FINAL RESULTS

KOOTH PLC

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Kooth PLC
29 March 2022

Kooth plc

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

Final results

Delivery against strategic aims and growth plans for key future markets identified

Kooth (AIM: KOO), a leading digital mental health platform, announces audited final results for the financial year ended 31 December 2021.

Strategic highlights

- Increased reach and uptake of Kooth's services in key markets
  - Children and Young People (CYP): 7.1 million are able to access Kooth's products (2020: 6.2 million), with an uptake of 1-in-33 of that population using Kooth (2020: 1-in-36)
  - Adult: 3.8 million people now have access (2020: 1.5 million), with eight new whole population contracts signed during the period (2020: five)
- Ongoing growth in Kooth's offering for employees, Kooth Work
  - Launched first benchmark to measure mental health of a business
  - Strategic focus on frontline and key workers delivered contract wins
- International has seen continued focus, with the US highlighted as a key market to enter in 2022
  - US leader onboarded and go-to-market strategy outlined
- Continued recruitment of new employees, with 406 at year end (2020: 306), of which 252 are clinical and practitioners

Financial highlights

- 28% revenue growth in line with expectations, continuing adoption of digital-first healthcare
- >90% of revenue from contracts of 12+ months
- 109% Net Revenue Retention (2020: 107%)
- 89% ARR growth to £1.7m for Kooth Adult
- Gross margin 0.3ppt down with benefit from covid in 2020 due to quicker go live periods and flattening of demand curve offset by improving operational efficiency in 2021
- Strong balance sheet with £7.1m net cash at 31 December 2021, with net cash generated from operations of £1.9m offset by capitalised development costs of £2.5m during the year

Current trading and outlook

The new financial year has started in line with expectations, giving a current ARR of £18 million. Kooth has signed a number of new contracts in 2022, including continued momentum for Kooth Adult with new commissions in Greater Manchester, Norfolk, Warwickshire, and the Wirral. Finally, we are starting to see a positive response to our early steps in the US market.

Tim Barker, Chief Executive Officer of Kooth said:

"Following Kooth's entry to AIM in 2020, we have grown from strength to strength. In 2021, working in partnership with the NHS, over 200,000 people across the UK used Kooth. We have begun to grow in new corporate markets and have embarked on our strategy to establish Kooth in the US. We have achieved this because our mission of making effective, personalised digital mental health care accessible to all is more important now than it's ever been.

"We look to the future with confidence, as underlined by the contracts already signed in 2022. At a time when the NHS is under extreme pressure, our approach to providing free mental health support without barriers or waiting lists has never been more pertinent. With Dr Tim Budden joining as Chief Technology Officer, and Kevin Winter as our North American General Manager, we are well positioned to continue to focus and deliver to help tackle the global crisis in mental health. "

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ('MAR') (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018).

- Ends -

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Notes to Editors

About Kooth

Kooth (AIM:KOO) is the UK's leading digital mental health platform. Our mission is to provide accessible and safe spaces for everyone to achieve better mental health. Our platform is clinically robust and accredited to provide a range of therapeutic support and interventions. All our services are predicated on easy access to make early intervention and prevention a reality.

Our four services are:

- Kooth: for children and young persons
- Kooth Student: for university and higher-education students
- Kooth: for Adults
- Kooth Work: for employees

Kooth is a fully safeguarded and pre-moderated community with a library of peer and professional created content, alongside access to experienced online counsellors. There are no thresholds for support and no waiting lists. Currently, Kooth sees over 4,000 logins a day.

For adults, Kooth operates across distinct locations and serves specific cohorts, including parents, teachers, victims of crime, and those who have suffered from or continue to experience domestic violence. It is also offered as a benefit by a number of corporate organisations delivering anonymous digital mental health support services to employees.

Kooth is the only digital mental health provider to hold a UK-wide accreditation from the British Association of Counselling and Psychotherapy (BACP).

In 2021, Kooth was named 'Best Newcomer' at the European Mediscience Awards, winner in the category of 'Tech for Good' at the UK Tech Awards and recognised as the 'HealthTech Pioneer of the Year' at the UK Business Tech Awards for its role in 'Supporting the Nation's Mental Health'.

Chair's statement

After a year in which our priority was the support of a nation in need, I would first like to thank our employees who are the most important foundation for our success.

Our staff have shown their resilience, flexibility, and professionalism in dealing with the challenges and changes that we have all experienced in the last two years. We are proud of the support we have provided, and of our close partnership with the NHS that aims to reduce the strain on stretched mental health services by providing a digital-first approach to reach people in need of support.

In 2021, we not only saw the continued expansion of Kooth with 1.3 million logins (18% YoY growth). We also saw an increase in the severity of need from people that came to Kooth, with more than 60% of people visiting Kooth measuring as 'severe' on a scale of acuity. Our teams of practitioners, clinical psychologists, moderators, and safeguarding experts have adjusted to this emerging 'new normal' with professionalism and compassion.

I am pleased to report that our financial performance has been in line with market expectations, with revenue up 28% to £16.7million, adjusted EBITDA growth from £0.9 million to £2.1 million and an improved adjusted EBITDA margin to 12.5% (2020: 7.2%).

We have seen continued growth and expansion in our service for children and young people, with 90% of Commissioners in England choosing Kooth as their digital mental health platform. This includes all 32 boroughs in London, plus a clear expansion into Scotland and Wales. In total 7.1 million children and young people have access to Kooth across the UK today, with 1 in 33 of these having accessed Kooth in 2021. We continue to see a growing demand in the public sector for our Kooth Adult service. In 2021 we added 14 new contracts to our roster, with 3.8 million adults now having free access to Kooth nationwide.

ARR grew by 20% to £16.9 million (2020: £14.1 million) which included an 89% increase in Adult ARR to £1.7 million (2020: £0.9 million). Over 90% of Kooth's revenue comes from recurring annual contracts of 12 months or longer. Given the nature of our subscription based business model, this provides strong forward revenue visibility giving us confidence to invest in the growth of our platform and people.

In terms of outlook, the business has continued to thrive over the last year as evidenced by our financial and operational performance, demonstrating that our growth strategy continues to deliver. Our high level of customer retention, and strong recurring revenue visibility position the Group well. We enter FY22 in a solid financial position, with revenue growth, a good cash position with no debt and a proven business model. Trading during the new financial year has been broadly in line with the Board's expectations with strong levels of existing and new client activity.

