Mind Gym PLC

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

Half Year Results for the Six Months ended 30 September 2018

Mind Gym (AIM:MIND), the global provider of human capital and business improvement solutions, is pleased to announce its half year results for the six months ended 30 September 2018.

Financial highlights

	6 months to 30 Sep 2018 (H1 FY19)	**6 months to 30 Sep 2017 (H1 FY18)**	**12 months 31 March 2018 (FY18)**	***H1 2019 v H1 2018***
Revenue	£19.4m	£17.1m	£37.0m	*+13%*
Gross profit margin	81.6%	79.1%	79.9%	*+2.5pps*
Adjusted EBITDA*	£4.3m	£3.3m	£7.9m	*+29%*
Adjusted EBITDA* margin	22.0%	19.2%	21.3%	*+2.8pps*
Adjusted PBT*	£4.1m	£3.2m	£7.7m	+31%
Statutory PBT	£1.1m	£2.8m	£6.2m	*-60%*
Basic EPS	0.65p	2.27p	4.94p	*-71%*
Adj. Diluted* EPS	3.18p	2.36p	5.77p	*+34%*
Interim Dividend per share **	0.8p	n/a	n/a	-
Cash	£2.5m	£1.5m	£5.5m	+63%

**Adjustments include foreign exchange gains/losses (prior year only), IPO transaction costs and aborted transaction advisory fees, employee share option surrender bonuses and share-based payment charges. See reconciliation in note 5.*

*** Post-IPO dividends only shown. Please see note 7 for details of pre-IPO dividends.*

- Revenues up 13% to £19.4 million (H1 FY18: £17.1 million). On a constant currency basis revenues grew 14%
- Gross profit margins up to 81.6% (H1 FY18: 79.1%), driven by improved sales mix towards higher margin services
- Adjusted* EBITDA margin up to 22.0% (H1 FY18: 19.2%)
- Adjusted* diluted EPS increased by 34% to 3.18p (H1 FY18: 2.36p)
- Cash balance of £2.5 million despite IPO costs and £3.2m million dividend paid during the period
- Interim dividend of 0.8p per share will be paid in H2 (H1 FY18: nil)

Operating highlights

- Organic growth fuelled by demand from existing clients and new client acquisition. New clients acquired during the period represent 46% of the total by number, while 86% of revenues in H1 FY19 were from clients who have engaged Mind Gym in one or more of the past three years
- Growth of digital revenue to 7.2% of sales mix during the period compared with 2.6% in H1 FY18 (FY18: 5%), helping increase gross profit margin to 81.6% (H1 FY18: 79.1%)
- 22 employees joined the business in the year to 30 September 2018, taking the total to 204

- Successful launch of a new proposition based around Respect, including a suite of new instructor-led and digital products aimed at preventing bullying and harassment at work
- Effective response to legislative (US) and policy (UK) changes, creating growth opportunities through new products
- Improved delivery and impact during a period, with the percentage of participants rating their Mind Gym experience as 5/5 (Excellent) at an all-time high of 54.5% (FY18: 49.2%)

Outlook

Trading since the end of the period has been positive, we continue to see a good pipeline of opportunities and remain confident of delivering a full year outcome in line with expectations. A strong operating margin and continued operating cash generation will allow further investment in talent and infrastructure for organic growth and gives the Board confidence to explore opportunities to drive our digital strategy, while delivering on the short and medium-term expectations.

Octavius Black, CEO of Mind Gym, said:

"We are delighted with the success of our recent IPO, which marks a new phase for the business. The IPO is as an opportunity to build broader and deeper long-term relationships with blue-chip clients, while also providing a firm basis for attracting talent and strategic expansion.

Over the last 18 years Mind Gym has grown from a start-up at a kitchen table, to an adviser to over half of the FTSE-100 and S&P-100. In the five months since the IPO, we have continued to see growing demand for our products driven both by client needs and an evolving business environment in which addressing behavioural issues is an imperative. Mind Gym remains very well placed to respond to these demands."

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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

Introduction

The Board is delighted that Mind Gym has continued to grow well over the period which included its successful AIM IPO in June. This marked the beginning of a new chapter for the business with experienced non-executive directors, Baroness Dido Harding and Sally Tilleray, joining David Nelson on the Board. We continue to invest in the business for the long-term and to ensure our growth is sustainable, with a number of projects initiated during the period to bolster talent recruitment and further improve our product offer.

Business overview

The revenue growth of 13% to £19.4m was broadly balanced across the business's two key regions, EMEA and US, as we continue to win significant new clients and grow revenue from existing clients in each territory. In local currency, US revenues grew 13% and EMEA revenues grew 16% on the previous year. The EMEA mix of total revenue grew by 0.6% to 46.1%.

