kooth

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

Kooth Plc

Annual Report 2021

koothplc.com

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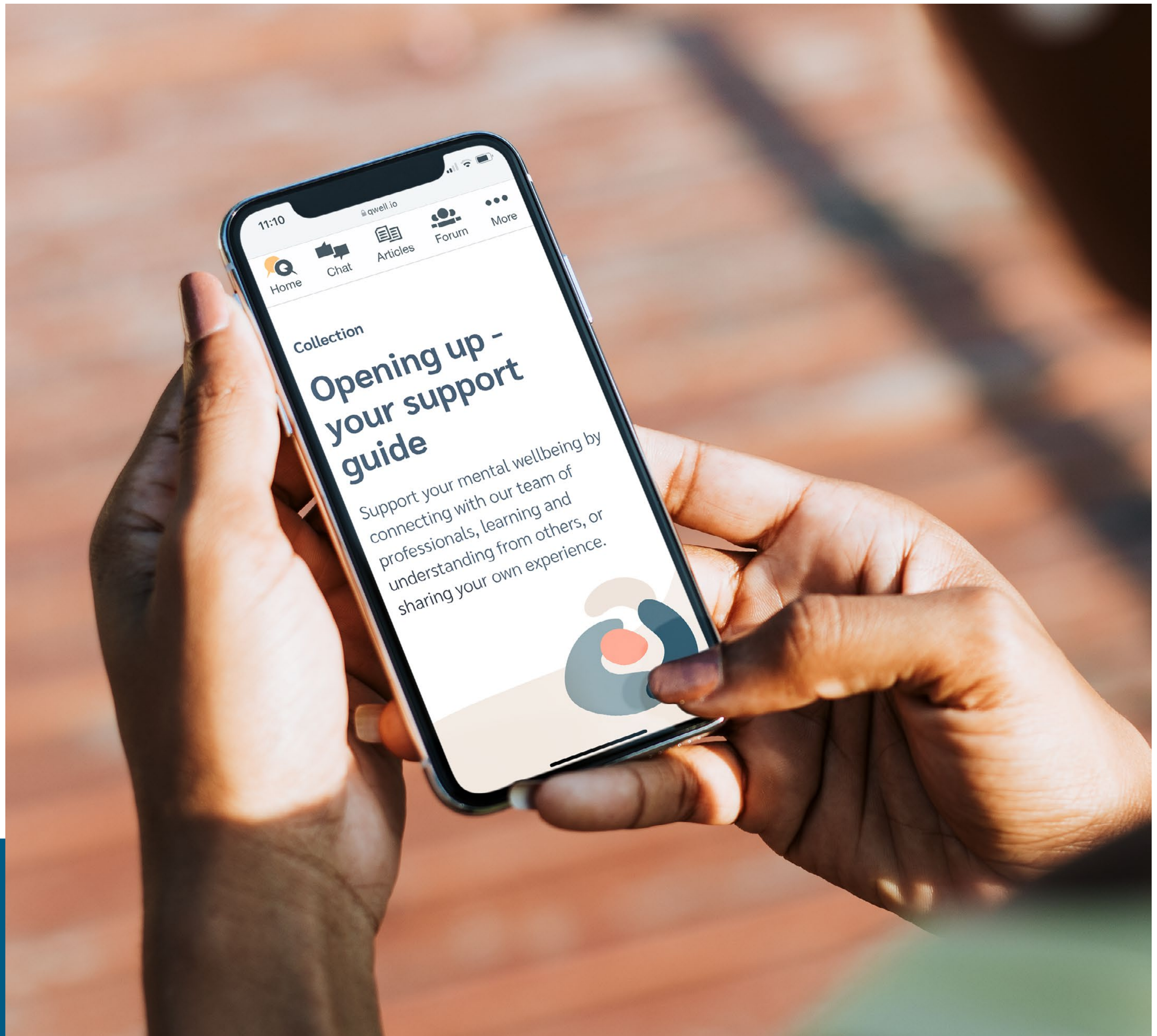
Strategic Report

Corporate Governance

Financial Statements

Mental health: A growing, global challenge.



Pre-pandemic, the World Economic Forum and the Harvard School of Public Health estimated that the cost of mental health is expected to rise to $6 trillion globally by 2030, up from $2.5 trillion in 2010.

Fast forward to 2022 and the psychological impact of the pandemic is now starting to be laid bare. 1.4 million UK citizens are waiting for specialised NHS mental health treatment and it is predicted by the NHS Confederation and the Royal College of Psychiatrists that there are another eight million who cannot get on the waiting list, but would benefit from support.

We must not forget that health (both mental and physical), the economy and employment are interconnected. More than 800,000 UK workers suffered from work-related stress, depression or anxiety in 2020 / 2021 (HSE). Poor mental health is estimated to cost UK employers between £33 billion and £42 billion per year (Gov UK).

As the leading player in digital mental health care, Kooth brings over 20 years' experience and innovation to help address this growing, global challenge. Our platform provides a clinical and cost effective 'digital-first' model that blends self-therapy with professional support.

Headline UK Statistics

25%

of adults who experience mental illness every year.

£12.1 billion

(14.8%) of NHS commissioner budgets spent on mental health in 2021/22.

10 million

people in the UK will need new / more help as a direct result of the pandemic.

Our purpose

We create a welcoming space for effective personalised digital mental health care, accessible to all.

Kooth exists to ensure clinically and cost effective digital mental health support is accessible to all, on any digital device, tailored to an individual's specific needs.

To achieve this, we focus on three key principles:

"Welcoming space": We create a stigma-free environment for people to get the support they want and need without barriers such as thresholds to meet or waiting lists.

"Effective": We deliver help that is clinically effective and cost effective. We are committed to constant innovation in new digital therapies spanning self-therapy, community and professional support. We are exploring the opportunity to apply artificial intelligence to the huge volumes of anonymous data within our platform. This will help us to further improve the effectiveness, efficiency, and experience for our users.

"Accessible to all": We want to make Kooth accessible to everyone, globally. Our goal is to embed our business model into health care systems and businesses both in the UK and internationally.

Who we support

Children & Young People

Adults

Corporates

International

Public Sector

Private Sector

> We are proud of the support we have provided to the nation, and our close partnership with the NHS to reduce the strain on stretched mental health services by providing a digital-first approach to reach people in need of support.
>
> **Peter Whiting**
> Non-Executive Chair

Chair's Statement

Dear Shareholders,

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

> As acceptance of digital-first mental health care grows, the imperative is to continue to innovate and scale to deliver easy to access, high quality support, with measurable impact.

Tim Barker
Chief Executive Officer

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 health care in the last two years.

For digital truly to embed itself into health care 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

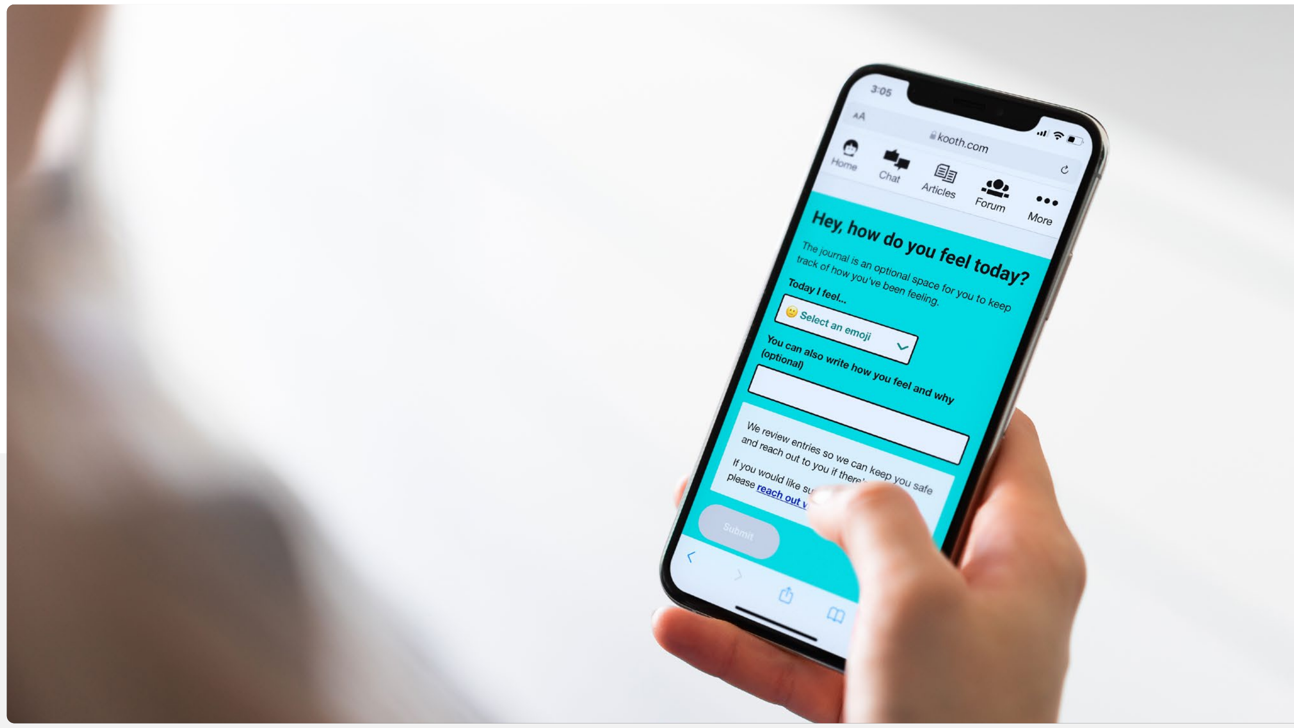
Kooth plc business model

Our markets

Kooth's platform and growth strategy is focused around three key pillars that represent a £500 million UK addressable market. Our platform and operating model can scale into international markets to tackle the global mental health challenge.