Looking further ahead, we continue to see a significant potential opportunity in supporting businesses to improve the mental wellbeing of their workforce, and to expand Kooth into international markets including the USA, where, as previously announced, we have hired a General Manager to develop that business during 2022. Since our IPO in September 2020, our focus has been to invest to support the long-term growth of our technology platform. These newer, nascent growth initiatives have made encouraging progress in 2021 setting them up for a successful year ahead.

Peter Whiting

Non-Executive Chair

28 March 2022

Chief Executive Officer's statement

Delivering measurable impact at scale

As an organisation with 20 years of experience in digital-first mental health care, we have seen a surge of interest in how digital can play a role in the long-term future of healthcare in the last two years.
For digital truly to embed itself into healthcare systems, there are three questions that every healthtech company in the mental health sector, including Kooth, must answer:

1. Can clinical and economic outcomes be evidenced?
2. Can the approach address the growing, global shortage of practitioners?
3. Can it be delivered efficiently, at scale?

The long term sustainability of every provider in the healthtech ecosystem, and the growth of the ecosystem itself, depends on satisfactorily answering these three questions.

1. Clinical and economic outcomes

Underpinned by a decade of applied research, 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've made substantial progress in 2021 in continuing to innovate and evidence our impact:

Responsive ("drop-in") chat: We have a high proportion of individuals that we may engage with only once, or on an ad-hoc basis in what we call a 'responsive chat'. By developing a new outcome measure, and validating it independently with CORC (Child Outcomes Research Consortium), we can evidence that 72% of users achieve their wants and needs. This is an impressive outcome in an environment where typically 50% is considered a good level of efficacy.

Community support and self-therapy: The London School of Economics undertook a study to evaluate the clinical impact of Kooth's community and self-therapy activities. 75% of individuals find these beneficial to their mental health. In addition, 50% of people that engage with the community go on to help someone else.

Economic impact: In 2021 we initiated a project with YHEC (York Health Economics Consortium) to deliver what will be one of the first ever assessments of the economic benefit of early intervention support for young people. This will be published in 2022 and demonstrates our commitment to deliver a clinically and economically effective service.

Innovating in digital therapies: In 2021 we delivered a 'collections' programme, a first step in providing individuals with personalised, guided help through a challenge or change in their lives. We intend to build on this to provide self-guided programmes that provide both self-guided and professional support.

2. Addressing the growing, global shortage of therapists

Globally, there are not enough health care professionals to meet the level of demand. In Europe there are 15 therapists per 100,000 of population. In the USA, 1-in-3 of the population lives in a designated health professional shortage area.

Our approach in addressing this is twofold:

Innovating in self-therapy and community support

Today, only c.40% of people who use Kooth engage with a practitioner to get the support they need, and/or through messaging and responsive (drop-in) chat. Around 60% get the help they need through the community, therapeutic content, and self-therapy activities we provide. We are making good progress on delivering an integrated range of support options to meet the wants and needs of each individual. This has been demonstrated by the progress that has been made in our outcome measures.

Hiring and building the careers of our practitioners

Kooth hires practitioners and develops their careers. This has been an increased area of focus over the last 18 months. We map career development and progression pathways, providing additional training and development opportunities (e.g. trauma informed therapy, management development programmes). We have expanded our team of Emotional Wellbeing Practitioners to bring people with experience from social work, teaching, or other related professions into Kooth. As a result, over 2021 we grew the size of our practitioner and clinical team from 183 to 252.

3. Efficiency at scale

As Kooth grows, delivering a high quality service, efficiently, at scale, is paramount. Data and insights play an important role in measuring the quality and predictability of our service.
In 2021 we established targets in collaboration with practitioners to define what 'good' looks like in terms of operational efficiency. In addition, Kooth's clinical team audits each practitioner quarterly to help ensure a consistently high quality of support. We also continue to invest in our technology platform to help improve the experience, efficiency, and effectiveness of Kooth.

As a result, our platform and team of 252 practitioners and clinicians supported over 200,000 people in 2021, delivering a gross margin of 69.5% to reinvest back into the business.

Foundations for long term growth and impact

By investing in these areas, we not only strengthen our foundations for future growth, but are able to reach and positively impact the lives of more people in need of help. This is why we are here.

4. #StandWithUkraine: Impact of the war in Ukraine

Finally, while Kooth does not have any customers or assets in Ukraine or Russia, all of us at Kooth are devastated as we watch the war unfold in Ukraine. In the first two weeks of the war, our data showed an increase in depression, suicidal thoughts, and lack of motivation from individuals coming to Kooth. To assist, we've issued guidance from our expert psychologists on how to discuss the war with young children, and will continue to identify ways to support those directly and indirectly impacted by this trauma.

Tim Barker
Chief Executive Officer
28 March 2022

Market review

Undoubtedly, the pandemic has been a catalyst for change in the mental health ecosystem. It has helped de-stigmatise the topic in mainstream media and businesses and has raised awareness of the barriers in accessing help. In addition, it has spurred investment by technology companies to rise to the global challenge of supporting individuals with their mental health and wellbeing.

A growing number of people unable to access support

Given that demand for mental health support outstrips available resources in the NHS, there is a growing challenge of dealing with waiting lists. This has been exacerbated by COVID-19.
In addition to the 1.4m that are on mental health waiting lists (mental health trusts & NHS providers) an additional eight million people are unable to get professional support based on the threshold levels that dictate who gets access to treatment.

Kooth's focus is on supporting this 'sub-threshold' population to help them build their resilience and recovery.

A growing 'call to action' to invest in early intervention support

Given the increased prevalence of mental health problems in the population, there is a growing recognition and 'call to action' for a focus and investment in early intervention and prevention support.
In England, The Health and Social Care Committee report on 'Children and young people's mental health' published a set of recommendations in November 2021, including:

"The Department of Health and Social Care-in partnership with the Department for Education and all other relevant Government departments-must take radical steps to shift the focus in mental health provision towards early intervention and prevention."

Likewise, in the US, the imperative for early intervention is clear, based on the call to action published by the US Surgeon General in the 'Protecting Youth Mental Health' report.

The reorganisation of NHS England into Integrated Care Systems (ICS)

During 2022, NHS England will be reorganised into 42 regional Integrated Care Systems. ICSs bring together NHS, local authority and third party sector bodies to take on responsibility for the resources and health of an area or 'system'. Their aim is to deliver better, more integrated care for patients.