In the US, we are seeing continued success with our Diversity & Inclusion offer which reflects heightened awareness of these issues across business and wider society. Mind Gym has responded with characteristic agility to what Harvard Business Review has called the new "climate of risk". In the wake of the #metoo movement, organisations are adapting training to comply with new legislation, creating new market opportunities for us. In the US, more than 500 CEOs signed 'the pledge' that commits them to build more diverse and inclusive workplaces.

In EMEA, our client base is well diversified and performance has been solid across the board in a range of sectors. Successful client programmes have led to deepening client relationships in a number of European countries, notably Holland and Switzerland.

Whilst our prime client relationships tend to be headquartered in US or EMEA, our live programmes continue to be delivered on a global basis. In H1 we delivered locally in 60 countries using our network of qualified coaches in 31 countries.

Innovation and products

The development of new products and training modules is founded on evidence-based research, in a process managed by our Academic Board. We typically publish this in what we call a 'point of view', which will focus on a particular theme in behavioural science. H1 saw the launch of a new, evidence-based point of view on Respect, which addresses how to put an end to workplace bullying and harassment. This is being supported with a series of webinars, client talks, digital marketing and media profile opportunities. Already 16 respect-based pilots have been commissioned by 11 clients.

We are currently developing a new, advanced and dedicated point of view on Customer Service, demand for which represents 7.2% of the $11bn US training market (sources: ATD state of the industry 2016 and US Training Magazine 2018). We expect the launch of this point of view and suite of products towards the end of H2 FY19.

In the US, the states of New York and California have mandated companies to provide annual anti-bullying and harassment training, representing another market opportunity. In a new step for Mind Gym we have partnered with a US law firm to develop training which delivers full compliance as well as behavioural change.

In the UK, the Apprenticeship Levy requires all employers with a salary bill greater than £3m per annum to allocate 0.5% of salaries to an apprenticeship scheme which they can spend on approved training programmes. Mind Gym has partnered with White Hat, a tech-enabled, approved apprenticeship provider, to launch an accredited training programme under this regime. 8 organisations have already committed to run this programme and we expect to see further growth in H2.

Digital Strategy

As stated in the Company's Admission Document dated 25 June 2018, a new product range of eWorkouts was introduced at the start of FY18. Initially, there were 45 topics in the range, which had been increased to 65 by the start of this financial year (FY19).

This new offer has been well received by existing clients as well as providing a means to attract new clients. Recent client data supports our belief that the quality of our digital products is market leading and disrupting. Typically, the take-up of voluntary e-learning is in the single figure percentages. By comparison, when a major US airline introduced an optional package of four eWorkouts to several thousand managers, 70% chose to complete them all and everyone who did rated them four or five stars out of five.

Significant progress has been made with the development of our behavioural diagnostic offering, which helps clients to identify their training needs using digital tools. We intend to bring to market a further suite of validated diagnostic solutions within 6 to 12 months

Revenue from digital products in H1 FY19 was £1.4 million (H1 FY18: £0.5m, FY18 £2.2m) representing 7.2% of revenue (H1 FY18: 2.6%; FY18: 5.7%). It is anticipated that the percentage of revenue from digital products will grow steadily in H2 and beyond.

To ensure the continued success of the Group's digital development and roll out, a search is underway for a senior hire to lead and drive our long-term digital strategy.

Talent

Our people have been and remain the most critical factor in our success. The number of client team members is a key driver of growth and the quality of our scientists is pivotal to our ability to sustain innovation and excellence.

Year on year headcount across the whole business has increased by 12%. The Client Team has grown by 15% year on year.

We continue to invest in management development for the Mind Gym team through skills training and bespoke coaching, in order to grow the pipeline of internal talent ready for more senior roles as the business continues to expand.

As anticipated in the AIM Admission Document, on 10 September 2018, the Board approved an employee share scheme called the Mind Gym plc Share Incentive Plan (SIP), with an initial award of £1000 free shares to all employees at the IPO price of 146 pence. The shares are held in an employee benefit trust with an initial holding period of three years. On 9 October 2018, 130,835 ordinary shares were allotted and issued to the trust at their nominal value, representing 0.132% of the Company's issued share capital.

Quality

During a period of sustained growth we have also improved quality of delivery, as measured by participant feedback. In H1 FY19 the percentage of participants rating their Mind Gym experience as 5/5 (Excellent) is at an all-time high of 54.5% (FY18: 49.2%). The percentage rating it as either 4/5 (Very good) or 5/5 is up to 88.9% (FY18: 87.1%).

