

4 April 2023

**Kooth Plc**  
("Kooth" or the "Company" or the "Group")

## Full year results

**2022 revenue up 21%, in line with expectations**  
**Selected for significant US contract in California**

Kooth (AIM: KOO), the UK's leading digital mental health platform, announces audited results for the twelve months ended 31 December 2022. All figures relate to this period unless otherwise stated.

### Strategic Highlights

- Excellent progress with US expansion strategy
  - \$3m pilot contract in the State of Pennsylvania
  - Selected for significant contract in California to support all 13-25 year olds (post period end)
- Strengthening of our market-leading position supporting children and young people in the UK
  - More than 60% of 10-25 year olds have free access to Kooth in the UK
  - New commissions in Scotland, expanding from four to nine contracts
- Momentum for adult strategy in the UK
  - Adult public sector: 76% Annual Recurring Revenue (ARR) growth to £3m, eight new regions added
  - Kooth Work (corporate): focus on frontline workers and charities that support them resulting in wins for Help for Heroes, MoD and multi-academy trusts
- Ongoing investment in Kooth platform and technology, including AI and personalised mobile app

### Financial Highlights

- Revenues in line with expectations, up 21% to £20.1m (2021: £16.7m)
- Annual Recurring Revenue up 25% to £21.1m (2021: £16.9m)
- Resilient business model with 95% of revenues from contracts 12 months or longer
- Net Revenue Retention of 107% (2021: 109%)
- Gross margin stable at 68.9% (2021: 69.5%)
- Adjusted EBITDA of £1.6m (2021: £2.1m), with investment in the US and the end of COVID projects offsetting the benefits of the US ramp up
- Strong balance sheet with net cash of £8.5m at year end (2021: £7.1m) and no debt

### Current trading and outlook

- US market presents significant long-term opportunity
- Expect to finalise terms of California contract in Q2, resulting in revenues ahead of 2023 market expectations
- Continuing to deliver on Pennsylvania pilot with a view to renewing and expanding our activities
- In the UK, focus on Integrated Care System (ICS) relationships and expansion to support their UK-wide mental health strategies

### Tim Barker, Chief Executive of Kooth said:

"2022 was a pivotal year for Kooth. We have a clear mission, to digitally transform access to effective, personalised care. I am proud of the progress we made towards this goal on a number of fronts. Not only did we enjoy success expanding our service for children, young people and adults across the UK; we won our first US contract in the State of Pennsylvania. This resulted in strong revenue growth, in line with expectations, and a net cash position that supports our growth ambitions, notably in the US.

"Kooth is uniquely positioned to respond to long-term demand for digital mental health services in the US and UK, with a proven track record and strong efficacy profile, strong recurring revenue and a net cash position. This is shown by our significant contract win in California, in March 2023, as part of California Governor Gavin Newsom's \$4.7bn investment in youth behavioural health. As we enter 2023, our model, strategy, and market position in the UK and US, coupled with the talent and dedication of our employees, give us confidence of further progress this year."

*The information contained within this announcement is considered to constitute inside information as stipulated under Article 7 of the Market Abuse Regulation (EU) no. 596/2014 as incorporated into UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MAR").*

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### **About Kooth plc:**

Kooth's (AIM: KOO) mission is to make effective, personalised mental health care accessible to everyone.

Our integrated digital mental health platform creates a welcoming, stigma-free space for both children and adults. Individuals have rapid access to support through self-help resources, peer-support communities, and 1:1 professional help, all without barriers or waiting lists.

We partner with governments, healthcare providers, insurers and employers to deliver population-wide services to tackle mental health issues before things deteriorate, reducing the demand for downstream expensive mental health treatments.

Established in 2001, Kooth has supported over one million individuals both in the UK and the US (where Kooth is expanding rapidly to address the youth mental health crisis).

For more information, please visit [www.koothplc.com](http://www.koothplc.com).

### **Chair's statement**

This year's annual report illustrates the huge efforts that have been made by everyone at Kooth towards our vision of expanding access to digital mental healthcare at a population-wide scale. I want to thank all members of our team for their continued hard work and dedication in helping to make this vision a reality.

In 2022 we began our international expansion, with a focus on the US. Our progress so far has exceeded our expectations. In September we announced our first large-scale deployment in the State of Pennsylvania - a \$3 million pilot contract. After the year-end, in March, we announced that we had been selected by the California Department of Health Care Services to provide our service to every 13-25 year old in the State. This contract, which is still in the process of being finalised, is part of California's \$4.7 billion 5-year plan to transform access to youth mental healthcare.

Turning to the UK, in 2022/23 the NHS budgeted £15.6 billion for mental healthcare. We estimate that digital services represent less than 3% of this spending today, a reminder that the UK is still very much in the early stages of the digital transformation of mental healthcare and that significant opportunities remain in our home market.

Our offering for children and young people continues to grow. Kooth is now available to over 60% of 10-25 year olds across the UK, with new commissions demonstrating our potential to become a near-nationwide service in the future.

Momentum for Kooth Adult continues, with the addition of eight new regions in 2022, including Greater Manchester, Norfolk, and Devon, growing ARR 76% to £3.0 million (2021: £1.7 million), and expanding free access to 8.8 million (2021: 3.8 million) adults nationwide.

I am pleased to report that our financial performance has been in line with market expectations, with revenue growing by 21% to £20.1 million (2021: £16.7 million). As previously highlighted, we are focused on growing our business to ensure that we can take full advantage of the global opportunities currently available to Kooth. This increased investment saw adjusted EBITDA decrease from £2.1 million to £1.6 million with a consequent reduction in adjusted EBITDA margin to 8.0% (2021: 12.5%).

