m	£6.6m	-134%
Statutory PBT	£(2.0m)	£3.9m	£7.4m	-152%
Diluted EPS	(1.58p)	3.06p	5.91p	-152%
Adjusted[2,3] Diluted EPS	(1.04p)	3.06p	5.22p	-134%
Total Dividend per share[4]	-	0.9p	0.9p	n/a
Total Cash	£14.5m	£10.7m	£16.0m	+36%
Cash generated from operations	£1.1m	£4.3m	£10.6m	-75%

[1]Digitally enabled revenue comprises revenue from our digital products and revenue for the delivery of virtual sessions.

[2]Adjustments include restructuring costs in H1 FY21 and employee share option surrender bonuses in FY20. A reconciliation of these adjustments is shown in Note 6.

[3]The definition of adjustments has been updated to remove share-based payments, in line with the FY20 presentation and the adjusted results for the six months ended 30 September 2019 have been restated as a result.

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

Overview

- Revenue decreased by 40% (39% on a constant currency basis) to £14.5 million (H1 FY20: £23.9 million) as COVID caused disruption to business activity and a suspension of face to face meetings.
  - EMEA revenue decreased by 44% to £5.8 million (H1 FY20: £10.2 million).
  - US revenue decreased by 37% (35% in constant currency) to £8.7 million (H1 FY20: £13.7 million).

- Digitally-enabled revenue increased 43% to £10.3 million, (H1 FY20: £7.1 million) reflecting increased revenues from both digital products and live virtual deliveries:
  - Digital product revenue grew by 7% to £2.1 million (£1.9 million) to represent 15% of total revenue (H1 FY20: 8%).
  - Live virtual deliveries grew by 57% to £8.2 million, with strong feedback reflected in a 2% increase in participants rating courses as "Excellent" to 54% (H1 FY 20: 52%).
- Repeat revenue[5] remained strong at 87% of Group revenue (H1 FY20: 92%) despite the impact of COVID.
- Gross profit margin increased by 9.5 percentage points to 88.3% as a result of higher digital and virtual revenues.
- Action taken to reduce ongoing costs whilst investing in accelerating the Group's digital strategy and continuing to innovate:
  - People costs, excluding the new digital team, reduced by 9% on the comparative period last year and average headcount, excluding the digital team, reduced by 1%. Savings in basic salaries of 15% on the comparative period last year through temporary and permanent measures were partially offset by new heads in marketing and other areas.
  - £1.2 million invested in new digital products to be launched next financial year, the majority in recruiting 19 digital specialists as at 30 September 2020.
  - Product innovation has included an "on demand" digital e-workout offering; new DEI white paper; diversity and inclusion and wellness products; and remote working workouts.
  - Investment in marketing has increased. This includes a strategic re-branding that will be launched along with a new website and marketing campaigns in Q1 FY22.
- Adjusted[2] loss before tax of £1.3 million (H1 FY20: £3.9 million) before £0.7 million of restructuring costs, with the Group having operated profitably by the end of the period.
- Cash balance remains strong at £14.5 million (H1 FY20: £10.7 million) due to continued working capital improvements to support continued investments.
- Cash generated from operations remained positive at £1.1 million (H1 FY20: £4.3 million).

Due to the continued uncertainty in light of further cycles of lockdowns across the world and the allocation of excess cash to digital investment, no interim dividend will be paid.

[5]Repeat revenue is defined as revenue from clients that have purchased products during a comparative period in one or more of the previous three years.

Outlook

Due to the continuing global and economic uncertainties caused by COVID, it remains too early for the Group to reinstate guidance. However, there has been a month-on-month increase in revenue since July, with October delivering the largest monthly revenue in the year to date with the smallest year on year reduction at -15% versus October last year. We expect this trend in performance to continue and therefore anticipate full year revenue being down 20% to 30% and a return to profitability in H2 resulting in a small loss for the full year. Furthermore, despite the planned investment of £2.8 million in new digital products during H2, cash at bank at year end is expected to be between £9 and £11 million. Meanwhile, the Group remains focused on the medium to long term and is pushing ahead with investment in its strong digital proposition, the demand for which has been strongly reinforced by COVID.