A number of initiatives are driving further improvements in quality. New internal data analysis leading to better matching of coaches to deliveries. The same analysis allows early identification of any product improvement needs. We are also seeing the benefits of a new Coach accreditation process which was launched in FY18 and which provides a higher quality threshold.

We were delighted to see our client Coca-Cola win the Brendon Hall award in the US for best advance in performance management through their partnership with Mind Gym. Mind Gym has also been shortlisted again for the UK 2019 Learning Company of the Year, an award won by the business in a number of prior years.

Corporate Governance

Mind Gym adopted the QCA Corporate Governance Code at the date of IPO. Further details can be found on the Company's website at www.themindgym.com.

Financial Performance

In the six months ended 30 September 2018, revenues increased by 13% to £19.4 million (H1 FY18: £17.1 million). On a constant currency basis, revenues grew 14% on the year. Non-US revenues grew 16% and increased their mix of total revenues by 0.6% to 46.1%.

Gross profit margin in the period increased by 2.5 percentage points on prior year to 81.6%, partly as a result of the increase in digital revenue sales and a growth in the mix of live sessions delivered virtually.

Adjusted EBITDA grew by 29% to £4.3 million (H1 FY18: £3.3 million) with margins increasing from 19.2% in H1 FY18 to 22.0% in H1 FY19 due to the increased mix of digital and virtual sessions. Adjustments include foreign exchange gains/losses (in prior year only), IPO transaction costs and aborted sale advisory fees, employee share option surrender bonuses and share-based payment charges. See reconciliation in note 5.

Operating profit in the period of £1.1 million (H1 FY18: £2.8 million) is stated after depreciation, amortisation of intangibles, exchange gains/losses, sale-related costs, employee options surrender costs and share-based payments.

On 28 June 2018, 35% of the Company's issued share capital was admitted to trading on AIM in conjunction with a secondary placing. £1.4 million of costs (transaction-related costs) were incurred in the six months to 30 September 2018 in relation to this. Some non-UK resident employees were given bonuses costing £1.4m in lieu of surrendering EMI options that had been granted to them (a full breakdown of the adjusted items is included in note 5).

The Group reported a profit before tax of £1.1 million for the six months ended 30 September 2018 (H1 FY18: £2.8 million). Basic earnings per share in H1 2018 were 0.65 pence (H1 FY18: 2.27 pence). Adjusted diluted earnings per share as set out in Note 6 increased by 34% to 3.18 pence (H1 FY18: 2.36 pence).

UK-resident employees exercised EMI options at the IPO which generated corporation tax relief for Mind Gym on the £14.2 million value gained on the value of shares at exercise over the exercise price. At the current UK corporation tax rate of 19% this equates to a tax deduction available to the Company of £2.7 million. £1.1 million has been carried back against corporation tax paid for the year ended 31 March 2018 and is a recoverable within current assets. A further £0.6 million has been utilised against the tax liability for the 6 months ending 30 September 2018. The £1 million remaining balance is carried forward as a deferred tax asset.

On 24 September 2018, Mind Gym entered into a £2 million uncommitted overdraft facility with HSBC which has not been utilised. The facility is not subject to financial covenants and interest will be charged at 2.5% over bank base rate.

Mind Gym remains cash generative. Net cash generated from operations in H1 FY19 was £2.5 million before IPO costs of £2.3m and £3.2 million of pre-IPO dividends that were paid. Debtors over 60 days overdue improved to 8% of total debtors in the period (H1 FY8: 18%). Cash at the end of the period was £2.5 million (H1 FY2018: £1.5 million).

Overall net assets increased by £2.0m million to £10.9 million in the period to 30 September 2018 (H1 FY18: £8.9 million).

Impact of adoption of new accounting policies

The Group has adopted the two new accounting standards: IFRS15 – Revenue from Contracts with Customers, and IFRS9 – Financial Instruments that became applicable on 1st April 2018. The impact of adoption of IFRS 9 and 15 is immaterial and no adjustment has been made. Further details are provided in Note 3.

Dividend

During H1 2019 the Company declared and paid £3.2m of pre-IPO dividends and paid a further £200,000 that were declared in H2 2018. The Board is pleased to announce that it has approved an interim dividend of 0.8 pence per share (H1 FY18: nil). This will be paid on 16 January 2019 to shareholders on the register at 21 December 2018, with the associated ex-dividend date being 20 December 2018.