Currently, Kooth is commissioned by Clinical Commissioning Groups, of which there are 135 across England. We believe the shift to ICSs will simplify the commissioning structure and approach, by:

- Bringing public health and a focus on preventative support into the remit of ICSs, whereas before it was the responsibility of local authorities.
- Enabling Kooth to work strategically with ICSs to support their whole population. For example, today we may be commissioned in one district of a city for 11-18 year olds, but 10-25 year olds for its neighbouring district. By working with an ICS we can 'level-up' support for Kooth across a whole region and age-range.

Prioritising wellbeing in your workforce
In addition to partnering with healthcare providers, Kooth engages with businesses who are committed to building a mentally healthy and resilient workplace.

There is a growing acceptance in businesses of all sizes, and across all sectors, of the important role they play in supporting the mental health and wellbeing of employees. According to Bupa Global's Executive wellbeing index 2021 almost three in ten business leaders are making employee mental health their number one priority. As a result, they will be increasing their investment in employee mental health and wellbeing by 18% in 2022.

Strategy

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

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

As of the end of 2021 Kooth is contracted by 90% of England commissioners. As we progress to near-nationwide coverage, our key priorities are:
Expansion into devolved nations: We see the opportunity to expand further into Scotland, Wales, and Northern Ireland. In 2021 we won our first 4 contracts in Scotland, and continue to expand in Wales, where 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 contract, thereby building the business case for expansion. In addition, currently 44% of our contracts span the full age range of up to age 25.

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. **Early intervention support for adults via the NHS**

The NHS spends over £11 billion a year on adult mental health, the majority of this being invested in acute care services. Kooth Adult (known as Qwell) provides early intervention and prevention support for NHS commissioners, taking the strain off other NHS services, and stemming the demand for acute support. Our strategy is to replicate the success we have had supporting young people with a focus on three key areas:

Building the business case and momentum for Kooth Adult: Kooth Adult is the number one priority for our new business team. We are seeing a growing recognition that more needs to be done to support 'sub threshold' individuals who do not qualify for a referral into NHS services. This growing awareness is reflected in the strong growth in go-lives in 2021 where we added 14 new commissions including Bolton, Newcastle and Gateshead, South East London, Humber, Coast and Vale.

Promoting Kooth Adult by working in partnership with stakeholders: Healthcare professionals (such as GPs), welfare organisations (such as food banks), and educational organisations (such as colleges and universities) all have a key role to play in promoting Kooth's free service to their population. In addition to working with stakeholders, we are focused on digital, social, and content marketing to reach individuals seeking support.

Platform and service innovation: We are focused on ensuring that our platform can meet the needs of a diverse population. In doing so, our research, participation, and product teams are focused on ensuring that we are developing and delivering a service that matches the population's needs.

3. **Supporting the mental health of employees**

The market for employee mental wellbeing support is nascent, but growing. Given the spectrum of providers entering the market, from meditation apps to companies building a marketplace of business coaches, it is key for Kooth to pick a niche it can compete and win in repeatedly and economically.

Predominantly, we are focusing on supporting key/frontline workers in industries such as healthcare, social care, education, public services, retail and transport. This 'niche', according to ONS figures, represents 33% of the UK workforce and builds on the success we have had supporting emergency services, retail workforces and school staff.

4. **Expanding into the USA**

In October 2021 we appointed Kevin Winters as General Manager, America to establish Kooth in the US market, with a strategic focus on bringing our service for children and young people to market. The focus for 2022 will be to build the foundations for our go-to-market by building the team, establishing pilot projects to prove Kooth locally, and identifying potential partners in Healthcare and Education markets.

5. **Kooth Platform and Clinical Delivery Model**

Kooth's proprietary technology platform underpins everything we do at Kooth. A key reason for our AIM listing 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 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 AI to improve the experience, efficiency, and effectiveness: Over Kooth's lifetime, we have delivered over 930,000 hours of professional support, all via text and chat based interactions. Collectively, this represents one of the world's largest anonymous mental health data sets. The opportunity now is to safely leverage this data using machine learning and artificial intelligence for the benefit of practitioners and service users. This is an exciting, long term strategic imperative, led by Dr Tim Budden, our recently appointed Chief Technology Officer who brings deep domain experience in AI, machine learning, and natural language processing.

6. **Digital clinical delivery model: i-RESPOND**

Safety and Clinical Effectiveness

Fortunately, the shift that many traditional services have had to make to adapt to the use of technology to support clinical practice has been less of a challenge for us at Kooth. We have a wealth of experience in this area.

However, ensuring that the services we provide are safe and effective has always been a number one priority and we are constantly reviewing and improving our systems and practices to support this.
Kooth's i-RESPOND clinical framework underpins our approach: integrative, responsive, evidence based, safe, person centred, outcomes focused, non-judgemental and data informed.

As part of Kooth's focus on ensuring its work is safe and evidence-based, we introduced a system of improved reporting and root cause analysis. This helps the team to identify earlier on any opportunities for improvement, and learning.

2021 also saw Kooth's i-RESPOND framework being fully embedded into our audit process - offering all practitioners the opportunity for individual professional development as well as important learning for the wider clinical team. Both of these improvements have led to additions to our in-house training programmes as well as an enhanced offering for clinical supervision and support.

A much discussed topic within the Kooth Advisory Board and Leadership team is ensuring that our service and practitioners are responsive to the changing mental health needs of the population. In 2021, working with external experts we have focused on embedding trauma informed approaches into our service.

A crucial part of this evidence based intervention is ensuring that there continues to be an assessment of suicidal thoughts. Kooth's own data supports a wider consensus that this has increased significantly over the pandemic period, hence the need to introduce this approach alongside careful consideration of our risk management processes as part of our specific focus on the SAFE element of our framework. We will continue to test and refine this model in the year ahead.

Over the last 12 months, Kooth has continued in our ambition to be at the centre of driving evidenced based approaches within digital mental health services. This included an invitation to give evidence at the UK government's Health and Social Care Select Committee and being referenced in the final report as an example of good practice.

Participation: ensuring Kooth meets the needs of diverse communities

To deliver on our purpose to be 'accessible to all', we need to ensure that Kooth meets the needs of diverse communities, especially those that may be less likely to use established NHS services such a Black, Asian, non-white, or LGBTQIA+ communities.