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

"The last quarter of FY20 and the first half of FY21 saw the nature of work and workplaces irreversibly altered by the global COVID crisis which meant that first half revenue was down 40% on the comparative period. However, in each month since the nadir in July, year-on-year revenue has continued to improve which implies a marked improvement in overall performance in H2 compared with H1. Our reputation for strong live delivery through virtual channels, built over ten years, has protected the business through lockdown and our rapid innovation has kept us highly relevant during this very human crisis.

The Group continues to invest in areas that support medium term growth including marketing and new senior hires, as well as a major investment in accelerating our digital strategy. Our robust cash balance protects the business and supports our ongoing digital investment to ensure Mind Gym continues to grow its share of the corporate human performance and behavioural change market.

The macro outlook remains highly unpredictable, however we are confident that when the greatest COVID risks have passed, the business will be in a stronger position than ever to realise the market opportunity and return to robust, sustainable growth."

The Company will host a webcast and conference call for analysts and investors at 11:00am GMT today. Octavius Black, Co-Founder and CEO, and Richard Steele, CFO, will provide an update on trading and outlook and Elaine Safier, Chief Digital Officer, will provide an update on the Group's digital strategy. If you would like to attend the webcast and conference call, please contact natalie.clarke@liberum.com for further details.

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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

Half Yearly report

Business overview

COVID and its global consequences disrupted a five-year revenue CAGR of 20% to 31 March 2020 for the Group. As face to face meetings were cancelled across the world and clients pressed pause to fathom their business needs and responses, the Group saw revenue drop by 40% YOY (EMEA -44%, US -37%) with COVID having a material impact in both regions. While new lockdowns across the EU and the UK along with unknown outcomes in the US prevent us from reinstating guidance at this time, the Group has seen continued month on month improvement since July with September performing at -29% YOY and October at -15% YOY.

Repeat revenue remained strong at 87% (H1 FY20: 92%) and we continued to be well diversified across many sectors, led by technology, financial services and pharma.

Revenue from the Group's top 25 clients contributed 35% of revenue which was down on 46% for the same period last year due to larger size projects being paused.

The trends in workplace habits and needs accelerated by COVID had been identified and planned for by the Group already. Mind Gym's coaches are trained in the specific skills required to deliver content remotely and our operating and commercial practices empowered a rapid adaptation from live in-person (H1 FY20: 63%) to 100% live remote delivery without any compromise on quality. The Group's participant scores rating courses "Excellent" increased on the comparative period last year by 2% to 54% (H1 FY20: 52%).

As a result, the Group has seen its digitally-enabled revenues grow by 43% in H1 to £10.3 million. Within this, digital products grew by 7% to £2.1 million, representing a 6% increase in the proportion of Group revenues, up from 8% to 15%. Together, the increased digital mix and move to 100% virtual live delivery drove the Group's gross profit margin up 9.5 percentage points to 88.3%.

Like many other businesses, it was necessary to move rapidly to rationalise the cost base, although the unprecedented speed and severity of the pandemic's consequences meant this was to some extent reactive. Temporary people cost reductions were shared across all employees in the first quarter and led to a 19% reduction in staff costs on the same quarter in the previous period, permanent reductions at the start of the second quarter equated to a 10% reduction on the same period last year. These cost reductions were offset by our commitment to keep investing for growth. The Group commenced an investment programme to build a marketing function, revamp the website and a rebrand. In addition, the Group continues to invest in new leadership and the sales team. Nonetheless, reductions in people costs of 9% helped to mitigate the reduction in revenue which resulted in an adjusted loss of £1.3 million, as the Group also accelerated its investment in its digital strategy.

The balance sheet remains strong with no bank debt and cash of £14.5 million at 30 September. Further improvements in working capital meant that £1.1 million of cash was generated from operations despite the reduced revenue. This strong financial position provides resilience during these challenging times as well as the funds to invest in our digital proposition.