	NHS Children & young people	NHS Adults	Workforce	International
	~£13bn NHS mental health annual budget		£45bn cost to UK business	$6tn cost globally by 2030
	Continued expansion at Kooth to support 10-25 year olds.	Early intervention support for adults.	Support the wellbeing of your workforce.	Expand into US. Technology licensing.
Addressable Market	£85m+	£300m+	£150m+	£1bn+

£500m+
Kooth UK market



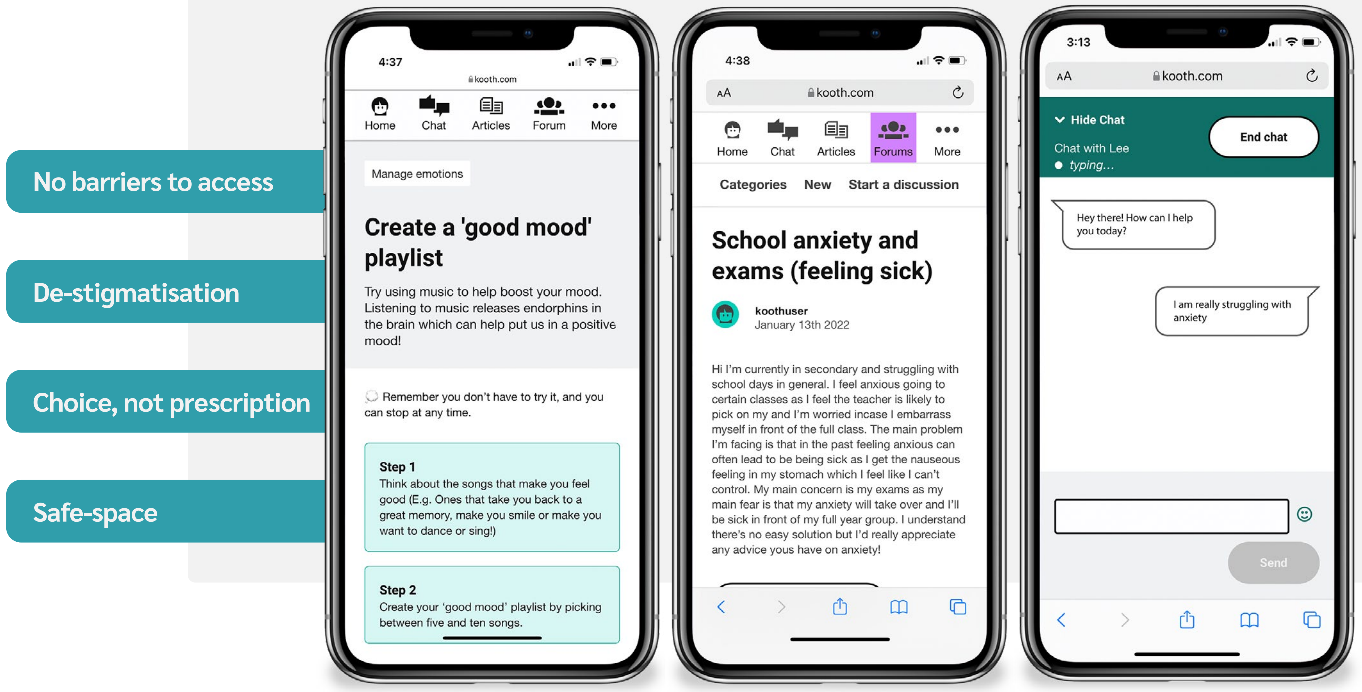
Children and young people (10-25 years): Kooth is the UK's largest digital mental health platform for children and young people. It is commissioned by 90% of NHS CCGs (clinical commissioning groups) in England to help deliver early intervention and ongoing mental health support to their local community.

Adults: Kooth's service for Adults, known as Qwell, is commissioned across a growing number of NHS CCGs to provide early intervention support. This helps to reduce demand on acute care services in the NHS.

Workforce: Kooth Work provides employees with immediate access to free and confidential mental health support spanning a range of topics, from burnout to imposter syndrome. Employers are able to benchmark how 'mentally healthy' their business is, and, through anonymous insights, identify strategies to improve employee wellbeing.

International: As a "born digital" mental health platform with significant operating expertise, we see opportunities to establish Kooth in new international markets (with the USA being the priority), in addition to licensing our technology to health care operators in other geographies.

Integrated platform for personalised mental health support



Therapeutic Content & Activities

Community

Professional Support
Async messaging & live-chat

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

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

De-stigmatisation: Stigma is still a barrier in seeking help. To tackle this, Kooth is 'anonymous-by-default'. Individuals do not need to provide personal identifiable information to join Kooth, but may do so as they build their confidence and trust with practitioners.

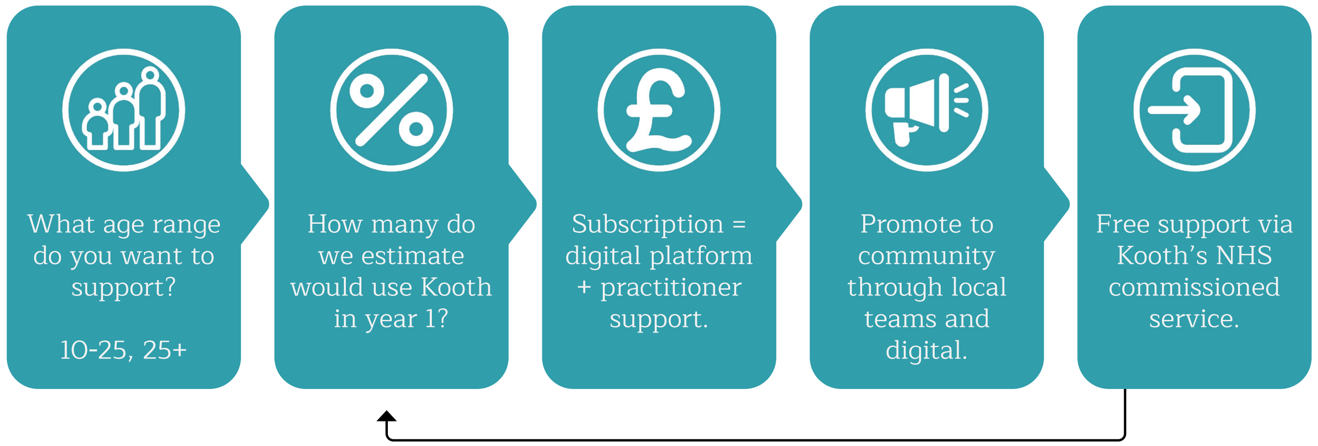
Choice, not prescription: To make a positive change in a person's life, it is important to empower them. Encouraging them to be part of the decision making process helps to determine what help may be most appropriate. To achieve this we deliver a range of integrated tools and therapies:

- **Therapeutic content and activities:** Every week, our community submits over 100 'lived experience' articles to our moderation team for publication. This is in addition to our clinical content team that publishes therapeutic content and activities across a range of over 70 subject areas.
- **Community:** Users can get help from others in the Kooth community, providing a positive peer support space.
- **Professional support:** Kooth provides access to emotional wellbeing and counselling support, delivered by our team of over 200 practitioners. We provide responsive (drop in) chat, asynchronous messaging support, structured counselling (typically 6-12 sessions), and ongoing support. This is delivered as a live text chat through the Kooth platform.

Safe space: As Kooth provides support to vulnerable individuals, safety is our top priority. In addition to robust safety protocols to support individuals in crisis, or at risk, Kooth ensures that all content published by individuals on the Kooth platform is moderated by our clinical team for safety and appropriateness. In 2021, the team moderated over 500,000 posts, journals, and comments from the Kooth community.

Business model

Kooth is a Business-to-Business-to-Consumer (B2B2C) model. It provides individuals with free access to mental health support, funded by the health care system, insurers, businesses, or charities. This enables Kooth to support individuals in need regardless of their economic circumstances, and provides our commissioners with a digital model that can scale to reach the whole population in their care.



Grow contract value as usage grows. Expand into new age groups.

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

By working with NHS commissioners we will determine the population they want to provide support for, for example, 11-18 year olds.