In 2021, we made substantial progress in our participation approach, forming partnerships with a number of groups across the country. These are providing invaluable support in helping us understand why certain adult cohorts do not typically access mental health services, and how we can improve this via our digital 'ecosystem of support'.

Through these reciprocal relationships, we will improve access to evidence-based interventions for marginalised groups. In addition, it will enable us to play a leading role in contributing to the evidence base in this area and demonstrate how to deliver safe and clinically effective care digitally

Chief Financial Officer's statement

Significant growth

This is the second set of full year financial statements issued by Kooth plc following its admission to trading on AIM on 2 September 2020 and represents the first full year of the Group being quoted on AIM.

Revenue

I am pleased to report Group total revenue grew, in line with market expectations, by 28% to £16.7 million in the year, driven primarily by fee uplifts from existing public sector clients and new business in Adult and CYP as well as the tail of a small number of one-off COVID-19 related projects that started in 2020. Adults represented approximately 10% of revenue in 2021.

Recurring revenue comprises income invoiced for services that are repeatable and 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.

Highlighting the depth and longevity of our customer relationships, net revenue retention was 109% (2020: 107%). 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.

Gross Profit

Gross profit grew by 27.5% to £11.6 million (2020: £9.1 million) with gross margin remaining flat at 69.5% (2020: 69.8%). Direct costs previously included the cost of our practitioners and our engagement team who are responsible for promoting Kooth to potential users in a corporate or region. We have taken the decision to reclassify those engagement costs as administrative expenses, given they are closer in nature to sales and marketing expenditure. The comparative numbers have also been reclassified and full details are set out in note 2.3.

Gross margin was slightly lower, mainly because a one-off benefit in 2020 relating to COVID-19 did not repeat in 2021. This one-off benefit in 2020 was from shorter go-live periods between closing a contract and the commencement of services and revenue as clients looked to accelerate the implementation of Kooth, particularly during the national lockdown-enforced closure of schools.

Statutory loss after tax

The Group loss after tax for the year was £0.3million (2020: loss of £1.5 million) with 2020 impacted by the costs incurred for the IPO and the share based payment expense incurred as a result of accounting for the fair value of shares acquired by employees prior to the IPO.

Administrative expenses

Excluding depreciation, amortisation and share based payments, administrative expenses grew by £0.8 million in the year, a 9% increase year on year, which remains in line with our strategic investment plan and comfortably below revenue growth. This was primarily driven by increases in staff costs as we strengthened our business development and account management teams, salary increases as well as an upgrade to our finance, people and rota systems and a full year of the costs associated with being a listed company.

Adjusted EBITDA

Adjusted EBITDA grew by £1.1 million (123%) to £2.1 million in the year due to the gross profit increase, offset partially by higher administrative expenses as outlined above.

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, 5, 7, 8, 9, 14 & 16 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.

Adjusted EBITDA (being EBITDA prior to exceptional costs) is calculated as follows:

£'m	2021	2020
Operating Loss	**0.7**	**1.6**
Add back:		
Depreciation & Amortisation	2.4	1.5
Share based Payment expense	0.4	0.5
IPO and other exceptional items	-	0.6
Adjusted EBITDA	**2.1**	**0.9**

Taxation

There has been no corporation tax charge recognised in the year due to accumulated losses combined with the overall current year position (2020: £nil). The tax credit for the year ended 31 December 2021 and 2020 relate to Research and Development expenditure credits in addition to the movement in the deferred tax asset.

Cash

The Group had good cash management in the year with net cash generated from operating activities of £1.9 million (2020: £0.4 million), broadly in line with adjusted EBITDA. The net cash at year end was £7.1 million (2020: £7.8 million). The Group continues to be debt free and maintains a robust financial position following a full year of the global pandemic and with no recourse to any government support schemes. Trade receivables have grown by 13% in the year to £1.6 million (2020: £1.4 million), below the rate of revenue growth. The Group's cash collection disciplines remain strong with debtor days at 31 December 2021 of 33 days (2020: 35)

Capital expenditure

Software and product development costs aside, the Group's ongoing capital expenditure requirements remain modest at £0.1million (2020: £0.1million).

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 £2.5 million in respect of software development (2020: £1.5 million) with an amortisation charge of £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 product investment.

Capital and Reserves

The Group continues to maintain a strong balance sheet with total equity at 31 December 2021 of £11.0 million (2020: £10.9 million).

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 2021 and does not anticipate recommending a dividend within the next year but may do so in future years.

Sanjay Jawa
Chief Financial Officer
28 March 2022

Financial statements

Consolidated statement of profit and loss and other comprehensive loss
For the year ended 31 December 2021

	Note	2021	2020
Continuing operations		**£'000**	**£'000**
Revenue	*4*	16,682	13,012
Cost of sales		(5,097)	(3,924)

Gross profit		**11,585**	**9,088**
Administrative expenses	*5*	(12,318)	(11,216)
Other operating income	*6*	-	497
Operating Loss		**(733)**	**(1,631)**
Analysed as:			
Adjusted EBITDA		**2,082**	**934**
Depreciation & amortisation	*14, 16*	(2,384)	(1,498)
Exceptional items	*7*	-	(580)
Share based payment expense	*8*	(431)	(507)
Gain on disposal of subsidiary	*9*	-	20
Operating loss		(733)	(1,631)
Interest expense	*10*	-	(314)
Interest income	*10*	13	-
Loss before tax		**(720)**	**(1,945)**
Tax	*11*	410	467
Loss after tax from continuing operations		**(310)**	**(1,478)**
Profit/(Loss) after tax from discontinued operations	*9*	**-**	**1**
Total comprehensive loss for the year		**(310)**	**(1,477)**
Loss per share - basic (£)	*12*	**(0.01)**	**(0.06)**
On continuing operations		(0.01)	(0.06)
On discontinued operations		-	0.00
Loss per share - diluted (£)		**(0.01)**	**(0.06)**
On continuing operations		(0.01)	(0.06)
On discontinued operations		-	0.00