Current Trading and Outlook

The Board is pleased with the progress Mind Gym has made in the first half of FY19, in particular the sustained growth in both revenue and EBITDA and quality of delivery. A strong operating margin and continued operating cash generation will allow further investment in talent and infrastructure for organic growth and gives the Board confidence to explore opportunities to drive the digital strategy, while delivering on the short and medium-term expectations.

Joanne Cash
Chair
4 December 2018

Octavius Black
CEO
4 December 2018

MIND GYM PLC CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2018 (Audited)	6 months to 30 Sept 2017 (Unaudited)
		£'000	**£'000**	**£'000**
Continuing operations				
Revenue	5	19,350	36,967	17,140
Cost of sales		(3,558)	(7,421)	(3,581)
Gross profit		15,792	29,546	13,559
Administrative expenses		(14,680)	(23,382)	(10,798)
Operating profit		1,112	6,164	2,761
Adjusted EBITDA		**4,261**	**7,874**	**3,294**
Depreciation of tangible fixed assets		(42)	(83)	(46)
Amortisation of intangible assets	8	(71)	(128)	(86)
Adjusted EBIT		**4,149**	**7,663**	**3,163**
Exchange gains (losses)		0	(514)	(245)
Transaction related costs		(1,448)	(815)	(106)
Employee options surrender costs		(1,424)	-	-
Share based payments	13	(164)	(170)	(50)
Total adjustments		**(3,037)**	**(1,499)**	**(402)**
Operating profit		**1,112**	**6,164**	**2,761**
Finance costs		-	(2)	(2)
Profit before taxation		1,112	6,162	2,759
Tax on profit		(494)	(1,786)	(748)
Profit for the financial period from continuing operations attributable to owners of the parent		618	4,376	2,011
Items that may be reclassified subsequently to profit or loss				
Exchange translation differences on consolidation		77	(261)	(106)
Other comprehensive income for the period attributable to the owners of the parent		77	(261)	(106)
Total comprehensive income for the period attributable to the owners of the parent		695	4,115	1,905

	Note	6 months to 30 Sept 2018 (Unaudited) £'000	Year to 31 March 2018 (Audited) £'000	6 months to 30 Sept 2017 (Unaudited) £'000
Basic earnings per share on profit for the period (pence per share)	6	0.65p	4.94p	2.27p
Diluted earnings per share on profit for the period (pence per share)	6	0.61p	4.30p	1.97p
Basic earnings per share on adjusted profit for the period (pence per share)	6	3.36p	6.63p	2.72p
Diluted earnings per share on adjusted profit for the period (pence per share)	6	3.18p	5.77p	2.36p

	Note	30 September 2018 (Unaudited) £'000	31 March 2018 (Audited) £'000	30 September 2017 (Unaudited) £'000
Non-current assets				
Intangible assets	8	287	325	191
Tangible assets		90	81	69
Deferred tax	9	1,063	2,008	863
		1,440	2,414	1,123
Current assets				
Inventories		251	261	296
Trade and other receivables	10	14,237	11,887	11,663
Cash and cash equivalents		2,489	5,542	1,529
		16,977	17,690	13,488
Total assets		18,417	20,104	14,611
Current liabilities				
Trade and other payables	11	7,473	7,278	4,948
Corporation tax		-	637	748
Total liabilities		8,283	7,915	5,696
Net assets		10,945	12,189	8,915
Equity				
Share capital	12	1	1	1
Share premium		112	-	-
Share option reserve		164	408	288
Retained earnings		10,667	11,780	8,626
Equity attributable to owners of the parent Company		10,945	12,189	8.915

MIND GYM PLC **CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Share option reserve	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2017	**1**	**-**	**238**	**5,952**	**6,191**
Comprehensive income for the period					
Profit for the period	-	-	-	2,011	2,011
Other comprehensive income for the period					
Exchange translation differences on consolidation	-	-	-	(106)	(106)
Total comprehensive income for the period	**-**	**-**	**238**	**7,857**	**8,096**
Share option charge	-	-	50	-	50
Deferred taxation on share options	-	-	-	769	769
Total contributions by and distributions to owners of the parent, recognised directly in equity	**-**	**-**	**50**	**769**	**819**
At 30 September 2017	**1**	**-**	**288**	**8,626**	**8,915**
Comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	2,364	2,364
Other comprehensive income for the period					
Exchange translation differences on consolidation	**-**	**-**	**-**	(155)	(155)
Total comprehensive income for the period	**-**	**-**	**288**	**10,835**	**11,124**