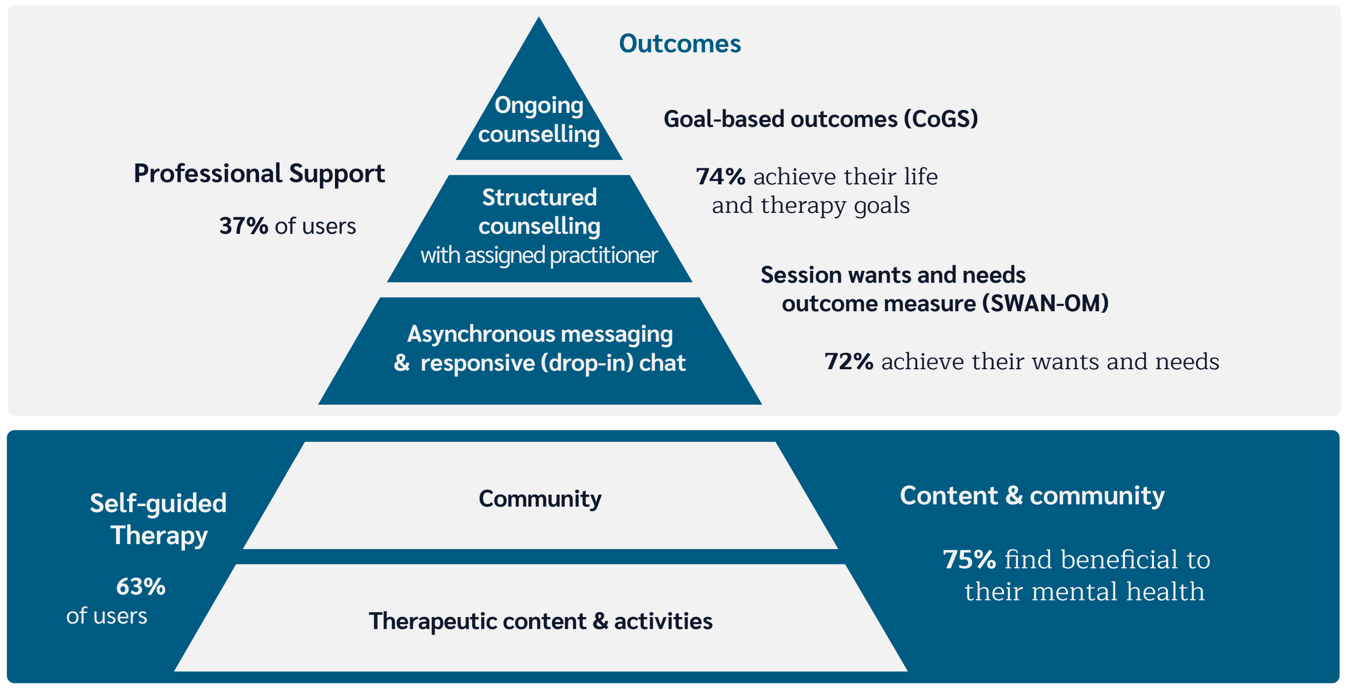
Given our 15+ year track record and over 25 million data points in our platform, we can estimate the likely uptake of service within the first year. This enables us to provide an annual subscription that covers the digital platform and practitioner support that we will be providing.

Our team of over 40 Kooth Engagement Leaders across the UK will promote Kooth to local communities, schools/universities, health care and welfare organisations. In addition, our digital marketing team will focus on building awareness for Kooth in the local region through PR and digital campaigns.

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

Kooth's integrated platform for mental health care

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



Self-guided therapy

63% of Kooth platform users engage with self-guided therapy. This enables them to access the support they want/need from helpful content, self-therapy activities, and by engaging with the Kooth community for peer-support.

Professional support

37% of Kooth platform users engage with professional support, through asynchronous messaging with our practitioners, attending a responsive (drop-in) chat session, or getting more regular support through structured or ongoing counselling sessions. This is all delivered as a text-based chat, similar to WhatsApp, but within Kooth's own platform.

Benefits

Early intervention support to reduce pressures on acute mental health services: With a focus on early intervention and prevention, Kooth provides a first port of call to individuals that need support. By tackling issues early before they escalate, we can reduce the demand for acute mental health care support.

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

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

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.

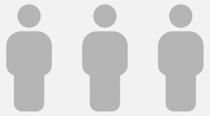
A growing number of people unable to access support

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.

1.4m people on NHS England mental health waiting lists for acute care



The imperative for early intervention

8m 'sub-threshold' don't qualify for support

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.
>
> This must ensure that all children and young people under the age of 25 can receive mental health support as early as possible and no young person is turned away from mental health support for not being ill enough. The Department must focus its attention on:
>
> - The faster roll out of Mental Health Support Teams
> - A network of community hubs based on the Youth Information Advice and Counselling service model
> - Digital support
>
> Health and Social Care Committee Report

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:

What Funders and Foundations can do

> **Create sustained investments in equitable prevention, promotion, and early intervention.** Prioritize interventions that address social and economic factors known to affect children's healthy development and mental health, such as poverty, discrimination, and inequality, among others.
>
> **Incentivize coordination across grantees and foster cross-sector partnerships to maximize reach and bring together a diversity of expertise.** The scale and complexity of mental health issues among young people require collaborative approaches. Consider leveraging resources across sectors to advance practices, policies, and research that support the mental health of children, youth, and families. And support grantees in developing and sharing meaningful mental health outcome measures.
>
> **Scale up evidence-based interventions, technologies, and services.** Use a structured process to assess an intervention's readiness to scale and support high-quality implementation at a community level. Share information and convene stakeholders to provide education and consultation to spread innovation.
>
> **Invest in innovative approaches and research on mental health.** For example, fund participatory research that involves young people in understanding their online experiences. Develop and test new solutions, including digitally enabled solutions that can reach young people at scale and in underserved communities. Consider different kinds of funding models, such as incubators and accelerators, that can drive funding toward promising projects at very early stages.
>
> US Surgeon General's '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.

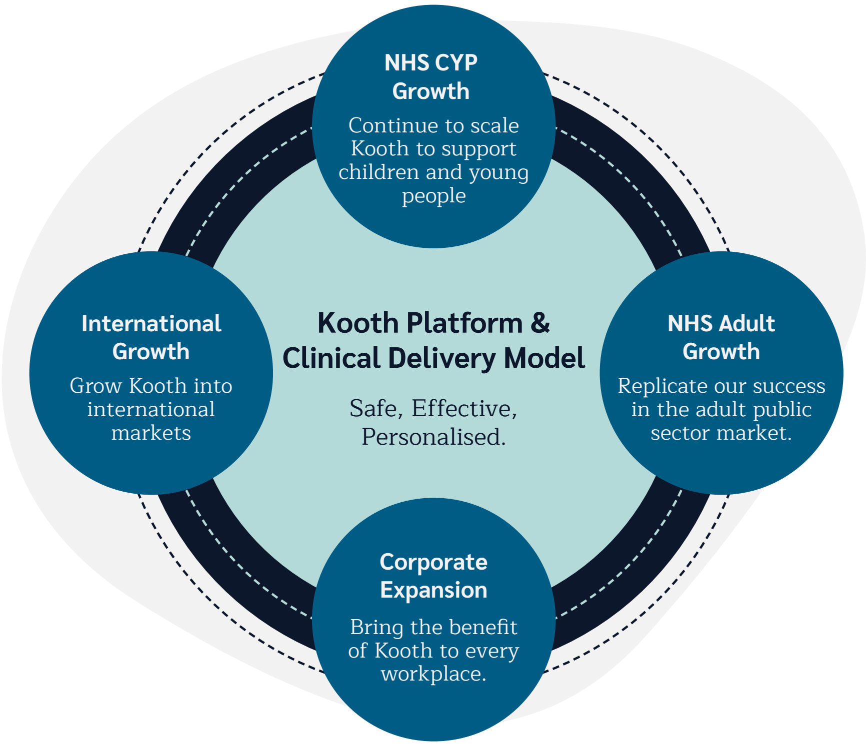
Prioritising wellbeing in your workforce

In addition to partnering with health care 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: Health care 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 health care, 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 Health care and Education markets.

5. Kooth technology platform

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.

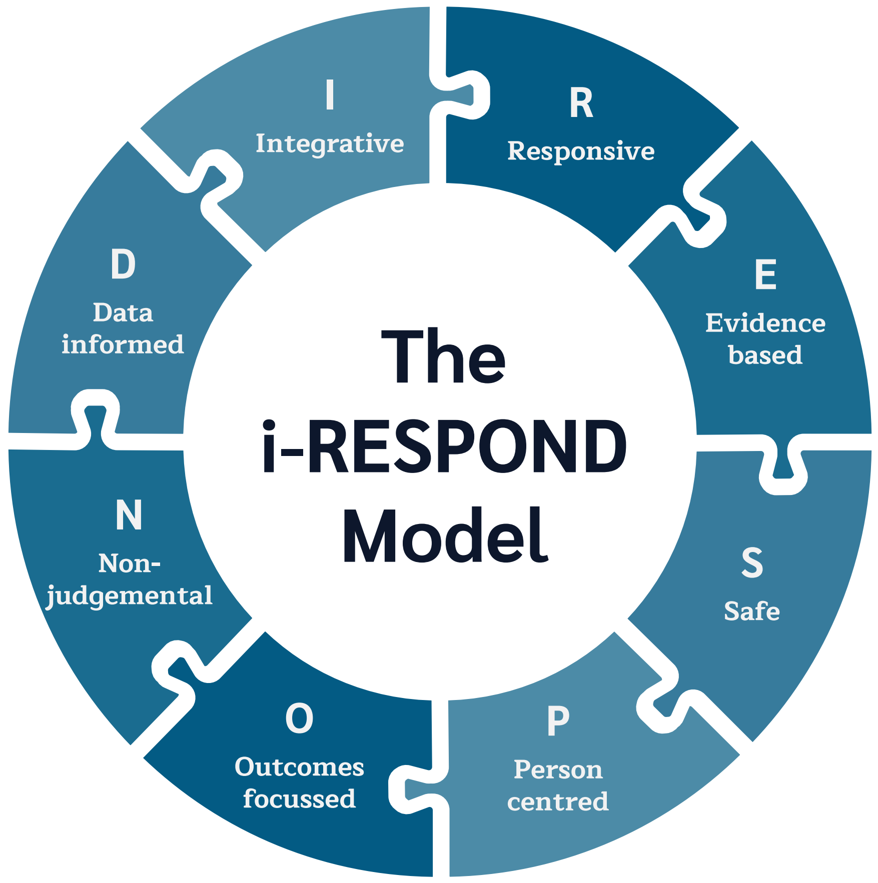
As part of Kooth's focus on ensuring its work is safe and evidence-based, we introduced a system of improved reporting and root cause analysis. This helps the team to identify earlier on any opportunities for improvement, and learning.

