

A large, abstract graphic element occupies the lower two-thirds of the page. It features a light teal upper section that curves downwards towards the center, transitioning into a darker teal lower section. The overall shape is organic and fluid.

Kooth Plc

# Annual Report 2022

[koothplc.com](http://koothplc.com)

We create a welcoming space for effective personalised digital mental health care. **Accessible to all.**

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# Mental health is the defining public health crisis of our time. Our mission is to address this by delivering effective, personalised, digital mental health care to everyone.

With more than twenty years of experience, Kooth was founded to transform digital access to mental healthcare, at population-wide scale. We offer rapid and responsive access to support without thresholds, stigma, or waiting lists, in a way that resonates with those in need of help. Our model is responding to a global mental health crisis which is driving long-term demand for digital mental health and is seeing significant ongoing funding commitments.

## Global mental health crisis

The human and economic impact of poor mental health make for deeply concerning reading. In the US, 57% of teen girls feel persistently sad or hopeless. 22% of high school students seriously considered suicide in the past year. In the UK, latest statistics for 2021 show a record 4.3 million people were referred for mental health services, a rise of 15 percent from the previous year. In 2021, US Surgeon General Dr. Vivek Murthy called for urgent action to transform access to mental health care for young people, calling it the ‘defining public health crisis of our time.’

## Demand for digital mental health

To address this growing demand, NHS England allocated £15.6bn in mental health funding for 2022/23, an increase of 30% from 2017/18. However, the gap between the demand for mental health support and the availability of trained mental health professionals continues to widen. To address this, we believe a digital transformation of mental health care is needed, with a focus on moving further ‘upstream’ to provide support much earlier and quicker, helping to tackle issues before things deteriorate further. In addition, by providing responsive support, without waiting lists or barriers, we can help those with ‘in the moment’ need of support.

## Significant mental health funding

Governments and health care systems are starting to recognise this. The NHS Long Term Plan, published in 2019, set out the organisation’s ambitions and targets to expand access to mental health care. This acted as a catalyst for the adoption and growth of Kooth across the UK. Most recently, in 2022, the State

of California announced a \$4.7 billion investment to transform access to youth mental health care in what is arguably the world’s largest and most ambitious digital mental health program. We are proud that our digital platform has been selected as part of this initiative to provide support to 13-25 year olds across the State.

## Headline Statistics

**£1 trillion**

Cost of poor mental health to the global economy

**10.2%**

of NHS England budget for 2022/23 dedicated to mental health

**> \$6 billion**

US Federal and State funding announced in 2022 to improve youth mental health



# Our purpose

**Kooth provides a welcoming space for effective, personalised digital mental healthcare, accessible to all.**

Kooth is a public company with social impact. Our goal is to make accessible, effective, and personalised mental health care available to everyone, globally.

To achieve this, we are focused on achieving three key aims:

**Early intervention & responsive support**

Self-determination  
Person-centric  
Strengths-focused

**Grow access**

**Innovating in outcomes**

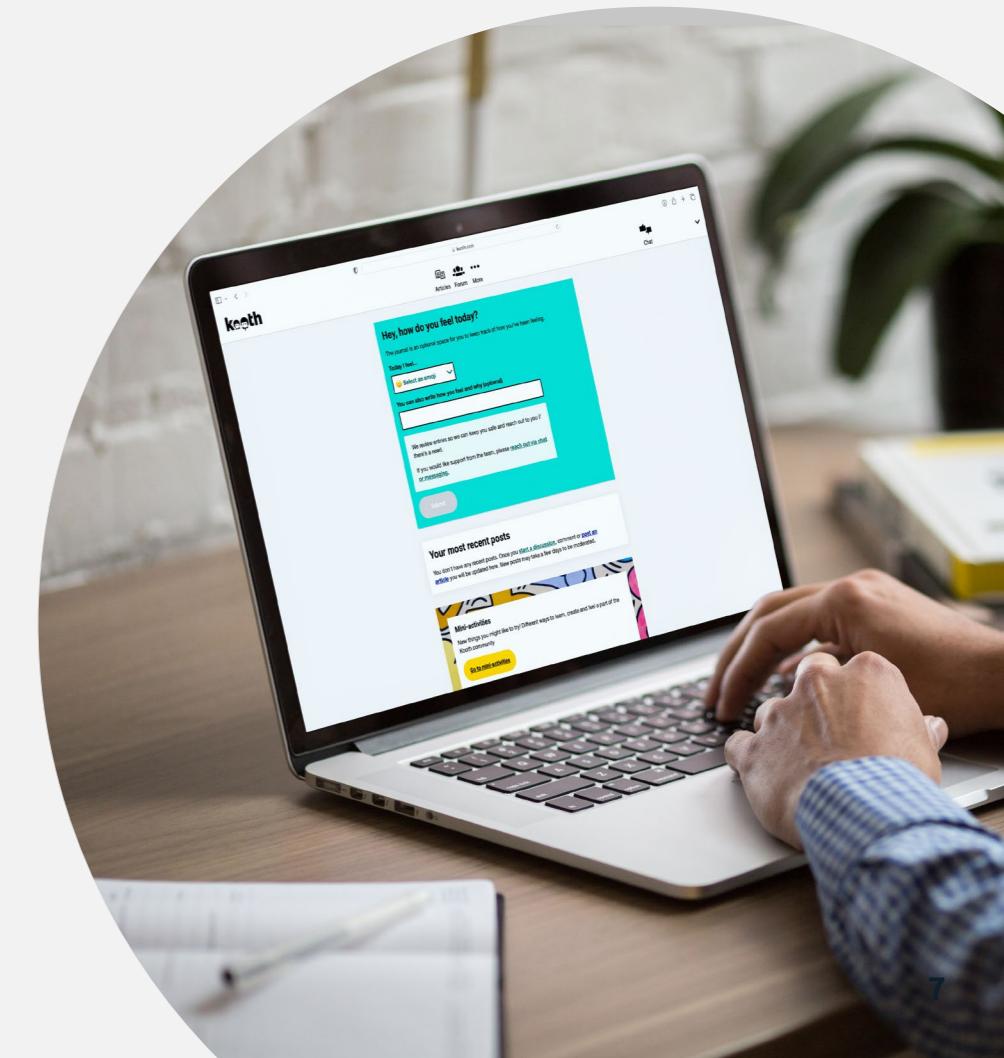
Therapeutic,  
social and economic  
outcome measures

No barriers  
Safe space  
Health equity

**Grow access:** We work with governments, healthcare systems, and businesses to provide individuals with access to mental health support with no barriers, thresholds, or waiting lists. By providing a stigma free, non-judgemental and safe space, we can help tackle health inequity to reach groups that may not have access to existing services, or feel unable to use them.

**Early intervention & responsive support:** There is no ‘one size fits all’ for mental health support. Kooth offers people a choice of support they want, on their own terms and takes a person-centric, strengths-based approach focused on helping people when and how they need it.

**Outcomes:** We are a pioneer and leader in digital outcome measures that demonstrate the therapeutic, social, and economic impact of Kooth, using all the experience we have gained over the past 20 years to objectively help people around the world. Examples include the 2022 independent York Health Economics Consortium 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.



**Building on the partnership and impact we have made in working with the NHS, we are delighted to have the opportunity to bring our services to the US.**

**Peter Whiting**  
Non-Executive Chair

# Chair's Statement

**Dear Shareholders,**

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.

A handwritten signature in blue ink that reads "Peter Whiting".

**Peter Whiting**  
**Non-Executive Chair**

3 April 2023



**Our rapid progress in the US is further testament to the world-class expertise and technology we have developed over the last two decades to digitally transform mental healthcare.**

**Tim Barker**  
Chief Executive Officer

## 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

# Kooth plc business model

## Our markets

In the UK, Kooth's platform and growth is focused on three key areas: supporting children and young people, adults, and a service to support the wellbeing of workforces. We provide all of these services in the UK. Our US strategy is solely focused on supporting children and young people, given our world leading expertise in this area.

The total addressable market for Kooth represents circa £500 million in the UK. In the US, we estimate the size of the addressable market for Kooth's to be above \$1 billion.



## Growth pillars

	Children and young people		Adults		Workforce	
	UK	US	UK		UK	
Market Size	£85m	+\$1bn	£300m	£150m		
Customer	NHS Integrated Care Systems Local Authorities	State Government Medicaid & Insurers	NHS Integrated Care Systems Local Authorities	'Key worker' organisations Charities		
	Kooth platform and clinical delivery model	Self-help	Content & Community	Professional support		

### Children and young people (UK and US):

As a pioneer in digital mental health for children and young people (10-25 years), Kooth has established itself firmly within the UK healthcare landscape, and is making strong progress on its expansion into the US.

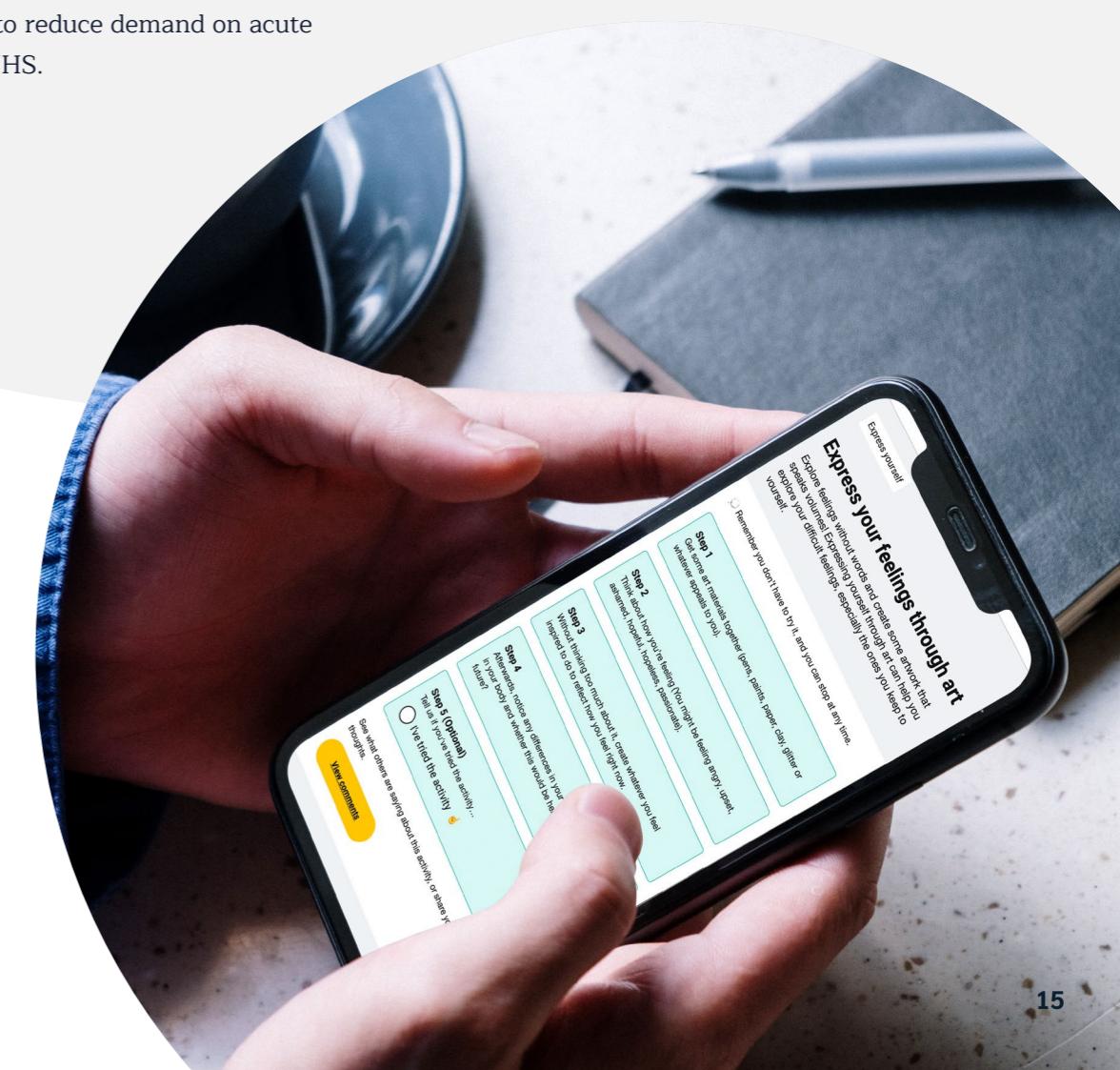
In the UK, over 60% of all 10-25 year olds have free access to Kooth, funded by the NHS or their local authority. According to NHS England data for 2021/22, Kooth has now become the largest single access provider for mental health support for under 18s, a testament to the trust and reach that we have achieved in our partnership with the NHS.

**Adults (UK):** Kooth's service for Adults (18+), known as Qwell, is commissioned across a growing number of NHS commissioners and local authorities. It provides early intervention support which helps to reduce demand on acute care services in the NHS.

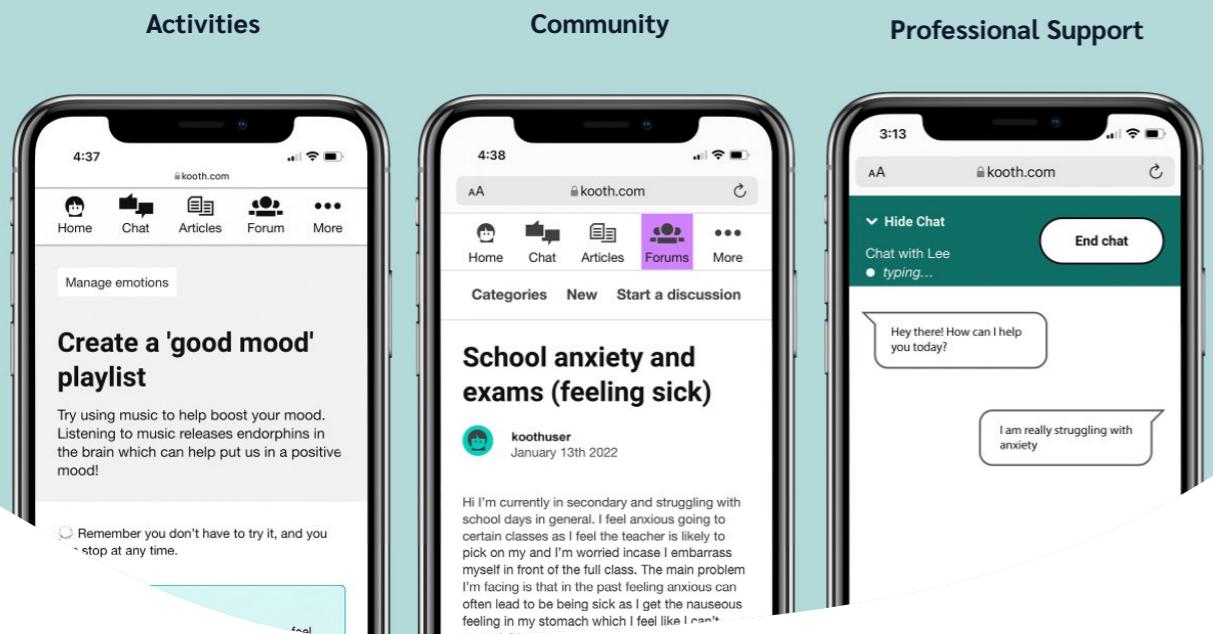
**Workforce (UK):** Kooth Work is focused on frontline and key workers - providing employees with immediate access to free and confidential mental health support. Through Kooth Work's Flourish Mental Health Check employers are able to benchmark how mentally healthy their business is and garner anonymous insights that help to identify strategies that can improve employee wellbeing.

### Expansion into other international markets:

Beyond the US and UK, our long term ambition is to licence our platform to healthcare operators in other geographies and scale economically into new markets.



## People self-determine the support they want and need in a safe space. No ‘one size fits all’.



Kooth's platform is designed to provide a welcoming, safe and confidential space to give individuals the support they want and need. To achieve this, Kooth's proprietary technology platform has been developed with four key design principles:

**No barriers to access:** Individuals can sign-up without having to be referred by a professional. There are no thresholds or waiting lists.

**De-stigmatisation:** Stigma is still a barrier to seeking help. Kooth provides a safe and confidential space for help. All content that users post on the Kooth platform (for example, on a community discussion board) is moderated to ensure that it remains a positive, safe space, without fear of judgement, trolling, or online abuse.

**Choice, not prescription:** To make a positive change in a person's life, it is important to empower them. Encouraging them to be part of the decision making process helps to determine what help may be most appropriate. To achieve this we deliver a range of integrated tools and therapies:

- **Therapeutic content and activities:** Every week, our community submits over 100 ‘lived experience’ articles to our moderation team for publication. This is in addition to our clinical content team that publishes therapeutic content and activities across a range of over 70 subject areas.
- **Community:** Users can get help from others in the Kooth community, providing a positive peer support space.
- **Professional support:** Kooth provides access to emotional wellbeing and counselling support, delivered by our team of over 250 practitioners. We provide responsive (drop in) chat, asynchronous messaging support, structured counselling (typically 6-12 sessions), and ongoing support. This is delivered as a live text chat through the Kooth platform.