	Share capital	Share premium	Share option reserve	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Dividends: Equity capital	-	-	-	(200)	(200)
Share option charge	-	-	120	-	120
Deferred taxation on share options	-	-	-	1,145	1,145
Total contributions by and distributions to owners of the parent, recognised directly in equity	**-**	**-**	**120**	**945**	**1,065**
At 31 March 2018	**1**	**-**	**408**	**11,780**	**12,189**
Comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	618	618
Other comprehensive income for the period					
Exchange translation differences on consolidation	**-**	**-**	**-**	77	77
Total comprehensive income for the period	**-**	**-**	**408**	**12,475**	**12,884**
Dividends: Equity capital	-	-	-	(3,000)	(3,000)
Issue of shares net of share issue costs	-	112	-	-	112
Share option	-	-	(244)	-	(244)
Deferred taxation on share options	-	-	-	1,192	1,192
Total contributions by and distributions to owners of the parent, recognised directly in equity	**-**	**112**	**(244)**	**(1,808)**	**(1,940)**
At 30 September 2018	**1**	**112**	**164**	**10,667**	**10,944**

	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2018 (Audited)	6 months to 30 Sept 2017 (Unaudited)
	£'000	**£'000**	**£'000**
Cash flows from operating activities			
Profit for the financial period*	618	4,376	2,011
Adjustments for:			
Amortisation of intangible assets	71	128	86
Depreciation of tangible assets	42	83	46
Net finance costs	-	2	2
Taxation charge	494	1,787	748
(Increase)/decrease in inventories	8	21	(15)
Increase in trade and other receivables	(1,010)	(1,874)	(1,159)
Increase/(decrease) in trade and other payables	395	460	(1,669)
Corporation tax paid	(637)	(2,345)	(1,689)
Other recognised gains and losses	76	(261)	(106)
Transfer to share based payment reserve	164	170	50
Net cash generated from/(used in) operating activities	221	2,547	(1,695)
Cash flows from investing activities			
Purchase of intangible fixed assets	(30)	(238)	(65)
Purchase of tangible fixed assets	(44)	(71)	(22)
Net cash used in investing activities	(74)	(309)	(87)

* after exceptional costs of £3.0m in H1 2019, total exceptional cash costs were £2.3m. See note 5 for details.

	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2018 (Audited)	6 months to 30 Sept 2017 (Unaudited)
	£'000	**£'000**	**£'000**
Cash flows from financing activities			
Repayment of other borrowings	-	(51)	(51)
Dividends paid (pre-IPO)	(3,200)	(310)	(310)
Interest paid	-	(2)	(2)
Net cash used in financing activities	(3,200)	(363)	(363)
Net increase in cash and cash equivalents	(3,053)	1,875	(2,145)
Cash and cash equivalents at beginning of period	5,542	3,667	3,667
Effect of foreign exchange rate changes	-	-	7
Cash and cash equivalents at the end of period	**2,489**	**5,542**	**1,529**
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand	2,489	5,542	1,529

MIND GYM PLC **NOTES TO THE HALF-YEARLY REPORT**

1. Organisation and trading activities

Mind Gym PLC ("the Company") is incorporated in England & Wales under the Companies Act. The address of the registered office is160 Kensington High Street, London W8 7RG. The group consists of Mind Gym PLC and its subsidiaries, Mind Gym (USA) Inc., Mind Gym Performance PTE, Mind Gym Middle East FZ LLC, Mind Gym (Canada) Inc. (together "the Group").

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

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 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The unaudited interim financial information does not constitute statutory accounts within the meaning of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union.

Statutory financial statements for the year ended 31 March 2018 were approved by the Board of Directors on 21 June 2018 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified.

The Directors are satisfied that the Group has sufficient resources to continue its operations and to meet its commitments for the immediate future. The Group has therefore adopted the going concern basis in preparing its condensed interim financial statements.

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated half-yearly report are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2018, apart from those listed below.

The Group has adopted all the standards and amendments to existing standards which are mandatory for accounting periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) New and amended standards mandatory for the first time for the financial year beginning 1 January 2018

The following new IFRS standards and/or amendments to IFRS standards are mandatory for the first time for the Group:

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018

The Directors believe that the adoption of these standards has not had a material impact on the financial statements.

3. Significant accounting policies (continued)

(b) New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are listed below. The Company and Group intend to adopt these standards, if applicable, when they become effective.

	Effective date
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRSs: 2015-2017 cycle	1 January 2019*
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020*
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020*

*Not yet endorsed for use in the EU

- IFRS 16 'Leases'. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. This is effective for the period beginning on 1 April 2019, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' is also applied. The Directors' have assessed that the adoption of this policy will have a material impact on the balance sheet through the recognition of a 'right to use asset' and corresponding liability. The operating lease charge will be replaced by a depreciation charge, which will be materially similar to the current operating lease charge, plus an interest expense charged on the lease liability. The directors are currently reviewing the financial impact on future periods

Of the other IFRSs and IFRICs, none are expected to have a material effect on future Group financial statements.