Kooth's recurring revenue, which we define as contracts with a duration of 12 months or more, contributes over 95% of our revenue. As a subscription-based business, this not only gives us strong forward revenue visibility, but also allows our growth plans to be financed with confidence.

We enter 2023 with a solid financial position, significant growth opportunities in both the US and the UK, £8.5 million in cash, no debt, and a proven business model.

**Peter Whiting**

**Non-Executive Chair**

3 April 2023

### **Chief Executive Officer's statement**

#### **Delivering positive social impact, cost effectively and at scale**

As a social impact business, our purpose is to help tackle the growing global mental health challenge. We do this by delivering a welcoming digital mental health platform, accessible to all. Our focus is on creating a service which provides rapid, responsive, and effective support to individuals to address problems earlier, reducing the need for, and cost of, acute treatment programs.

Kooth has a quantifiably positive impact on society whilst also saving healthcare systems money. In 2022, the York Health Economics Consortium published an independent health economics study showing that Kooth delivers £3.14 in cost savings for every £1 spent. Our own analysis of the US market shows a potential 12:1 saving, due to the higher healthcare costs seen in that market. In short, we can ensure that healthcare budgets around the world can achieve more with less.

#### **Outstanding progress in the US market**

Our success in the US can be traced back to our heritage and the track record we have built in the UK. When I joined Kooth three years ago, I was attracted by the positive social impact, coupled with the expertise, passion and thoughtfulness across the team. This is vital to ensure we can pragmatically address the global challenge in mental healthcare. With Kooth's 20+ years of experience and data, no other organisation has our level of operating expertise and evidence in how to deliver population-wide digital mental healthcare.

It is encouraging to see our expertise, and the value it can bring, recognised internationally, with our rapid expansion into the US a particular personal highlight.

Kooth won its first US contract in October 2022, when the State of Pennsylvania awarded us a \$3 million pilot to expand

access to digital mental health support for up to 150,000 school students.

In March 2023, Kooth was awarded a contract by the California Department of Health Care Services (DHCS) to roll out its platform in January 2024 to over 6 million 13-25 year olds as part of the State's \$4.7 billion 5-year plan to transform access to youth mental health care. This was a competitive process, where Kooth competed against 450 vendors and content providers.

The imperative to act on the youth mental health crisis is one that both Federal and State governments are increasingly acting on.

The need for action is laid bare in a recent report from the US CDC (Centers for Disease Control and Prevention). It highlights that 22% of high school students seriously considered attempting suicide during the past year, with 10% attempting suicide one or more times.

A study by Pew Research published in January 2023 found that youth mental health is now the top concern for parents with children under 18: Forty percent are either very or extremely worried. This is a crisis that Kooth can, and must, help address.

There is a clear need and opportunity for Kooth to focus on in the US. This will remain a key strategic priority for the business in 2023.

#### **UK market expansion, and an increase in the levels of support people need**

Reviewing Kooth's UK progress in 2022, it is clear that we took significant strides in expanding our service for children and young people across the UK. New commissions in Scotland were a key highlight, where we grew from four to nine contracts during the year.

Availability of our service for adults, Qwell, grew from 3.8 million at the start of the year to over 8 million adults.

Greater Manchester Integrated Care System (ICS) represents the largest Qwell rollout of the year. In this region we are now available to approximately 2 million people aged 10 to 99+ across all 10 localities. ARR for Kooth Adult grew over 75% to £3 million during the year.

In 2022 new users were accessing Kooth more often than before - the platform experienced a 15% increase in logins over the previous year. However, there was a slight reduction in uptake among the population, from 1-in-33 in 2021 to 1-in-36 in 2022. This is a result of expanding our reach of Kooth to 19-25 year olds, who initially engage less than the 10-18 cohort. By comparison usage pre-covid in 2019 was 1-in-40.

Furthermore, we continue to see a growing trend in the increased level of severity and safeguarding risk for individuals seeking support, with 80% of users presenting with a moderately severe or severe level of acuity.

In response to this shift, our clinical service strategy has evolved, with an even larger emphasis on the 'responsive', 'safe' and 'person-centred' elements of our clinical model, expanding our safeguarding, clinical, and training teams, and ensured that each practitioner has access to external supervision to support their professional development.

We are applying this expertise to help reduce the direct burden on overstretched NHS services. This includes being commissioned in late 2022 to ameliorate Accident & Emergency attendance by providing our service to adults in need of urgent mental health support.

#### **Outlook**

Kooth is extremely well-positioned to respond to the long-term demand for digital mental health services in the US and UK, with a proven track record and detailed efficacy profile, strong recurring revenue and a net cash position.

As we enter 2023, our model, strategy, and market position, coupled with the talent and dedication of our employees, give us confidence in achieving further progress this year.

In the US, our focus on State-wide contracts, coupled with the rapid progress we have made in Pennsylvania and California, has the potential to significantly change the growth trajectory of Kooth as more States take action to prioritise youth mental health.

In the UK, the NHS is not only grappling with the backlog aftermath of the pandemic, but is also dealing with the reorganisation of NHS England. In June 2022, its structure moved from 135 Clinical Commissioning Groups (CCGs) to 42 Integrated Care Systems (ICSs).

While this reorganisation offers great potential for Kooth in the medium- to long-term, we have seen near-term decision making slow down as a direct result of these newly formed organisations finding their feet, filling new roles, and starting to define their population health strategies. We are starting to see the 'end of the beginning' for this reorganisation, and I'm optimistic that it will provide greater opportunities for Kooth.