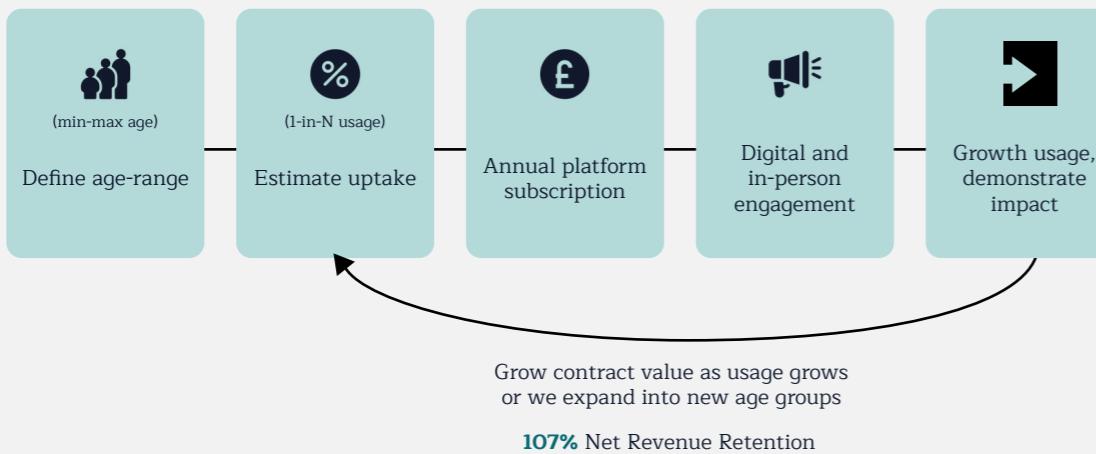
**Safe space:** As Kooth provides support to vulnerable individuals, safety is our top priority. In addition to robust safety protocols to support individuals in crisis, or at risk, the Kooth moderation team reviewed around 500,000 user generated posts, journals, and comments in 2022 to ensure it remains a safe space.

## Business Model

Kooth is a Business-to-Business-to-Consumer (B2B2C) model. It provides individuals with free access to mental health support, funded by healthcare systems, insurers, businesses or charities. This enables Kooth to support

individuals in need regardless of their economic circumstances, and provides our clients with a digital model that can scale to reach the whole population in their care.

### B2B2C Subscription Model. Expansion-focused



Kooth's pricing model is built on a 'seed and grow' approach. This helps to establish Kooth's service within a region, and then to grow the contract over time as awareness and usage grows.

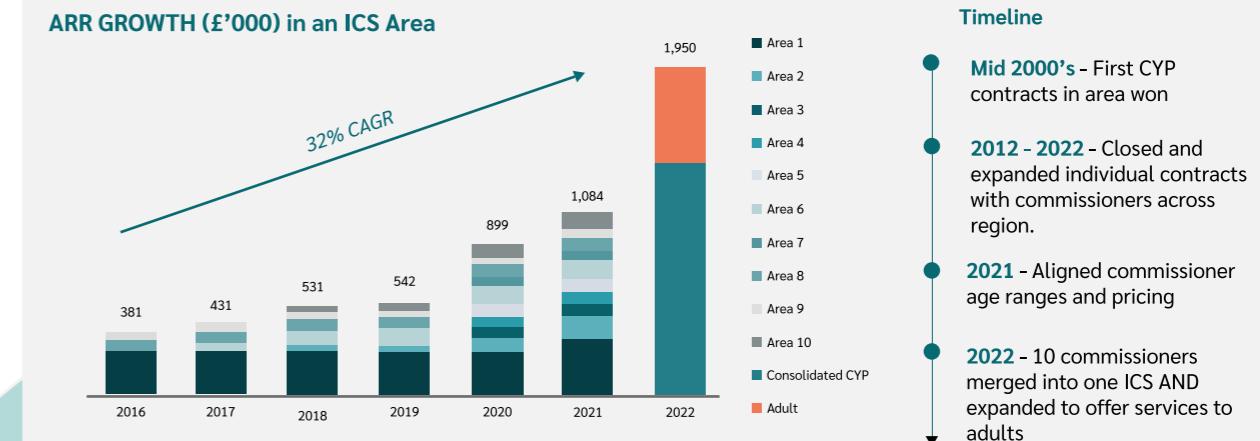
By working with commissioners we will determine the population they want to provide support for, for example, 11-18 year olds. With our 20+ year track record and over 25 million data points in our platform, we can estimate the likely uptake of service within the first year. This enables us to provide an annual subscription that covers the digital platform and practitioner support that we will be providing. Our team of Kooth Community Mental Health Champions will promote Kooth to local communities, schools/universities, healthcare

and welfare organisations. In addition, our marketing team will focus on building awareness for Kooth in the local region through both PR and digital marketing campaigns.

As individuals sign-up and usage grows, we build the business case to grow contracts further to meet increasing demand and usage. We grow our contracts based on the increased usage of the platform, or to support additional age groups such as 19-25 years.

To illustrate our business model in action, the anonymised customer example below shows the expansion within a region over a 6 year period as the service expanded based on both usage and age ranges, resulting in a compound annual growth rate (CAGR) of 32%.

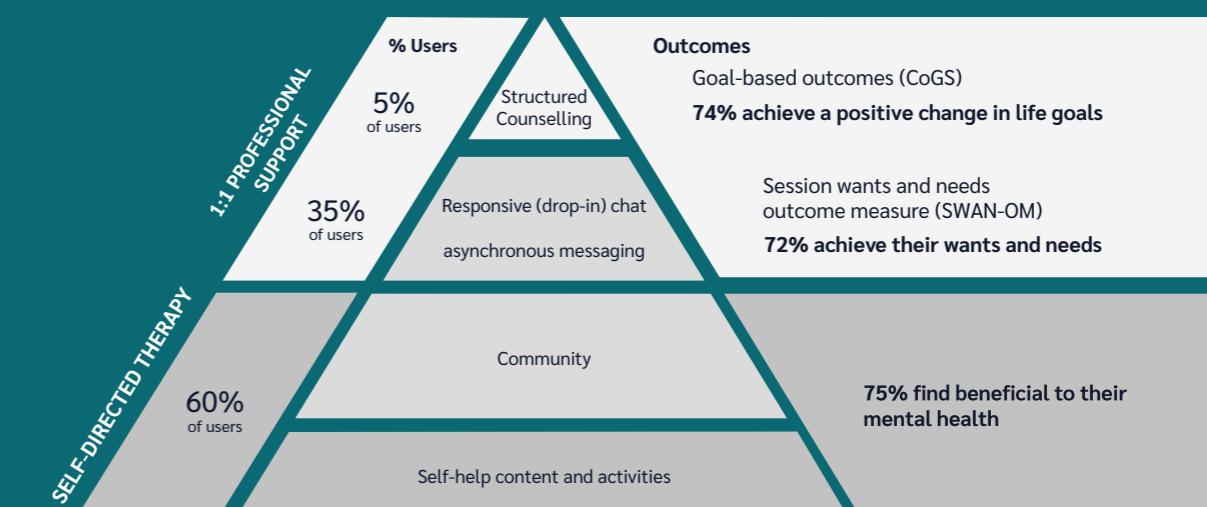
### A working example of our growth strategy - new and in contract growth and product expansion (CYP to adult)



### Kooth's scalable delivery model

Kooth enables individuals to access a range of tools and therapies to support their individual wants and needs. This approach, which spans self-therapy and professional support (including counselling), is a key differentiator for Kooth in the industry. It demonstrates the 'one size does not fit all' approach that we view as fundamental to empowering individuals to take control of their mental health. At the same time, it creates economic benefits as we continue to build new self-guided therapies that require less intense direct support from practitioners.

### Kooth's scalable delivery model. 95% get the support they want without need for 1:1 structured counselling



# Market review

During the pandemic healthcare systems worldwide were forced to achieve a decade of digital transformation in a few short years.

There is now an opportunity to continue this drive towards a more digital approach, enabling healthcare systems across the globe to provide efficient and supportive access to services as and when people need them. Kooth is well placed to support and progress this transformation.

## Self-directed therapy

Around 60% of Kooth platform users engage with self-guided therapy. This enables them to access the support they want and/or need from helpful content, self-therapy activities, and by engaging with the Kooth community for peer support.

## Professional support

Around 40% of Kooth platform users engage with professional support, through asynchronous messaging with our practitioners, attending a responsive (drop-in) chat session, or getting more regular support through structured or ongoing counselling sessions. This is all delivered as a text-based chat, similar to WhatsApp, but within Kooth's own platform.

## Benefits

Kooth's focus on providing help to patients at lower levels of acuity, and when they would not be able to access traditional services, ensures that 60% of its users get the help they need before the need to involve professional 1:1 support. By tackling issues early before they escalate, we are reducing the demand for acute mental healthcare support across the nations we serve, supporting existing healthcare services.

## Proven clinical outcomes

Kooth provides a clinically effective service. We measure this through goal-based outcomes, with 74% of users achieving their life and therapy goals. For users that solely engage with our therapeutic content and community, 75% find it beneficial to their mental health.

## Mental health trends and insights

Kooth provides clients and commissioners with near real-time anonymous trends and insights into the mental health of populations. This enables healthcare providers and businesses to identify where they need to focus additional resources to improve the wellbeing of their constituents.

## The changing nature of early and responsive support

The image of an 'early intervention and prevention service' gives the impression of a service that supports individuals who have a low level of acuity or risk, helping to tackle issues early before they escalate; or proactive support allowing those who are well to remain so.

While correct, the trend continues where we are seeing >80% of users presenting with a significant level of need or risk:

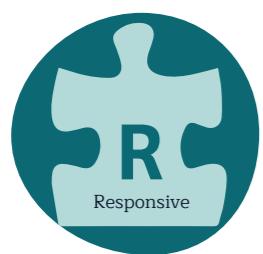
- **54%** have suicidal thoughts or have self-harmed
- **1-in-3** users accessing professional support are assessed by practitioners as 'red risk' from a safeguarding perspective

These users may be experiencing difficulties for the first time or re-experiencing previously resolved difficulties as a result of current life stresses (which may be related to historical events not known to Kooth). Early support, alongside preventing the onset of mental health difficulties in those who are low risk, has two additional functions: relapse prevention and crisis prevention.





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 proprietary clinical framework, i-RESPOND (integrative, responsive, evidence based, safe, person centred, outcomes focused, non-judgemental and data informed).



**Responsive:** More focus on single session interventions using an innovative and externally validated measure to enable effective ‘in the moment’ support for users.

**Safe:** New system for escalation of safeguarding concerns plus increased focus on digital risk management training (including routine enquiry for suicidal thoughts).

**Person-centred:** Greater focus on ‘what happened to you’ as opposed to ‘what’s wrong with you’ through embedding a trauma informed approach into online clinical practice.

It is vital that we continue to adapt our offer while maintaining our strengths based, data informed approach if we are to deliver a person-centric approach to mental health care, while working alongside health care systems to address the growing levels of demand.

## Supporting the NHS as it undergoes challenges and change

The NHS spends over £15.5 billion a year on mental healthcare services. Most of that budget is spent on in-person support, spanning acute treatment, inpatient care, and community services. Digital mental healthcare is still in its infancy within the NHS, with Kooth a leading example of service already operating at scale in many regions.

The past year has been defined by two pivotal themes within the NHS. The first is the reorganisation from Clinical Commissioning Groups (CCGs) to Integrated Care Systems (ICSs), with the second involving the response to the unprecedented levels of demand in the aftermath of the pandemic.



## An NHS undergoing change: Integrated Care Systems

ICSSs were formed with the goal of improving overall population health (including a focus on early intervention and prevention), tackling health inequity, and delivering on digital transformation. This reorganisation, completed by NHS England in June 2022, consolidated 135 CCGs into 42 ICSSs.

Kooth is well positioned to help ICSSs tackle these strategic priorities, with a digital service that:

- **Delivers a population-wide service** by providing effective and economic mental health support across an entire region, accessible to all.
- **Helps tackle health inequity** by offering a safe, anonymous space for people where stigma is holding them back from seeking support.
- **Provides population insights to inform healthcare planning** by ensuring there's a regional and national picture of the changing needs and issues within the population.

Despite this long term potential, the short term impact resulting from this reorganisation is one where decision making has slowed down. This is a result of ICSSs building their leadership teams, creating an inventory of the services they have available, and starting to shape their future strategy to support their population.

We have seen this sales cycle extend from the typical 9-12 months to 15+ months. However, early signs are that we are starting to see the reorganisation coalesce, as we move into the new NHS budget year for 2023/2024.

## Supporting the NHS as it deals with unprecedented pressures

There is no doubt that the NHS is going through one of its most challenging times and Kooth is responding to this challenge by providing commissioners with services that address the goal of reducing short term pressures on an overstretched NHS.

For example, Kooth was recently commissioned in a region of London to play a vital role in helping to reduce the number of adults that arrive at A&E with a mental health issue, by directing individuals to Kooth before they reach a level of crisis:

- **Local GPs surgeries** can promote Kooth to individuals with a mental health concern (even before they make an appointment) to help reduce the pressure on NHS services;
- **NHS 111 call centres** can signpost individuals to Kooth to get ongoing support to help them;
- **As awareness grows for Kooth in a region**, we can provide individuals with support before they reach out to the NHS.

We see this as a key opportunity for Kooth, not just to support the long term strategic objectives for ICSSs, but to help in the 'here and now' and tackle the crisis in hand.

## US: The growing imperative to address youth mental health

1-in-4 youths aged 6-17 in the US experience a mental health disorder each year. At both a federal and state level, the US has recognised it is time to take urgent action to address this growing crisis in youth mental health:

- In December 2021, the US Surgeon General issued an urgent call for action with the publication of the report 'Protecting Youth Mental Health';
- President Biden's 'State of the Union' in March 2022 set out the need for a national strategy to address this challenge;
- By July 2022, the bipartisan Safer Communities Act set aside \$1.3 billion over five years to improve access to youth mental health support;
- States are starting to allocate significant budgets to address this crisis: California (\$4.7bn), New York (\$1bn), and North Carolina (\$1bn) to name a few.

In October 2022, Kooth took a major step into the US market by signing its first pilot contract with the State of Pennsylvania. It aims to expand access to mental health support for up to 150,000 school students across 30 school districts, provided to every student regardless of their insurance status. The contract will run initially for the academic year and, if the pilot is successful, could be extended to include more of the State's 500 school districts.

In March 2023, Kooth was awarded a contract by the California Department of Health care Services (DHCS) to make its platform available to all 13-25 year olds in the State (a population of ~6 million). This forms part of California's *Masterplan for kids' mental health*, a \$4.7 billion, 5 year plan to transform youth mental health services. In awarding this contract, Kooth was evaluated by DHCS alongside 450 other providers.

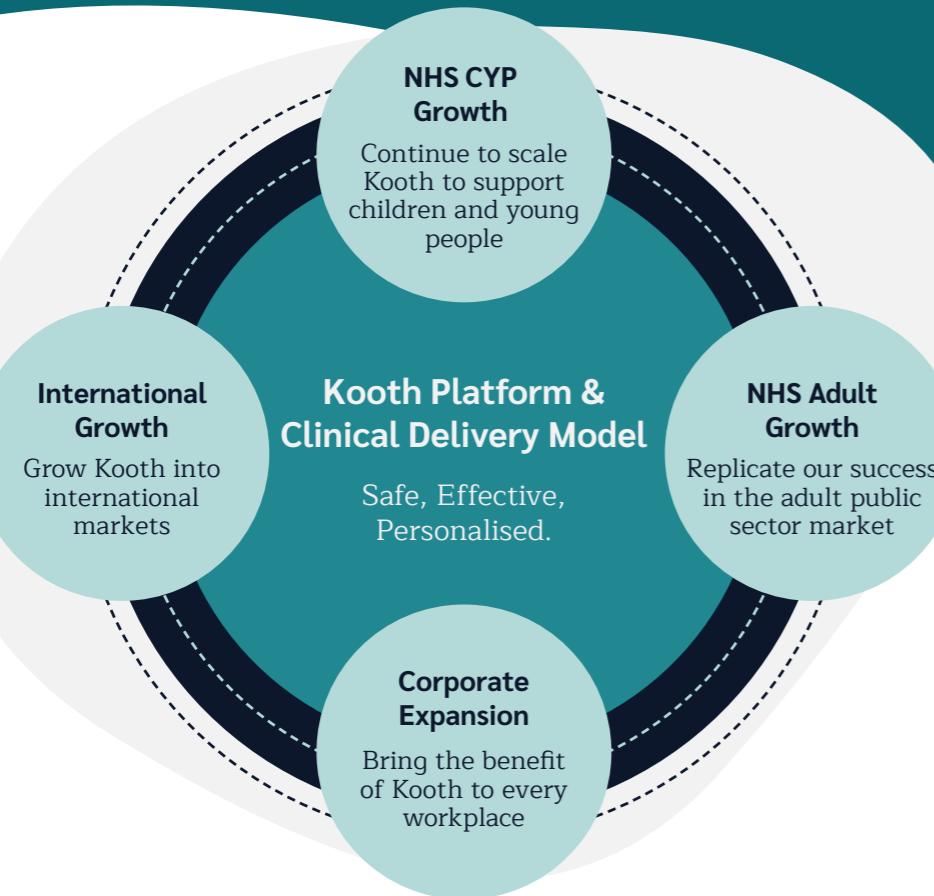
Throughout 2023, Kooth will be further enhancing its current platform in readiness for a go-live in January 2024. This includes the development of a mobile app for Apple and Android smartphones, integrating with crisis and 3rd party care services, and ensuring that Kooth can support the diverse population of California by developing culturally relevant content and expanding the languages we support beyond English and Spanish.

The service will launch in January 2024 and is expected to have a highly material impact on ARR and revenues from 2024 onwards.

These two substantial contracts, coming within the first 18 months of entering the US market, are encouraging signs that point to the long term potential that Kooth has in the world's largest healthcare market.

# Strategy

Kooth has a four pillar growth strategy to meet the global demand for clinically, and cost effective mental healthcare. This is powered by Kooth's proprietary, integrated technology platform.



## 1. Expanding Kooth to support children and young people across the UK

As of the end of 2022 Kooth is available to over 60% of 10-25 year olds in the UK. Our ambition, and strategy, is to expand to become a nationwide service, accessible to all. To deliver this, our key priorities are:

**Work in partnership with Integrated Care Systems to help them achieve goals of improving population health in their region:** Kooth's service along with its data and insights can provide a strategic asset to ICSs to help them deliver on their long term vision to improve population health.