4. Critical accounting estimates and judgements in applying accounting policies

The preparation of condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in Note 3 of the Group's 2018 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

5. Segmental analysis

The Group consists of two separate segments for management reporting and control purposes, being the EMEA (encompassing the United Kingdom ("UK"), Singapore ("SGP") and United Arab Emirates ("UAE") entities) and America (encompassing the United States ("US") and Canadian ("CAD") entities). The segments are considered appropriate for reporting in accordance with IFRS 8 (Operating Segments) since these segments are reviewed by the Board without further significant categorisation. As the Group provides the same services worldwide, no secondary segmentation is provided.

The board considers the business from both a geographic and product perspective. Geographically, management considers performance in the UK, USA, Asia, Dubai and Canada.

From a product perspective, management separately considers separate revenue streams at a consolidated level, including delivery (face to face and virtuals), digital, design, license and other revenue.

5. Segmental analysis (continued)

The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as transaction related costs as they represent the exceptional costs incurred on the aborted sale of the business in January 2018, and the subsequent Initial Public Offering and employee option surrender in June 2018. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Whilst exchange differences are generally a normal cost or benefit, the majority of the charge within profit is due to a high US dollar intercompany balance with the UK. The directors do not believe exchange differences should be treated as an exceptional cost going forward and no adjustment has been made for the 6 months ending 30th September 2018. The equity-settled share-based payment expense relates to the charge on new options granted to employees during the year, which reflects the market value of the group's shares.

The segmental analysis represents revenues and results from the groups trading operations with external customers to the group only. As a result, transfer pricing charges from the UK to the US of £2.1m in H1 2019 (H1 2018: £2.4m) that are otherwise included in the UK and US statutory accounts and tax computations as income and costs respectively are excluded.

Details regarding the operations of each reportable segment are included in the following tables.

Segment results for the 6 months ended 30 September 2018

	EMEA £'000	America £'000	Total £'000
Sales and other operating revenues	8,657	10,693	19,350
Operating costs	(1,615)	(1,943)	(3,558)
Administration expenses	(7,668)	(7,012)	(14,680)
Operating profit/(loss) segment result	(626)	1,738	1,112
Finance costs	-	-	-
Profit/(loss) for the period before taxation	(626)	1,738	1,112

Adjusted EBITDA	EMEA £'000	America £'000	Total £'000
Operating profit/(loss) segment result	(626)	1,738	1,112
Depreciation and amortisation	98	14	112
EBITDA	**(528)**	**1,752**	**1,224**
Share based payment	164	-	164
Employee option surrender cost	26	1,398	1,424
Foreign exchange (gains)/losses	0	0	0
Transaction related costs	1,517	(68)	1,448
Total adjusting items	1,707	1,330	3,036
Adjusted EBITDA	1,179	3,082	4,261

The segment assets and liabilities at 30 September 2018 were as follows:

	EMEA £'000	America £'000	Total £'000
Non-current assets	1,411	29	1,440
Current assets	9,799	7,178	16,977
Total liabilities	(4,030)	(4,253)	(8,283)

Segmental analysis (continued)

Segment results for the year ended 31 March 2018

	EMEA £'000	America £'000	Other £'000	Total £'000
Sales and other operating revenues	17,586	19,380	1	36,967
Operating costs	(3,919)	(3,590)	88	(7,421)
Administration expenses	(12,468)	(10,914)	-	(23,382)
Operating profit segment result	1,199	4,876	89	6,164
Finance costs	(2)	-	-	(2)
Profit for the period before taxation	1,197	4,876	89	6,162

Adjusted EBITDA

	EMEA £'000	America £'000	Other £'000	Total £'000
Operating profit segment result	1,199	4,876	89	6,164
Depreciation and amortisation	177	34	-	211
EBITDA	**1,376**	**4,910**	**89**	**6,375**
Share based payment expense	170	-	-	170
Foreign exchange (gains)/losses	147	367	-	514
Transaction related costs	815	-	-	815
Total adjusting items post adjustment	1,132	367	-	1,499
Adjusted EBITDA	2,508	5,278	89	7,874

The segment assets and liabilities at 31 March 2018 were as follows:

	EMEA £'000	America £'000	Other £'000	Total £'000
Non-current assets	2,390	24	-	2,414
Current assets	9,533	8,146	11	17,690
Total liabilities	(5,043)	(2,872)	-	(7,915)