**Tim Barker**

**Chief Executive Officer**

3 April 2023

#### **Chief Financial Officer's statement**

##### **Significant growth**

The results reflect a successful year for the business as we continued to execute on our strategic plans and build solid foundations to support future growth in the UK and internationally.

##### **Revenue**

I am pleased to report Group total revenue grew during the year, in line with market expectations, by 21% (2021: 28%) to £20.1 million (2021: £16.7 million). This has been driven by US expansion, fee uplifts from existing clients and new business in Adult and Children and Young People. Adult increased to just under 15% of annual recurring revenue at the year end.

Recurring revenue comprises income invoiced for services that are repeatable, consumed and delivered on a monthly basis over the term of a customer contract. Annual Recurring Revenue (ARR) is the annualised revenue of customers engaged or closed at that date (31 December) and is an indication of the upcoming annual value of the recurring revenue. This is used by management to monitor the long term revenue growth of the business and remains strong at 95% of total revenues

(2021: 94%).

Highlighting the depth and longevity of our customer relationships, net revenue retention was 107% (2021: 109%). This is measured by the total value of ongoing ARR at the year end from customers in place at the start of the year as a percentage of the opening ARR from those clients. The small decrease from 2021 was the result of churn with the ending of some COVID-19 related contracts and partly a slowdown in uplifts as NHS England consolidates from a Clinical Commissioning Group (CCG) to an Integrated Care System (ICS) structure.

#### Gross profit

Gross profit grew by 19.6% to £13.9 million (2021: £11.6 million) with gross margin slightly down at 68.9% (2021: 69.5%). Direct costs are the costs of the practitioners directly involved in the delivery of our services, a total of 267 at the year-end (2021: 233 heads).

Gross margin was marginally lower as a result of increased staff costs with the temporary increase during the year of the 1.25% Health and Social Care levy tax and the end of some COVID-19 related projects at the end of 2021. This was slightly offset by a positive mix impact as our new US contracts ramped up.

#### Statutory loss after tax

The Group net loss after tax for the year was £0.7 million (2021: loss of £0.3 million).

#### Administrative expenses

Excluding depreciation, amortisation and share based payments, administrative expenses grew by £2.7 million in the year, a 28.8% increase year on year, which whilst ahead of revenue growth remains in line with our strategic investment plan.

This was driven by staff and commission costs in the US as we strengthened the business development, clinical, HR and customer success teams. In addition, we started to incur the non- staff costs of doing business in the US including, legal, insurance and consulting expenses.

Excluding the US investment, administrative expenses in the UK grew by 13.3%. This was primarily new headcount in our engagement and marketing team, pay increases to existing staff and inflationary increases across certain suppliers.

#### Adjusted EBITDA

£'m	2022	2021
Operating Loss	(0.9)	(0.7)
Add Back:		
Depreciation and Amortisation	2.2	2.4
Share based payment expense	0.3	0.4
<b>Adjusted EBITDA</b>	<b>1.6</b>	<b>2.1</b>

#### Taxation

There has been no corporation tax charge recognised in the year due to accumulated losses combined with the overall current year position (2021: £nil). The tax credit for the year ended 31 December 2022 and 2021 relate to Research and Development expenditure credits which in 2022 was partly offset by a deferred tax charge of £0.6million (2021: £0.2million credit) as the Research and Development claim for 2021 was received in cash at a lower effective tax rate rather than carrying forward as a loss to be used against future profits.

#### Cash

The Group has had impressive cash management in the year with net cash generated from operating activities of £4.4 million (2021: £1.9 million). Free cashflow, after taking account of capital expenditure was £1.3 million in 2022 compared to an outflow of £0.7 million in 2021. The net cash at year end was £8.5 million (2021: £7.1 million). Post year end in January 2023, an R&D tax receipt relating to the 2021 year of £0.6m was received.

The overall improvement is due to advance payments from clients (particularly in the US) and good working capital management as debtor days at 31 December 2022 fell to 20 days (2021: 33 days) and trade receivables were reduced by 34% in the year to £1.1 million (2021: £1.6 million). The Group continues to be debt free and maintains a robust financial position.

#### Capitalised development costs

The Group continues to invest in product and platform development resulting in ongoing improvements in its delivery platform. Costs are a combination of internal and external spend.

Where such work is expected to result in future revenue, costs incurred that meet the definition of software development in accordance with IAS38, Intangible Assets, are capitalised in the statement of financial position. During the year the Group capitalised £3.0 million in respect of software development (2021: £2.5 million) with an amortisation charge of £2.1 million (2021: £2.3 million).

Investment in product and development continues to be significant to the Group and we anticipate capitalising software costs at a higher rate over the next few years during a period of accelerated international product investment.

#### Capital expenditure

Software and product development costs aside, the Group's ongoing capital expenditure requirements remain modest at £0.1 million (2021: £0.1 million).

#### Capital and Reserves

The strength of the Group's balance sheet with net assets of £10.5 million (2021: £11.0 million), high levels of recurring revenue and strong cash generation from operating activities provide the Group with financial strength with which to execute on its investment strategy which continues to focus on US expansion and platform investment.

#### Dividend policy

As outlined at the time of the IPO the Group's intention in the short to medium term is to invest in order to deliver capital

growth for shareholders. The Board has not recommended a dividend in respect of the year ended 31 December 2022 (2021: Nil) and does not anticipate recommending a dividend within the next year but may do so in future years.