**Expansion into devolved nations:** To provide UK-wide access, we are focused on supporting devolved NHS organisations in Scotland, Wales, and Northern Ireland. In Scotland we grew from four contracts at the start of 2022, to nine. In Wales, we are contracted by over 60% of commissioners.

**Focus on expansion within existing contracts through over-performance and age-range expansion:** As awareness and usage grows within the regions, we aim to over-perform on the agreed contracts, thereby building the business case for expansion.

**Continuous incremental improvement in Quality (experience, effectiveness, efficiency):** As a proven, established service, our focus is on continuous improvement of experience, effectiveness, and efficiency.

## 2. Expand Kooth's youth-focused service into the US

Building on our early success in securing state-level contracts to tackle youth mental health, our strategy is to continue to focus on expanding within current and additional states. These contracts provide 'free at the point of need' support to children and young adults, an operating model that Kooth has deep expertise in from its UK business. Beyond this, we plan to continue to explore market opportunities and partnerships with healthcare systems and payers, with Medicaid a key area of interest given the lack of mental health provision for low-income families. Given the highly competitive digital market for adult mental health care, we plan to focus solely on youth, a segment where we bring world-class expertise.



### 3. Early intervention and responsive support for adults via the NHS

It is estimated that 8 million adults in England alone would benefit from additional mental health support, but they do not yet qualify for treatment i.e., their mental health is not deemed poor enough to qualify for NHS treatment. Without receiving any support, a percentage of these individuals will one-day qualify for treatment as their mental health deteriorates further.

Kooth Adult is focused on providing support to the whole adult population within a region, providing early intervention support to help tackle problems before they escalate. It supports those that are sub-threshold, and delivers rapid and responsive help to prevent those that have received treatment from a relapse. In addition, with a focus on population-health, we aim to reach and support 'seldom heard' groups that may be less likely to use established NHS services e.g., ethnic minority groups and LGBTQIA+ communities.

### 4. Supporting the mental health of frontline workers

The market for employee mental wellbeing support is both highly competitive, and has been somewhat commoditised in a 'race to the bottom' by insurer-based Employee Assistance Programs (EAPs).

However, the paradox is:

**While provision is high:** More than 70% of businesses provide an EAP to their employees.

**Usage is very low:** EAPs are only used by around 5% of employees. As an insurer-provided product, there is little incentive for insurers to drive a higher uptake of their services.

**Employees want more than an insurance product:** As our recent 'Missing the Mark' research revealed, only 18% of employees think their employer is doing enough to support their mental health.

**But stigma means that leaders are unable to see what**

**employees need:** More than 50% of employees will not talk to their employer about their mental health for fear of repercussions.

**However, absenteeism data shows the scale of the issue:** More than 50% of absenteeism cases are mental health related.

To address this, business leaders need data/insights to understand the problems within their workforce, a service that is focused/incentivised on driving adoption, and early/rapid support to help individuals remain healthy.

This is our strategy for Kooth Work. With the recent launch of our 'Flourishing Assessment', we can benchmark the mental health of the organisation and help guide business leaders to better understand the hidden mental health challenges and practical steps they can take to support their workforce.

To help grow adoption, we provide HR leaders with content and campaigns that can be used to educate and engage their workforce. This is not just focused on common topics (anxiety, stress, and depression), but spans 100+ areas, from the menopause to dealing with grief and loss.

In terms of our go-to-market strategy, Kooth Work is focused on frontline workers and the UK charities who support them. Frontline workers represent 33% of the UK workforce, working in often low paid, high stress, and sometimes traumatic roles. Kooth offers a person-centric platform that provides substantial support to these individuals.

## 5. Kooth's Platform

Kooth's proprietary technology platform underpins everything we do. A key reason for our London listing in 2020 was to enable us to invest in our technology to support the long term growth of Kooth. Our investment strategy in technology is focused on three key areas:

### **Delivering a welcoming and engaging space**

Reaching out to ask for help can be hard. For Kooth to succeed, we must offer a stigma-free, safe space where people feel welcome and empowered to get the support that they want and need. We continue to invest in user-research, participation, and experience-design to deliver on this.

### **Delivering clinically and cost effective access to mental health support**

Kooth is a trailblazer in research, development and outcome measures to evidence the therapeutic, social, and economic impact of our platform. This has led to the development of new therapies, many of which are only possible through a digital delivery model. We see huge potential to continue to innovate and deliver in new support models spanning self-therapy, community and peer support, and professional support.

### **Applying artificial intelligence to improve the experience, efficiency, and effectiveness.**

Across Kooth's lifetime, we have delivered over one million hours of professional support, via text and chat based interactions. Collectively, this represents one of the world's largest anonymous mental health data sets. The opportunity is to safely leverage this data using machine learning and artificial intelligence for the benefit of practitioners and service users.

In 2022 we made our first steps in delivering on this, with the development of an AI-assisted moderation algorithm to support the review of the half a million journals, comments, and posts that our users write each year. This enables Kooth to flag 'high risk' content to our moderation team faster, while reducing the burden on reviewing content that does not signify an individual at risk.



# Key performance indicators

## Total revenue

<b>£20.1m</b>	<b>£16.7m</b>	<b>£13.0m</b>	<b>£8.7m</b>
<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>

As we continue to invest in and grow our business, revenue growth demonstrates the progress we are making.

## Annual Recurring Revenue (ARR)

<b>£21.1m</b>	<b>£16.9m</b>	<b>£14.1m</b>	<b>£10.6m</b>
<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>

Annual Recurring Revenue (ARR) is the annualised revenue of customers engaged or closed at the year-end 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.

## Gross margin

<b>68.9%</b>	<b>69.5%</b>	<b>69.8%</b>	<b>63.6%</b>
<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>

Gross Profit as a percentage of revenue. Direct costs are the costs of our practitioners directly involved in the delivery of our services.

## Adjusted EBITDA

<b>£1.6m</b>	<b>£2.1m</b>	<b>£0.9m</b>	<b>£0.1m</b>
<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>

Earnings before interest, tax, depreciation and amortisation in the financial year, adjusted for share based payments and exceptional costs which were predominantly IPO related in 2020. This metric provides a more comparable indication of the Group's core business performance by removing the impact of non-trading items that are reported separately.

## Number of customers

<b>166</b>	<b>151</b>	<b>132</b>	<b>81</b>
<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>

The total number of live contracts with customers. For our contracts in England as the NHS consolidates from 135 Clinical Commissioning Groups to 42 Integrated Care Systems, we are seeing a shift to a smaller number of larger contracts spanning the whole population within an ICS region. We were also delighted to add our first customers in the US during the course of 2022.

## Population coverage

<b>16.7m</b>	<b>10.9m</b>	<b>7.8m</b>	<b>5.9m</b>
<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>

The total number of people who have access to the Kooth service is a clear indicator of our accessibility.

## Service user logins

<b>1.5m</b>	<b>1.3m</b>	<b>1.1m</b>	<b>0.7m</b>
<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>

The number of logins to Kooth from users, demonstrating uptake of our service.

**Kooth delivered strong growth in 2022 underpinned by our first major contract in the US**

**Sanjay Jawa**  
Chief Financial Officer

# Chief Financial Officer's Review

## 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

Adjusted EBITDA fell by 23% to £1.6 million (2021: £2.1 million) in the year, with increases in revenue and gross profit more than offset by our investment in the US and higher administrative expenses as outlined above.

	2022	2021
<b>Operating Loss</b>	(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>

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 (material and non-recurring), and other, non-trading, items that are reported separately.

Adjusted results exclude items as set out in the consolidated statement of profit and loss and below, with further details given in Notes 2, 3, 4, 5, 6, 11, 12 & 13 to the financial statements. In addition, 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.

## 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

# Environmental, Social and Governance ('ESG') Report



## 2022: Year in Brief



Environment Pillar

**84%**

of employees work  
remotely (83% in  
2021)



**Data Storage and  
Processors:** Cloudflare  
(100% renewable) and  
Google Cloud (net zero)



**Increase in website  
performance =**  
reduction in carbon  
emissions of users



Social Pillar



Diversity project  
shortlisted for the  
**CHWA Collective  
Power Award**

**100%**

of managers  
underwent  
**management  
training**

**13% ↑**

**Grew our workforce**  
by 13% from  
2021 (406 to 460  
employees)



Governance Pillar



Signed up to the  
**UN Global Compact**



Published first  
**Modern Slavery  
Statement**

**97%**

of our **employees**  
completed **HIPAA  
training**

### About this report

The 2022 ESG report builds on our efforts in 2021 to acknowledge our responsibility to address global environmental and social challenges. We are committed to embedding ESG practices and policies into all aspects of our company and strive to continue learning and implementing new strategies.

### Frameworks, guidelines and standards

The information contained in this year's ESG Report has been structured around three main frameworks and guidelines: the UN Global Compact, the Sustainable Development Goals and the Task Force on Climate-Related Financial Disclosures (TCFD).

In our 2021 Annual Report, we committed to becoming a UN Global Compact Signatory in 2022. In August 2022, we became a participant, committing ourselves to aligning our strategies and operations with the Ten Principles on human rights, labour, environment and anti-corruption.

Our participation in the UN Global Compact has given Kooth the tools and knowledge to further

support the Sustainable Development Goals. The UN Sustainable Development Goals aim to build a more sustainable future for people and the planet by 2030. The nature of Kooth's business means we contribute directly to Goal 3: *Ensure healthy lives and promote well-being for all at all ages*. It is only in the last decade that mental health was added to the agenda, when the impact of mental illness on healthcare systems was identified. This gap in healthcare is where Kooth has its greatest impact.

Finally, our environmental impact has been analysed and explained to align with the Strategy and Risk Management Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## Environment

At Kooth, we are aware that a healthy planet is pivotal to both human health and business sustainability. Kooth is reviewing its climate-related risks and opportunities in the following areas, (1) electricity usage, (2) data processing centres and (3) production and disposal of technologies. The risks and mitigations are outlined below.

### Energy Usage and Carbon Emissions

In the UK, the health and social care system accounts for about 5% of the UK's greenhouse gas emissions. The digital healthcare industry plays a pivotal role in reducing these emissions and keeping health systems environmentally sustainable. In terms of the first and second component, as listed above, Kooth faces the following risks and mitigates them in the following ways:

#### 1. Our infrastructure:

- As a largely digital practice, by nature, we generate less carbon emission through electronic case files, rather than paper, as well as no need to travel whereas, for example, currently 1-in-20 journeys on the road are associated with the NHS.
- As an organisation the majority (84%) of our workforce are remote, and the rest continue to work in a co-working space. Our office provider is addressing the environmental and health impacts associated with the energy, materials and products it uses, has eliminated single-use plastics from its facilities and is committed to achieve carbon neutrality by 2023.
- One of the largest sources of carbon emissions and energy usage from the digital healthcare industry is the collection and storage of data. Kooth uses two cloud providers to store and process our data: Google Cloud and Cloudflare. Google Cloud has been carbon neutral since 2007 and aims to run on carbon-free energy by 2030. Kooth has chosen two of Google Cloud's 'Low CO<sub>2</sub>' host regions, including our US region operating on 97% carbon free energy consumption. Our other data processor, Cloudflare, powers its network with 100% renewable energy.

#### 2. Our users:

- While the carbon impact of our users is difficult to measure, we know that the way we write our code can impact this number.
- Last year, work was done on the performance of our website (how long it takes to load a page). The quicker a page loads, the less carbon impact of our users. In addition, Kooth has set tighter constraints on developers, both internal and external, on what they can build due to the potential environmental impact. For example limiting the size of some of our Javascript assets.

### Waste Management

As mentioned above, the third component of the digital healthcare industry is the production and disposal of wearable technologies, robotics and devices. Given that the majority of our workforce works from home, all employees have a company laptop. Kooth reduces the waste created by laptops by collecting, wiping and reusing old laptops for new starters.

### Promotional Materials

As part of our initiative to reduce environmental impact, we continue to invest in reusable marketing materials. Kooth uses marketing materials from printers with a ISO 14001 environmental management accreditation. The sustainable business practices also include reducing the amount of one-use signage - such as rollup banners that can have vinyl replaced without needing to dispose of the roller mechanism.

All other promotional materials, for example merchandise for conferences, are manufactured from chosen companies using sustainable materials, not single use plastics, and are recyclable.



## Social

### As a provider:

With 30% of the British population having reported suffering from, and 1-in-5 Americans diagnosed with, a mental health condition, reducing wait times is crucial to population health management. This year Kooth was accessible to over 16 million people and had 1.5 million user logins across our platforms. In the UK, the volume of people accessing our platform reduced pressure on the NHS, as well as children and adolescent mental health services (CAMHS), which are seeing wait times of up to 13 weeks for treatment. Expanding in the US addresses the shortage of mental health practitioners, where as many as 1-in-3 people live in federally designated practitioner shortage areas.

### Accessibility

Accessibility is at the forefront of Kooth's mission. We have created our site to be accessible by removing potential barriers:

- Anonymity:** allows users to access help without disclosing to others who they are.
- Free at point of use:** healthcare can be expensive or stressful to deal with, this takes away those barriers.
- Web-based:** can be accessed from any device with the internet, a user does not have to own a mobile phone to download an app.

By being mindful of people with impairments, we can create online platforms we want for everyone. At Kooth our product team builds our platforms in-house working closely with our Kooth communities and participation teams. For example, while Kooth's content and user interface is written in English (and Spanish in the US), our web pages are built to work well with web browsers' translation features. In addition, the design team ensures that our content, where necessary, can be read by a ten-year old - the youngest user that we engage with.

Every new feature we have built in the last year meets the WCAG 2.1 AA standard. This has meant we have been careful not to exclude people due to visual or learning impairments, which takes diligence and specialised knowledge. We want everything we design and build to meet the Web Accessibility Guidelines (WCAG) 2.1 level AA.

Our expansion into the US has been a catalyst to translate Kooth.com into other languages. At this point, we offer our US site in English and Spanish - including microcopy, content and chats. We have hired Spanish speaking practitioners in the US to offer full support.

### Diversity and Inclusion

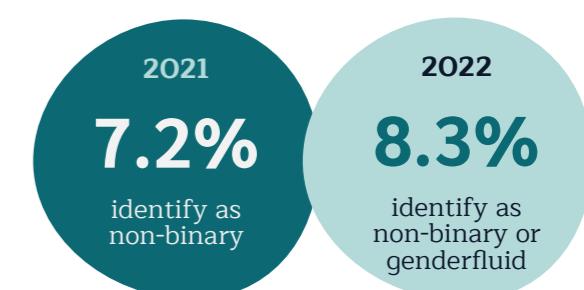
Kooth aims to remove barriers and ensure all individuals - regardless of race, age, gender, disability, sexuality or socio-economic background - have access to effective mental health services. We are aware that mental health affects different communities in different ways, as well as acknowledging health inequalities between communities. Ethnic minority communities face barriers to mental healthcare in the form of language, fear of stigma and a lack of cultural awareness.

### User Demographics:

**Ethnicity Stats:**  
(vs 18% of British population)



**Gender stats:**  
(vs. 0.4% of the British population)



In 2022, we strengthened our partnerships with BlackOut UK and Unity FM to research mental health needs within minority communities to help shape our service to meet the needs of this population. Initiatives like this one enable us to create content for specific audiences, ensuring everyone feels seen and heard. Our 2022 highlights are:

Diversity and Inclusion Projects through partnerships:

#### **'What men from ethnic minority backgrounds want' Project**

- Our Participation team worked with community-based groups Blackout UK and Cultures CIC to co-produce 12 goals for Kooth to improve access, support and outcomes
- These goals focus on updating marketing, engagement, content and our product to better serve men from ethnic minorities
- This work was shortlisted for Culture Health Wellbeing Alliance (CHWA) Collective Power Award, which recognises a collaborative project improving the mental health and wellbeing of communities

#### **Language Charter**

- Our Diversity Council undertook this project to understand and spread awareness of appropriate language for ethnic minority descriptions and groups who experience racism
- We conducted workshops with ethnic minority communities to provide guidance on engaging men from ethnic minority backgrounds with mental health support
- This is now used amongst teams across our organisation and service from participation to marketing all the way through to content.

#### **Personalised service**

Providing a personalised experience is one of Kooth's biggest aims through person-centred care. This approach enables users to be the decision-makers in their Kooth journey. Giving users options allows them to be in control of their needs. 70% of our users in 2022 used 'self-directed therapy' indicating they chose to use our forums, articles and mini activities on the platform. In the latter half of 2022, our Research team published three peer-reviewed papers that provide evidence for the peer support component of Kooth's 'Positive Virtual Ecosystem'. This research looked into the types of support available on Kooth and demonstrated the helpfulness of peer support. Having an ecosystem of self-directed therapy, peer support and professional support provides users with the ability to access the help they want.

#### **Building an evidence base**

Kooth is committed to developing the evidence base for mental health research as a whole. We continue to be skilled in developing strong relationships between academia, industry, policy and commissioners, and driven by aligning user needs and wants with an evidence base to ensure meaningful research and data.

In 2022, our Chief Product Officer, Aaron Sefi, contributed to a study looking at how young people from ethnic minority backgrounds interact with online counselling. Using data provided by Kooth, this research found that a higher number of young people from Asian and Black ethnicities reached out through informal sources such as Google, as opposed to health professionals such as GPs. By providing our data, we are contributing to understanding barriers to mental health access and the role that digital mental health plays in overcoming these.



**As an employer:**

The qualities, skills and commitments of our employees play a major role in Kooth's business success. In 2022, we implemented a new HR system, which benefited employees and managers across the business. It has led to more centralised and transparent data and offers a new process for employee performance appraisals. Our People team increased by 50% in 2022, including the introduction of a Chief People Officer, and has been prioritising employee wellbeing in the following ways:

**Diversity & Inclusion**

With representation from almost all departments, our Diversity Council's approach is to make this work a part of everyone's day job and to embed all work within the business and each team.