Segment results for the 6 months ended 30 September 2017

	EMEA £'000	America £'000	Other £'000	Total £'000
Sales and other operating revenues	7,449	9,657	34	17,140
Operating costs	(1,698)	(1,841)	(42)	(3,581)
Administration expenses	(5,344)	(5,454)	-	(10,798)
Operating profit segment result	407	2,362	(8)	2,761
Finance costs	(2)	-	-	(2)
(Loss)/profit for the period before taxation	405	2,362	(8)	2,759

5. Segmental analysis (continued)

Adjusted EBITDA

	EMEA £'000	America £'000	Other £'000	Total £'000
Operating (loss)/profit segment result	407	2,362	(8)	2,761
Depreciation and amortisation	110	22	-	132
EBITDA	**517**	**2,384**	**(8)**	**2,892**
Share based payment expense	50	-	-	50
Foreign exchange (gains)/losses	(156)	401	-	245
Transaction related costs	82	24	-	106
Total adjusting items post adjustment	(22)	425	-	402
Adjusted EBITDA	493	2,809	(8)	3,294

The segments assets and liabilities at 30 September 2017 were as follows:

	EMEA £'000	America £'000	Other £'000	Total £'000
Non-current assets	1,033	90	-	1,123
Current assets	7,236	6,175	77	13,488
Total liabilities	(3,486)	(2,210)	-	(5,696)

6. Earnings per share

Basic

The basic earnings per share is based on the profit /(loss) for the period divided by the weighted average number of shares in issue during the period. The weighted average number of ordinary shares in each period assumes that all shares have been included in the computation based on the weighted average number of days since issue.

	6 months to 30 Sept 2018 (Unaudited)	**Year to 31 March 2018 (Audited)**	**6 months to 30 Sept 2017 (Unaudited)**
Profit attributable to owners of the Group (£'000)	618	4,376	2,011
Weighted average number of ordinary shares in issue	94,363,458	88,600,000	88,600,000
Basic earnings per share (pence per share)	0.65p	4.94p	2.27p
Adjusted* basic earnings per share (pence per share)	3.42p	6.63p	2.72p

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, being share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares), based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

6. Earnings per share (continued)

	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2018 (Audited)	6 months to 30 Sept 2017 (Unaudited)
Profit attributable to owners of the Group (£'000)	618	4,376	2,011
Weighted average number of ordinary shares in issue	94,363,458	88,600,000	88,600,000
Weighted average number of dilutive shares	7,235,790	13,224,920	13,453,087
Weighted average number of ordinary shares for diluted earnings per share	101,599,248	101,824,920	102,053,087
Diluted earnings per share (pence per share)	0.61p	4.30p	1.97p
Adjusted diluted earnings per share (pence per share)	3.18p	5.77p	2.36p

7. Dividends

	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2018 (Audited)	6 months to 30 Sept 2017 (Unaudited)
	£'000	£'000	£'000
F Ordinary			
Interim approved of 389.83p (March 2018 - 16.95p) per share	2,300	100	-
G Ordinary			
Interim approved of 118.64p (March 2018 - 16.95p) per share	700	100	-
	3,000	200	-

All dividends in this note were declared pre-IPO.

8. Intangible assets

	Patents	Development costs	Total
	£'000	**£'000**	**£'000**
Cost			
At 01 April 2017	63	1,382	1,445
Additions	-	62	62
At 30 September 2017	63	1,443	1,507
Additions	-	176	176
At 31 March 2018	63	1,619	1,683
Additions	-	33	33
At 30 September 2018	63	1,652	1,716
Amortisation			
At 01 April 2017	63	1,166	1,230
Charge for the 6 months	-	86	86
At 30 September 2017	63	1,252	1,315
Charge for the 6 months	-	42	42
At 31 March 2018	63	1,294	1,358
Charge for the 6 months	-	71	71
At 30 September 2017	63	1,365	1,428
Net book value			
At 01 April 2017	-	215	215
At 30 September 2017 (Unaudited)	-	191	191
At 31 March 2018 (Audited)	-	325	325
At 30 September 2018 (Unaudited)	-	287	287

9. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19 per cent (2018) and 20 per cent (2017). The gross movement in deferred tax asset in each period is: deferred

	30 Sept 2018	31 March 2018	30 Sept 2017
	£'000	£'000	£'000
Opening balance	2,008	863	99
Income statement credit/(charge)	5	(5)	(5)
Credit taken to equity reserves	784	1,150	769
Tax losses relieved against prior period	(1,117)		
Utilised in period against corporation tax charge	(617)	-	-
Closing balance as follows:	1,063	2,008	863

income tax account is

The deferred tax asset is recognised on the statement of changes in equity and is in respect corporation tax relief following the exercise of EMI options.