Consolidated statement of financial position
As at 31 December 2021

	Note	**31 December 2021 £'000**	**31 December 2020 £'000**
Assets			
Non-current assets			
Goodwill	*13*	511	511
Development costs	*14*	2,867	2,615
Right of use asset	*15*	-	14
Property, plant and equipment	*16*	116	157
Deferred tax	*17*	435	133
Total non-current assets		**3,929**	**3,430**
Current assets			
Trade & other receivables	*18*	2,370	2,097
Contract assets	*19*	406	107
Cash & cash equivalents	*20*	7,079	7,823
Total current assets		**9,855**	**10,027**
Total assets		**13,784**	**13,457**
Liabilities			
Current liabilities			
Trade payables	*21*	(417)	(275)
Contract liabilities	*22*	(797)	(619)
Lease liability	*15*	-	(17)
Accruals and other creditors	*21*	(649)	(866)
Deferred tax	*17*	-	-
Tax liabilities	*21*	(948)	(827)
Total current liabilities		**(2,811)**	**(2,604)**
Net current assets		**7,043**	**7,423**
Net Assets / (Liabilities)		**10,973**	**10,853**
Equity			
Share capital	*23*	1,653	1,653
Share premium account	*23*	14,229	14,229

P&L reserve	*23*	(1,879)	(1,569)
Share-based payment reserve	*23*	959	529
Capital redemption reserve	*23*	115	115
Merger reserve	*23*	(4,104)	(4,104)
Total equity		**10,973**	**10,853**

The accompanying notes form part of the financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2021

	Share capital	Share premium	Share based payment reserve	P&L reserve	Capital redemption reserve	Merger reserve	Total equity
Balance at 1 January 2020	**-**	**2**	**-**	**(2,838)**	**-**	**-**	**(2,836)**
Issue of share capital	400	14,227	-	-	-		14,627
Share for share exchange	3,989	-	-	-	115	(4,104)	-
Capital reduction	(2,736)	-	-	2,736	-	-	-
Share based payments	-	-	529	-	-	-	529
Deferred tax	-	-	-	10	-	-	10
Total comprehensive income for the year	-	-	-	(1,477)	-	-	(1,477)
As at 31 December 2020	**1,653**	**14,229**	**529**	**(1,569)**	**115**	**(4,104)**	**10,853**
Balance at 1 January 2021	**1,653**	**14,229**	**529**	**(1,569)**	**115**	**(4,104)**	**10,853**
Issue of share capital	-	-	-	-	-	-	-
Share based payments	-	-	430	-	-	-	430
Total comprehensive income for the year	-	-	-	(310)	-	-	(310)
As at 31 December 2021	**1,653**	**14,229**	**959**	**(1,879)**	**115**	**(4,104)**	**10,973**

The accompanying notes form part of the financial statements.

Consolidated Cashflow Statement
For the year ended 31 December 2021

	Note	**2021 £'000**	**2020 £'000**
Cash flows from operating activities			
Loss for the year from continuing operations		(310)	(1,478)
Profit/(Loss) for the year from discontinued operations	9	-	1
Adjustments:			
Depreciation & amortisation	*14, 15, 16*	2,384	1,498
Income tax received		-	268
Share based payment expense	8	520	507
Interest expense	10	-	314
Tax income recognised		(410)	(466)
Gain on disposal	9	-	(20)
Movements in working capital:			
(Increase)/decrease in trade and other receivables	18	(574)	132
Increase/(decrease) in trade and other payables	21	244	(396)
Net cashflow from operating activity		**1,854**	**360**
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(63)	(107)
Additions to intangible assets	14	(2,535)	(1,505)
Net cash used in investing activities		**(2,598)**	**(1,612)**
Cash flows from financing activities			
Proceeds from issue of capital		-	16,000
Cost incurred on issue of capital		-	(1,378)
Receipt/(Repayment) of borrowings		-	(4,249)
Interest paid		-	(1,444)
Lease payments		-	(81)
Net cash from financing activities		**-**	**8,848**
Net increase/(decrease) in cash and cash equivalents		(744)	7,596
Cash and cash equivalents at the beginning of the year	20	7,823	227
Cash and cash equivalents at the end of the year	20	**7,079**	**7,823**

The accompanying notes form part of the financial statements.

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 2021 have been prepared and approved by the directors in accordance with 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 60 of the annual report. In addition, note 25 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 2021 financial year the Group generated a loss of £0.3 million (2020: £1.5 million). Adjusted EBITDA is £2.1 million (2020: £0.9 million). The Group is in a net asset position of £11.0 million (2019: £10.9 million).

Management has performed a going concern assessment for a period up to 31 March 2023, 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 2021 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. As a result Management also deems the likelihood of the scenarios in the default model occurring to be remote.

The Directors have considered the impact of COVID-19 and do not expect the pandemic 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.

This financial information does not amount to full financial statements within the meaning of Section 434 of Companies Act 2006. The financial information has been extracted from the Group's Annual Report and Financial Statements for the year ended 31 December 2021 on which an unqualified report has been made by the Company's auditors. Financial statements for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The 2021 statutory accounts will be delivered in due course; the report of the auditors on those accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. Copies of the Annual Report and Financial Statements will be made available to shareholders shortly and printed copies will be available from the Company's registered office at 5 Merchant Square, London W2 1AY.

2.2) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021, with the comparatives presented for the previous 12 months being the Group's combined activities for the 12 months ended 31 December 2020.

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. As Kooth plc's operations are all in one location within the United Kingdom, the Directors are of the opinion that the Group has only one reportable operating segment, this is in line with internal reporting provided to the executive directors.

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 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 when/as 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.

The Group typically receives cash from customers 29 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 have 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).

Other operating income - government grants
Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which grants are intended to compensate. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

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:

Leasehold improvements	33.33% straight line
Fixtures, fittings and equipment	33.33% – 50% straight line

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

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

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

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

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

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

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

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

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset

- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

Amortisation is charged on a straight line basis over the estimated useful life of 3 years.

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

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 3 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.

Assets and liabilities classified as held for sale and discontinued operations
Assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Financial liabilities continue to be measured in accordance with the Group's relevant accounting policy for those items.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item. Assets and liabilities of disposal groups are presented separately in the statement of financial position.

Discontinued operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 9. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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.

Reclassification of Promotional Costs
During the year ended 31 December 2021 the Group made the decision to reclassify its promotional costs from cost of sales to administrative expenses. This gives a more appropriate view of the financial statements, with regard to the criteria for the selection and application of the Group's accounting policies. As a result the comparative period has also been reclassified so that comparability is not impaired.