Our highlights of 2022 include:

**Employees**

2021

**23.7%**

Male

**76.3%**

Female

2022

**20.8%**

Male

**79.2%**

Female

**70% women in management positions**

## Gender Pay Gap

Our 2022 gender pay gap (GPG) analysis shows our statutory gender pay gap in comparison to our 2021 GPG. It also provides insight into how we are addressing our gender balance. Please refer to the definitions below when reading about our pay gap metrics:

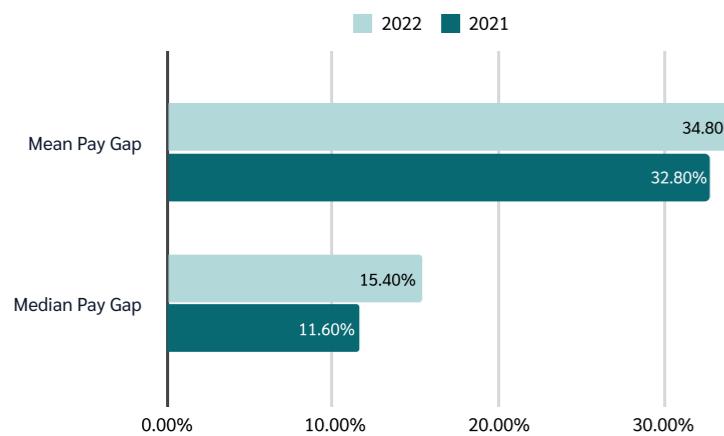
**Median GPG:** the difference between the median hourly rate of pay of male full-pay regular employees and that of female full-pay relevant employees.

**Mean GPG:** the difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees.

This year our female workforce as a proportion of total employees increased 3% to 79.2% (2021: 76.3%). Kooth employs more women than men, which reflects the gender imbalance in the healthcare sector. We are aligned with the high percentage of female employees in the NHS (77% as of 2021) and in the US healthcare sector (76%).

The gender pay gap shows the difference in pay between men and women across the business, irrespective of job similarities and seniority. It is not symptomatic of unequal pay, as a number of complex factors play a role. The distribution of male and female employees across the business and the type of roles they fill are both key contributors to the gender pay gap. Men and women are paid equally for doing equivalent jobs across the firm and we continue to monitor this regularly to ensure that remains the case.

Gender Pay Gap Metrics 2022 vs. 2021



### Mean:

2022: 34.8% (Health and social care average is 9.5%)  
2021: 32.8%

### Median:

2022: 15.4% (Health and social care average is 8.5%)  
2021: 11.6%

The increase in the mean pay gap is a result of a large increase in practitioner hiring with the largest proportion being female, reflecting the industry in both the UK and US. This trend is expected to continue as the business grows due to the universal disproportionate number of female practitioners.

Throughout 2022, we made improvements to addressing our gender pay gap:

1. An extensive review into our service delivery employees' pay was undertaken. In addition to performance based reviews, we externally benchmarked all salaries and increased our banding in line with NHS equivalent rates
2. All employees receive above the London living wage irrespective of location
3. The year-end salary review process resulted in a more than 6% pay increase across the firm, in line with the national average

We continue to be committed to reducing our pay gap in the following ways:

- Offering flexible working policies
- Company-wide campaigns to ensure employees feel informed and connected, such as our Inform, Support, Change & Celebrate previously mentioned
- Our counsellors are paid the same regardless of gender within the industry; this is the same within our management team
- We make an effort to understand our gender and in future, ethnicity data, to analyse and assess where more focus is required
- We partake in blind recruitment of our practitioners and our recruitment process includes panel interviews to ensure a more inclusive approach to hiring and feedback and decisions
- Our Diversity and Inclusion Council and Kooth Employee Voice Group ensures employees have an outlet to raise concerns and give feedback



<sup>1</sup>Our pay gap calculations are based on male and female full-pay relevant employees. This excludes part-time staff.

## Ethnicity Pay Gap

Of our 265 employees who have disclosed their ethnicity, 84% were white and 16% were from ethnic minorities.

This year our mean ethnicity pay gap has decreased from -4.9% in 2021 to -9.2% in 2022. Our median pay gap increased from -1.0% in 2021 to 5.8% in 2022.

Given that a significant number of employees (43%) have not shared their ethnicity with us suggests that minor changes in our demographics and the levels and pay grades at which people operate have a significant impact on our figures. In order to provide a more comprehensive ethnicity pay gap, we will continue to improve the quality of the data. It is important to us that we continue to see a growing number of applications from candidates from ethnic minorities. In 2023, we will increase our efforts through our Diversity Working Groups.

## Company Culture

Beyond being seen and heard, it is important that Kooth is a place where employees feel safe and look forward to showing up to work. We encourage a culture of open and honest communication, recognition and collaboration. In 2022, we have implemented a number of projects across the business to further build company culture:

**Company Intranet:** Our Intranet was launched during 2022 to bring our company-wide news together, with updates and insights into each team. It hosts resources, policies and team-based information.

**Employee Collaboration Group:** A group of representatives across the company meet on a regular basis to work on key issues for Kooth Employees and focus on making Kooth a great place to work.

**Service Delivery & Clinical ‘Learning Day’:** In 2022, we held our first ‘learning day’ to bring all Service Delivery and Clinical staff together. This day allowed our remote staff to meet and learn from each other, as well as listen to expert, guest speakers.

**COSMIC Dragon Boat Race:** Our London Office employees got together in a dragon boat to raise funds for St Mary’s Hospital. It was a great team building exercise and we came 3rd out of 20 boats!

**Weekly ‘All Hands’:** We have weekly company-wide meetings. They are open to any employee or team who would like to present on a specific topic or project. This year we have had presentations on our US expansion, employee share option plan, and from the Diversity and Inclusion Council.

## Recognition & Feedback:

1. **Annual Appraisals:** We have implemented an electronic system for annual appraisals. This enables greater record keeping for reference purposes and increased visibility across the organisation of the competencies of its employees. It allows us to focus on career development and training on a greater holistic level. It enables us to check on a company-wide level that everyone has a clear career path as well as what training and development they need to achieve their next steps, and that everyone receives their appraisals. In the 2022 mid and end of year reviews there were specific questions around how the level of feedback and recognition is and questions to ensure that employees were looking after their wellbeing.
2. **OfficeVibe:** We utilise an online tool to capture anonymous feedback from our people across the business, on a regular basis. We will be generating quarterly engagement plans from officevibe by understanding the key driver of engagement.
  - a. 96% say the work they do is impactful on Kooth’s mission (2021 was 92%)
  - b. Score of 8.2/10 for relationship with manager
  - c. 8.2/10 for ‘Pride’ at the end of 2022
3. **Company Awards:** At the end of half year we run the ‘Kooth Values’ awards, where individuals are nominated by co-workers for working in line with our values. Additionally, two employees win £500 (\$600) each for being the Kooth Employees of the Year.
4. **Management training:** All of our managers have received our Management 101 training which focuses on recognising performance and how to give feedback.
5. **Long Term Incentive Plan:** All employees are annually awarded nominal cost share options, with senior staff awarded new options every other year. These options can be exercised after three years of service.

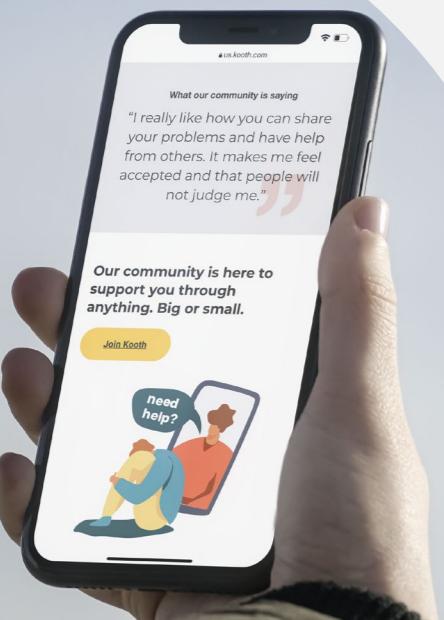
## Physical and Mental Health

### Health care schemes

Kooth is committed to supporting our people with their physical and mental health. We subsidise membership for all employees to a health-care scheme once they successfully pass their probation period.

Our healthcare schemes help with budgeting for everyday health needs, give people access to a range of treatment and provide cover for the unexpected. Eligible employees can use the scheme to access healthcare services such as osteopathy, chiropody and counselling, as well other specialist consultations. Employees can also extend cover to additional family members. There are no referrals needed to receive treatment and pre-existing conditions are covered, this gives staff peace of mind.

Staff benefit from free access to virtual GP services through Doctor@Hand, an online, private GP that people can access at their convenience and outside of usual working hours.



All staff also have access to an Employee Assistance Programme. This service is available 24 hours a day, 365 days a year to offer practical, impartial support on everyday matters. This ranges from financial and legal matters (such as debt, buying a house and consumer rights) to home and family issues (for example finding childcare, divorce and coping with elderly relatives). The Employee Assistance Programme provides mental health support as well, offering up to eight counselling sessions for employees that require it.

### Wellness days

Kooth recognises that providing support for wellness is a key part of caring for our people. For every year of service, our front-line staff gain one wellness day (up to a maximum of five) annually for use when they please. These days are designed to be flexible and support employees in managing their own wellbeing, energy levels and work-life balance.

## Governance

The Board views governance as how it makes decisions and provides oversight in order to promote Kooth's success for the long term benefit of its shareholders while having regard to the interests of its other key stakeholders – our service users, customers, colleagues and the communities in which we operate. Effective governance facilitates the delivery of Kooth's mission and strategy.

Kooth seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner. These values underpin our business model and strategy. We are committed to acting professionally, fairly and with integrity in all of our business dealings and relationships with consideration for the needs of all of our stakeholders, including service users, investors, suppliers, employees. Kooth endeavours to conduct its business in accordance with established best practice, to be a responsible employer and to adopt values and standards designed to help guide staff in their conduct and business relationships.

## 2022 Highlights:

**97%**  
of employees underwent HIPAA training

**33%**  
female representation on the Board of Directors

  
Published our first Modern Slavery Statement April 2022

## Our Governance Framework

Kooth is a growing organisation. The Board is committed, through its governance model, to driving purpose-led decision making and to delivering accountability to our stakeholders. We have an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Each of these committees meet regularly on the frequencies set out below. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

**Audit Committee:** The Audit Committee has the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of Kooth is properly measured and reported. It receives and reviews reports from Kooth's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout Kooth. The Audit Committee meets a minimum of three times in each financial year and will have unrestricted access to Kooth's external auditors. The Audit Committee comprises Simon Philips and Dame Sue Bailey and is chaired by Peter Whiting.

**Remuneration Committee:** The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee meets as and when necessary, but a minimum of three times each year. In exercising this role, the Directors have regard to the recommendations put forward in the QCA Code and, where appropriate, the Remuneration Committee Guide for Small and Mid-Size Quoted Companies published by the QCA and associated guidance.

The Remuneration Committee does, where possible, adhere to the Remuneration Committee policy document which includes, inter alia, a requirement for executive directors of the Company to hold shares with a value at least equal to their annual salary, with a tapering post employment shareholding requirement. The Remuneration Committee comprises Peter Whiting and Dame Sue Bailey and is chaired by

## Our Business Ethics

In August 2022, Kooth became a UN Global Compact Signatory, ensuring that our business ethics align to the Ten Principles of the United Nations Global Compact in the following areas: human rights, labour, environment and anti-corruption. This commitment involves an independent Commitment of Progress to the UNGC annually.

Kooth's learning and development platform, Litmos, holds mandatory training and voluntary guides for all employees to access. We have materials on Safeguarding for Non-Delivery, Adults and Children, GDPR policies, and mandatory training on Cyber Security. Our training platform offers content targeted to Kooth employees, for example bullying and harassment in the workplace, anti-fraud, bribery and corruption and diversity and inclusion. We also offer content aimed at those working directly with our users, such as recognising child abuse, sexual exploitation and equality and diversity.

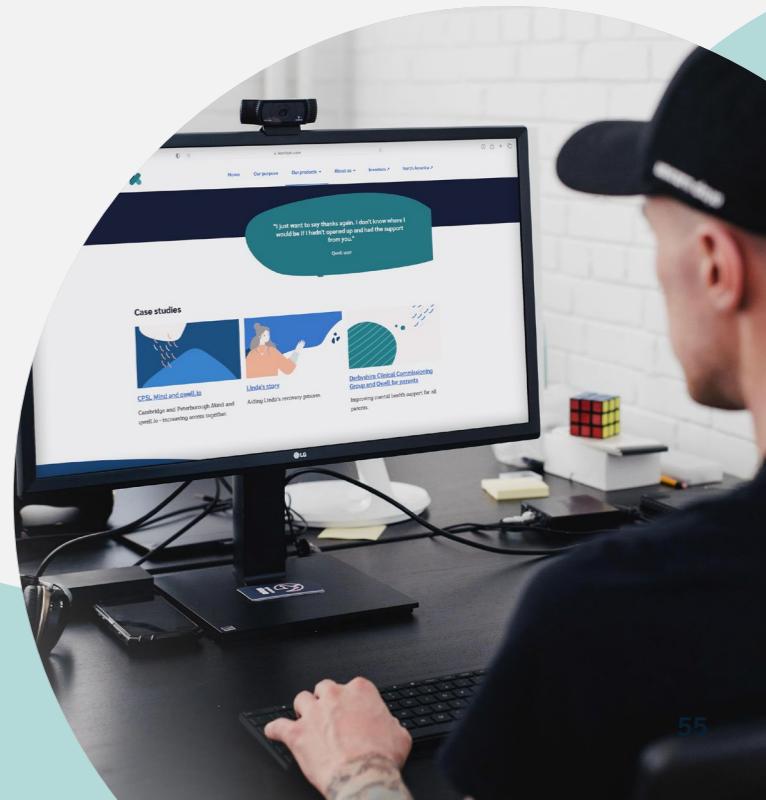
We have specific staff policies in the following areas: Health & Safety, GDPR and Environmental. Each policy has an individual owner and is revised annually. Every change to a policy is tracked to ensure transparency and accountability.

## Modern slavery

We recognise that all businesses have a key role to play in preventing all types of modern slavery in their own business and supply chains. We have published a Modern Slavery Statement on our website. This statement sets out our commitment to improving our practices to ensure that slavery and human trafficking are not taking place in any part of our business or supply chain. We circulate and share our Modern Slavery Statement with employees. We do this to make sure everyone understands the risks of modern slavery and human trafficking in our business and supply chain. In addition, we require all new starters to review and confirm their understanding of our Modern Slavery Statement as part of their online induction process.

## Bribery and corruption

Our Anti-Corruption and Anti-Bribery Policy sets out our responsibilities in observing and upholding a zero-tolerance position on bribery and corruption. The policy applies to all employees who work for Kooth. We require all team members to read, understand and comply with the information contained within the policy.

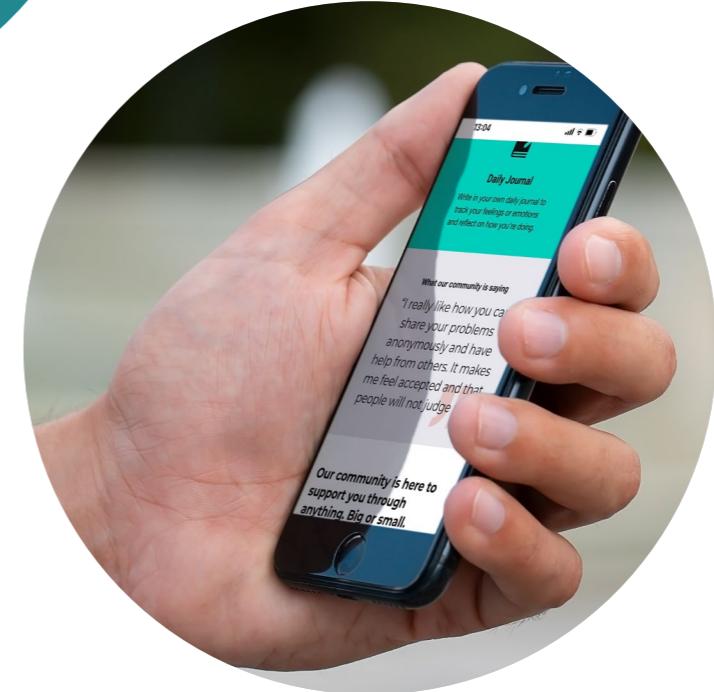


### Accreditations:

We continue to be a BACP (British Association for Counselling and Psychotherapy) accredited service and indeed are the only nationwide digital mental health service to hold this accolade. This demonstrates that we offer an accountable, ethical, professional and responsive service to all of our stakeholders as assessed by the BACP through the submission of evidence via annual review. Specifically, there are a number of benefits to this accreditation. For example, in the face of a growing number of new digital service providers, our accredited status with the UK's leading governing body provides reassurance for new and existing users of Kooth that we are safe; enhances recognition and credibility with employers and funding bodies; helps with the acquisition of new contracts and supports our recruitment and retention programmes.

### IT Security

We have a Data Protection Office, headed up by the Data Protection Officer and Head of Information Security, which monitors our compliance with international data, security and privacy standards such as SOC 2 and ISO 27001. Kooth has been awarded the Cyber Essentials certification. Management carries out diligence to seek to ensure that third party suppliers are maintaining good standards of security. Kooth continues to ensure that all members of staff receive annual mandatory cyber security training. Kooth takes the threat of a cyber incident very seriously and endeavours to mitigate the risk wherever possible, although it is recognised by the Board and management that it will never be possible to fully mitigate cyber risk.



# Section 172 Statement

The Board understands the views of Kooth's other key stakeholders and their interests, and the matters set out in Section 172 of the Company's Act 2006 have been considered in board discussions and decision-making.

The Directors must consider the following in meeting the requirements of Section 172 (1) of the Companies Act 2006:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company.

## Stakeholder Engagement

We have identified our key stakeholders as follows:

### Employees

We understand that our employees are at the core of everything we do and maintain a focus on their interests and wellbeing.