**Sanjay Jawa**

**Chief Financial Officer**

3 April 2023

**Financial Statements**

**Consolidated statement of profit and loss and other comprehensive loss**

For the year ended 31 December 2022

	<i>Note</i>	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Revenue	4	20,120	16,682
Cost of sales		(6,265)	(5,097)
Gross profit		<u>13,855</u>	<u>11,585</u>
Administrative expenses	5	(14,767)	(12,318)
Operating loss		<u>(912)</u>	<u>(733)</u>
<b>Analysed as:</b>			
<b>Adjusted EBITDA</b>		<b>1,612</b>	<b>2,082</b>
Depreciation & amortisation	<i>11, 12, 13</i>	(2,232)	(2,384)
Share based payment expense	6	(292)	(431)
Operating loss		(912)	(733)
Interest income	7	81	13
Loss before tax		<u>(831)</u>	<u>(720)</u>
Tax	8	115	410
Total comprehensive loss for the year		<u>(716)</u>	<u>(310)</u>
Loss per share - basic (£)	9	(0.02)	(0.01)
Loss per share - diluted (£)	9	(0.02)	(0.01)

**Consolidated statement of financial position**

As at 31 December 2022

	<i>Note</i>	<b>31 December 2022</b> <b>£'000</b>	<b>31 December 2021</b> <b>£'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	10	511	511
Development costs	11	3,681	2,867
Right of use asset	12	68	-
Property, plant and equipment	13	122	116
Deferred tax	14	-	435
<b>Total non-current assets</b>		<u><b>4,382</b></u>	<u><b>3,929</b></u>
<b>Current assets</b>			
Trade and other receivables	15	2,618	2,370

Trade and other receivables	15	4,755	4,755
Contract assets	16	649	406
Cash and cash equivalents	17	8,492	7,079
<b>Total current assets</b>		<b>11,759</b>	<b>9,855</b>
<b>Total assets</b>		<b>16,141</b>	<b>13,784</b>
<b>Liabilities Current liabilities</b> Trade payables			
	18	(680)	(417)
Contract liabilities	19	(2,583)	(797)
Lease liability	12	(68)	-
Accruals and other creditors	18	(977)	(649)
Tax liabilities	18	(967)	(948)
Deferred tax	14	(348)	-
<b>Total current liabilities</b>		<b>(5,623)</b>	<b>(2,811)</b>
<b>Net current assets</b>		<b>6,136</b>	<b>7,044</b>
<b>Net Assets / (Liabilities)</b>		<b>10,518</b>	<b>10,973</b>
<b>Equity</b>			
Share capital	20	1,653	1,653
Share premium account	20	14,229	14,229
P&L reserve	20	(2,595)	(1,879)
Share-based payment reserve	20	1,221	959
Capital redemption reserve	20	115	115
Merger reserve	20	(4,104)	(4,104)
<b>Total equity</b>		<b>10,518</b>	<b>10,973</b>

The financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 3 April 2023. They were signed on its behalf by:

**Sanjay Jawa**  
Chief Financial Officer  
3 April 2023

The accompanying notes form part of the financial statements.

#### Consolidated statement of changes in equity

For the year ended 31 December 2022

	Share capital	Share premium	Share based payment reserve	P&L reserve	Capital redemption reserve	Merger reserve	Total equity
<b>Balance at 1 January 2021</b>	<b>1,653</b>	<b>14,229</b>	<b>528</b>	<b>(1,569)</b>	<b>115</b>	<b>(4,104)</b>	<b>10,852</b>
Share based payments	-	-	431	-	-	-	431
Total comprehensive loss for the year	-	-	-	(310)	-	-	(310)
<b>As at 31 December 2021</b>	<b>1,653</b>	<b>14,229</b>	<b>959</b>	<b>(1,879)</b>	<b>115</b>	<b>(4,104)</b>	<b>10,973</b>
<b>Balance at 1 January 2022</b>	<b>1,653</b>	<b>14,229</b>	<b>959</b>	<b>(1,879)</b>	<b>115</b>	<b>(4,104)</b>	<b>10,973</b>
Share based payments	-	-	262	-	-	-	262
Total comprehensive loss for the year	-	-	-	(716)	-	-	(716)
<b>As at 31 December 2022</b>	<b>1,653</b>	<b>14,229</b>	<b>1,221</b>	<b>(2,595)</b>	<b>115</b>	<b>(4,104)</b>	<b>10,518</b>

**Consolidated Cash Flow Statement**  
For the year ended 31 December 2022

	<i>Note</i>	<b>2022</b> £'000	<b>2021</b> £'000
<b>Cash flows from operating activities</b>			
<b>Loss for the year Adjustments:</b>		(716)	(310)
Depreciation & amortisation	<i>11, 12, 13</i>	2,232	2,384
Income tax received	8	330	-
Share based payment expense	6	292	520
Income tax recognised	8	(115)	(410)
Interest income	7	(81)	-
<b>Movements in working capital:</b>			
(Increase) / decrease in trade and other receivables	15	78	(574)
Increase / (decrease) in trade and other payables	18	2,364	244
<b>Net cashflow from operating activity</b>		<b>4,384</b>	<b>1,854</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(100)	(63)
Additions to intangible assets	11	(2,952)	(2,535)
<b>Net cash used in investing activities</b>		<b>(3,052)</b>	<b>(2,598)</b>
<b>Cash flows from financing activities</b>			
Interest income	7	81	-
<b>Net cash from financing activities</b>		<b>81</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,413</b>	<b>(744)</b>
Cash and cash equivalents at the beginning of the year	17	7,079	7,823
Cash and cash equivalents at the end of the year	17	<b>8,492</b>	<b>7,079</b>

**Notes to the Financial Statements**

**1. Corporate Information**

Kooth plc is a company incorporated in England and Wales. The address of the registered office is 5 Merchant Square, London, England, W2 1AY.