The impact to the 2020 accounts as a result of the classification is demonstrated below. The amount relating to promotion spend included in the 2021 administrative expenses line is £0.95 million.

	2020
	£'000
Revenue	13,012
Direct Costs	(5,091)
Gross Profit (before reclassification)	**7,921**
Gross Margin	*60.9%*
Promotion Costs	
Staff Costs	1,146
Travel	22
	1,168
Gross Profit (after reclassification)	**9,089**
Gross Margin	*69.8%*

Exceptional Items
Exceptional items are analysed as costs that are not in the ordinary operating costs of the Group.

Group Restructure
The Company was incorporated as Hamsard 3564 Limited on 19 March 2020 as a private limited company. The Group developed an appropriate accounting policy to restructure in line with IAS 8 as follows.

On 6 August 2020, the Company acquired all of the issued share capital of Kooth Group Limited (formerly Xenzone Group Limited), by way of a share for share exchange with the shareholders of Kooth Group Limited. On 24 August 2020, by a special resolution of the Company, the Company was re-registered as a public company limited by shares and the name of the Company was changed to Kooth plc. This was undertaken in anticipation of the IPO to establish Kooth plc as the parent company of the Group. The structure of the Group by nature remains the same as prior to the restructure and as such the transaction falls out of the scope of IFRS 3.

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 8.

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.

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 14.

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 wholly undertaken in the United Kingdom.

	2021	2020
	£'000	£'000
Provision of online counselling	16,682	13,012

5. Administrative expenses

	2021	2020
	£'000	£'000
Employee costs	6,876	5,958
Rent and rates	212	347
IT hosting and software	882	756
Professional fees	680	498
Marketing	494	611
Depreciation & amortisation	2,384	1,498
Exceptional items	-	580
Share based payment expense	431	507
Other overheads	359	461
Total administrative expenses	**12,318**	**11,216**

6. Other operating income

	2021	2020
	£'000	£'000
At 1 January	-	257
Received during the year	-	240
Released to the statement of profit and loss	-	(497)
At 31 December	-	-

Government grants have been received from the Small Business Research Initiative for a project to add functionality to the Kooth platform to explore how users could benefit from peer-to-peer support. There are no fulfilled conditions or contingencies attached to these grants.

7. Exceptional items

	2021	2020
	£'000	£'000
IPO fees	-	391
Other exceptional items	-	189
	-	**580**

8. Employee remuneration

	2021	2020
	£'000	£'000
Salaries	11,543	9,217
Pensions	286	255
Social security & other staff benefits	1,203	911
Share based payment expense	520	507
Government grant	-	148
Total	**13,552**	**11,038**

Employee numbers	**2021**	**2020**
Direct	204	171
Indirect	126	89
Developers	32	20
	362	**280**

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

Share based payment	**2021**	**2020**
	£'000	£'000
Long term incentive awards	520	191
Growth shares	-	316
	520	**507**

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 3 years. The shares vest over a 3 year period with a maximum term of 10 years.

	Number of Options 2021	Exercise price per share 2021	Number of Options 2020	Exercise price per share 2020
Outstanding at the beginning of the year	999,681		-	-
Granted	367,173	£0.05	1,012,770	£0.05
Forfeited	(286,788)	£0.05	(13,089)	£0.05
Exercised	-	£0.05	-	£0.05
Outstanding at the end of the year	**1,080,066**		**999,681**	

Growth Shares
Growth shares were issued to Executive team members during 2019 and 2020. The fair value of growth shares was calculated using the Black Scholes Model at the grant date. The key assumptions used in the calculation were:

Risk free rate	1%
Annualised volatility	60%

All shares were realised and equity-settled upon Admission during the year ended 31 December 2020. The weighted average share prices of options exercised in the year was £2.

	Number of Options	Exercise price per share	Number of Options	Exercise price per share

	2021	2021	2020	2020
Outstanding at the beginning of the year	**-**		65,604	
Granted	-	£0.01	203,153	£0.01
Forfeited	-	£0.01	-	£0.01
Exercised	-	£0.01	(268,757)	£0.01
Outstanding at the end of the year	**-**		**-**	

9. Disposal groups classified as discontinued operations

In December 2017, the directors announced that the Group intended to dispose of Beam ABA Services Limited. The disposal was expected to be completed within 12 months, but no proceedable offers were received until April 2019.

Beam ABA Services Limited represents a separate line of business and there was a single co-ordinated plan to dispose of this area. It was therefore treated as held for sale from December 2017 until the point at which it was sold. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

On the 3rd of April 2020, Beam ABA Services Limited was sold to Root Capital LLP for £1.

	2021	2020
	£'000	£'000
Revenue	-	273
Expenses	-	(272)
Profit/(Loss) after tax from discontinued operations	**-**	**1**

The discontinued operations results contributed the following to the cash flow:	2021	2020
	£'000	£'000
Net cash inflows /(outflows) from operating activities	-	27
Net cash inflows/(outflows) from investing activities	-	-
Net cash inflows/(outflows) from financing activities	-	-
Net cash inflows/(outflows) arising on disposal	**-**	**27**

Reconciliation of disposal		
Cash consideration received	-	-
Carrying amount of net assets sold	-	(20)
Gain on disposal	-	**20**

10. Interest

	2021	2020
	£'000	£'000
Interest on loans	-	(312)
Interest on lease liability	-	(2)
Interest income on cash deposits	14	-
	14	**(314)**

Interest on loans relates to the loan with Root Capital that was repaid in full during the year ended 31 December 2020.