### Surveys

In 2021 we introduced an online tool called OfficeVibe that allows us to capture and report on valuable feedback from our people across the business, on a regular basis. This has reported improved employee sentiment and engagement in 9 out of 10 categories during 2022.

### Training

Employee development is actively encouraged through learning and development budgets which are allocated to all departments, in addition to our learning management portal which provides employees with training materials and content.

### Diversity

Our Diversity and Inclusion Council implemented the foundations for our Diversity Working Groups: working groups on popular topics, such as LGTBQIA+, menopause and neurodiversity were created for our employees to join.

### Share Scheme

Long term nominal cost share options are awarded to all of our employees on an annual basis and biannual for senior staff.

### Flexible Working

We have continued to support employees by implementing remote and hybrid-working for our office-based staff when possible and in addition 48% of employees work flexible hours.

## Customers

Communication with our customers is fundamental to understanding how we can continue to add value through our digital mental health services.

### Customer Base

#### UK Business

Kooth continues to meet increasing demand from children and young people for fast and effective access to mental health support. The addition of new commissions in Scotland in addition to our significant coverage across Wales has brought us closer to our goal of establishing a UK-wide service.

Momentum for Kooth Adult (known as Qwell) continues, with the addition of eight new regions for the service in 2022.

Kooth is now being mobilised to help reduce the burden on acute-need NHS services, including being commissioned to ameliorate Accident & Emergency attendance by providing our service to adults in need of urgent mental health support.

#### US Business

Kooth's ambition to expand our leading digital mental health platform to the US market has good momentum. In October 2022, we formalised a one-year pilot contract with the State of Pennsylvania to provide mental health support to up to 150,000 school students across the State of Pennsylvania. Upon the successful delivery of the pilot, the opportunity exists to expand this further. In March 2023 we were notified that we have been awarded a contract by the California Department of Health Care Services (DHCS) to provide support to the State's population of 13-25 year olds, launching in January 2024.

We are seeing interest from a number of US States in our effective, personalised digital mental healthcare, driven by a will to address challenges within the youth community.

#### Outcome Measures

Communication with our customers and users facilitates research and outcome measures to evidence the impact of our platform, leading to the development of new theories and the ability to provide users with the support and services they require.

#### Service Reviews

Regular service reviews with customers are held to ensure we continue to add value across our customer and user base.



## Investors

The Board maintains strong relationships with investors and supports open channels of communication.

### Investor Meetings

Regular meetings are held between the Chief Executive Officer, Chief Financial Officer and institutional investors and analysts at investor roadshows and industry specific bank conferences to ensure that the Company's strategy, financial performance and business developments are communicated effectively.

### Investor Presentations

The CEO and CFO provide live presentations relating to investing in the future of mental healthcare. Presentations are open to all existing and potential shareholders. There is a dedicated contact ([investorrelations@kooth.com](mailto:investorrelations@kooth.com)) for investor questions and comments.

### Investor Website

Kooth's investor relations website is updated on a regular and timely basis. More information on the Board's relationships with investors is provided in the next section of the report.

## Communities

Kooth is committed to providing an accessible and diverse service to all.

### Content

We are aware that mental health affects different communities in different ways and are actively and continuously creating content targeted towards all communities.

### Diversity

Kooth is committed to providing an accessible and diverse service to all, including working with leading LGTBQIA+ and ethnic minority influencers to provide appropriate content to our communities.

In 2022, we strengthened our partnerships with BlackOut UK and Unity FM to research mental health needs within minority communities to help shape our service to meet the needs of this population. Initiatives like this one enable us to create content for specific audiences, ensuring everyone feels seen and heard. This year 19% of our users were from ethnic minority backgrounds. For comparison, 18% of the British population are ethnic minorities.

### Access

There are no barriers to access our services - individuals do not need a referral to sign up and there are no waiting lists.

### Our Service

By nature of being a digital service provider, the Group's operations are deemed to have low environmental impact.

## Suppliers

The relationship we have with our suppliers is crucial to ensuring the smooth-running of our business and its operations.

### Partnerships

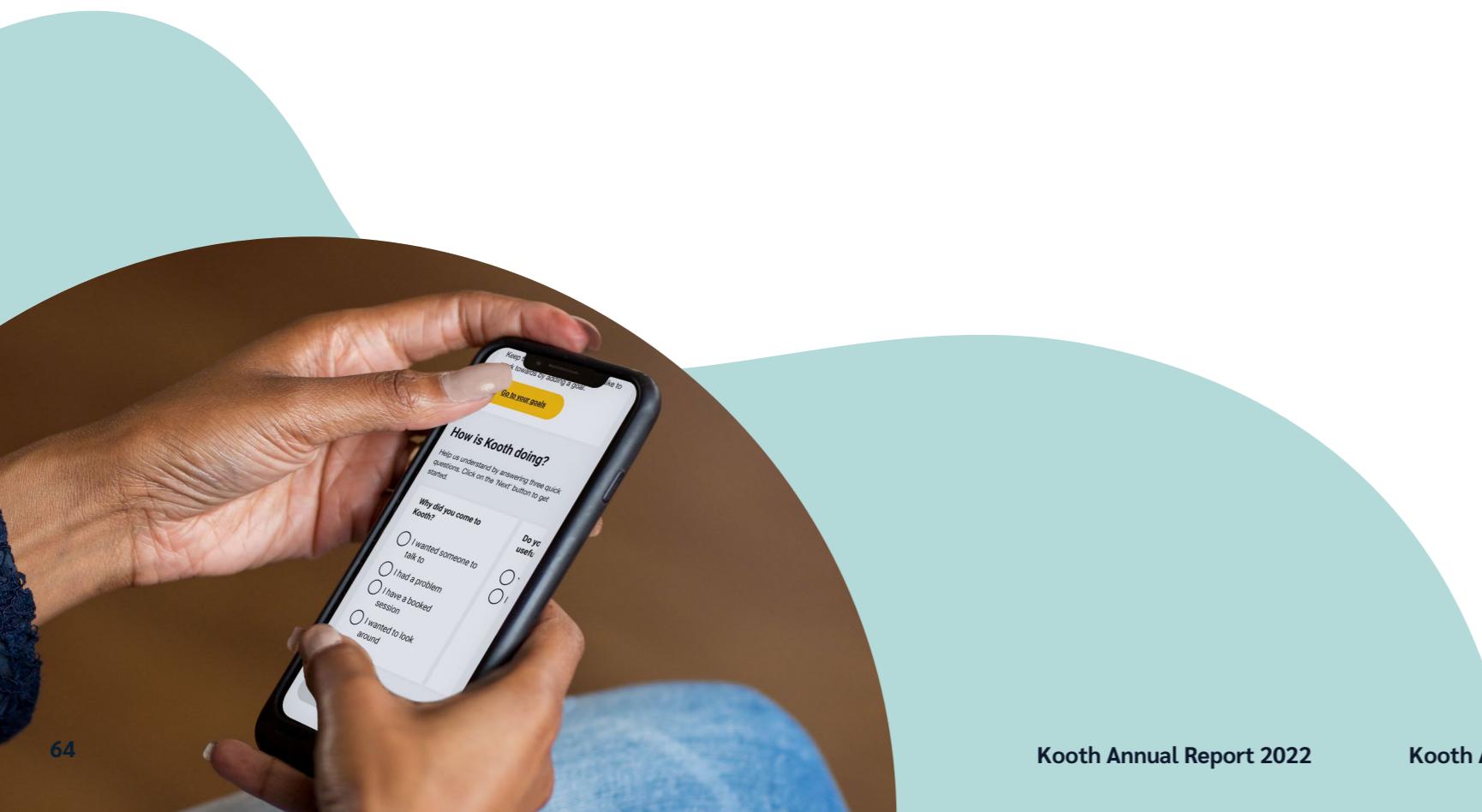
The Board is committed to building trusted partnerships with the Group's suppliers, which is crucial to ensuring the smooth-running of our business and its operations.

### Key Suppliers

Our key suppliers are predominantly software technology providers and, given the nature of our service, strong relationships with these suppliers are fundamental to its successful delivery.

### Communication

We encourage an honest dialogue with all suppliers and ensure regular engagement and communication with all key strategic partners and suppliers.



# Principal Risks & Uncertainties

Kooth is exposed to a variety of risks and actively manages them through risk management procedures. While risk cannot be eliminated altogether, actions are taken to mitigate risk wherever possible.

Details of Kooth's financial risk management objectives and policies, and exposure to foreign exchange risk, market risk, credit risk and liquidity risk are given in note 22 to the consolidated financial statements.

The material business and operational risks that the Directors consider Kooth to be exposed to include, but are not limited to, the following:

### System outages

Kooth requires stable and robust systems and hosting services to enable the service to function. The access of Kooth's users and its customers to its digital platforms and the ease with which customers can use and navigate these, along with the broad range of functionality and services that are available, are key features that affect the attractiveness of Kooth's services. Any disruption to this could result in compromised Service User experience and/or reputational damage. To prevent this Kooth has regular testing on its systems in addition to active monitoring and a specific recovery plan.

### Safeguarding incidents

Kooth is not a crisis service however, the core component of our business is providing counselling services to children and young people, and to adults, some of whom are vulnerable. Therefore, given the nature of Kooth's activities, it is necessary to have

significant procedures in place to ensure that our most vulnerable users are prioritised and dealt with appropriately, and to mitigate any potential reputational damage in the event of a serious safeguarding incident.

### Changes in laws and regulations

Kooth's business and its counsellors are subject to regulation and so our business may be adversely affected by changes in government legislation, guidelines and/or regulations. It is not always possible to predict future changes to laws and regulations as they may relate to the services Kooth offers and any changes could have a material adverse effect on our business operation and financial condition. Any changes to the prominent areas of the Kooth's business resulting from changes in laws, regulations or guidelines may cause Kooth to incur significant costs in respect of implementing necessary changes required and may severely restrict aspects of our business, leading to an impact on revenue and its financial condition.

## Cyber security and data protection

Kooth must ensure ongoing compliance with various data protection laws, including the retained EU law version of the General Data Protection Regulation (Regulation (EU) 2016/679) ('UK GDPR'), Data Protection Act 2018 and the retained Privacy and Electronic Communications (EC Directive) Regulations 2003. Kooth is under an obligation to protect the private and personal data that it holds, including that of its employees. Further, as Kooth expands its footprint in the United States of America, it will ensure continued compliance with key federal privacy and security laws such as Health Insurance Portability and Accountability Act of 1996 and the Children's Online Privacy Protection Act of 1998 ('COPPA') in addition to local state laws.

Kooth is required to take steps to ensure compliance with the UK GDPR and relevant laws and to ensure the security of any personal data that Kooth holds in respect of its employees and Service Users. There is an inherent risk such data could be processed in a manner which is in direct breach of the relevant data protection legislation, the consequence of which would not only be a potentially significant fine but may also result in damage to Kooth's reputation, further impacting Kooth's revenue.

The nature of the service means that the data that Kooth collects from its Service Users is typically anonymised and collected with explicit consent, but it is possible that identifiable data from Service Users may be collected during the course of the provision of services; no

financial information is collected, and all data is encrypted in compliance with NHS data standards. Nevertheless, there is a risk that any data breach within Kooth could have significant reputational impact, given the nature of the services we offer. In the United States, there is continued focus on Kooth's SOC2 type II compliance to ensure we have sufficient controls with the management of data and ISO 27001 certification to ensure we meet international standards around information security. As much of our service focuses on children and young people, we are ensuring compliance with COPPA, to protect the data of children and obtaining the appropriate parental consent for those under the age of 13 to access our services. The Board considers that Kooth has in place adequate procedures to ensure compliance with UK GDPR and US laws and controls to ensure the security of the data collected.

Kooth has a Data Protection Officer and appointed a new Head of Information Security to oversee data protection compliance and data security through Kooth's Data Protection Office, which draws together relevant expertise across our company, including the company's legal and clinical teams in the United Kingdom and the United States of America.

## Cost of Living

The recent increase in the cost of living exposes all employers, including Kooth, to the risk of heightened staff costs and reduced government funding.

It is critical to our ongoing success that we retain and attract a skilled, engaged and motivated workforce. Failure to do so may negatively impact our ability to deliver on performance targets and strategic priorities. Software development and counselling are areas of strong competition for talent and are subject to cost inflation like all jobs.

Kooth is committed to being a leading employer that cares for its employees, by providing an optimum work environment. Our people team has developed and manages a wide range of policies, procedures and practices designed to support all employees – spanning Diversity, Equity and Inclusion; Gender Pay Gap; Ethnicity Pay; Physical and Mental Health; and Recognition and Feedback. Competition for talent and wage expectations continues to be a challenge which we review and monitor on an ongoing basis.

Whilst the cost of living crisis will impact government bodies and could impact public sector spend, we do not anticipate significant near-term funding changes for digital mental health support given the critical nature of – and demand for – these services.

## Russia's Invasion of Ukraine

Although the terrible situation in the Ukraine is having a major impact on the world economy, the current impact on Kooth is negligible with no customers, suppliers or employees in Russia or Ukraine. The directors monitor emerging news and trends and remain alert to any potential impact on the trading of the Group.

# Corporate Governance

## Chair's Introduction to Governance

**Dear Shareholder,**

I am pleased to present the Corporate Governance Statement as Chair of the Board of Directors of Kooth plc. As Chair, it is my responsibility to ensure that Kooth has both sound corporate governance and an effective Board. Since the Company listed on AIM, it has chosen to adopt the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code').

Board discussions are conducted openly and transparently, which creates an environment for rigorous and robust debate. During the year, the Board has constructively and proactively challenged management on Group strategies, proposals, operating performance and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

The Directors of Kooth recognise the value of good corporate governance in every part of the business. The Board considers that compliance with the QCA Code enables us to serve the interests of all our key stakeholders, including our shareholders, and promotes the maintenance and creation of long-term value in the Company. This report describes our approach to governance, including information on relevant policies, practices and the operation of the Board and its Committees.

### The Board

As at the date of this report the Board comprises the Independent Non-Executive Chair, two Non-Executive Directors and three Executive Directors. Short biographical details are set out on page 70.

In carrying out its governance role, the main task of the Board is to drive the performance of the Group. The Board must also ensure that the Group complies with all its contractual, statutory and any other obligations, as well as the requirements of any regulatory body.

The Board has the ultimate responsibility for the successful operations of the Group and meets approximately monthly to set the overall direction and strategy of the Group.





**Peter Whiting**  
Independent Chair  
Joined May 2020

Peter had a twenty-five year career as an investment analyst in equity capital markets, and has spent the past ten years as a non-executive director on the boards of several public and private companies (currently including FDM Group plc and D4t4 Solutions plc). He has experience in a broad range of sectors, but has focused on technology, and on software in particular.



**Sue Bailey**  
Independent Non-Executive Director  
Joined August 2020

Professor Dame Sue Bailey OBE worked as a Child and Adolescent Psychiatrist for over 30 years. Sue's national health policy work and research centres on how to improve healthcare delivery and training of all health practitioners to enable them to best meet the needs of any patient in the context of the unique circumstances of the individual's life.



**Simon Philips**  
Non-Executive Director  
Joined October 2015

Simon is Chief Executive of Scaleup Capital, a specialist investor that provides growth capital and expertise to scale-up stage businesses with revenues in the range of £1 million to £20 million in the technology, digital, business services and information sectors.



**Tim Barker**  
Chief Executive Officer  
Joined January 2020

With over 30 years of experience in the B2B software industry, Tim has helped build and scale SaaS industry leaders. In his journey from Software Engineer to CEO, Tim founded Koral, a pioneer in online collaboration (acquired by Salesforce), led EMEA Marketing at Salesforce to scale them to become a billion-dollar business, and was previously CEO of DataSift, a privacy-by-design analytics and AI platform, acquired by Meltwater in 2018.



**Sanjay Jawa**  
Chief Financial Officer  
Joined March 2020

Before joining Kooth from Scaleup Capital where he was an Operating Partner, Sanjay previously held senior finance positions at a combination of public and private equity backed technology and services businesses including QualiTest, Barclays and FTI Consulting. Sanjay, qualified as a Chartered Accountant and was an audit manager at Price Waterhouse.



**Kate Newhouse**  
Chief Operating Officer  
Joined May 2020

Kate is COO and a former member of the government's Healthtech Advisory Board. Kate was previously CEO at leading venture builder, Blenheim Chalcot and at Doctor Care Anywhere, taking it from digital health concept to global business, serving over 140 corporate clients at the time of leaving.

## Board meetings

The Board meets on a regular basis throughout the financial year and as required on an ad-hoc basis. Its mandate is to consider strategy, operational and financial performance, and internal controls. In advance of each meeting, the Chair of the Board sets the agenda, with the assistance of the Company Secretary. Directors are provided with appropriate and timely information, including board papers distributed in advance of the meetings. Those papers include reports from the executive team and other operational heads.

Almond CS Limited is the Company Secretary and attends all Board meetings as well as advising on corporate governance matters. The Company Secretary produces full minutes of each meeting, including a log of actions to be taken. The Chair of the Board then follows up on each action at the next meeting, or before if appropriate.