**2. Significant Accounting Policies**

**2.1) Basis of Preparation**

The preliminary results for the year ended 31 December 2022 are an abridged statement of the full Annual Report which was approved by the Board of Directors on 3 April 2023. The consolidated financial statements in the full Annual Report are prepared in accordance with UK-adopted International Financial Reporting Standards ('IFRS'), with IFRS as issued by the International Accounting Standards Board ('IASB') and with the requirements of the Companies Act 2006. The auditor's report on those consolidated financial statements was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. The preliminary results do not comprise statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The Annual Report for the year ended 31 December 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The financial information included in this preliminary announcement does not itself contain sufficient information to comply with IFRS. The annual report and audited financial statements for the year ended 31 December 2022 will be made available on the Company's website in April 2023.

*Measurement Convention*

The financial statements are prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated. All values are presented in Sterling and rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

*Going Concern*

The Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in the accounts.

existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in the accounts.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 4 to 67. In addition, note 22 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

During the 2022 financial year the Group generated a loss of £0.7 million (2021: £0.3 million). Adjusted EBITDA is £1.6 million (2021: £2.1 million). The Group is in a net asset position of £10.5 million (2021: £11.0 million).

Management has performed a going concern assessment for a period of 12 months from signing, which indicates that the Group will have sufficient funds to trade and settle its liabilities as they fall due. This assessment takes into account a number of sensitivities, including a downside scenario and a reverse stress test, which models the scenarios that would lead to a default by the Group. Both the downside scenario and reverse stress test reflect lower activity levels than both the Group forecast and 2022 actual results. The key assumption used in the assessment is revenue and Management has analysed the impact of reduced revenue on the Group's performance.

Whilst Management has concluded that the possibility of the downside scenario occurring is remote, the Group would still have adequate resources to be able to trade and settle its liabilities as they fall due in this scenario. Management deemed the combination of factors occurring as set out in the default model to be implausible.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and as such continue to adopt the going concern basis of accounting in preparing the financial statements.

## 2.2) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022, with the comparatives presented for the previous 12 months being the Group's combined activities for the 12 months ended 31 December 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
  - The contractual arrangement(s) with the other vote holders of the investee
  - Rights arising from other contractual arrangements
  - The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions. Kooth plc's operations take place in the UK and the US.

## 2.3) Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

### Revenue from Contracts with Customers

Revenue arises from the provision of counselling services and mental health support services under fixed price contracts. Contracts are typically for a 12 month period and are fixed price based on the population covered and an expected number of hours of counselling provided.

To determine whether to recognise revenue, the Group follows the five step process as set out within IFRS 15.

- 1) Identifying the contract with a customer
- 2) Identifying the performance obligations
- 3) Determining the transaction price
- 4) Allocating the transaction price to the performance obligations
- 5) Recognising revenue as/when performance obligation(s) are satisfied

Contracts with customers take the form of signed agreements from customers. There is one distinct performance obligation, being the provision of counselling services, to which all the transaction price is allocated. Revenue from counselling services is recognised in the accounting period in which the services are rendered. The contracts are satisfied monthly over the contract term for an agreed level of support hours. Revenue is recognised over-time, on a systematic basis over the period of the contract, as this best represents the stage of completion.

In certain circumstances the number of hours of counselling provided may surpass the expected number of hours within the contract. In this circumstance, Management does not recognise additional revenue during the period, as contractually the Group has no right to demand payment for additional hours. In some instances, the Group has recovered additional



fees post year end for the additional hours incurred; this additional revenue is recognised at a point in time when the Group has agreed an additional fee and has a right to invoice. At each reporting date there was no significant overprovision of hours noted.

In instances where the number of counselling hours provided is less than the contracted number of hours, the full fixed fee is still payable by the customer.

A pilot contract in the US was awarded to the Group as a government grant. Revenue on this contract was treated in the same manner as UK revenue contracts with revenue recognised over-time, on a systematic basis over the period of the contract, as this best represents the stage of completion.

Revenue on a proof of concept project in the US was recognised on the percentage of completion method of accounting. As the outcome of the contract were reliably measurable, revenue and costs were recognised in proportion to the stage of completion of the contract.

The Group typically receives cash from customers 40 days after invoicing a customer.

#### **Contract Assets**

Contract assets are recognised for revenue earned not yet invoiced, for customers who are invoiced on a quarterly basis. Upon invoicing, the amount recognised as a contract asset is reclassified to trade receivables. The Group has reviewed the expected credit losses for the year and note no material expected credit losses.

#### **Contract liabilities**

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

#### **Tax**

##### Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

##### Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

##### Research and Development tax claims

Where Keeth plc has made Research and Development tax claims under the Small and Medium Enterprise scheme and tax

where a company has made research and development tax claims under the small and medium enterprise scheme and tax losses have been surrendered for a repayable tax credit, a current tax credit is reflected in the income statement.

#### **Property, Plant and Equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows: Computer and office equipment 33.33% straight line

#### **Goodwill and Intangibles**

##### **Goodwill**

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

##### **Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Expenditure on internally developed software products and substantial enhancements to existing software product is recognised as intangible assets only when the following criteria are met:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the Statement of Profit and Loss.

During the period of development, the asset is assessed for impairment annually.

Amortisation is charged on a straight line basis over the estimated useful life of three years.

Expenditure on research activities as defined in IFRS is recognised in the income statement as an expense.

#### **Impairment testing of intangible assets and property, plant and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately independent cash inflows (CGU). Those intangible assets including goodwill and those under development are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised for the amount by which the asset or CGUs carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. All assets, with the exception of goodwill, are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

#### **Financial instruments**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value except for trade receivables which are initially accounted for at

the transaction price. Financial instruments cease to be recognised at the date when the Group ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables or cash and cash equivalents.