Innovation

The agility and capability of the Group's team of behavioural scientists and creatives came once again to the fore during the pressures in H1. The Group is pleased to report that the six month period included the creation of products to help clients meet the demands of the COVID crisis and consequent remote working, the response to the death of George Floyd and Black Lives Matter, and increasing concerns about employee wellness (a multi-billion pound market). In addition, the research and writing of the new Diversity and Inclusion research paper was completed for launch in H2.

Digital Innovation

H1 saw preparation of an "on demand" digital package of all our 78 existing e-workouts for launch in early H2, which will help accelerate digital growth. The Group also set up an e-commerce trial, opening up another potential route to market.

The scope and timelines of the longer-term digital strategy have been refined and accelerated due to learnings from COVID. Two new products, one fully digital and one digitally enabled, and both of which address a large market opportunity, are planned for launch in H1 FY22. These are significant in their own right as well as important building blocks in delivering the longer-term digital strategy.

Despite the rationalisation of the cost base due to COVID revenue impact, the Group has continued to invest £1.2 million in the building of a digital team over H1. The digital product and platform innovation is capex which we will start to amortise when the first new products become revenue-generating in H2 FY22.

Team

Over the past two years, the Group has invested in senior leadership in line with its ambition for digital transformation and growth. The Board is confident that the leadership team has the potential to drive recovery and growth in a post COVID time.

Overall, the Group has overseen a 1% reduction in average headcount, excluding digital, versus the prior period. Of new hires, the 19 new digital heads are included in capex, in addition to shorter term contractors, at a cost of £1.2 million. The ease of transition of the Group to digitally enabled and digital revenue suggests the Board's confidence is well placed.

Board

As announced on 16 October 2020, the Board welcomed the appointment of Trevor Phillips as a Non-Executive Director and Sally Tilleray has become Senior Independent Director, following Baroness Dido Harding stepping down.

As announced separately today, the Board is also delighted that Baroness Ruby McGregor-Smith CBE has joined as a Non-Executive Director, with immediate effect.

Financial Performance

As a result of the anticipated disruption to our clients, revenue for the six months to 30 September 2020 decreased 40% (39% on a constant currency basis) to £14.5 million (H1 FY20: £23.9 million).

In EMEA, revenue decreased by 44% to £5.8 million (H1 FY20: £10.2 million), representing 40% of total revenue. Revenue from the top 25 clients decreased to 53% of regional revenue (H1 FY20: 70%).

In the US, revenue decreased by 37% (35% on a constant currency basis) to £8.7 million (H1 FY20: £13.7 million), representing 60% of total revenue. Revenue from the top 25 clients decreased to 50% of regional revenue (H1 FY20: 55%).

Revenue from digital products in H1 FY21 increased by 7.4% to £2.1 million (H1 FY20: £1.9 million), representing 14.6% of total revenue (H1 FY20: 8.3%); a 6% increase. Digitally-enabled revenue (including workouts delivered virtually) increased by 43% to £10.3 million (H1 FY20: £7.1 million), representing 72% of total revenue (H1 FY20: 30%), following the significant shift to virtual deliveries driven by our response to COVID.

Gross profit in the period decreased by 32% to £12.8 million (H1 FY20: £18.9 million). However, gross profit as a percentage of revenue in the period increased by 9.5 percentage points on the prior period to 88.3%. The increase reflects the higher mix of digital and digitally-enabled revenues in the period.

The Group has taken action to reduce costs to reflect current revenues, whilst continuing to invest to support growth. In H1, people costs before restructuring costs reduced by £1.1 million, or 9% on the comparative period last year; as a result of the measures taken, including temporary salary reductions, greater part-time work during lock down and restructuring, partially offset by continued investment in leadership, sales team and marketing.