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.

Key performance indicators

Total revenue

£16.7m	£13.0m	£8.7m
2021	2020	2019

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

Annual Recurring Revenue (ARR)

£16.9m	£14.1m	£10.6m
2021	2020	2019

Annual Recurring Revenue (ARR) is the annualised revenue of customers engaged or closed at the year end date (31 December) and is an indication of the upcoming annual value of the recurring revenue. This is used by management to monitor the long term revenue growth of the business.

Gross margin

69.5%	69.8%	63.6%
2021	2020	2019

Gross Profit as a percentage of revenue. Direct costs are the costs of our practitioners directly involved in the delivery of our services. Promotional costs were reclassified to indirect costs during the year and comparative numbers have been reclassified to enable a like for like comparison. Further details are provided in note 2.3 of the financial statements.

Adjusted EBITDA

£2.1m	£0.9m	£0.1m
2021	2020	2019

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

Number of customers

151	132	81
2021	2020	2019

The total number of live contracts with customers. In 2021/22, as the NHS consolidates from 135 Clinical Commissioning Groups to 42 Integrated Care Systems, we are seeing a shift to larger contracts spanning the whole population within an ICS region.

Population coverage

10.9m	7.8m	5.9m
2021	2020	2019

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

Service user logins

1.3m	1.1m	0.7m
2021	2020	2019

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

Kooth delivered a strong financial performance in 2021, at both a revenue and gross profit level, setting a solid foundation for future growth.

Sanjay Jawa
Chief Financial Officer

Chief Financial Officer's Review

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 and 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.

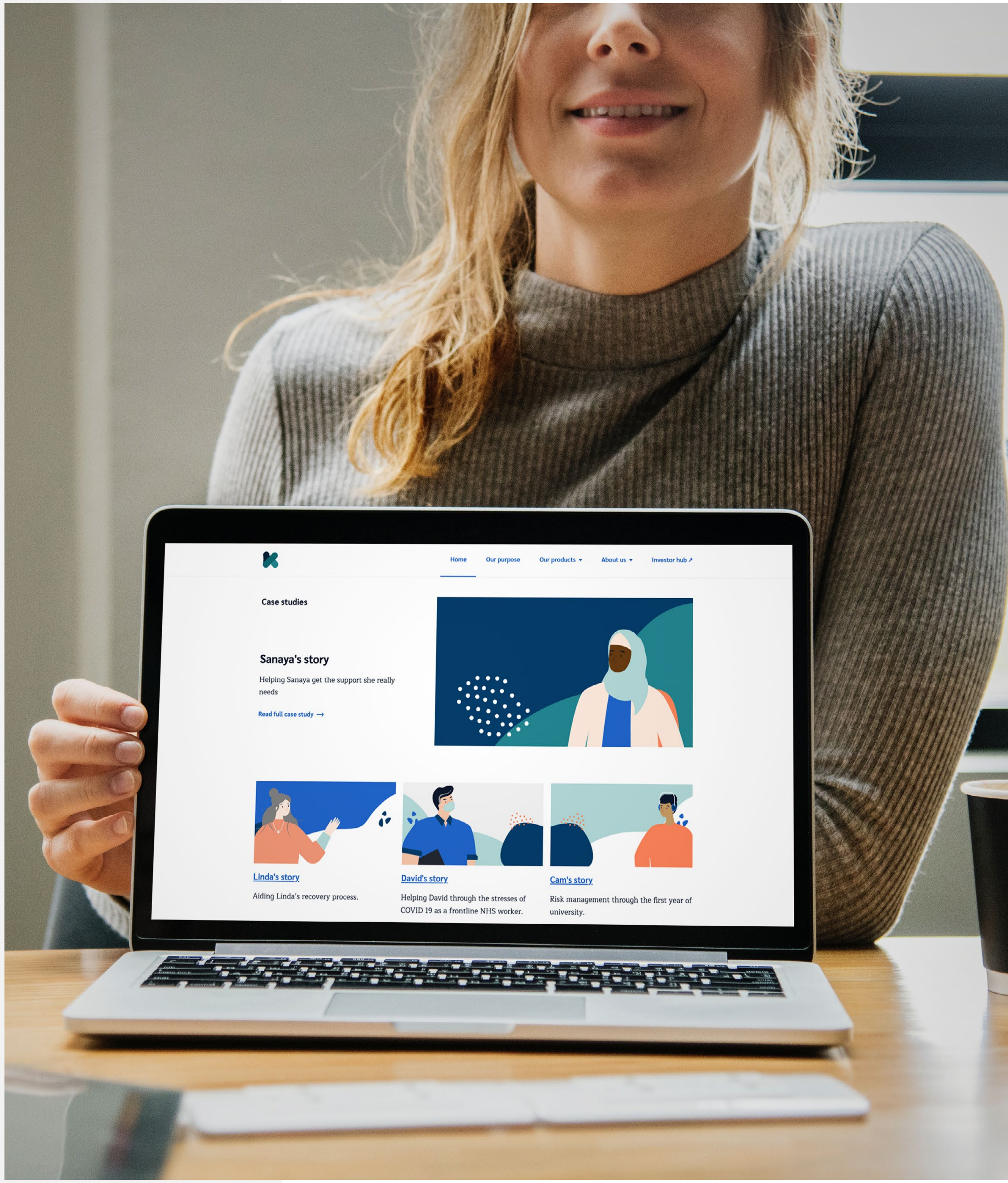
Capital and Reserves

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



Environmental, Social and Governance ('ESG') Report

At Kooth we acknowledge our responsibility to ensure Environmental, Social and Governance (ESG) practices and policies are embedded into all aspects of our company. As part of this commitment, we are working towards the Ten Principles of the United Nations Global Compact, specifically those relating to:

- **Environmental**: by reducing Kooth's environmental impact through the energy we use, the movement of our people and the resources we consume.
- **Human and labour rights**: by ensuring diversity, equity, inclusion and wellbeing are embedded into working life.
- **Anti-corruption**: by adhering to secure and transparent governance policies.

Through our business model, which develops safe and confidential digital mental health services accessible for all ages (10 years+) Kooth is contributing to Goal 3 of the UN Sustainable Development Goals: Ensure healthy lives and promote wellbeing for all at all ages.

We will monitor and report on these values and principles in our next annual report. In addition, we will be formalising our commitment to the principles of the UN Global Compact over the next year by becoming a signatory. As part of this process we will commit to reporting our performance against the 10 principles of the UN Global Compact on an ongoing basis.

1. Social

Nature of Service

Kooth's accessible digital services provide those aged 10+ (ages vary with each contract) with a safe and welcoming place to seek confidential and non-judgemental professional help for mental health concerns, as and when they need it. As a result, Kooth is contributing to Goal 3 of the UN Sustainable Development Goals: Ensure healthy lives and promote wellbeing for all.

It is only in the last decade that mental health was added to the agenda for the UN Sustainable Development Goals, when the impact it was having on health care systems was identified. This gap in health care is where Kooth has our greatest impact.

Reducing NHS and CAMHS waiting times is crucial to improving public health - it has been reported that those seeking help could experience up to an 18 weeks wait for a therapeutic referral. Kooth offers immediate digital support that is available 24 hours a day, seven days a week. Once registered, the service can be accessed using any internet connected device such as a laptop, smartphone or tablet. In 2021, Kooth services were accessible to over 10 million people and 219,000 users accessed our platform.

Accessibility

Accessibility is at the core of Kooth's digital mental health services. There are no waiting lists, thresholds to meet, or professional referrals required, meaning that eligible individuals can sign up immediately.

Kooth is anonymous - when registering for the service individuals do not need to provide personal identifiable information, but may do so as they build their confidence and trust with practitioners. This helps Kooth reach individuals and communities who do not want to be identified. And the digital nature of the service ensures those in rural communities, who may not have counselling nearby, can seek immediate and accessible support.

Kooth's product team builds our platforms in-house with input from our communities and participation teams. Every new feature is designed to meet the Web Accessibility Guidelines (WCAG) 2.1 level AA.

Kooth's content and user interface is written in English, but our web pages are built to work with web browsers' translation features. All text can be read by a ten-year old (the youngest user that we engage with) and have been careful not to exclude people with visual or learning impairments.

Personalised Service

In February 2021, our research team published Kooth's Theory of Change for Adults, which provides extensive information around our person-centric approach. This online report gives an understanding of the similarities and differences between adult users on our Qwell platform, what they are using us for and what they hope to get out of the service. The aim is to explore our 'digital ecosystem' and detail what exactly adults need from mental health care. By publishing this online, we are inviting others to reflect on the value of this type of personalised service.

User Feedback

Our Participation team's 'You Say, We Did' feedback programme is proof of Kooth's commitment to continuously improving our service by listening to our users. In 2021, we collected extensive feedback from over 1,000 young people via our online forums and surveys. This included suggestions, compliments and complaints, and a clear indication of how they want to engage with us i.e., simple things such as users wanting to play games while waiting for a Live Chat with a counsellor.