#### **Trade receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the transaction price. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group assess each receivable on a customer by customer basis for the expected lifetime credit loss, which is based on an unbiased weighted average probability of default both at initial recognition and subsequent reporting dates. Where an expected credit loss is identified a provision is made against the receivable. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation default or delinquency in payments, and the unavailability of credit insurance at commercial rates are considered indicators that the receivable may be impaired. When these factors are confirmed for a trade receivable it is considered uncollectible and a default event is triggered. At this point it is written off against the credit loss provision account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that have a maturity date of three months or less, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Leases**

Short term leases or leases of low value are recognised as an expense on a straight-line basis over the term of the lease.

The Group recognises right-of-use assets under lease agreements in which it is the lessee. The underlying assets mainly include property and office equipment and are used in the normal course of business. The right-of-use assets comprise the initial measurement of the corresponding lease liability payments made at or before the commencement day as well as any initial direct costs and an estimate of costs to be incurred in dismantling the asset. Lease incentives are deducted from the cost of the right-of-use asset. The corresponding lease liability is included in the consolidated statement of financial position as a lease liability.

The right-of-use asset is depreciated over the lease-term and if necessary impaired in accordance with applicable standards. The lease liability shall initially be measured at the present value of the lease payments that are not paid at that date, discounted using the rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. No lease modification or reassessment changes have been made during the reporting period from changes in any lease terms or rent charges.

#### **Employee Benefit plans**

##### Defined Contribution Plans

The Group operates a defined contribution pension plan. Payments to defined contribution pension plans are recognised as an expense when employees have rendered services entitling them to the contributions.

##### Share-based payment

Benefits to employees are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions'). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, which takes into account market conditions and non-vesting conditions. This cost is charged to the income statement over the vesting period, with a corresponding increase in the share based payment reserve.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of shares that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised at the beginning and end of that period and is recognised in share based payment expense.

#### **Alternative Performance Measures**

Adjusted results are prepared to provide a more comparable indication of the Group's core business performance by removing the impact of certain items including exceptional items, and other, non- trading, items that are reported separately.

The Group believes that EBITDA before separately disclosed items ("adjusted EBITDA") is the most significant indicator of operating performance and allows a better understanding of the underlying profitability of the Group. The Group defines adjusted EBITDA as operating profit/loss before interest, tax, depreciation, amortisation, exceptional items and share based payments.

The Group also measures and presents performance in relation to various other non-GAAP measures, such as gross margin, annual recurring revenue and revenue growth.

Adjusted results are not intended to replace statutory results. These have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Board monitors results.

### **3. Significant Accounting Judgements, Estimates and Assumptions**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources.

#### **Estimates and Assumptions**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

and future periods if the revision affects both current and future periods.

The estimates which have the most significant impact on the amounts recognised in the financial statements are as follows:

#### Useful economic lives of development costs and property, plant and equipment

Property, plant and equipment is depreciated over the economic useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The useful economic lives applied are set out in the accounting policies. Development costs are amortised on a straight-line basis over the useful life of the related asset which management estimate to be three years, which is industry standard.

#### Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The basis for these key inputs and assumptions are described in note 6.

#### Judgements

The areas of judgement which have the most significant impact on the amounts recognised in the financial statements are as follows:

#### Impairment of intangible assets (including goodwill) and property, plant and equipment

The Group tests goodwill at least annually for impairment and whenever there is an indication that the asset may be impaired. All other intangible assets and property, plant and equipment are tested for impairment when indicators of impairment exist.

Assessing whether an indicator of impairment exists is a judgement. The value in use calculated by management is an estimate.

An impairment charge is recognised for the amount by which the asset or CGUs carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. All assets, with the exception of goodwill, are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

#### Deferred tax

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

#### Capitalisation of Development Costs

Distinguishing the research and development phases of a new customised project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Capitalised development expenditure is analysed further in note 11.

Development costs largely relate to amounts paid to external developers, consultancy costs and the direct payroll costs of the internal development teams. Any internal time capitalised is the result of careful judgement of the proportion of time spent on developing the platform.

Capitalised development expenditure is reviewed at the end of each accounting period for indicators of impairment.

#### 4. Revenue

The total turnover of Kooth plc has been derived from its principal activity undertaken in the UK and the US.

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Provision of online counselling - UK	18,648	16,682
Provision of online counselling - US	1,472	-
	<b>20,120</b>	<b>16,682</b>

#### 5. Administrative expenses

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Employee costs	8,701	6,876
Rent and rates	316	212
IT hosting and software	963	882
Professional fees	1,307	680
Marketing	490	494
Depreciation & amortisation	2,236	2,384
Share based payment expense	292	431
Other overheads	462	359
	<b>14,767</b>	<b>12,318</b>

#### 6. Employee remuneration

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Salaries	12,022	11,542

Salaries	12,055	11,545
Pensions	317	286
Social security & other staff benefits	1,396	1,203
Share based payments	304	520
	<b>14,050</b>	<b>13,552</b>
<b>Employee numbers</b>	<b>2022</b>	<b>2021</b>
Direct	234	204
Indirect	139	126
Developers	33	32
	<b>406</b>	<b>362</b>

Employee numbers disclosed represents the average number of employees for the year.

<b>Share based payment</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Long term incentive awards	304	520

A portion of long term incentive awards are capitalised which accounts for the difference in long term incentive awards shown in this note compared to the amount disclosed as an expense in the Statement of Profit and Loss.