As a result of the revenue reduction, and the continued investment in the Group's digital strategy, the Group reported an adjusted loss before tax of £1.3 million (H1 FY20: profit of £3.9 million). Restructuring costs comprising redundancy payments and related consulting and legal costs of £0.7 million are presented as adjusted items, resulting in a statutory loss before tax of £2.0 million (H1 FY20: profit of £3.9 million). The definition of adjustments was updated for the year ended 31 March 2020 to remove share-based payments and the adjusted results for the six months ended 30 September 2019 have been restated as a result.

The tax credit of £0.4 million represents an effective tax rate on profit before tax of 21.3% (H1 FY20: 21.0%). Excluding tax on adjusted items, the adjusted effective tax rate on profit before tax was 21.9% (H1 FY20: 21.0%).

Basic loss per share in H1 2020 was 1.58 pence (H1 FY20: earnings of 3.07 pence). Adjusted diluted loss per share as set out in Note 8 was 1.04 pence (H1 FY20: earnings of 3.06 pence).

The Group continues to generate cash from operating activities with no adverse impact from COVID on collections, with cash generated from operations of £1.1 million (H1 FY20: £4.3 million). Trade receivable and accrued income days reduced by 23% to 65 days, from 85 days at September 2019. Overdue debt has fallen from 24% of trade debtors at 30 September 2019 to 14% of trade debtors at 30 September 2020. Debtors over 60 days overdue improved to 2% of total debtors in the period (H1 FY20: 5%).

The costs associated with developing new digital products meet the definition of development costs under IAS 38, 'Intangible assets', and have therefore been capitalised in the period. The £1.2 million (H1 FY20: nil) investment is presented in the cash flow statement as the purchase of intangible assets. Cash at the end of the period was £14.5 million (H1 FY20: £10.7 million).

Overall net assets decreased by £1.5m million to £16.1 million in the period to 30 September 2020 (FY20: £17.6 million).

Dividend

Due to the continued uncertainty in light of further cycles of lockdowns across the world and the allocation of excess cash to digital investment, no interim dividend will be paid.

Outlook

Present uncertainties prevent the Group from reinstating guidance. However, we can report an ongoing recovery in the Group's month on month performance since July as well as an increased pipeline, with October 2020 narrowing to a 15% revenue reduction on October last year. We expect this trend in performance to continue and therefore anticipate full year revenue being down 20% to 30% and a return to profitability in H2 resulting in a small loss for the full year. Furthermore, despite the planned investment of £2.8 million in new digital products during H2, cash at bank at year end is expected to be between £9 million and £11 million. The Group therefore expects to be able to withstand destabilised markets due to further waves of COVID and the unwinding of government measures for some industries, as it refines the products needed for clients to navigate turbulent and challenging times. Notwithstanding further severe escalations in pandemic related disruption, the Group has a strong cash balance and a compelling digital strategy to increase market share over the medium to longer term.

Joanne Cash
Chair

Octavius Black
Chief Executive Officer

MIND GYM PLC CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019* (Unaudited) £'000	Year to 31 March 2020 (Audited) £'000
Continuing operations				
Revenue	3	14,468	23,936	48,249
Cost of sales		(1,687)	(5,076)	(9,680)
Gross profit		12,781	18,860	38,569
Administrative expenses		(14,699)	(14,977)	(31,147)
Operating (loss)/profit		(1,918)	3,883	7,422
Finance income	5	8	15	51

	Note			
Finance costs	5	(82)	(35)	(75)
(Loss)/profit before taxation		(1,992)	3,863	7,398

Adjusted* (loss)/profit before tax		(1,330)	3,863	6,633
Restructuring costs	6	(662)	-	-
Employee options surrender credit	6	-	-	765
Total adjustments	6	(662)	-	765
(Loss)/profit before tax		(1,992)	3,863	7,398