We respond to this feedback with action points and timescales, and we measure our success by evaluating the impact of these changes.

Diversity and Inclusion

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

This year 19% of our users were from Black and non-White backgrounds. For comparison, 14% of the British population is Black and non-White. As part of our participation work we are continuously improving our understanding of the mental health service needs of these communities. We are actively creating more content targeted towards all communities and promoting initiatives to increase usage by people from Black and non-White backgrounds.

In 2021, we developed partnerships with BlackOut UK and Unity FM to research mental health needs within specific communities. Our Unity FM partnership offered a week-long broadcasting workshop, free to males from underrepresented communities, to teach new skills and talk about experiences and identities. Initiatives like this enables Kooth to create content for specific audiences, ensuring everyone feels seen and heard and helps to shape our service to ensure that it meets the needs of the whole population.

"I love this website! I think it is a fantastic way to let people open up about their issues. The fact that it is all anonymous helps as well. I don't think I'd feel comfortable being on here if I had to state my name. I love Kooth, it is my safe space."

December 2021, **Anonymous Service User**

"Staff are friendly and you can trust them. They are here to listen to what you have to say. They are free to talk at any time. You have activities to keep you busy and help take your mind off things. The website is free to use. It helps you to take good care of yourself. Thank you team for all your great help, and for everything you do."

January 2021, **Anonymous Service User**

0.4% of the British population identify as non-binary, while 7.2 % of Kooth users identify as a non-binary gender (agender or gender-fluid). In order to understand how best we can support our users, we launched our Inform, Support, Change & Celebrate campaign across our platforms, social media and in print.

We recruited five LGBTQIA+ influencers to work with us to talk about what pride means to them and how they have managed their mental wellbeing. Neil Young, a psychotherapist, who already provides D&I training to our practitioners joined our weekly town-hall to provide advice and support to our staff; we've delivered over 590 hours of training on diversity and inclusivity to employees. Members of the Kooth team produced their own personal content on growing up as LGBTQIA+ and how that impacted their own mental health which was shared with businesses and more widely.

> "Kooth is so supportive of everyone, no matter their sexuality, religion, interests and gender. Kooth has given me the courage to finally come out to my parents. I just want to say thank you for everything. :')"
>
> January 2022, **Anonymous Service User**

Kooth recognises that providing accessible and inclusive services starts before registering for the platform. Our promotional materials include graphics which do not represent any specific race or gender, promoting inclusivity to children, young people and adults alike. Additionally, our promotional materials are tailored to encourage participation by individuals who might otherwise be underrepresented.

Building an Evidence Base

Kooth is committed to developing the evidence base for mental health research as a whole. We are skilled in developing strong relationships between academia, industry, policy and commissioners. At the same time, we aim to align user needs and wants with an evidence base to ensure meaningful research and data.

Kooth is one of the UK Government's largest contributors to mental health data. Our Kooth Pulse 2021 Report focused on the impact of COVID-19 on the nation's mental health - looking at the clinical impact of the pandemic, as well as how individual users felt about their lives. The usefulness of this anonymised data continues to be far-reaching - and has been accessed by the NHS, policymakers and businesses alike.

Additionally, we have partnered with research institutions such as the London School of Economics (LSE) to produce third-party reports such as 'Findings from the Kooth Evaluation', which developed evidence for the cost effectiveness of online peer support. And continued to provide a clear understanding of how the Community uses our service through reports including 'Supporting Parents: a personalised approach to Mental Health'. By using online survey responses from Kooth users who are parents we were able to collate insight from our platform, thus publishing information that can help the wider community talk about and understand mental health topics.

Employee Wellbeing

Kooth is committed to being a leading employer that cares for its employees, by providing an optimum work environment. After all, the skills and commitment of our employees play a major role in Kooth's business success.

Our people team has developed and manages a wide range of policies, procedures and practices designed to support all employees. They are responsible for ensuring that each employee is aware of them, and that they are upheld.

Diversity, Equity and Inclusion

Diversity, equity and inclusion are central to Kooth's core purpose.

We established the Kooth Diversity and Inclusion Council in June 2020 and appointed Steve Gilbert OBE as its Chair. The purpose of the Council is to ensure we continue to do everything we can to reach Black and non-White communities and to expand our Black and non-White workforce.

We have also established the Kooth Employee Voices Group. This group has established weekly 'Let's Talk' sessions. This is an opportunity for employees to discuss any issues/concerns that they would like to raise and would like Kooth to discuss or address further.

It is our collective responsibility across the company to ensure a strong and diverse pipeline of talent. Kooth is fully committed to promoting gender and ethnic balance across the company. We consider our first annual Gender and Ethnicity Pay Gap piece to reflect these commitments.

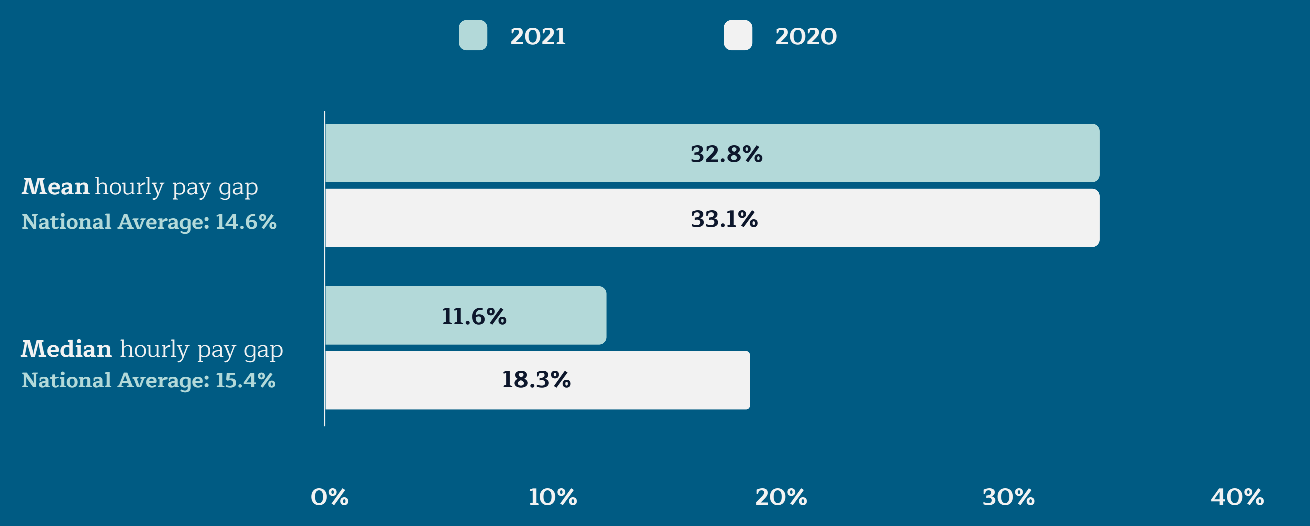
Gender Pay Gap

This year marks the first Gender Pay Gap review at Kooth. Our 2021 gender pay gap (GPG) analysis shows our statutory gender pay gap in response to Government legislation introduced in April 2017. It also provides insight into how we are addressing our gender balance.

What is our 2021 hourly gender pay gap?

Our median hourly pay gap has decreased from 18.3% in 2020 to 11.6% in 2021. This is better than the national median of 15.4% as reported by the Office for National Statistics and more specifically, we are 7.2% better than the median of the human health services industry (18.8%). Nevertheless we acknowledge there is further progress to be made, and the work we are doing is noted below.

Gender Pay Gap Metrics 2020 vs. 2021

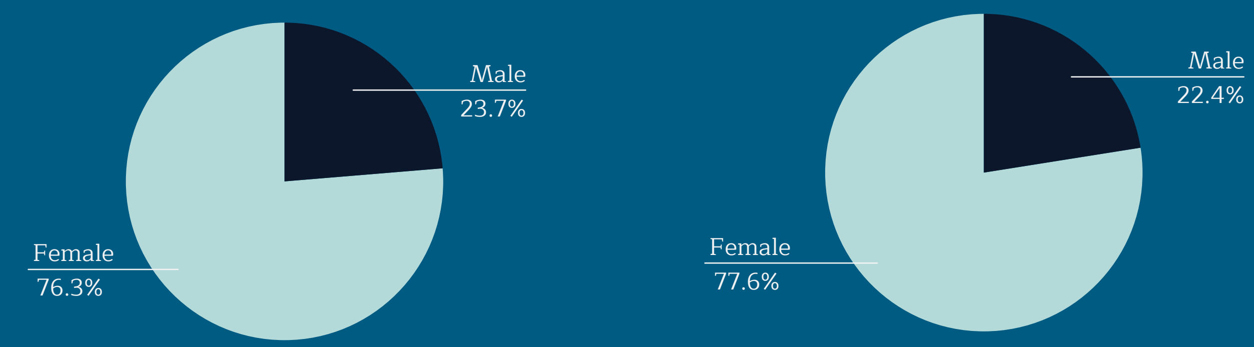


The mean captures the effect of a small number of high earners. With a large number of female practitioners, our mean pay gap has remained broadly in line with 2020. Men and women are paid equally for doing equivalent jobs across the firm and we continue to monitor this regularly to ensure that remains the case.

Kooth employs more women than men. This is a mirror of the high percentage of female employees in the NHS (75%), as well as the overall percentage of female workers in the public sector (66%).