10. Trade and other receivables

	30 Sept 2018 (Unaudited)	31 March 2018 (Audited)	30 Sept 2017 (Unaudited)
	£'000	£'000	£'000
Current:			
Trade receivables	7,952	7,697	5,973
Other receivables	405	190	144
Prepayments and accrued income	4,541	3,912	4,874
Tax recoverable	1,339	88	672
	14,237	11,887	11,663

	30 Sept 2018 (Unaudited)	31 March 2018 (Audited)	30 Sept 2017 (Unaudited)
	£'000	£'000	£'000
Non-current:			
Deferred taxation (note 9)	1,063	2,008	863
	1,063	2,008	863

11. Trade and other payables: Amounts falling due within one year

	30 Sept 2018 (Unaudited)	31 March 2018 (Audited)	30 Sept 2017 (Unaudited)
	£'000	£'000	£'000
Trade payables	1,884	1,261	946
Other taxation and social security	560	480	575
Other payables	529	405	202
Accruals and deferred income	4,500	4,932	3,225
Dividends payable		200	-
	7,473	7,278	4,948

The group entered into an overdraft facility on 24 September 2018 with a limit of £2m, which was undrawn at the period end. The facility carries an interest rate of 2.5% per annum over Base Rate. The Facility is due to be reviewed in March 2019.

12. Share capital

	30 Sept 2018 (Unaudited)	31 March 2018 (Audited)	30 Sept 2017 (Unaudited)
	£	£	£
Shares classified as equity			
Allotted, called up and fully paid			
66,700,000- A Ordinary shares of £0.00001 each	-	667	667
9,600,000- B Ordinary shares of £0.00001 each	-	96	96
500,000- D Ordinary shares of £0.00001 each	-	5	5
5,900,000- F Ordinary shares of £0.00001 each	-	59	59
5,900,000- G Ordinary shares of £0.00001 each	-	59	59
99,362,375 – E Ordinary shares of £0.00001 each	994	-	-
	994	886	886

All classes of share rank pari pasu.

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

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

13. Share based payments

The Group operates a Long-Term Incentive Share Option Plan for certain employees. In accordance with the provision of the plans, employees may acquire shares in the parent Company ("Company"). Options will become exercisable to the extent that the relevant performance targets (if any) have been satisfied or the time-based vesting criteria have expired and the option holder is still an employee within the Company or alternatively on the expiry of the time vesting criteria. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

	Weighted average exercise price 30 Sep 2018	**Number 30 Sep 2018**	**Weighted average exercise price 31 Mar 2018**	**Number 31 Mar 2018**	**Weighted average exercise price 30 Sep 2017**	**Number 30 Sep 2017**
Outstanding at the beginning of the period	0.00971	13,526,391	0.00961	13,097,572	0.00911	14,035,920
Granted during the period	0.00001	1,490,433	0.00001	500,220	0.00001	509,890
Forfeited during the period	0.00074	(2,607,199)	0.00236	(71,401)	0.00025	(1,448,238)
Capped during the period	0.00001	(156,817)	-	-		
Exercised during the period	0.01040	(10,762,375)	-	-		-
Outstanding at the end of the period	0.97367	1,490,433	0.00971	13,526,391	0.00100	13,097,572

The share-based remuneration expense comprises:

	30 Sept 2018 (Unaudited)	**31 March 2018 (Audited)**	**30 Sept 2017 (Unaudited)**
	£'000	**£'000**	**£'000**
Equity-settled schemes	164	170	50

14. Controlling party

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

15. Post balance sheet events

The Board has approved an interim dividend of 0.8 pence per share (H1 FY18: nil). This will be paid on 16 January 2019 to shareholders on the register at 20 December 2018, with the associated ex-dividend date being 20 December 2018.

As anticipated in the AIM Admission Document, on 10 September 2018, the Board approved an employee share scheme called the Mind Gym plc Share Incentive Plan (SIP), with an initial award of £1000 free shares to all employees at the IPO price of 146 pence. The shares are held in an employee benefit trust with an initial holding period of three years. On 9 October 2018, 130,835 ordinary shares were allotted and issued to the trust at their nominal value, representing 0.132% of the Company's issued share capital.

16. Availability of this announcement

This announcement together with the financial statements herein and a presentation in respect of the interim financial results will be available on the Group's website, https://uk.themindgym.com/investors/.