Tax on (loss)/profit	7	424	(813)	(1,493)
(Loss)/profit for the financial period from continuing operations attributable to owners of the parent		(1,568)	3,050	5,905
Items that may be reclassified subsequently to profit or loss				
Exchange translation differences on consolidation		(116)	117	88
Other comprehensive income for the period attributable to the owners of the parent		(116)	117	88
Total comprehensive income for the period attributable to the owners of the parent		(1,684)	3,167	5,993
Earnings per share (pence)				
Basic	8	(1.58)p	3.07p	5.93p
Diluted	8	(1.58)p	3.06p	5.91p
Adjusted earnings per share (pence)				
Basic	8	(1.04)p	3.07p	5.24p
Diluted	8	(1.04)p	3.06p	5.22p

* the definition of adjustments has been updated to remove share-based payments and the adjusted results for the six months ended 30 September 2019 have been restated as a result.

MIND GYM PLC CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 September 2020 (Unaudited) £'000**	**30 September 2019 (Unaudited) £'000**	**31 March 2020 (Audited) £'000**
Non-current assets				
Intangible assets	10	1,306	427	95
Property, plant and equipment		3,904	1,743	4,395
Deferred tax assets		520	375	85
Other receivables		507	-	567
		6,237	2,545	5,142
Current assets				
Inventories		-	63	73
Trade and other receivables	11	6,176	12,301	10,131
Current tax receivable		176	1,196	-
Cash and cash equivalents		14,549	10,743	15,952
		20,901	24,303	26,156
Total assets		27,138	26,848	31,298
Current liabilities				
Trade and other payables	12	7,083	8,395	8,921
Lease liability		889	570	914
Provisions		-	814	-
Redeemable preference shares		50	50	50
Current tax payable		52	683	384
		8,074	10,512	10,269
Non-current liabilities				
Lease liability		3,004	996	3,472
Total liabilities		11,078	11,508	13,741
Net assets		16,060	15,340	17,557
Equity				
Share capital	13	1	1	1
Share premium		112	112	112
Share option reserve		871	475	684
Retained earnings		15,076	14,752	16,760

Equity attributable to owners of the parent Company	16,060	15,340	17,557

The Board of Directors approved these condensed interim financial statements on 20 November 2020.

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		-	-	-	3,050	3,050
Other comprehensive income:						
Exchange translation differences on consolidation		-	-	-	117	117
Total comprehensive income for the period			**-**	**-**	**3,167**	**3,167**
Credit to equity for share based payments	14	-	-	135	-	135
Tax relating to share-based payments		-	-	-	-	-
Dividends	9	-	-	-	(1,592)	(1,592)
At 30 September 2019		**1**	**112**	**475**	**14,752**	**15,340**
Profit for the period		-	-	-	2,855	2,855
Other comprehensive income:						
Exchange translation differences on consolidation		-	-	-	(29)	(29)
Total comprehensive income for the period		**-**	**-**	**-**	**2,826**	**2,826**
Credit to equity for share based payments	14	-	-	209	-	209
Tax relating to share-based payments		-	-	-	77	77
Dividends	9	-	-	-	(895)	(895)
At 31 March 2020		**1**	**112**	**684**	**16,760**	**17,557**
Loss for the period		-	-	-	(1,568)	(1,568)
Other comprehensive income:						
Exchange translation differences on consolidation		-	-	-	(116)	(116)
Total comprehensive income for the period		**-**	**-**	**-**	**(1,684)**	**(1,684)**
Credit to equity for share based payments	14	-	-	187	-	187
At 30 September 2020		**1**	**112**	**871**	**15,076**	**16,060**

MIND GYM PLC CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited) £'000	Year to 31 March 2020 (Audited) £'000
Cash flows from operating activities				
(Loss)/profit for the financial period		(1,568)	3,050	5,905
Adjustments for:				
Amortisation of intangible assets		26	29	444
Depreciation of tangible assets		546	321	717
Net finance costs		74	20	24
Taxation (credit)/charge		(424)	813	1,493
Decrease/(increase) in inventories		73	(10)	(20)
Decrease in trade and other receivables		4,003	267	2,279
Decrease in payables and provisions		(1,838)	(330)	(571)
Share based payment charge	14	187	135	344
Cash generated from operations		1,079	4,295	10,615
Net tax (paid)/received		(517)	2	638
Net cash generated from operating activities		562	4,297	11,253
Cash flows from investing activities				
Purchase of intangible assets		(1,237)	(11)	(94)
Purchase of property, plant and equipment		(187)	(105)	(556)