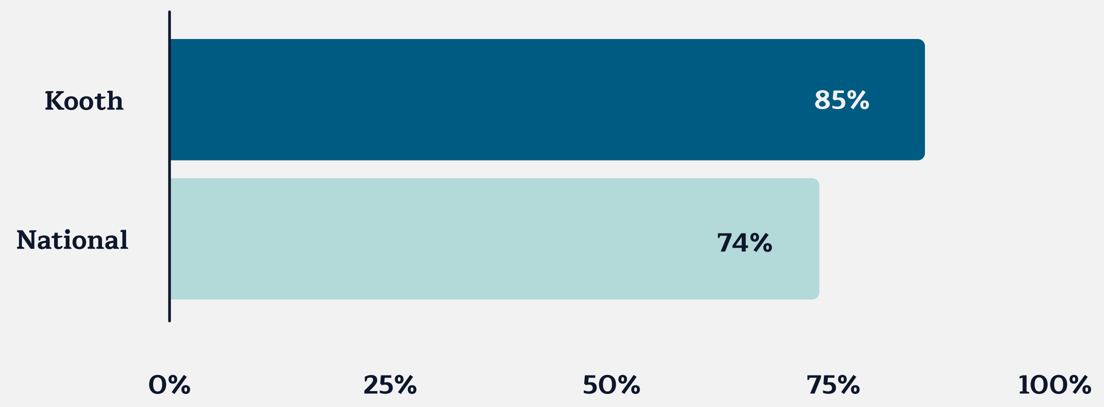
2020 Workforce by Gender

2021 Workforce by Gender



The largest employee group at Kooth are practitioners, of which 85% are female. This reflects that the majority of practitioners in the wider UK population are female (74%).

Female proportion of counsellors Kooth vs. General UK Population



The gender pay gap shows the difference in pay between men and women across the business, irrespective of job similarities and seniority. It is not necessarily symptomatic of unequal pay, as a number of complex factors play a role. The distribution of male and female employees across the business and the type of roles they fill are both key contributors to the gender pay gap.

What are we doing about our gap?
We are committed to reducing our pay gap in the following ways:

- Offering flexible working policies
- Implementing company wide campaigns to ensure employees feel informed and connected
- Ensuring our pay ranges are determined by skills and experience, and are benchmarked against industry averages, excluding gender as a factor
- Analysing and assessing gender and ethnicity data, to understand where more focus is required
- Ensuring a more inclusive approach to hiring. From partaking in blind recruitment of our practitioners to including panel interviews during the process for wider feedback and decision-making

Ethnicity Pay

Kooth believes in creating and nurturing an inclusive culture where all our people can feel they belong. Part of this is analysing and reporting on ethnicity pay, and using this data informs business decisions relating to remuneration.

Of the 117 employees who disclosed their ethnicity - 82% were White and 18% were Black and non-White. The National average of Black and non-White employees in the Health and Social Sector is 13%.

Our analysis shows that Black and non-White employees are paid higher average hourly earnings than White employees. Our next step is ensuring we have ethnicity data recorded for most, if not all, of our people so we can conduct a full, meaningful analysis on pay distribution across different cohorts.

2021 **Median** Hourly Pay Gap	2021 **Mean** Hourly Pay Gap
-1.0%	**-4.9%**

Physical and Mental Health

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

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

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

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

Wellness days
Kooth recognises that providing support for wellness is a key part of caring for our people. For every year of service, our front-line staff gain one wellness day (up to a maximum of five) annually for use when they please. These days are designed to be flexible and support employees in managing their own wellbeing, energy levels and work-life balance. Wellness days are exempt from the standard leave request process, which means they can be taken with a minimum of two hours' notice.

Recognition and Feedback

Learning & Development
Kooth continues to invest in the development of our people. We allocate a yearly Learning & Development budget to departments to spend on the training that matters most to them. In addition, our learning management platform hosts learning content and assigns training modules to employees. This makes the management and delivery of online training courses easy and supports the roll out of all our training and development needs; from compliance courses to new modules on safeguarding and recruitment.

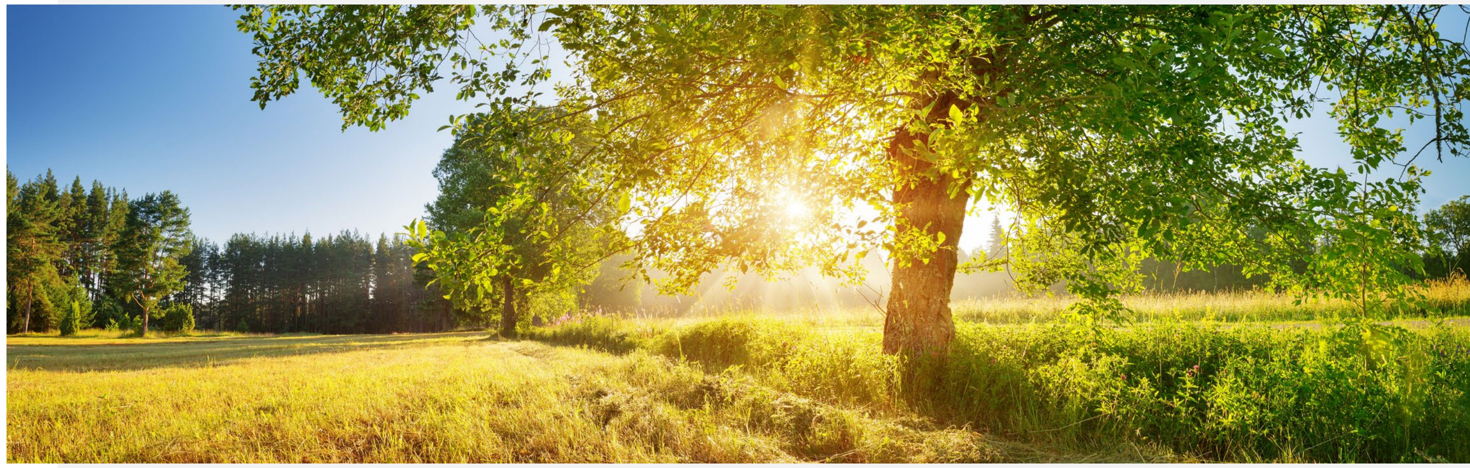
In 2021 one of our key Learning & Development initiatives was a Management Development Programme. This was custom designed and focused on values-based leadership skills and behaviours to support our people managers in developing the key skills they need to guide, develop and motivate their teams.

Employee Engagement and Feedback
In August 2021 we introduced an online tool from Officevibe that allows us to capture anonymous feedback from our people across the business, on a regular basis. Feedback indicates that the majority of employees are aligned with the Kooth vision with 92% of employees saying the work they do is impactful to deliver on Kooth's purpose.

Annual appraisals
Kooth recognises the importance of establishing a culture of feedback and development, as well as, aligning employees' individual objectives to the company vision and Objectives and Key Results (OKRs). All employees have regular review meetings - this starts three months after an individual joins Kooth. Performance appraisals happen annually between December and January with regular monthly/ quarterly reviews and at least a mid year review completed. Kooth provides training and detailed guidance for managers and direct reports on how to approach the appraisal process.

Company awards
Recognition within the company is important for our culture and morale. In our company-wide, quarter-end meetings, peer-nominated employees are awarded one of five awards based on our company values. These awards are: Alongside You, Compassionate, Flexible, Committed and Safe.

Long-Term Incentives
Kooth operates an annual Long Term Incentive Plan (LTIP), which gives all employees, with more than three months' service, share options of 5-8% of their earnings. The LTIP scheme allows employees to share in the success of the Company at nominal cost to them.



2. Environmental

Energy Usage and Carbon Footprint

In 2021, the number of employees working from home increased as a result of COVID-19, with 83% of our workforce currently working remotely. With the exception of a small number of face-to-face contracts, our counsellors work from home and do not travel. When it comes to office based employees (17%), they are, on average, present in the office two to three days a week. We expect to continue this hybrid way of working for all our office based team.

As a digital mental health service we have a low carbon footprint. Kooth uses cloud storage from Amazon Web Services (AWS) across all aspects of the business. AWS is working to achieve Amazon's goal of 100% renewable energy by 2025. Google (a Carbon Neutral company since 2007) provides all hosting services. Our users can access services from wherever they are located and are not required to travel.

We will continue to seek to minimise our environmental impact, reduce our carbon footprint and ensure we implement best practices to reduce energy consumption in readiness to report against the requirements in the Taskforce on Climate-related Financial Disclosures (TCFD).

Office facilities

Kooth encourages remote working, but ensures the centralisation of environmental practices through offices in Manchester and London. Both offices are easily accessible by public transport. For those travelling into the office by bike, the office facilities in London include showers and storage, both free of charge for employees.

The landlord at Kooth's London office is addressing environmental and health impacts associated with energy, materials and products it uses, for example it has eliminated single-use plastics from its facilities and has publicly committed to achieve carbon neutrality by 2023.

Waste management

Kooth's waste management practices encourage and enable the recycling of paper, cardboard, plastics, glass, and empty printer cartridges and the re-use of packaging materials. Our Manchester office uses a local recycling charitable organisation called Emerge.

Kooth is a digital service and the majority of our work is online - therefore, we do not produce a significant amount of waste. Kooth's platform requires our counsellors to make digital case notes. And all employees are advised that documents and emails should not be printed, instead accessed via that Google shared drives. If needed, all printers are set to double-sided and black and white, the aim being to reduce the use of paper and toner.