## Board and committee attendance

The attendance of the Board and the Committees is as follows:

Director	Position	Board Meeting		Audit Committee		Remuneration Committee	
		Max possible attendance	Meetings attended	Max possible attendance	Meetings attended	Max possible attendance	Meetings attended
Tim Barker	Chief Executive Officer	11	11	-	-	-	-
Sanjay Jawa	Chief Financial Officer	11	11	-	-	-	-
Kate Newhouse	Chief Operating Officer	11	11	-	-	-	-
Peter Whiting	Independent Non-Executive Chairman	11	11	3	3	6	6
Dame Sue Bailey	Independent Non-Executive Director	11	11	3	3	6	6
Simon Philips	Non-Executive Director	11	10	3	3	6	6

## Matters reserved for the board

Matters reserved for the decision of the Board include, but are not limited to:

- Approving Kooth's strategic aims and objectives;
- Reviewing performance against Kooth's strategic aims, objectives and business plans;
- Overseeing Kooth's operations;
- Approving changes to Kooth's capital, corporate, management or control structures;
- Approving results announcements and the annual report and financial statements;
- Approving the dividend policy;
- Declaring the interim dividend and recommending the final dividend and any special dividend;
- Approving any significant changes in accounting policies;
- Approving the treasury policy;
- Approving Kooth's risk appetite and principal risk statements;
- Reviewing the effectiveness of Kooth's risk and control processes;
- Approving major capital projects and material contracts or arrangements;
- Approving all circulars, prospectuses and admission documents;
- Ensuring a satisfactory dialogue with shareholders;
- Establishing Board committees and approving their terms of reference;
- Approving delegated levels of authority;
- Approving changes to the Board and its committees;
- Determining the remuneration policy for the Directors and other senior executives; and
- Providing a robust review of Kooth's corporate governance arrangements.

## Audit Committee

The Audit Committee comprises three Non-Executive Directors, namely; Peter Whiting (Committee Chair), Sue Bailey (INED) and Simon Philips (NED), two of whom are independent. At the discretion of the Committee Chair, the CFO was invited to attend meetings of the Audit Committee during the year.

The Audit Committee is responsible for the annual and half-yearly reports to shareholders, other public announcements of a financial nature, review of the likelihood of any fraud risks, review of the effectiveness of Kooth's internal control and risk management system and oversight of the relationship with the external auditors.

The Audit Committee also reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee met three times during the year.

## Remuneration Committee

The Remuneration Committee comprises Simon Philips (Chair), Sue Bailey (INED) and Peter Whiting (INED). Only members of the committee have the right to attend meetings, however other individuals such as the CEO, the Chief People Officer and external advisors may be invited to attend at different points during the year at the discretion of the Chair. No individual was present for any discussion on their own remuneration.

The role of the Remuneration Committee includes responsibility for all aspects of the remuneration of Executive Directors, including salary, annual bonus and share-based payments, and an awareness of remuneration within the wider workforce and the administration of all share-based remuneration plans within the organisation.

The Remuneration Committee met six times during the year.

## Relationships with stakeholders

The Board is committed to open and ongoing engagement with the Company's Shareholders. The Board will communicate with Shareholders through:

- The annual report and accounts;
- The interim and full-year results announcements;
- Trading updates (where required or appropriate);
- The annual general meetings;
- The Company's investor relations website (in particular, the 'RNS News' and 'AIM Rule 26' pages).

## Election and re-election of the Directors

In accordance with the Company's Articles of Association, each of the directors will retire and stand for re-election at the forthcoming AGM.

## Board Evaluation

An informal board evaluation process led by the Chair took place during the year in which the Chair conducted individual discussions with each director, followed by a collective discussion with the board. The review considers effectiveness in a number of areas including general supervision and oversight, business risks and trends, succession and related matters, communications, ethics and compliance, corporate governance and individual contribution.

Outside of the period, a formal external board evaluation was also carried out by Almond CS Limited, who have experience in evaluating Boards of AIM listed companies. Evaluation based questionnaires were circulated and completed by all members, and a thorough analysis of the responses was conducted.

The evaluation was designed to give an overview of the Board's performance based on its alignment with the QCA Code and served to support the Board in identifying challenges and implementing change.

As the business expands, the executive directors will be challenged to identify internal candidates who could potentially occupy board positions and set out development plans for these individuals.

The Chief Financial Officer is the primary contact for Shareholders and there is a dedicated email address ([investorrelations@kooth.com](mailto:investorrelations@kooth.com)) for shareholder questions and comments. Regular meetings are held between the Chief Executive Officer, Chief Financial Officer and institutional investors and analysts to ensure that the Company's strategy, financials and business developments are communicated effectively. The Board intends to engage with any shareholders who do not vote in favour of resolutions at annual general meetings to understand their motivation.

The Chairs of the Board and Committees are available to meet with shareholders if requested.

## Risk management and internal controls

The Board acknowledges its responsibility (delegated to the Audit Committee) for establishing and maintaining Kooth's system of internal controls and will continue to ensure that management keeps these processes under regular review and improves them where appropriate.

The Board's financial risk management objectives involve safeguarding Kooth's assets by identifying, managing, monitoring and reporting the critical risks across the business. As part of the admission to AIM, Kooth has set up a risk register which identifies, monitors and reports on the critical risks of the business. The risk register covers commercial, financial, operational, competitive, technological and other risks. In addition to the Head of Legal and Risk, a Head of Information Security was hired to strengthen controls and processes and the Board, via the Audit Committee, regularly reviews the risks and ensures that they are being addressed.



# Compliance with the QCA Code

The Chairman's role is to lead the Board of Directors and to be responsible for ensuring that the Company adheres to and applies the standards of corporate governance. The Board and Committees meet regularly as described above. The executive team are directed to the day-to-day management and are accountable to the rest of the Board. The Directors support a high standard of corporate governance and have decided to comply with the QCA Corporate Governance Code 2018 ('QCA Code'). The Directors believe that the QCA Code provides the Company with the framework to help embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all of its stakeholders.

A summary of how the Company currently complies with the QCA Code is set out below and is updated at least annually in the manner recommended by the QCA Code.

**Principle 1:** Establish a business strategy and business model which promotes long-term value for shareholders

Kooth's platform and growth strategy is focused around four key pillars that represent a £1 billion+ international addressable market and £500 million UK addressable market, with a platform and operating model that can scale into all markets to tackle the global mental health challenge. The four pillars being Children and Young People, Adults, International and Workforce.

Full disclosure of our strategy and business model can be found in pages 4 to 67 of the Annual Report which is also available on the Company's website. The Directors intend to subject this strategy to ongoing review and will provide an update on it from time to time in the strategic report that forms part of the Annual Report.

**Principle 2:** Seek to understand and meet shareholder needs and expectations

The Board is committed to an open and ongoing engagement with its shareholders. The main methods of communication with shareholders are the Annual Report and Accounts, the annual and half-year results announcements, capital markets day, trading updates, the Annual General Meeting and the Company's website.

In addition, the Chief Executive Officer and Chief Financial Officer meet regularly with institutional investors and analysts to ensure that objectives and any business developments are clearly communicated, and that they are available to respond to any enquiries following Company announcements, together with other Company advisers and the Non-Executive Directors.

The Annual General Meeting of the Company gives the Directors the opportunity to meet with shareholders and the ability to give an update on the Company's performance. It also provides the shareholders the opportunity to ask questions of the Directors, either in advance of or during the meeting.

**Principle 3:** Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company takes ESG very seriously and the Board is conscious of the impact that the Company's business activities may have in these areas. The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders as well as its shareholders; being primarily its employees, customers, and suppliers.

A detailed report on how the Company has taken into account wider stakeholders can be found in the ESG report and s172 statement in the Annual Report on pages 38 - 57 and 58 - 67.

**Principle 4:** Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has ultimate responsibility for the Company's system of internal controls and for reviewing its effectiveness. Such systems are designed to manage risk of failure to achieve business objectives. The Board meets frequently during the year during which business and other risks are assessed. The Directors have identified the risks and uncertainties which they consider to be the most significant for investors, which are summarised in page 65.

**Principle 5:** Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises of six directors: the Independent Chairman, two Non-Executive Directors and three Executive Directors.

Further details of the Directors and their experience is set out in page [64] of the Annual Report and the AIM 26 section of the website.

The Board meets regularly with processes in place to ensure that each Director is always provided with such information as is necessary to discharge their duties.

The Board is also supported by the Committees (Audit and Remuneration) each with specific remits. The detail of the number of meetings and attendance by Directors is noted on page 71.

**Principle 6:** Ensure that, between them, all Directors have the necessary up to date experience, skills and capabilities

The Board consistently evaluates those skills that are required and whether they are adequately provided for across the Board and executive team. In doing so, and where relevant, it will consider guidance available on appointment and training of Board members.

The Company Secretary has the responsibility to make the Board aware of legal changes and will advise on the Company's approach.

Where vacancies arise or gaps are identified that must be addressed, the Board receives recommendations from the Chief Executive Officer and appraises the candidates.

Appointments are made on merit against objective criteria and considering the benefits that will be brought to the Board and the Company.

The Board has access to external advice, including the Company's solicitors where required. The Board receives ongoing training as part of its annual Board meeting cycle.

**Principle 7:** Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Although the Company is not required to undertake a formal independent evaluation, the Board undertook an informal evaluation process led by the Chair which took place during the year. The Chair conducted individual discussions with each director, followed by a collective discussion with the board on its effectiveness and ways to improve.

Outside of the period, a formal external board evaluation was also carried out by Almond CS Limited, who have experience in evaluating Boards of AIM listed companies. Evaluation based questionnaires were circulated and completed by all members, and a thorough analysis of the responses was conducted.

The evaluation was designed to give an overview of the Board's performance based on its alignment with the QCA Code and served to support the Board in identifying challenges and implementing change.

**Principle 8:** Promote a corporate culture that is based on ethical values and behaviour

The Board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring these are promoted and maintained throughout the organisation.

The Company's culture and values which are highlighted on pages 46 to 56 of the Annual Report reflects the Boards dedication to promote an ethical culture.

In addition, the Company has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically whistleblowing, social media, anti-bribery and corruption, communication, and general conduct of employees. This is reviewed annually to ensure it remains relevant and up to date.

**Principle 9:** Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board held 11 meetings during the year.

The Company Secretary works closely with the Chairman and the Chairs of the Board Committees to ensure that Board procedures, including setting agendas and the timely distribution of papers, are complied with and that there are good communication flows between the Board and its Committees, and between senior management and Non-Executive Directors.

There is a formal agenda at each Board Meeting which includes operational updates from the Chief Executive Officer, financial updates from the Chief Financial Officer and commercial updates from the Chief Operating Officer. All reports cover different areas within the Company and cover new business opportunities. Board papers are circulated to the Directors in advance of meetings to enable proper consideration of the content of the papers.

During the course of the year, other matters considered by the Board include annual and half-year results announcements, principal risks and uncertainties, ESG, AGM resolutions, shareholder communications and management incentivisation.

The Chairman maintains regular contact with the Non-Executive Directors outside of formal Board meetings.

All Directors have access to the support and advice of the Company Secretary as required.

**Principle 10:** Communicate how the Company is governed and is performing by maintaining an open dialogue with Shareholders and other relevant stakeholders

The Company places a strong emphasis on the standards of good corporate governance and maintaining an effective engagement with its shareholders and key stakeholders, which it considers to be integral to longer-term growth and success.

The Company's Annual reports and accounts, and its half year report are key communication channels through which stakeholders are informed of how the Company is governed, updates to its strategic targets and how the Company is progressing in meeting its objectives.

The 'Investor Hub' section of Company's website is also an avenue which the Company uses to communicate directly with shareholders. This can be found at <https://investors.kooth.com/>

Approved by order of the Board



**Almond CS Limited**  
Company Secretary

3 April 2023

# Report of the Audit Committee

## Committee Chair's introduction

As the Chair of the Audit Committee of Kooth ('the Committee'), I present the Committee Report for the year ended 31 December 2022, which has been prepared by the Committee and approved by the Board.

## Committee meetings and attendance

The three members of the Committee are Dame Sue Bailey, Simon Philips and me. The Board considers that I have sufficient, relevant financial experience to chair the Committee given that I have over 25 years' experience as an investment analyst and currently hold two other listed company Board and Audit Committee positions. During the year ended 31 December 2022, the Committee met three times with all members attending all meetings. The Committee is required by its Terms of Reference to meet as frequently as the Committee Chair shall require, and also at regular intervals to deal with routine matters and, in any event, at least three times in each financial year.

## Committee activities

The Committee is responsible for reviewing and reporting to the Board on the Company's financial performance, monitoring the integrity of the Company's financial statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management, and reviewing/ monitoring the performance, independence and effectiveness of the Company's external auditors. The Committee's primary activities included meeting with the external auditors, considering the audit approach, scope and timetable, and reviewing the key audit matters for the financial year 2022 audit. In addition, the Committee reviewed the audit provided by Grant Thornton UK LLP, Kooth's external auditors. The Committee concluded that Grant Thornton UK LLP is delivering the necessary audit scrutiny.

Accordingly, the Committee recommended to the Board that Grant Thornton UK LLP be re-appointed for the next financial year.

As part of the year end audit, the Committee:

- Met with the external auditors to review and approve the annual audit plan and receive their findings and report on the annual audit;
- Considered the integrity of the published financial information and whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary to assess Kooth's position and performance, business model and strategy;
- Considered significant issues and areas of judgement with the potential to have a material impact on the financial statements;
- Reviewed and approved the year end results and accounts; and
- Considered significant issues and areas of judgement with the potential to have a material impact on the financial statements.

## Committee objectives and responsibilities

The Committee's main responsibilities can be summarised as follows:

- To report on and review the Company's financial performance;
- To monitor the integrity of the Company's financial statements and any formal announcements relating to Kooth's financial performance;
- To review the Company's internal financial controls and risk management systems;
- To review any changes to accounting policies;
- To make recommendations to the Board in relation to the appointment of the external auditors;
- To make recommendations to the Board concerning the approval of the remuneration and terms of engagement of the external auditors;
- To review and monitor the external auditors' independence and objectivity;
- To consider any matter specifically referred to the Committee by the Board; and
- The Terms of Reference are reviewed annually and are available on the Company's website.

## Financial reporting

At the request of the Board, the Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced, and understandable, and provided the information necessary for shareholders to assess the Group's business model, strategy and performance. The Committee considered the budget for 2023 and concluded that the going concern basis is appropriate. The Committee also reviewed the Strategic Report and concluded that it presented a useful, fair, balanced, and understandable review of the business.

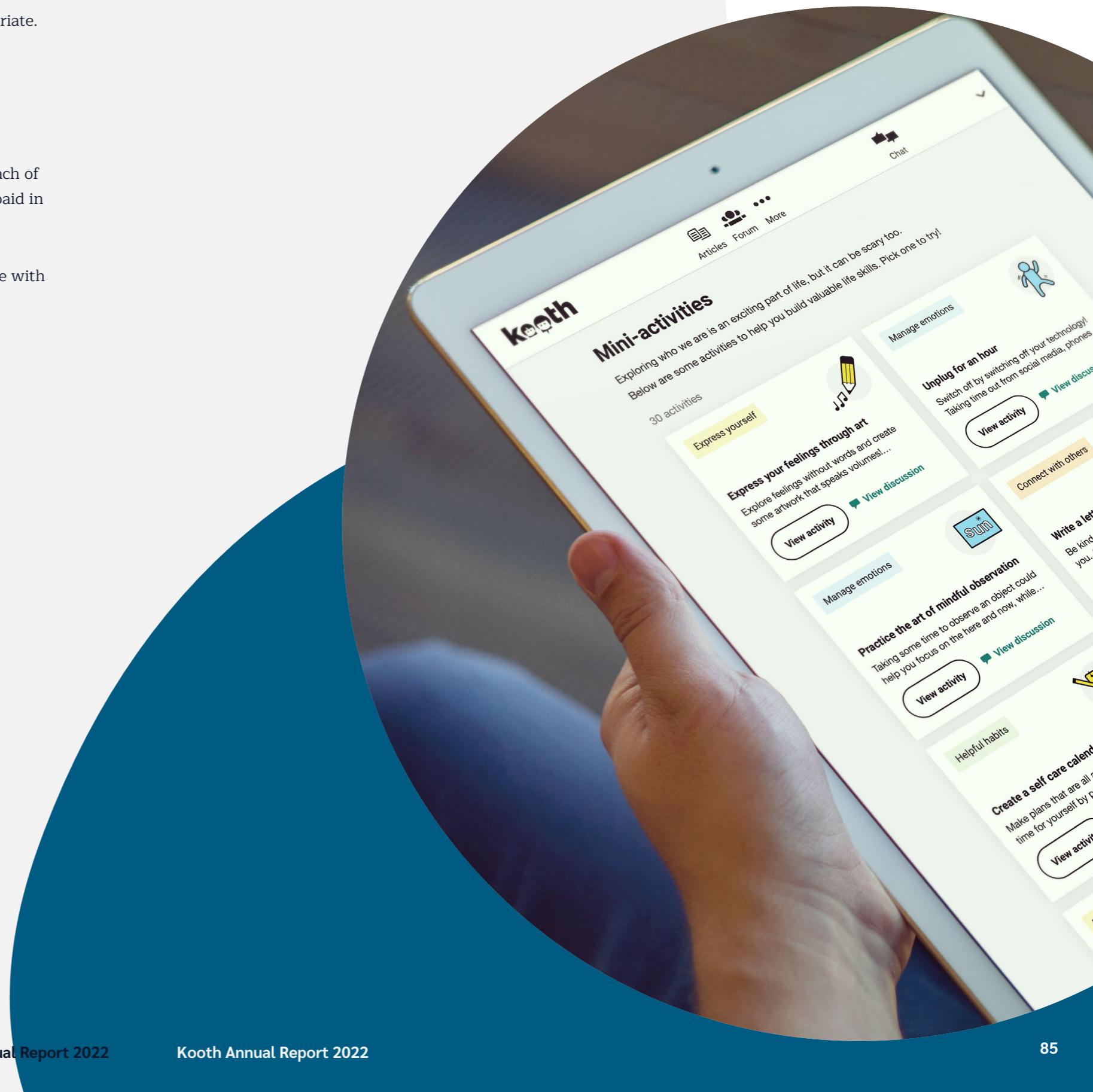
## Auditor independence

To ensure auditor independence, consideration is given to their integrity and the objective approach of the audit process. The use of non-audit services is not considered to be significant and amounts paid in respect of these are disclosed in note 21.

I am satisfied that the Committee has satisfactorily discharged its duties in the year in accordance with its terms of reference.