Interest received		8	15	51
Net cash used in investing activities		(1,416)	(101)	(599)
Cash flows from financing activities				
Cash repayment of lease liabilities		(444)	(304)	(565)
Dividends paid	8	-	(1,592)	(2,487)
Net cash used in financing activities		(444)	(1,896)	(3,052)
Net (decrease)/increase in cash and cash equivalents		(1,298)	2,300	7,602
Cash and cash equivalents at beginning of period		15,952	8,294	8,294
Effect of foreign exchange rate changes		(105)	149	56
Cash and cash equivalents at the end of period		**14,549**	**10,743**	**15,952**
Cash and cash equivalents at the end of period comprise:				
Cash at bank and in hand		14,549	10,743	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 & 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. Basis of preparation

The condensed interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, including interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and with the Companies Act 2006 applicable to companies reporting under IFRS. The unaudited interim financial information does not constitute statutory accounts within the meaning of the Companies Act 2006. This interim report, which has neither been audited nor reviewed by independent auditors, was approved by the board of directors on 20 November 2020.

Statutory accounts for the year ended 31 March 2020 were approved by the Board of Directors on 10 June 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

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

The interim financial statements are presented in pounds sterling. All values are rounded to £1,000 except where otherwise indicated.

The accounting policies used in preparing the interim results are the same as those applied to the latest audited annual financial statements.

3. 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 6 months ended 30 September 2020 (Unaudited)

Segment result

	EMEA	**America**	**Total**
	£'000	**£'000**	**£'000**
Revenue	5,764	8,704	14,468
Cost of sales	(747)	(940)	(1,687)
Administrative expenses	(7,776)	(6,923)	(14,699)
Profit before inter-segment charges	(2,759)	841	(1,918)
Inter-segment charges	1,228	(1,228)	-
Operating profit - segment result	(1,531)	(387)	(1,918)
Finance income			8
Finance costs			(82)
Profit before tax			(1,992)

Adjusted profit before tax

	EMEA	**America**	**Total**
	£'000	**£'000**	**£'000**
Operating profit - segment result	(1,531)	(387)	(1,918)
Restructuring costs	587	75	662

Adjusted EBIT	(944)	(312)	(1,256)
Finance income			8
Finance costs			(82)
Adjusted profit before tax			(1,330)

The mix of revenue for the six months ended 30 September 2020 is set out below.

	EMEA	America	Group
Delivery	59.6%	55.8%	57.3%
Design	13.0%	12.1%	12.5%
Digital	12.6%	16.0%	14.6%
Licensing and certification	8.7%	10.0%	9.5%
Other	3.1%	5.0%	4.3%
Advisory	3.0%	1.1%	1.9%

Segment results for the 6 months ended 30 September 2019 (Unaudited)

Segment result

	EMEA	America	Total
	£'000	£'000	£'000
Revenue	10,203	13,733	23,936
Cost of sales	(2,309)	(2,767)	(5,076)
Administrative expenses	(7,560)	(7,417)	(14,977)
Profit before inter-segment charges	334	3,549	3,883
Inter-segment charges	2,688	(2,688)	-
Operating profit - segment result	3,022	861	3,883
Net finance costs			(20)
Profit before taxation			3,863

Adjusted profit before tax

	EMEA	America	Total
	£'000	£'000	£'000
Operating profit - segment result	3,022	861	3,883
Restructuring costs	-	-	-
Adjusted EBIT	3,022	861	3,883
Finance income			15
Finance costs			(35)
Adjusted profit before taxation			3,863

The definition of adjustments has been updated to remove share-based payments and the adjusted results for the six months ended 30 September 2019 have been restated as a result.