Promotional Materials

Kooth is investing in reusable marketing materials and reduced the amount of one-use signage. In 2022, Kooth plans to reduce the amount of paper used for promotional activity, focusing instead on digital marketing initiatives. When print is needed, Kooth only works with printers with ISO 14001 environmental management accreditation.

This year, 85% of our investors will receive a digital-only copy of our Annual Report. We aim to achieve close to 100% in future, reducing printing and shipping.

Travel

Kooth is a digital-first company. Any travel for work purposes - including internationally - is limited. Where possible the use of video conferencing is either mandatory or recommended.

Our face-to-face counsellors and engagement staff who are required to travel for their work represent less than 20% of our workforce and only travel within the region they are assigned to and where possible, use one location (such as a school) for multiple appointments.

3. Governance

The Board believes that governance is central to the effective delivery of Kooth's mission and strategy. With this in mind, the Board is committed to ensuring that all decision-making and the oversight it provides promotes Kooth's success for the long term benefit of its shareholders, while being respectful of the interests of other key stakeholders. This includes Kooth's service users, customers, colleagues and the communities in which we operate.
Kooth seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner. These values underpin our business model and strategy. We are committed to acting professionally, fairly and with integrity in all of our business dealings and relationships, with consideration for the needs of all of our stakeholders, including service users, investors, suppliers and employees. Kooth endeavours to conduct its business in accordance with established best practice, to be a responsible employer and to adopt values and standards designed to help guide staff in their conduct and business relationships.

Our Governance Framework

Kooth is a growing organisation. The Board is committed, through its governance model, to driving purpose-led decision-making and to delivering accountability to our stakeholders.

We have established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Each of these committees meet regularly on the frequencies set out below. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

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

Remuneration Committee: The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee meets as and when necessary, but a minimum of three times each year.

In exercising this role, the Directors have regard to the recommendations put forward in the QCA Code and, where appropriate, the Remuneration Committee Guide for Small and Mid-Size Quoted Companies published by the QCA and associated guidance.

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

Business ethics

The Board promotes an ethical corporate culture by having a documented Code of Ethics, with any areas of non-compliance to be reported. Kooth's employment policies, including those applying to equality, diversity and dignity, anti-fraud and anti-bribery assist in embedding a culture of ethical behaviour for all employees. Kooth's commitment to upholding the human rights of all individuals is clearly documented in its Modern Slavery Act 2015 statement.

Kooth ensures that all business areas work to the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

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

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

Accreditations

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

Cyber Security

Kooth has been awarded Cyber Essentials certification. Management carries out diligence to seek to ensure that third party suppliers are maintaining good standards of security. Kooth continues to ensure that all members of staff receive annual mandatory cyber security training. Kooth takes the threat of a cyber incident very seriously and endeavours to mitigate the risk wherever possible, although it is recognised by the Board and management that it will never be possible to fully mitigate cyber risk. Kooth maintains a business continuity plan and reviews this plan annually.

> 2022 is an exciting year for Kooth. Our focus is two fold, further expanding our provision of free, safe and anonymous mental health support across the UK and penetrating internationally.

Kate Newhouse
Chief Operating Officer

Section 172 Statement

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

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

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

We have identified our key stakeholders as follows:

Stakeholder	Engagement
Employees We understand that our employees are at the core of everything we do and maintain a focus on their interests and wellbeing.	**Surveys** In August 2021 we introduced an online tool called OfficeVibe that allows us to capture and report on valuable feedback from our people across the business, on a regular basis. The results are reviewed weekly at the senior management level and feedback is used to inform employee development and policies. **Training** Employee development is actively encouraged through learning and development budgets which are allocated to all departments, in addition to our learning management portal which provides employees with training materials and content. **Diversity** We appointed Steve Gilbert OBE to chair our Diversity and Inclusion council during 2020, and also established an Employee Voices Group to better understand and embrace diversity across the organisation. **Share Scheme** Long term incentive share options are offered to all of our employees. **COVID-19** We have continued to support employees throughout the COVID-19 pandemic, implementing remote and hybrid-working for our office based staff when possible.
Customers Communication with our customers is fundamental to understanding how we can continue to add value through our digital mental health services.	**IPO** Our Admission to AIM has benefited our customers through greater transparency facilitated by the increased scrutiny that comes with being a public company. During the year we have continued to support the NHS by increasing coverage of our existing Children and Young People contracts to meet increased demand, whilst also scaling up our other services. **Customer Base** 90% of Commissioners in England now choose Kooth as their digital mental health platform, including all 32 boroughs in London, plus a clear expansion into Scotland and Wales. Demand for our Adult service has also grown, with the addition of 14 new Adult contracts in the year. **Outcome Measures** Communication with our customers and users facilitates research and outcome measures to evidence the impact of our platform, leading to the development of new theories and the ability to provide users with the support and services they require. **Service Reviews** Regular service reviews with customers are held to ensure we continue to add value across our customer and user base.

Investors

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

Investor Meetings
Regular meetings are held between the Chief Executive Officer, Chief Financial Officer and institutional investors and analysts to ensure that the Company's strategy, financial performance and business developments are communicated effectively. There is a dedicated email address (investorrelations@kooth.com) for shareholder questions and comments.

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

Communities

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

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

Diversity
Kooth is committed to providing an accessible and diverse service to all, including working with leading LGBTQ+ and Black and non-White influencers to provide appropriate content to our communities.

In 2021 we developed partnerships with BlackOut UK and Unity FM to research mental health needs within specific communities. This year 19% of our users were from Black and non-White backgrounds. For comparison, 14% of the British population is Black and non-White.

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

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

Suppliers

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

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

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

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

Principal Risks & Uncertainties

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

Details of the Kooth's financial risk management objectives and policies of Kooth and exposure to foreign exchange risk, market risk, credit risk and liquidity risk are given in note 25 to the consolidated financial statements.

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

System outages

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

Safeguarding incidents

Kooth is not a crisis service; however, the core component of our business is providing counselling services to children and young people, and to adults, some of whom are vulnerable. Therefore, given the nature of Kooth's activities, it is necessary to have significant procedures in place to ensure that our most vulnerable users are prioritised and dealt with appropriately, and to mitigate any potential reputational damage in the event of a serious safeguarding incident.

Changes in laws and regulations

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

Cyber security and data protection

Kooth must ensure ongoing compliance with various data protection laws, including the UK's Data Protection Act 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003. Kooth is under an obligation to protect the private and personal data that it holds, including that of its employees.
Kooth is required to take steps to ensure compliance with the General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR"). Any personal information that Kooth holds in respect of its employees would be subject to the GDPR and relevant laws. There is an inherent risk such data could be processed in a manner which is in direct breach of the relevant data protection legislation, the consequence of which would not only be a potentially significant fine, but may also result in damage to Kooth's reputation further impacting Kooth's revenue.
The nature of the service means that the data that Kooth collects from its users is anonymised and collected with explicit consent, no financial information is collected and all data is encrypted in compliance with NHS data standards. Nevertheless there is a risk that any data breach within Kooth could have significant reputational impact, given the nature of the services we offer.
The Board considers that Kooth has in place adequate procedures to ensure compliance with the GDPR and controls to ensure the security of the data collected.

COVID-19:

During 2021 and throughout the pandemic to date Kooth has provided vital support to UK citizens and our remote delivery model has enabled us to scale up to support the NHS.

As Kooth provides essential mental health services across the UK, the Directors remain confident that we will continue to operate and be successful in the new environment.

2

Corporate Governance

Corporate Governance

Chairs' Introduction to Governance

Dear Shareholder,

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

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

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

The Board

Following the year end we were pleased to announce the appointment of Kate Newhouse to the Board. Kate will continue in her role as Chief Operating Officer, having joined Kooth in May 2020 with a wealth of leadership experience in the digital health space. As at the date of this report the Board comprises the Independent Non-Executive Chair, two Non-Executive Directors and three Executive Directors. Short biographical details are set out on page 64.

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

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

Peter Whiting
Independent Chair
Joined May 2020

Twenty-five years' experience as an investment analyst in equity markets, and experience over the past ten years as a non-executive director on the board of several public and private companies (currently including FDM Group plc, Aptitude Software plc and D4t4 Solutions plc). Peter has experience in a broad range of sectors, but focused particularly on technology, including software and engineering.

Sue Bailey
Independent Non-Executive Director
Joined August 2020

Non-Executive Director at Manchester University NHS Foundation Trust and thirty years' experience as a Child and Adolescent Psychiatrist.

Simon Philips
Non-Executive Director
Joined October 2015

Managing Partner of ScaleUp Capital with experience of providing growth capital and expertise to businesses in the technology, digital, business services and information sectors.

Tim Barker
Executive Director / Chief Executive Officer
Joined January 2020

Former CEO of DataSift, with over 30 years experience in technology and SaaS startups and scale-ups, including successful exits to Meltwater and Salesforce.

Sanjay Jawa
Executive Director / Chief Financial Officer
Joined March 2020

Former Operating Partner and CFO at ScaleUp Capital, with over 30 years senior financial experience in technology and services businesses including Qualitest, Barclays and FTI Consulting. Chartered Accountant and previously an audit manager at Price Waterhouse.

Kate Newhouse
Executive Director / Chief Operating Officer

Former CEO at leading venture builder, Blenheim Chalcot and Doctor Care Anywhere, taking it from digital health concept to a global business, serving over 140 corporate clients.