**Peter Whiting**  
Chair of the Audit Committee

3 April 2023



# Report of the Remuneration Committee

## Committee Chair's introduction

As the Chair of the Remuneration Committee of Kooth ('the Committee'), I present the Remuneration Committee Report for the year ended 31 December 2022, which has been prepared by the Committee and approved by the Board.

## Committee meetings and attendance

The three members of the Committee are Dame Sue Bailey, Peter Whiting and me. The Board considers that I have sufficient relevant experience to chair the Committee, given the numerous Board level positions currently (including the Remuneration Committee Chair of another listed company) and previously held.

During the year ended 31 December 2022, the Committee met six times with all members attending all meetings. The Committee is required by its Terms of Reference to meet as frequently as the Committee Chair shall require and also at regular intervals to deal with routine matters and, in any event, at least three times in each financial year.

## Remuneration policy for the year ended 31 December 2022

The Remuneration Committee determines the Company's policy on the structure of Executive Directors' and if required, senior management's remuneration. The objectives of this policy are to:

- Reward Executive Directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders;
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and senior management;
- Encourage value creation through consistent and transparent alignment of incentive arrangements with the agreed company strategy over the long term; and
- Ensure the total remuneration packages awarded to Executive Directors, comprising both performance-related and non-performance-related remuneration, is designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.

## Committee objectives and responsibilities

The Committee's main responsibilities can be summarised as follows:

- To determine the framework or broad policy for the remuneration of the Chair, the Executive Directors, and such other senior executives as it is requested by the Board to consider. The remuneration of Non-Executive Directors shall be a matter for the Chair and the Executive Directors of the Board. No Director shall be involved in any decisions as to their own remuneration.
- To determine such remuneration policy, taking into account all factors which it deems necessary (including relevant legal and regulatory requirements);
- To review the ongoing appropriateness and relevance of the remuneration policy, including policy comparisons with market competitors;
- To design and determine targets for any performance related pay schemes operated by the Company and approving any annual payments made under such schemes;
- To review the design of, and any changes to, all share incentive plans;
- To review the structure, size and composition of the Board, including the skills, knowledge and experience;
- To give consideration to succession planning;
- To recommend new Board appointments; and
- To consider any matter specifically referred to the Committee by the Board.

## Director's remuneration: salary

Salaries are normally reviewed annually with effect from 1 January taking into account inflation, salaries paid to directors of comparable companies, Group and personal performance. Salaries of Executive Directors are determined by the Remuneration Committee. The Board as a whole decides the remuneration of the Chair and Non-Executive Directors. Salaries and fees for directors effective from 1 January 2023 are as follows:

Name	£'000
Dame Sue Bailey	37
Tim Barker	278
Sanjay Jawa	210
Kate Newhouse	231
Simon Philips	50
Peter Whiting	84

## Director's remuneration: long term incentives (audited)

The Group adopts a Long Term Incentive Plan with all employees of the Group eligible to receive awards under the share plans.

In line with the terms of the scheme, the awards granted to Directors are subject to performance criteria, with 50% being linked to ARR growth and 50% linked to comparative total shareholder return with both elements being measured over a three year period. The Remuneration Committee considers that the targets are appropriate and are aligned with shareholder interests.

The fair value of the employee services received in exchange for these grants is recognised as an expense on a straight-line basis over the

vesting period. The total amount to be expensed is determined by reference to the fair value of the options or shares determined at the date of grant.

The fair value of the awards was calculated using the Black Scholes model. Non-market based vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date to allow for options that are not expected to vest and the difference is credited to the Consolidated Statement of Comprehensive Income with a corresponding adjustment to reserves.

A breakdown of the Directors' current interests in the long term incentives awards is set out below.

### Long Term Incentives

Name	Title	No. Of Options	Exercise Price (£)
Tim Barker	Chief Executive Officer	227,279	0.05
Sanjay Jawa	Chief Financial Officer	171,059	0.05
Kate Newhouse	Chief Operating Officer	183,067	0.05

## Director's remuneration: interests

According to the register of Directors' interests maintained under the Companies Act, the following interests in shares of Group companies were held by the Directors in office at the year end:

Name	No. of Shares
Dame Sue Bailey	-
Tim Barker	801,603
Sanjay Jawa	320,648
Kate Newhouse	480,996
Simon Philips*	12,329,873
Peter Whiting	40,000

\*Simon Philips is one of the beneficial owners of the shares held by Root Capital II Fund.

## Executive Directors' Remuneration: current year

Executive Director's remuneration for the years ended 31 December 2022 and 31 December 2021 was as follows.

<b>2022</b>				
Name	Base Salary and Fees	Pension	Gain on exercise of share options	Total
Tim Barker	265	8	-	273
Sanjay Jawa	200	6	-	206
Kate Newhouse	244	7	-	251
<b>Total</b>	<b>709</b>	<b>21</b>	<b>-</b>	<b>730</b>

<b>2021</b>				
Name	Base Salary and Fees	Pension	Gain on exercise of share options	Total
Tim Barker	250	8	-	258
Sanjay Jawa	175	5	-	180
<b>Total</b>	<b>425</b>	<b>13</b>	<b>-</b>	<b>438</b>

## Remuneration policy for Non-Executive Directors

Dame Sue Bailey, Peter Whiting and I each receive a fee for our services as Directors, which is approved by the Board, mindful of the time commitment and responsibilities of our roles and of current market rates for comparable organisations and appointments. Non-Executive Director fees for the year commencing 1 January 2023 are noted above.

**Simon Philips**

Chair of the Remuneration Committee

3 April 2023

# Directors' report

The Directors present their report and the audited financial statements of Kooth plc for the year ended 31 December 2022.

The principal activity of the Group is the provision of online counselling and support to children, young people, and adults in need. A description and review of the Group's performance during the financial year and indications of future development are set out within the Strategic Report, and this also incorporates the requirements of the Companies Act 2006.

## Comparatives

The 2021 comparatives shown cover the year ended 31 December 2021.

## Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

## Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

## Directors

The directors who held office during the year and up to the date of signing these financial statements were as follows:

- Tim Barker, Chief Executive Officer
- Sanjay Jawa, Chief Financial Officer
- Kate Newhouse, Chief Operating Officer (appointed January 2022)
- Peter Whiting, Chair and Non-executive director
- Simon Philips, Non-executive director
- Sue Bailey, Independent Non-executive director

## Political contributions

The Group made no political donations during the year (2021: nil).

## Directors' insurance

The Group maintains appropriate insurance cover in respect of any legal action against its directors.

## Research and Development

During the year the Group invested £3.1 million in Research and Development. More information on this is provided in the Strategic Report and in the notes to the financial statements.

## Anti-Bribery

It is our policy to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

## 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.

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 loss). 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). The Group generated an inflow of £1.4m in cash in 2022 (2021: £0.7m outflow) and ended 2022 with a cash balance of £8.5m (2021: £7.1m)

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 considered the impact of the current climate of increased inflation and interest rates and do not expect this to have a material adverse impact on the Group. Consequently, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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.

## Employee involvement

The Group continues to attract and retain key talent and places considerable value on the involvement of employees. Employees are regularly consulted regarding matters affecting them through channels such as company-wide briefings, employee engagement software and email announcements, and their interests are taken into account in making decisions that are likely to affect their interests.

The Group is committed to providing equality of opportunity to all existing and prospective employees without discrimination through channels such as our Diversity and Inclusion Council and our Employee Voices Group.

As a result of the IPO in 2020 we are able to offer our staff long term, annual incentives to reward their hard work, passion and impressive results.

## Notice of Annual General Meeting

Details of business to be conducted at this year's AGM are contained in the Notice of the Annual General Meeting which will be communicated to shareholders separately. It is the opinion of the Directors that the passing of these resolutions are in the best interest of the shareholders.

## Significant events after year end

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.

## Auditor

Grant Thornton UK LLP was re-appointed as auditor in the year. A resolution to re-appoint Grant Thornton UK LLP as auditor and to authorise the directors to determine their remuneration will be proposed at the forthcoming AGM.

## Significant shareholders

The Group has been notified of the following interests in 3% or more of the issued ordinary share capital of the Company. This is the position as at 31 December 2022.

Name	% of Issued Share Capital
Root Capital Fund II LP trading as Scale Up Capital	37.30%
Cannacord Genuity Group Inc	14.30%
LF Gresham House UK Micro Cap	8.70%
Stancroft Trust Limited	6.10%
J O Hambro Capital Management Limited	5.10%
Premier Miton Investors	4.90%

**Sanjay Jawa**  
Chief Financial Officer

3 April 2023

# Directors' responsibilities statement

## In respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in Kooth and Parent Company financial statements respectively; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Kooth and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the group financial statements, prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



**Sanjay Jawa**  
Chief Financial Officer

3 April 2023



## Independent auditor's report to the members of Kooth plc

3 April 2023

### Independent auditor's report

#### Opinion

##### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Kooth plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated statement of profit and loss and other comprehensive loss, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Parent company statement of financial position, the Parent company statement of changes in equity and notes to each of the financial statements and to the Parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Considering the current cash resources of the Group, in the context of the forecast cash requirements during the forecast period.
- Challenging the key assumptions in the forecasts and the scope of scenario planning undertaken, given current social and economic conditions. Key management assumptions included revenue growth rate, new business wins, contract renewal rate, growth rates in the underlying forecasts, and net working capital structure of the Group.
- Critically assessing both the outcomes of reverse stress testing and the availability of controllable mitigating future actions within the going concern assessment.
- Assessing management's historical forecasting accuracy.
- Assessing the suitability of the models used to forecast cash flows, including testing of the mathematical accuracy.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the war in Ukraine and the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how

those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

## Our approach to the audit



### Overview of our audit approach

Overall materiality:

Group: £400,000, which represents 2% of the group's revenue.

Parent company: £250,000, which represents 1.5% of the parent company's total assets.

Key audit matters were identified as:

- Revenue recognition (same as previous year).
- Accounting for capitalised internal development costs (same as previous year).

Our auditor's report for the year ended 31 December 2021 included no key audit matters that have not been reported as key audit matters in our current year's report.

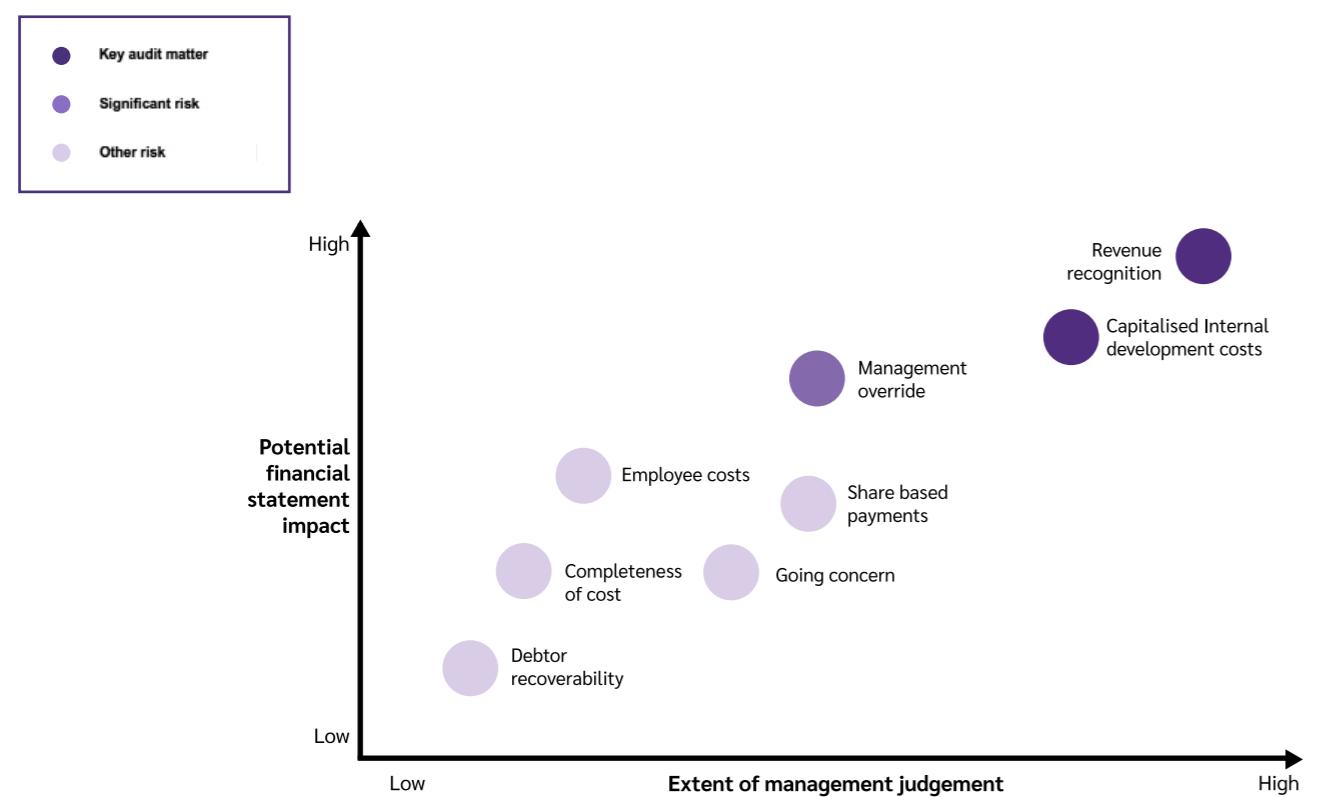
We performed audits of the financial information of the significant Group components Kooth plc, Kooth Group Limited and Kooth Digital Health Limited using component materiality (full scope audit procedures). We performed specified audit procedures on Kooth US LLC, a newly incorporated trading entity in the year. One previous Group component was dissolved in the year and as such, no procedures were performed on this entity.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



## Key Audit Matter - Group

### Revenue recognition (£20.1m, 2021: £16.7m)

Revenue forms the basis for some of the Group's key performance indicators, both for reporting to external stakeholders and for management incentives.

The nature of the Group's services and their recognition over time, combined with the fact that some contracts have terms where invoicing is ahead of the service delivery, means that there is a risk of inappropriate timing of revenue recognition, specifically in respect of the completeness of deferred revenue.

Furthermore, during the year, the invoicing and revenue deferral process was manual in nature, which gives rise to the risk of errors being made in the processing of both.

In the year, the Group began trading in the US under a newly incorporated subsidiary. This expansion into a new territory gives rise to further risks of misstatement in revenue recognition in the year, due to differences in the healthcare industry and how the different contract structures are accounted for.

We therefore identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud and error.

## How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- Evaluating management's determination of whether the nature of the Group's services results in the provision of a service at a point in time or over a contractual term, by assessing a sample of customer contracts against the requirements of International Financial Reporting Standard ('IFRS') 15 'Revenue from Contracts with Customers'. This included the assessment of new or one-off transactions, by comparing the accounting treatment adopted by management to the Group accounting policy and IFRS 15.
- Utilising data analytics techniques to identify revenue postings to unusual account codes and investigating those transactions.
- Testing a sample of transactions from management's billing summary, to determine that the amount of revenue recognised in the year and the amount deferred at the balance sheet date was complete and accurately calculated, based on progress of the underlying contract. This testing also included comparing invoices raised to cash receipts in the bank.
- Testing a sample of items in the deferred income balance for accuracy in accordance with the invoices raised and the contract terms.
- Further completeness testing on deferred income was performed by sampling after-date revenue and cash transactions.
- Testing of all material contracts entered into in the US in the year, to ensure the treatment was consistent with the contract terms, the Group accounting policy and IFRS 15 requirements. We also compared cash receipts from these contracts through to bank statements.