The mix of revenue for the six months ended 30 September 2019 is set out below.

	EMEA	America	Group
Delivery	59.9%	59.1%	59.4%
Design	13.7%	18.4%	16.4%
Digital	7.2%	9.1%	8.3%
Licensing and certification	13.9%	8.0%	10.5%
Other	4.3%	3.7%	4.0%
Advisory	1.0%	1.7%	1.4%

Segment results for the year ended 31 March 2020 (Audited)

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 tax			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 tax			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%

4. Employees

Staff costs were as follows:

	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited) £'000	Year to 31 March 2020 (Audited) £'000
Wages and salaries	9,181	10,245	20,613
Social security costs	897	971	2,006
Pension costs - defined contribution plans	415	438	823
Share-based payments	187	135	344
Restructuring payroll costs included in adjusted items	583	-	-
	11,263	11,789	23,786

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

	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited) £'000	Year to 31 March 2020 (Audited) £'000
Delivery	170	170	183
Support	63	66	64
Digital	11	-	-
	245	236	247

The period end number of Group's employees by function was:

	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited) £'000	Year to 31 March 2020 (Audited) £'000
Delivery	162	176	186
Support	59	67	69
Digital	19	-	-
	240	243	255

5. Net finance costs

	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited) £'000	Year to 31 March 2020 (Audited) £'000
Finance income			
Bank interest receivable	8	15	51
Finance costs			
Lease interest (IFRS 16)	(82)	(35)	(75)
	(74)	(20)	(24)

6. Adjustments

	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited) £'000	Year to 31 March 2020 (Audited) £'000
Restructuring costs	662	-	-
Employee options surrender costs	-	-	(765)
	662	-	(765)

Restructuring costs in the six months ended 30 September 2020 include redundancy costs related to the headcount reduction exercise undertaken in response to the COVID-19 impact on the business.

Adjusted items for the six months ended 30 September 2019 have been restated to exclude share-based payments, which is consistent with the adjusted results presentation in the 2020 annual report.

The credit for employee option 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.

7. Tax

The adjusted tax credit of £292,000 (six months ended 30 September 2019: charge of £831,000; year ended 31 March 2020: charge of £1,420,000) represents an effective tax rate on adjusted loss before tax of 21.9% (six months ended 30 September 2019: 20.9%; year ended 31 March 2020: 21.4%).

The statutory tax credit of £424,000 (six months ended 30 September 2019: charge of £813,000; year ended 31 March 2020: charge of £1,493,000) represents an effective tax rate on loss before tax of 21.3% (six months ended 30 September 2019: 21.1%; year ended 31 March 2020: 20.2%).

8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has potentially dilutive shares in respect of the share-based payment plans (see Note 14). Adjusted earnings per share removes the effect of restructuring and employee option surrender cost (see Note 6).

	30 Sept 2020 (Unaudited)	30 Sept 2019 (Unaudited)	31 March 2020 (Audited)
Weighted average number of shares in issue	99,532,575	99,493,210	99,493,210
Potentially dilutive shares (weighted average) *	-	296,431	445,571
Fully diluted number of shares (weighted average)	99,532,575	99,789,641	99,938,781

*For 30 September 2020 dilutive potential ordinary shares have no effect on the calculation of diluted EPS as their conversion into ordinary shares cannot increase the loss per share.

	6 months to 30 Sept 2020 (Unaudited) pence	6 months to 30 Sept 2019 (Unaudited)** pence	Year to 31 March 2020 (Audited) pence
Basic earnings per share	(1.58)	3.07	5.93
Diluted earnings per share	(1.58)	3.06	5.91
Adjusted basic earnings per share	(1.04)	3.07	5.24
Adjusted diluted earnings per share	(1.04)	3.06	5.22

The reconciliation of statutory profit to adjusted profit for the financial period is as follows:

	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited)** £'000	Year to 31 March 2020 (Audited) £'000
Profit attributable to owners of the parent	(1,568)	3,050	5,905
Adjusted items	662	-	(765)
Tax on adjusted items	(132)	-	73
Adjusted profit attributable to owners of the parent	(1,038)	3,050	5,213

** the definition of adjustments has been updated to remove share-based payments and the adjusted results for the six months ended 30 September 2019 have been restated as a result.