11. Taxation

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax	(252)	(315)
Total current tax charge/(credit)	**(252)**	**(315)**
Deferred tax (P&L)		
Origination and reversal of timing differences	(158)	(156)
Effect of tax rate change on opening balance	-	4
Total deferred tax charge / (credit) (P&L)	(158)	(152)
Tax charge / (credit) on profit on ordinary activities	**(410)**	**(467)**
Reconciliation of tax charge		
Profit /(loss) on ordinary activities before tax	**(720)**	**(1,945)**
Expected tax charge on profit on ordinary activities at standard CT rate	(137)	(370)
Effects of:		
Expenses not deductible for tax purposes	-	632
Effect of tax rate changing on opening balance	(93)	3
Income not taxable	-	(487)
R&D additional deduction	(430)	(348)
Difference between UK CT & DT rates	(33)	-
Surrender of tax losses for R&D tax credit refund	80	98

R&D expenditure credits	-	5
Prior year adjustment	203	-
	(410)	**(467)**

12. Earnings per share

	2021 £'000	2020 £'000
Earnings used in calculation of earnings per share:		
On total losses attributable to equity holders of the parent	(310)	(1,477)
On continuing operations	(310)	(1,478)
On discontinued operations	-	1

	2021	**2020**
Weighted average no. of shares (Basic)	33,055,776	24,351,925
Weighted average no. of shares (Diluted)	34,082,252	24,685,152
Shares in issue		
B shares in issue	-	-
Ordinary shares in issue	33,055,776	33,055,776
Share options	1,080,066	999,681
Loss per share (basic, £)		
On total profits attributable to equity holders of the parent	(0.01)	(0.06)
On continuing operations	(0.01)	(0.06)
On discontinued operations	0.00	0.00
Loss per share (diluted, £)		
On total profits attributable to equity holders of the parent	(0.01)	(0.06)
On continuing operations	(0.01)	(0.06)
On discontinued operations	0.00	0.00

13. Goodwill

	2021 £'000	2020 £'000
Goodwill as at 1 January and 31 December	511	511

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

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

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

Discount rate 8%
Growth rate 2%

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

The Group prepares forecasts based on the most recent financial budgets approved by the Board. The forecasts have been used in the value in use calculation along with the assumptions stated above. The forecasts used are consistent with those used in the going concern review and discussed in note 2. There were no impairments in the years ended 31 December 2021 and 31 December 2020.

14. Development costs

	2021 £'000	2020 £'000
Cost		
Balance as at 1 January	4,828	3,297
Additions	2,535	1,531
Balance as at 31 December	**7,363**	**4,828**
Amortisation		
Balance as at 1 January	(2,213)	(895)
Amortisation	(2,283)	(1,318)
Balance as at 31 December	**(4,496)**	**(2,213)**
Carrying amount 31 December	**2,867**	**2,615**

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.

15. Leases

During the year ended 31 December 2021, the value of all leases recognised under IFRS 16 were reduced to nil. All remaining leases are either short-term leases or leases of low value underlying assets.

	2021	2020
	£'000	£'000
Right of use asset		
As at 1 January	**14**	**98**
Additions	-	-
Depreciation	-	(84)
Disposal	**(14)**	-
As at 31 December	**-**	**14**
Lease liability		
As at 1 January	**17**	**95**
Additions	-	-
Interest charge	-	2
Cash payment	-	(80)
Disposal	**(17)**	-
As at 31 December	**-**	**17**

The consolidated statement of cash flows includes the following amounts relating to leases within scope of IFRS 16:

	2021	2020
	£'000	£'000
Cash outflows	-	81

16. Property, plant and equipment

	2021	2020
	£'000	£'000
Cost		
Balance as at 1 January	388	281
Additions	63	107
Balance as at 31 December	**451**	**388**
Depreciation		
Balance as at 1 January	(231)	(135)
Depreciation	(104)	(96)
Balance as at 31 December	**(335)**	**(231)**
Carrying amount 31 December	**116**	**157**

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

17. Deferred tax assets and liabilities

	Fixed asset temporary differences	Other temporary differences	Tax losses	Total
At 1 January 2020 - asset/(liability)	(388)	193	164	**(31)**
Movement - (charge)/credit	(93)	(114)	371	164
At 1 January 2021 - asset/(liability)	(481)	79	535	**133**
Movement - (charge)/credit	23	244	35	**302**
At 31 December 2021 - asset/(liability)	(458)	323	570	**435**

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.

18. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	1,609	1,430
Prepayments and other receivables	761	667
Total trade and other receivables	**2,370**	**2,097**

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

19. Contract assets

	2021	2020

	£'000	**£'000**
Accrued income	406	107

20. Cash and cash equivalents

	2021	2020
	£'000	**£'000**
Cash and cash equivalents	7,079	7,823

21. Trade and other payables

	2021	2020
	£'000	**£'000**
Trade payables	417	275
Accruals and other creditors	649	866
Tax liabilities	948	827
Total	**2,014**	**1,967**

22. Contract liabilities

	2021	2020
	£'000	**£'000**
Contract liabilities - current	797	619

23. Equity

Share Capital

	2021	2020
	£'000	**£'000**
Ordinary A shares	1,653	1,653

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. B ordinary shares have attached to them no voting, dividend or capital distribution rights (including on winding up). They do not confer any rights of redemption.

Number of Shares

Number of Shares	**2021**	**2020**
Ordinary A shares	33,055,776	33,055,776

During the year ended 31 December 2020, 203,152 £0.0001 B shares in Kooth Group Limited (formerly Xenzone Group Limited) were issued to Executive team members bringing the total number of B shares to 367,928. These shares were accounted for as a share based payment transaction under IFRS 2, with the nominal value of these shares held in share capital and the fair value expense recognised in the share based payment reserve. See note 6.

Upon incorporation of Kooth plc in September 2020, the Company entered into a share for share exchange agreement whereby 1,000,000 A ordinary and 367,928 B ordinary £3 shares were issued in the capital of Kooth plc.

The Company then undertook a reduction of capital whereby the total aggregate nominal amount of share capital was reduced from £4,104,000 to £1,368,000 by reducing the nominal value of each share from £3 to £1.

Subsequent to this, and prior to the listing on AIM, the Company undertook a reorganisation whereby 1,000,000 A ordinary shares and 367,928 B ordinary shares £1 shares were sub-divided into 20,000,000 A ordinary shares and 7,358,560 B ordinary shares of £0.05. These shares were reclassified into 25,055,776 ordinary shares and 2,302,784 deferred shares of £0.05. The deferred shares were subsequently bought back and cancelled by the Company.

On 2 September 2020, Kooth plc issued 8 million new ordinary A shares of 200p each via an Initial Public Offering and admission to AIM. This brought the total shares in issue to 33,055,776.

Upon Admission, the B shares converted into Ordinary A shares.

	2021	2020
	£'000	**£'000**
Share Premium	14,229	14,229

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

	2021	2020
	£'000	**£'000**
Share based payment reserve	959	529

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

	2021	2020
	£'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.

	2021	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.