Key Audit Matter - Group	How our scope addressed the matter – Group	Key Audit Matter - Group	How our scope addressed the matter – Group
<p><b>Relevant disclosures in the Annual Report 2022</b></p> <p>Financial statements: Note 2.3, accounting policy for revenue from contracts with customers; Note 4, Revenue.</p> <p><b>Accounting for capitalised internal development costs (£3.0m, 2021: £2.5m)</b></p> <p>We identified accounting for capitalised internal development costs as one of the most significant assessed risks of material misstatement due to error.</p> <p>The Group capitalises costs associated with development of their online platform, which is being developed internally.</p> <p>The costs associated with the time spent on this development are capitalised in the Statement of Financial Position at the year end.</p> <p>Costs must be capitalised when they meet the requirements of International Accounting ('IAS') 38 'Intangible Assets'. This includes management judgement in determining the distinction between research and development costs.</p>	<p><b>Our results</b></p> <p>Based on procedures performed, we did not identify any material misstatements in the revenue recognised during the year or the deferred income recognised at year end.</p> <p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Assessing the accounting policy and disclosure for compliance with IAS 38.</li> <li>• Obtaining and assessing management's judgement on the level of employee costs to be capitalised across the year, which was split into different projects.</li> <li>• Performing a test of details on a sample of these costs, agreeing amounts to underlying payroll information or external invoices. Where external invoices were capitalised, we corroborated the nature of the work to assess whether any research elements had been inappropriately been capitalised.</li> <li>• For a sample of capitalised costs, making enquiries with employees in the development team to gain an understanding of the nature of the work they had performed which had been capitalised and the proportion of their time which was spent on qualifying development costs. This included assessing whether the nature of the costs capitalised met the criteria as set out in IAS 38.</li> <li>• Obtaining the budget for the projects capitalised as developments in the year and assessing how the project was progressing against this, including whether the necessary resources were in place to complete the project.</li> </ul>	<p><b>Relevant disclosures in the Annual Report 2022</b></p> <p>Financial statements: Note 2.3, accounting policy for intangible assets; Note 3, significant accounting judgement for capitalisation of development costs; Note 11, Development costs.</p> <p><b>Our results</b></p> <p>Our testing did not identify any material misstatements in the accounting for capitalised internal development costs.</p>	<ul style="list-style-type: none"> <li>• Discussing the overall projects in the year directly with the Chief Technology Officer. This enabled us to consolidate our understanding of whether management's assessment of whether the costs met the criteria for capitalisation was appropriate and whether their assessment that there were no indicators of impairment was reasonable.</li> <li>• Assessing the amortisation policy used by management for appropriateness, considering the underlying development projects and their anticipated useful life. We also performed an amortisation recalculation based on management's accounting policy.</li> </ul>

## Our application of materiality

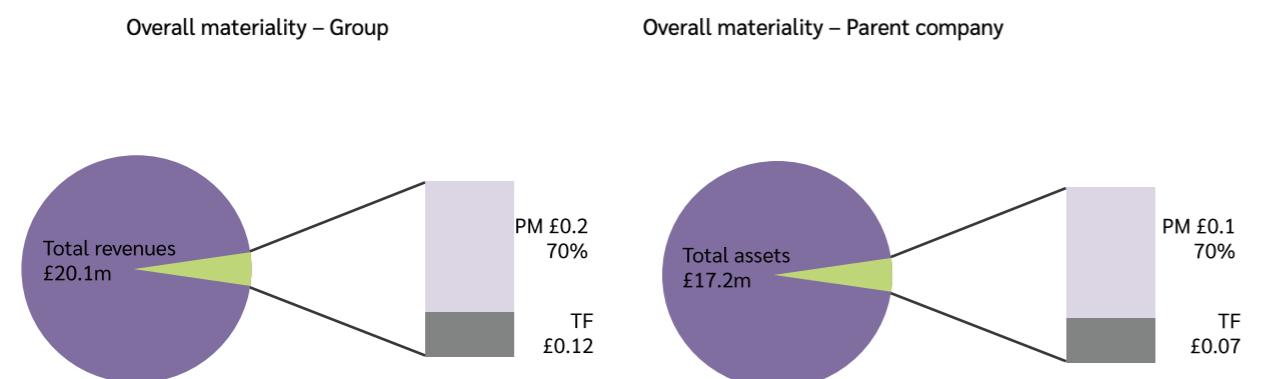
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
<b>Materiality for financial statements as a whole</b>		We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
<b>Materiality threshold</b>	£400,000, which is 2% of revenue.	£250,000, which is 1.5% of total assets.
<b>Significant judgements made by auditor in determining the materiality</b>	<p>In arriving at this judgement, we considered the financial measures which we believed to be most relevant to the shareholders in assessing the performance of the Group. Profit before tax is a generally accepted benchmark for a profit-orientated business. We concluded that, in isolation, this metric did not appropriately reflect the scale of the Group's ongoing operations or its underlying performance. As a result, revenue was considered the most appropriate metric.</p> <p>2% of revenues has been selected as it is in the middle of our acceptable range. There have been no significant changes to the business model year on year and the senior management team has remained consistent. We have increased the percentage in the year as we are satisfied that the entity operates in a stable business environment and is currently trading with no external debt, however we kept the percentage below the highest end of our acceptable range to reflect the risks arising from the entity being listed.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 to reflect the growth in revenue during the year.</p>	<p>Total assets was considered the most appropriate benchmark because the Parent company does not trade and holds material investments in subsidiary companies. 1.5% of total assets is at the upper end of our acceptable range and has been selected to reflect the lack of complexity in the transactions it undertakes.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021, as in the previous year the materiality was capped at the level of Group materiality arising from our ISA 600 assessment. In the current year, Group materiality has increased to the extent that capping of Parent company materiality was no longer required.</p>

Materiality measure	Group	Parent company
<b>Performance materiality used to drive the extent of our testing</b>	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
<b>Performance materiality threshold</b>	£280,000, which is 70% of financial statement materiality.	£175,000, which is 70% of financial statement materiality.
<b>Significant judgements made by auditor in determining the Materiality measure</b>	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>• Whether there were changes to the business in their operations and in their business strategy</li> <li>• Whether there were changes to our risk assessment, including our assessment of the group's overall control environment</li> <li>• Consideration of the number and individual magnitude of audit adjustments observed in the previous period.</li> <li>• We concluded that an amount at the upper end of our normal range was appropriate on the basis of the above considerations.</li> </ul>	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>• Whether there were changes to the business in their operations and in their business strategy</li> <li>• Whether there were changes to our risk assessment, including our assessment of the parent company's overall control environment</li> <li>• Consideration of the number and individual magnitude of audit adjustments observed in the previous period,</li> <li>• We concluded that an amount at the upper end of our normal range was appropriate on the basis of the above considerations.</li> </ul>
<b>Communication of misstatements to the audit committee</b>	We determine a threshold for reporting unadjusted differences to the audit committee.	
<b>Threshold for communication</b>	£20,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

## An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

### **Understanding the group, its components, and their environments, including group-wide controls:**

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

### **Identifying significant components**

Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality, considering the relative size of each component as a percentage of total Group revenue, net assets, and loss before tax. Kooth plc, Kooth Group Limited and Kooth Digital Health Limited were significant components for which we performed full scope audit procedures using the respective component materiality.

### **Type of work to be performed on financial information of Parent and other components (including how it addressed the key audit matters)**

For significant components requiring a full scope approach, we evaluated the design and implementation of controls over the financial reporting systems identified as part of our risk assessment and addressed critical accounting matters such as those related to the key audit matters as identified above.

With respect to revenue recognition, we evaluated the design and implementation of relevant controls and performed data analytics alongside substantive procedures.

For the remaining areas, we assessed the design and implementation effectiveness of controls deemed relevant to the audit and performed substantive procedures.

### **Performance of our audit**

Audit approach	No. of components	%coverage revenue	%coverage total assets	%coverage LBT
Full-scope audit	3	>98%	93%	>98%
Analytical procedures	1	<1%	7%	<1%

### **Changes in approach from previous period**

We performed specified audit procedures on Kooth USA LLC for the first time this year, due to it generating 7% of overall revenue. In the current year we did not deem the entity to yet be a significant component and so performed specified procedures on certain balances within the entity. Previously, Xenzone Alliance CIC was in scope for analytical procedures; in the current year this entity was dissolved and so no procedures were performed in respect of the Group opinion.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement pages 96 to 97, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company, the group and the industry in which they operate. We determined that the following laws and regulations were most significant: UK-adopted international accounting standards, Financial Reporting Standard 101 'Reduced Disclosure Framework', the Companies Act 2006, the Quoted Companies Alliance Corporate Governance Code and tax compliance regulations in the UK, which is the principal jurisdiction in which the Group operates;
- We understood how the parent company and the group are complying with applicable laws and regulations, through discussions with the Audit Committee and we corroborated our understanding through our review of board minutes, and papers provided to the Audit Committee;
- In assessing the potential risks of material misstatement, we obtained an understanding of the parent company's and the group's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;

- We assessed the susceptibility of the parent company's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
  - considering performance targets and their potential influence on revenue recognition;
  - assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - assessing whether assumptions and judgements in making its significant accounting estimates are indicative of potential management bias, including in relation to the intangible asset capitalisation as set out in our Key Audit Matters;
  - identifying and testing journal entries, in particular any journal entries posted which we deemed to be higher risk and those with unusual account combinations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it; and
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates.
- A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditors responsibilities](http://www.frc.org.uk/auditors responsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Anthony Thomas FCA  
Senior Statutory Auditor**

for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London, UK

3 April 2023

# Financial Statements

Kooth Plc Annual Report 2022



# Financial Statements

## Kooth Plc Annual Report 2022

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

For the year ended 31 December 2022

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

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

	Note	31 December 2022 £'000	31 December 2021 £'000
<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>		<b>4,382</b>	<b>3,929</b>
<b>Current assets</b>			
Trade and other receivables	15	2,618	2,370
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</b>			
<b>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>

**Consolidated statement of changes in equity**

For the year ended 31 December 2022

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  
3rd April 2023

The notes on pages 121 to 142 form part of the financial statements.

	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

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(716)	(310)
<b>Adjustments:</b>			
Depreciation & amortisation	11, 12, 13	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>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 consolidated financial statements of Kooth plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2022 have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

#### 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.

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 Kooth plc 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
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**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 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.

	2022 £'000	2021 £'000
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**

	2022 £'000	2021 £'000
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**

	2022 £'000	2021 £'000
Salaries	12,033	11,543
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>

	2022 2021	2021
Employee numbers		
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.

	Share based payment 2022 £'000	2021 £'000
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>9. Earnings per share</b>		<b>2022</b>	<b>2021</b>
	<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)
Interest income on cash deposits	81	13				
			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>			
Current tax			Ordinary shares in issue		33,055,776	33,055,776
Corporation tax	(746)	(252)	Share options		1,873,356	1,080,066
Total current tax charge / (credit)	<b>(746)</b>	<b>(252)</b>	<b>Loss per share (basic, £)</b>			
			On total losses attributable to equity holders of the parent		(0.02)	(0.01)
Deferred tax (P&L)			<b>Loss per share (diluted, £)</b>			
Origination and reversal of timing differences	631	(158)	On total losses attributable to equity holders of the parent		(0.02)	(0.01)
Total deferred tax charge / (credit) (P&L)	<b>631</b>	<b>(158)</b>	<b>10. Goodwill</b>			
Tax charge / (credit) on profit on ordinary activities	<b>(115)</b>	<b>(410)</b>	Goodwill as at 1 January and 31 December		511	511
<b><u>Reconciliation of tax charge</u></b>			Management has established counselling services as the one CGU during the relevant periods. All goodwill is attributable to this CGU.			
<b>Loss on ordinary activities before tax</b>	<b>(831)</b>	<b>(720)</b>	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.			
Expected tax charge on loss on ordinary activities at standard CT rate	(158)	(137)	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:			
<i>Effects of:</i>			Discount rate 8% Growth rate 2%			
Effect of tax rate changing on opening balance	-	(93)	Using alternative discount and growth rates as sensitised assumptions does not result in any impairment.			
R&D additional deduction	(398)	(430)	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.			
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>				

**11. Development costs**

	2022	2021
	£'000	£'000
<b>Cost</b>		
Balance as at 1 January	7,363	4,828
Additions	<u>2,952</u>	<u>2,535</u>
<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	<u>(2,138)</u>	<u>(2,283)</u>
<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	2021
	£'000	£'000
<b>Right of use asset</b>		
<b>As at 1 January</b>	<b>-</b>	<b>14</b>
Additions	68	-
Depreciation	-	-
Disposal	<u>-</u>	<u>(14)</u>
<b>As at 31 December</b>	<b>68</b>	<b>-</b>
<b>Lease liability</b>		
<b>As at 1 January</b>	<b>-</b>	<b>17</b>
Additions	68	-
Interest charge	-	-
Cash payment	-	-
Disposal	<u>-</u>	<u>(17)</u>
<b>As at 31 December</b>	<b>68</b>	<b>-</b>

**13. Property, plant and equipment**

	2022	2021
	£'000	£'000
<b>Cost</b>		
Balance as at 1 January	451	388
Additions	<u>100</u>	<u>63</u>
<b>Balance as at 31 December</b>	<b>551</b>	<b>451</b>
<b>Depreciation</b>		
Balance as at 1 January	(335)	(231)
Depreciation	<u>(94)</u>	<u>(104)</u>
<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	133
Movement - (charge) / credit	23	244	35	302
At 1 January 2022 - asset / (liability)	(458)	323	570	435
Movement - (charge) / credit	(119)	(98)	(566)	(783)
At 31 December 2022 - asset / (liability)	(577)	225	4	(348)

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	<u>1,508</u>	<u>761</u>
	<b><u>2,618</u></b>	<b><u>2,370</u></b>

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		
	Number of Shares		2022 £'000	2021 £'000
Accrued income	649	406	Ordinary A shares	1,653

**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

**17. Cash and cash equivalents**

	2022 £'000	2021 £'000		
	Number of Shares		2022 £'000	2021 £'000
Cash and cash equivalents	8,492	7,079	Ordinary A shares	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.

**18. Trade and other payables**

	2022 £'000	2021 £'000		
	Number of Shares		2022 £'000	2021 £'000
Trade payables	680	417	Share Premium	14,229
Accruals and other creditors	977	649		14,229
Tax liabilities	<u>967</u>	<u>948</u>		
	<b><u>2,624</u></b>	<b><u>2,014</u></b>		

Share premium represents the funds received in exchange for shares over and above the nominal 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 £'000	2021 £'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.

	<b>2022</b>	<b>2021</b>
	£'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

	<b>2022</b>	<b>2021</b>
	£'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

	<b>2022</b>	<b>2021</b>
	£'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. 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.

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

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.

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:

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

### 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).

### 25. Subsidiaries and associated companies

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

Name	Country of Incorporation	Proportion Held	Activity	Registered Address
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).

**30. Parent Company Statement of Financial Position**

	Note	31 December 2022 £'000	31 December 2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	31	4,414	4,414
<b>Current assets</b>			
Trade and other receivables	35	56	50
Deferred tax	36	-	52
Intercompany receivables	32	6,970	6,707
Cash and cash equivalents	33	6,046	6,533
<b>Total current assets</b>		<b>13,072</b>	<b>13,342</b>
<b>Total assets</b>		<b>17,486</b>	<b>17,756</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	37	(54)	(35)
Intercompany payables	32	(2,523)	(2,616)
Tax liabilities	38	(53)	(29)
<b>Total current liabilities</b>		<b>(2,630)</b>	<b>(2,680)</b>
<b>Net current assets</b>		<b>10,442</b>	<b>10,662</b>
<b>Net assets</b>		<b>14,856</b>	<b>15,076</b>
<b>Equity</b>			
Share capital	39	1,653	1,653
Share premium account	39	14,222	14,222
P&L reserve	39	1,749	2,231
Share-based payment reserve	39	1,221	959
Capital redemption reserve	39	115	115
Merger reserve	39	(4,104)	(4,104)
<b>Total equity</b>		<b>14,856</b>	<b>15,076</b>

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of the financial statements. The parent company's loss for the financial period was £482k (2021: £391k). 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

#### Parent Company Statement of Changes in Equity

	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>14,222</b>	<b>528</b>	<b>2,622</b>	<b>115</b>	<b>(4,104)</b>	<b>15,036</b>
Share based payments	-	-	431	-	-	-	431
Total comprehensive loss for the year	-	-	-	(391)	-	-	(391)
<b>As at 31 December 2021</b>	<b>1,653</b>	<b>14,222</b>	<b>959</b>	<b>2,231</b>	<b>115</b>	<b>(4,104)</b>	<b>15,076</b>
<b>Balance at 1 January 2022</b>	<b>1,653</b>	<b>14,222</b>	<b>959</b>	<b>2,231</b>	<b>115</b>	<b>(4,104)</b>	<b>15,076</b>
Share based payments	-	-	262	-	-	-	262
Total comprehensive loss for the year	-	-	-	(482)	-	-	(482)
<b>As at 31 December 2022</b>	<b>1,653</b>	<b>14,222</b>	<b>1,221</b>	<b>1,749</b>	<b>115</b>	<b>(4,104)</b>	<b>14,856</b>

#### Notes to the Parent Company Financial Statements

##### Basis of Preparation

The Financial Statements are presented in pound sterling, rounded to the nearest thousand, unless otherwise stated. They are prepared under the historical cost basis, except that derivative financial instruments are stated at their fair value, and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and certain related party transactions. Where required, equivalent disclosures are given in the Consolidated Financial Statements.

As permitted by section 408(4) of the Companies Act 2006, a separate income statement and statement of comprehensive income for the Company has not been included in these Financial Statements. The principal accounting policies adopted are described below. They have all been applied consistently to all years presented.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's Financial Statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the Consolidated Financial Statements.

The following are key accounting policies for the Company:

- Basis of preparation
- Going concern
- Trade receivables and payables
- Cash and cash equivalents

These policies of the company are consistent with those adopted by the Group and disclosed in note 2 to the consolidated financial statements. The following are additional accounting policies that relate to the Company.

##### Investments

Investments are stated at their cost less impairment losses.

##### Intercompany

Intercompany balances are intercompany loans and comprise of amounts owed to/owing from subsidiaries. IFRS 9 expected credit losses have been assessed as immaterial in relation to these balances.

Any key judgements or estimates are consistent with those adopted by the Group.

The notes on pages 145 to 148 form part of these financial statements.

**31. Investments**

	2022	2021	
	£'000	£'000	
Investment in subsidiaries	4,414	4,414	Tax losses 15

	2022	2021	
	£'000	£'000	
<b>32. Intercompany</b>			

	2022	2021	
	£'000	£'000	
Intercompany receivable balances			
Kooth Group Limited	6,970	6,707	At 1 January 2022 - asset / (liability) Movement - (charge) / credit At 31 December 2022 - asset / (liability) 52

	2022	2021	
	£'000	£'000	
Intercompany payable balances			
Kooth Digital Health Limited	(2,523)	(2,616)	At 1 January 2022 - asset / (liability) Movement - (charge) / credit At 31 December 2022 - asset / (liability) 52

	2022	2021	
	£'000	£'000	
<b>33. Cash and cash equivalents</b>			
Cash and cash equivalents	6,046	6,533	Trade payables 54

	2022	2021	
	£'000	£'000	
<b>34. Related parties</b>			
Key management personnel are the executive members of the Board of Directors. Remuneration applicable to the Company is disclosed below, with further information disclosed in the Remuneration Committee report.			VAT payable 53

	2022	2021	
	£'000	£'000	
Salaries	709	430	
Social security costs	100	57	
Pension costs	21	8	
	<b>830</b>	<b>495</b>	

	2022	2021	
	£'000	£'000	
<b>35. Trade Receivables</b>			

	2022	2021	
	£'000	£'000	
Prepayments and other receivables	56	50	

**39. Equity**

	<b>2022</b>	<b>2021</b>
	£'000	£'000
Ordinary A shares	1,653	1,653

<b>Number of shares</b>	<b>2022</b>	<b>2021</b>
	£'000	£'000
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.

	£'000	£'000
Share Premium	14,222	14,222

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

	£'000	£'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 of growth shares realised upon IPO.

	£'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.

	£'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.

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