#### Long Term Incentive Awards

Long term incentive awards have been issued to all staff. The fair value of the awards has been calculated using the Black Scholes model, based on the market price of the underlying shares on the date of grant. Performance conditions are attached to the incentive awards of Executives, with 50% linked to ARR growth and 50% linked to comparative total shareholder return. Vesting conditions require that all staff remain employed by the business for three years. The shares vest over a three year period with a maximum term of 10 years.

	<b>Number of options</b>	<b>Exercise price per share</b>	<b>Number of Options</b>	<b>Exercise price per share</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
<b>Outstanding at the beginning of the year</b>	1,080,066	£0.05	999,681	£0.05
Granted	1,096,464	£0.05	367,173	£0.05
Forfeited	(303,174)	£0.05	(286,788)	£0.05
Exercised	-	£0.05	-	£0.05
<b>Outstanding at the end of the year</b>	<b>1,873,356</b>	<b>£0.05</b>	<b>1,080,066</b>	<b>£0.05</b>

#### 7. Interest

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest income on cash deposits	81	13

#### 8. Taxation

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Current tax		
Corporation tax	(746)	(252)
Total current tax charge / (credit)	<b>(746)</b>	<b>(252)</b>
Deferred tax (P&L)		
Origination and reversal of timing differences	631	(158)
Total deferred tax charge / (credit) (P&L)	<b>631</b>	<b>(158)</b>
Tax charge / (credit) on profit on ordinary activities	<b>(115)</b>	<b>(410)</b>
<b><u>Reconciliation of tax charge</u></b>		
Loss on ordinary activities before tax	<b>(831)</b>	<b>(720)</b>

Expected tax charge on loss on ordinary activities at standard CT rate	(158)	(137)
<i>Effects of:</i>		
Effect of tax rate changing on opening balance	-	(93)
R&D additional deduction	(398)	(430)
Difference between UK CT & DT rates	3	(33)
Surrender of tax losses for R&D tax credit refund	137	80
Prior year adjustment	313	203
Other difference	(12)	-
	<b>(115)</b>	<b>(410)</b>

## 9. Earnings per share

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Earnings used in calculation of earnings per share:		
On total losses attributable to equity holders of the parent	(716)	(310)
	<b>2022</b>	<b>2021</b>
Weighted average no. of shares (Basic)	33,055,776	33,055,776
Weighted average no. of shares (Diluted)	34,360,798	34,082,252
<b>Shares in issue</b>		
Ordinary shares in issue	33,055,776	33,055,776
Share options	1,873,356	1,080,066
<b>Loss per share (basic, £)</b>		
On total losses attributable to equity holders of the parent	(0.02)	(0.01)
<b>Loss per share (diluted, £)</b>		
On total losses attributable to equity holders of the parent	(0.02)	(0.01)

## 10. Goodwill

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Goodwill as at 1 January and 31 December	511	511

Management has established counselling services as the one CGU during the relevant periods. All goodwill is attributable to this CGU.

The Group tests annually for impairment or more frequently if there are indications that it might be impaired. There were no indicators of impairment noted during the periods presented.

The Group tests goodwill for impairment by reviewing the carrying amount against the recoverable amount of the investment. Management has calculated the value in use using the following assumptions:

Discount rate	8%
Growth rate	2%

Using alternative discount and growth rates as sensitised assumptions does not result in any impairment.

The Group prepares forecasts based on the most recent financial budgets approved by the Board. The forecasts have been used in the value in use calculation along with the assumptions stated above. The forecasts used are consistent with those used in the going concern review and discussed in note 2. There were no impairments in the years ended 31 December 2022 and 31 December 2021.

## 11. Development costs

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
Balance as at 1 January	7,363	4,828

Additions	2,952	2,535
<b>Balance as at 31 December</b>	<b>10,315</b>	<b>7,363</b>
<b>Amortisation</b>		
Balance as at 1 January	(4,496)	(2,213)
Amortisation	(2,138)	(2,283)
<b>Balance as at 31 December</b>	<b>(6,634)</b>	<b>(4,496)</b>
<b>Carrying amount 31 December</b>	<b>3,681</b>	<b>2,867</b>

The 2021 amortisation charge includes £0.2m in respect of accelerated amortisation on a project where the useful economic life was reduced from its initial three years.

#### 12. Leases

	2022 £'000	2021 £'000
<b>Right of use asset As at 1 January</b>		
	-	14
Additions	68	-
Depreciation Disposal	-	-
	-	(14)
<b>As at 31 December</b>	<b>68</b>	<b>-</b>
<b>Lease liability As at 1 January</b>		
	-	17
Additions Interest charge Cash payment	68	-
Disposal	-	-
	-	(17)
<b>As at 31 December</b>	<b>68</b>	<b>-</b>

#### 13. Property, plant and equipment

	2022 £'000	2021 £'000
<b>Cost</b>		
Balance as at 1 January	451	388
Additions	100	63
<b>Balance as at 31 December</b>	<b>551</b>	<b>451</b>
<b>Depreciation</b>		
Balance as at 1 January	(335)	(231)
Depreciation	(94)	(104)
<b>Balance as at 31 December</b>	<b>(429)</b>	<b>(335)</b>
<b>Carrying amount 31 December</b>	<b>122</b>	<b>116</b>

Property, plant and equipment refers to computer and office equipment.