24. Auditors remuneration

	2021	2020
	£'000	£'000
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	75	50
Fees payable to the auditor and its associates for other services:		
Other audit related services	5	139

25. Financial assets and liabilities

	2021	2020
	£'000	£'000
Financial assets		
Trade and other receivables	2,370	1,782
Cash and cash equivalents	7,079	7,823
Financial liabilities		
Trade and other payables	2,015	1,985

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.

25.1) Financial instruments risk management objectives and policies
The Group's principal financial liabilities comprise trade and other payables. The Group has no debt facility as at 31 December 2021 (2020: £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 2021 (£2020: £nil) that would cause interest rate risk, and
- the Group's activities are solely domestic therefore eliminating 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 local councils. 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 2021 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.

26. Related party transactions

Note 28 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.

	2021	2020
	£'000	£'000
Monitoring fees - ScaleUp Capital Limited	50	91
	50	**91**

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.

	2021	2020
	£'000	£'000
Base salary and fees	430	393
Pension	8	9
Gain on exercise of share options	-	132
Total	**438**	**534**

27. 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 2021 (2020: £nil).
Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2021	2020
	£'000	£'000
Total equity	10,973	10,853
Cash and cash equivalents	7,079	7,823
Capital	**18,052**	**18,676**
Total equity	10,973	10,853
Lease liability	-	17
Financing	**10,973**	**10,870**

28. Subsidiaries and associated companies

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 need	5 Merchant Square, London, England, W2 1AY
Xenzone Alliance CIC	UK	100%	Dormant	5 Merchant Square, London, England, W2 1AY

29. 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.

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

31. Events after the reporting date
There have been no material events.

32. Capital commitments
The Group's capital commitments at 31 December 2021 are £nil (FY20: £nil).

33. Parent Company Statement of Financial Position

	Note	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Investments	34	4,414	4,414
Current assets			
Trade & other receivables	38	50	114
Deferred tax	39	52	15
Intercompany receivables	35	6,707	6,734
Cash & cash equivalents	36	6,533	6,674
Total current assets		**13,342**	**13,537**
Total assets		**17,756**	**17,951**
Liabilities			
Current liabilities			
Trade payables	40	(64)	(23)
Intercompany payables	35	(2,616)	(2,891)
Total current liabilities		**(2,680)**	**(2,914)**
Net current assets		**10,662**	**10,623**
Non-current liabilities		-	-
Net assets		**15,076**	**15,037**
Equity			
Share capital	41	1,653	1,653
Share premium account	41	14,222	14,222
P&L reserve	41	2,231	2,622
Share-based payment reserve	41	959	529
Capital redemption reserve	41	115	115
Merger reserve	41	(4,104)	(4,104)
Total equity		**15,076**	**15,037**

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 £391k (2020: £115k).

The accompanying notes form part of the financial statements.

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
Balance at 19 March 2020	-	-	-	-	-		-
Issue of share capital	400	14,222	-	-	-	-	14,622
Share for share exchange	3,989	-	-	-	115	(4,104)	-
Capital reduction	(2,736)	-	-	2,736	-	-	-
Share based payments	-	-	529	-	-	-	529
Total comprehensive loss for the year	-	-	-	(114)	-	-	(114)
As at 31 December 2020	**1,653**	**14,222**	**529**	**2,622**	**115**	**(4,104)**	**15,037**
Balance at 1 January 2021	**1,653**	**14,222**	**529**	**2,622**	**115**	**(4,104)**	**15,037**
Share based payments	-	-	430	-	-	-	430
Total comprehensive loss for the year	-	-	-	(391)	-	-	(391)
As at 31 December 2021	**1,653**	**14,222**	**959**	**2,231**	**115**	**(4,104)**	**15,076**

The accompanying notes form part of the financial statements.

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.

34. Investments

	2021	2020
	£'000	£'000
Investment in subsidiaries	4,414	4,414

35. Intercompany

	2021	2020
Intercompany receivable balances	£'000	£'000
Kooth Group Limited	6,708	6,734
Intercompany payable balances		
Kooth Digital Health Limited	(2,616)	(2,891)

36. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash and cash equivalents	6,533	6,674

37. Related parties

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.

	2021	2020
	£'000	£'000
Salaries	430	157
Social security costs	57	21
Pension costs	8	3
Total remuneration	**495**	**181**

38. Trade Receivables

	2021	2020
	£'000	£'000
Prepayments and other receivables	50	38
VAT receivable	-	76
	50	**114**

39. Deferred tax assets

	Tax losses
At 1 January 2020 - asset/(liability)	-
Movement - (charge)/credit	15
At 31 December 2020 - asset/(liability)	**15**
At 1 January 2021 - asset/(liability)	15
Movement - (charge)/credit	37
At 31 December 2021 - asset/(liability)	**52**

40. Trade Payables

	2021	2020
	£'000	£'000
Trade payables	35	23
VAT payable	29	-
	64	**23**

41. Equity

	2021	2020
	£'000	£'000
Ordinary A shares	1,653	1,653

Number of shares	2021	2020
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. B ordinary shares have attached to them no voting, dividend or capital distribution rights (including on winding up). They do not confer any rights of redemption.

Upon incorporation of Kooth plc, the Company entered into a share for share exchange agreement whereby 1,000,000 A ordinary and 367,928 B ordinary £3 shares were issued in the capital of Kooth plc.

The Company then undertook a reduction of capital whereby the total aggregate nominal amount of share capital was reduced from £4,104,000 to £1,368,000 by reducing the nominal value of each share from £3 to £1.

Subsequent to this, and prior to the listing on AIM, the Company undertook a reorganisation whereby 1,000,000 A ordinary shares and 367,928 B ordinary shares £1 shares were sub-divided into 20,000,000 A ordinary shares and 7,358,560 B ordinary shares of £0.05. These shares were reclassified into 25,055,776 ordinary A shares and 2,302,784 deferred shares of £0.05. The deferred shares were subsequently bought back and cancelled by the Company.

On 2 September 2020, Kooth plc issued 8 million new ordinary A shares of 200p each via an Initial Public Offering and admission to AIM. This brought the total shares in issue to 33,055,776.

Upon Admission, the B shares converted into Ordinary A shares.

	2021	2020
	£'000	£'000
Share Premium	14,222	14,222

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

	2021	2020
	£'000	£'000
Share based payment reserve	959	529

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

	2021	2020
	£'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.

	2021	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.

END

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