9. Dividends

	Per share Pence	6 months to 30 Sept 2020 (Unaudited) £'000	6 months to 30 Sept 2019 (Unaudited) £'000	Year to 31 March 2019 (Audited) £'000
FY19 Final dividend (paid Aug 2019)	1.60	-	1,592	1,592
FY20 Interim dividend (paid Jan 2020)	0.90	-	-	895
		-	1,592	2,487

The Board did not propose a final dividend for the year ended 31 March 2020. No interim dividend is proposed for the period to 30 September 2020.

10. Intangible assets

	Patents £'000	Development costs £'000	Total £'000
Cost			
At 1 April 2020	**63**	**1,927**	**1,990**
Additions	-	1,237	1,237
At 30 September 2020	**63**	**3,164**	**3,227**
Amortisation			
At 1 April 2020	**63**	**1,832**	**1,895**
Amortisation charge	-	26	26
At 30 September 2020	**63**	**1,858**	**1,921**
Net book value			
At 31 March 2020	-	95	95
At 30 September 2020	-	1,306	1,306

Development cost additions in the six months ended 30 September 2020 includes software development costs directly incurred in the creation of new digital assets.

11. Trade and other receivables

	30 Sept 2020 (Unaudited) £'000	30 Sept 2019 (Unaudited) £'000	31 March 2020 (Audited) £'000

Trade receivables	4,775	9,292	8,235
Less provision for impairment	(218)	(104)	(303)
Net trade receivables	4,557	9,188	7,932
Net investment in sub-lease	155	-	162
Other receivables	258	629	305
Prepayments	632	586	645
Accrued income	574	1,898	1,087
	6,176	12,301	10,131

Non-current assets includes £277,000 (30 September 2019: £nil; 31 March 2020: £289,000) of prepayments in respect of property deposits and £230,000 (30 September 2019: £nil; 31 March 2020: £278,000) of net investment in sublease that will be recovered in over one year's time.

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

	30 Sept 2020 (Unaudited) £'000	**30 Sept 2019 (Unaudited) £'000**	**31 March 2020 (Audited) £'000**
Not past due	4,098	7,057	6,549
Past due 0-30 days	506	1,097	1,027
Past due 31-60 days	68	641	266
Past due 61-90 days	50	203	177
Past due more than 90 days	53	294	216
	4,775	9,292	8,235

12. Trade and other payables

	30 Sept 2020 (Unaudited) £'000	**30 Sept 2019 (Unaudited) £'000**	**31 March 2020 (Audited) £'000**
Trade payables	1,348	2,041	1,997
Other taxation and social security	471	581	833
Other payables	931	558	673
Accruals	2,537	2,892	3,075
Deferred income	1,796	2,323	2,343
	7,083	8,395	8,921

13. Share capital

	30 Sept 2020 Number	**30 Sept 2020 Cost £'000**	**30 Sept 2019 Number**	**30 Sept 2019 Cost £'000**	**31 March 2020 Number**	**31 March 2020 Cost £'000**
Ordinary shares of £0.0001 At 1 April	99,493,210	1	99,493,210	1	99,493,210	1
Issue of shares to satisfy options	248,405	-	-	-	-	-
Ordinary shares of £0.00001 at period end	99,741,615	1	99,493,210	1	99,493,210	1

14. 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 the 30th September 2019 the Group launched an annual Save As You Earn Scheme and an Employee Share Purchase Plan for all eligible employees in the UK and USA respectively.

The total share-based payments expense was:

	6 months to 30 Sept 2020 (Unaudited) £'000	**6 months to 30 Sept 2019 (Unaudited) £'000**	**Year to 31 March 2020 (Audited) £'000**
Equity settled share-based payments	187	135	344

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