#### 14. Deferred tax assets and liabilities

	Fixed asset temporary differences	Other temporary differences	Tax losses	Total
At 1 January 2021 - asset / (liability)	(481)	79	535	<b>133</b>
Movement - (charge) / credit	23	244	35	<b>302</b>
At 1 January 2022 - asset / (liability)	(458)	323	570	<b>435</b>
Movement - (charge) / credit	(119)	(98)	(566)	<b>(783)</b>

At 31 December 2022 - asset / (liability)	(577)	225	4	(348)
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Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

**15. Trade and other receivables**

	2022 £'000	2021 £'000
Trade receivables	1,110	1,609
Prepayments and other receivables	1,508	761
	2,618	2,370

All amounts shown above are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

**16. Contract assets**

	2022 £'000	2021 £'000
Accrued income	649	406

**17. Cash and cash equivalents**

	2022 £'000	2021 £'000
Cash and cash equivalents	8,492	7,079

**18. Trade and other payables**

	2022 £'000	2021 £'000
Trade payables	680	417
Accruals and other creditors	977	649
Tax liabilities	967	948
	2,624	2,014

**19. Contract liabilities**

	2022 £'000	2021 £'000
Contract liabilities - current	2,583	797

**20. Equity**

	2022 £'000	2021 £'000
Ordinary A shares	1,653	1,653

	2022	2021
<b>Number of Shares</b>		
Ordinary A shares	33,055,776	33,055,776

The share capital of Kooth plc consists of fully paid ordinary shares with a nominal value of £0.05 per share.

The A ordinary shares have attached to them full voting, dividend and capital distribution rights (including on winding up). They do not confer any right of redemption.

	2022 £'000	2021 £'000
Share Premium	14,229	14,229

Share premium represents the funds received in exchange for shares over and above the nominal value.

	2022 £'000	2021 £'000
Share based payment reserve	1,221	959

The share based payment reserve represents amounts accruing for equity settled share options granted plus the fair value



The share based payment reserve represents amounts accruing for equity settled share options granted plus the fair value of growth shares realised upon IPO.

	2022	2021
	£'000	£'000
Merger reserve	(4,104)	(4,104)

The merger reserve was created as a result of the share for share exchange during the year ended 31 December 2020.

	2022	2021
	£'000	£'000
Capital redemption reserve	115	115

The capital redemption reserve was established as a result of the deferred share buyback during the year ended 31 December 2020.

## 21. Auditors remuneration

	2022	2021
	£'000	£'000
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	85	75
Fees payable to the auditor and its associates for other services:		
Other audit related services	5	5

## 22. Financial assets and liabilities

	2022	2021
	£'000	£'000
<b>Financial assets</b>		
Trade and other receivables	2,618	2,370
Cash and cash equivalents	8,492	7,079
<b>Financial liabilities</b>		
Trade and other payables	2,692	2,014

Management has assessed that the fair values of cash, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

### 22.1 Financial assets and liabilities

The Group's principal financial liabilities comprise trade and other payables. The Group has no debt facility as at 31 December 2022 (2021: £nil). The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables and cash that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Board of Directors who advise on financial risks and the appropriate financial risk governance framework for the Group. The Board provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Market risk is deemed to be immaterial to the Group given that:

- the Group has no debt facilities in place at the year ended 31 December 2022 (2021: £nil) that would cause interest rate risk, and
- the Group's activities are conducted in the UK and the US, both of which are deemed to be stable economies, thereby significantly reducing foreign currency risk.

#### Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The credit risk associated with trade receivables is also limited as customers are primarily government backed organisations such as the NHS or State governments. Credit losses historically incurred have been negligible.

#### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing its cash balance.

As at the year ended 31 December 2022 the Group is solely funded by equity and as a result liquidity risk is deemed to be immaterial. The Group monitors its risk of a shortage of funds through both review and forecasting procedures.

## 23. Related party transactions

Note 25 provides information about the Group's structure, including details of the subsidiaries and the holding company.

Note 20 provides information about the Group's structure, including details of the subsidiaries and the holding company. The Group has taken advantage of the exemption available under IAS 24 Related Party Disclosures not to disclose transactions between Group undertakings which are eliminated on consolidation.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Monitoring fees - ScaleUp Capital Limited	50	50
	<u>50</u>	<u>50</u>

Key management personnel are the executive members of the Board of Directors of the Group and their remuneration is disclosed below and in the Remuneration Committee report.

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Base salary and fees	709	430
Pension	21	8
	<u>730</u>	<u>438</u>

#### 24. Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the statement of financial position.

The Group has no debt facilities in place as at 31 December 2022 (2021: £nil).

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Total equity	10,518	10,973
Cash and cash equivalents	8,492	7,079
<b>Capital</b>	<u><b>19,010</b></u>	<u><b>18,052</b></u>
Total equity	10,518	10,973
Lease liability	(68)	-
<b>Financing</b>	<u><b>10,450</b></u>	<u><b>10,973</b></u>

#### 25. Subsidiaries and associated companies

<b>Name</b>	<b>Country of incorporation</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
Kooth Group Limited	UK	100%	Platform development	5 Merchant Square, London, England, W2 1AY
Kooth Digital Health Limited	UK	100%	Provision of online counselling and support to children, young people and adults in the UK	5 Merchant Square, London, England, W2 1AY
Kooth USA LLC	US	100%	Provision of online counselling and support to children and young people in the US	1828 Walnut St, Kansas City, MO, 64108-1835

#### 26. Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

#### 27. Ultimate Controlling Party

No shareholder owns a majority of shares. The directors do not consider that there is one ultimate controlling party.

#### 28. Events after the reporting date

Following the year end Kooth was selected as the primary vendor partner to deliver its digital mental health platform to all 13-25 year olds in the State of California. Kooth will provide services integral to the Behavioral Health Virtual Services Platform, a new technology-enabled services solution, for all children, youth, and families in the State. The service is expected to launch in January 2024. Kooth expects the contract details to be agreed during the course of Q2 2023, with an associated highly material impact on revenues and ARR from 2024 onwards.

**29. Capital commitments**

The Group's capital commitments at 31 December 2022 are £nil (2021: £nil).

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