Board meetings

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

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

Board and committee attendance

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

		Board Meeting		Audit Committee		Remuneration Committee	
Director	**Position**	**Max possible attendance**	**Meetings attended**	**Max possible attendance**	**Meetings attended**	**Max possible attendance**	**Meetings attended**
Tim Barker	CEO	9	9	-	-	-	-
Sanjay Jawa	CFO	9	9	-	-	-	-
Peter Whiting	Chairman	9	9	3	3	3	3
Dame Sue Bailey	Independent Non-executive Director	9	8	3	2	3	3
Simon Philips	Non-executive Director	9	9	3	3	3	3

Matters reserved for the board

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

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

Audit Committee

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

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

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

The Audit Committee met three times during the year.

Remuneration Committee

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

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

The Remuneration Committee met three times during the year.

Relationships with stakeholders

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

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

Election and re-election of the Directors

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

Board Evaluation

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

We will be considering the use of external facilitators in future board evaluations.

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

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

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

Risk management and internal controls

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

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

Compliance with the QCA Code

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

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

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

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

Full disclosure of our strategy and business model can be found in pages 4 to 60 of the Annual Report which will also be available on the Company's website.

The Directors intend to subject this strategy to ongoing review and will provide an update on it from time to time in the strategic report that will form part of the Annual Report of the Company.

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

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

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

The Annual General Meeting of the Company gives the Directors the opportunity to meet with shareholders and the ability to give an update on the Company's performance. It also provides the shareholders the opportunity to ask questions of the Directors, either in the formal AGM proceedings or informally after the event.

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

The Company takes ESG very seriously and the Board is conscious of the impact that the Company's business activities may have in these areas.

The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders as well as its shareholders; being primarily its employees, customers, and suppliers.

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

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

The Board has ultimate responsibility for the Company's system of internal controls and for reviewing its effectiveness. Such systems are designed to manage risk of failure to achieve business objectives.

The Board meets frequently during the year during which business and other risks are assessed.

The Directors have identified the risks and uncertainties which they consider to be the most significant for investors, which are summarised in page 59.

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

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

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

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

The Board is also supported by the Committees (Audit and Remuneration) each with specific remits. The detail of the number of meetings and attendance by Directors is noted on page 65.

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

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

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

Where vacancies arise or gaps are identified that must be addressed, the Board receives recommendations from the Chief Executive Officer and appraises the candidates. Appointments are made on merit against objective criteria and considering the benefits that will be brought to the Board and the Company.

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

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

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

External facilitators were not used this year but will be considered in future board evaluations. Until the formal process is established, the Chairman is responsible for ensuring an effective Board.

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

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

The Company's culture and values which are highlighted on page 6 of the Annual Report reflects the Boards dedication to promote an ethical culture.

In addition, the Company has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically whistleblowing, social media, anti-bribery and corruption, communication, and general conduct of employees.

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

The Board held 9 meetings during the year.

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

There is a formal agenda at each Board Meeting which includes operational updates from the Chief Executive Officer and financial updates from the Chief Financial Officer. All reports cover different areas within the Company and cover new business opportunities.

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

Principle 9 (Continued)

Board papers are circulated to the Directors in advance of meetings to enable proper consideration of the content of the papers.

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

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

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

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

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

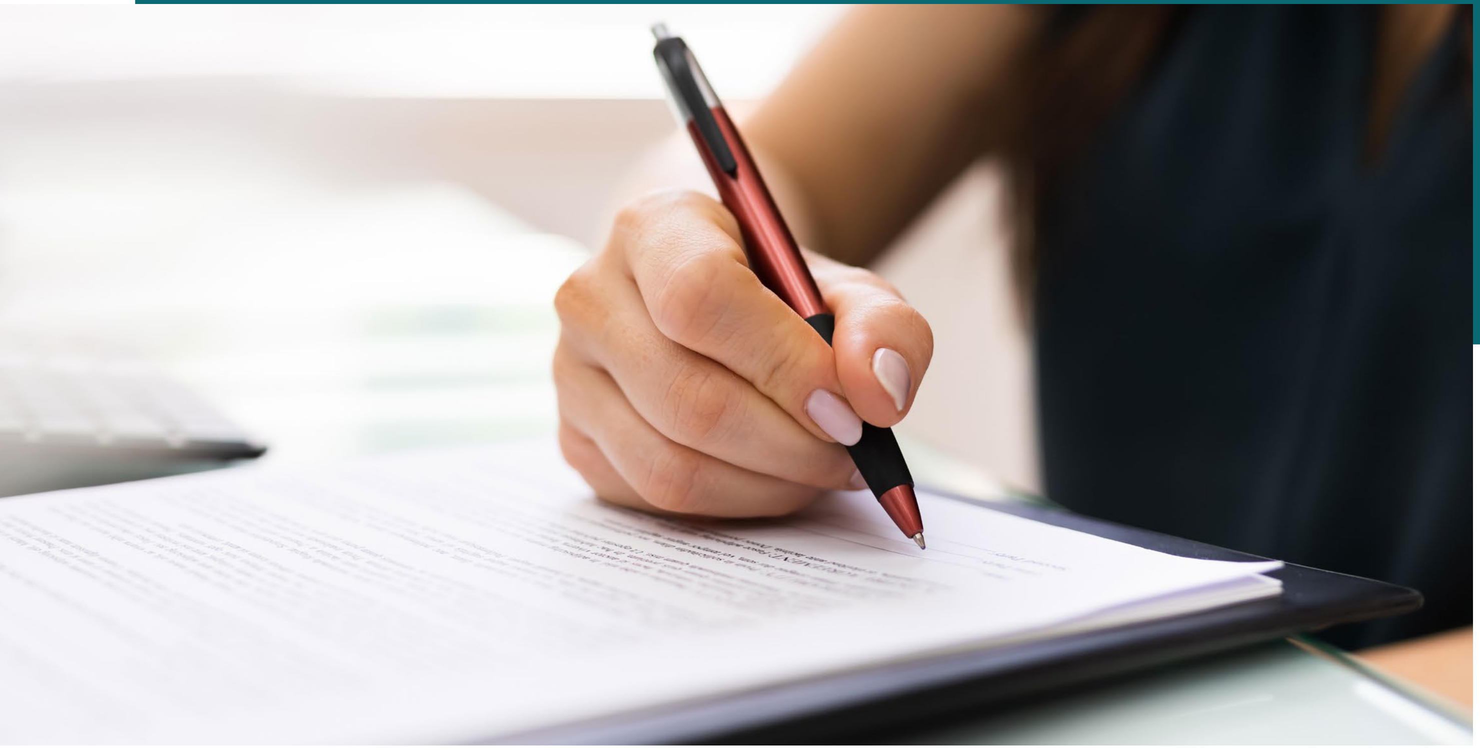
The 'Investor Hub' section of Company's website is also an avenue which the Company uses to communicate directly with shareholders. This can be found at https://investors.kooth.com/

Approved by order of the Board

Richard Almond
Company Secretary

28 March 2022

Report of the Audit Committee



Committee Chair's introduction

As the Chair of the Audit Committee of Kooth (Committee), I present the Committee Report for the year ended 31 December 2021, which has been prepared by the Committee and approved by the Board.

Committee meetings and attendance

The three members of the Committee are Dame Sue Bailey, Simon Philips and me. The Board considers that I have sufficient, relevant financial experience to chair the Committee given that I have over 25 years' experience as an investment analyst and currently hold a number of other listed company Board and Audit Committee positions. During the year ended 31 December 2021, the Committee met three times with all members attending at least two meetings. The Committee is required by its Terms of Reference to meet as frequently as the Committee Chair shall require, and also at regular intervals to deal with routine matters and, in any event, at least three times in each financial year.

Committee activities

The Committee is responsible for reviewing and reporting to the Board on the Company's financial performance, monitoring the integrity of the Company's financial statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management, and reviewing/monitoring the performance, independence and effectiveness of the Company's external auditors. The Committee's primary activities included meeting with the external auditors, considering the audit approach, scope and timetable, and reviewing the key audit matters for the financial year 2021 audit. In addition, the Committee reviewed the audit provided by Grant Thornton LLP, Kooth's external auditors. The Committee concluded that Grant Thornton LLP is delivering the necessary audit scrutiny. Accordingly, the Committee recommended to the Board that Grant Thornton LLP be re-appointed for the next financial year.

As part of the year end audit, the Committee:

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

Committee objectives and responsibilities

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

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

Financial reporting

At the request of the Board, the Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance. The Committee considered the budget for 2022 and concluded that the going concern basis is appropriate. The Committee also reviewed the Strategic Report and concluded that it presented a useful, fair, balanced and understandable review of the business.

Auditor Independence

To ensure auditor independence, consideration is given to their integrity and the objective approach of the audit process. The use of non-audit services is not considered to be significant and amounts paid in respect of these are disclosed in note 24.

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

Peter Whiting
Chair of the Audit Committee

28 March 2022

Report of the Remuneration Committee

Committee Chair's introduction

As the Chair of the Remuneration Committee of the Company ('the Committee'), I present the Remuneration Committee Report for the year ended 31 December 2021, which has been prepared by the Committee and approved by the Board.

Committee meetings and attendance

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

During the year ended 31 December 2021, the Committee met three times with all members attending all meetings. The Committee is required by its Terms of Reference to meet as frequently as the Committee Chair shall require and also at regular intervals to deal with routine matters and, in any event, at least three times in each financial year.

Remuneration policy for the year ended 31 December 2021

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

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

Ensure the total remuneration packages awarded to Executive Directors, comprising both performance-related and non-performance-related remuneration, is designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.

Committee objectives and responsibilities

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

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

Director's remuneration: salary

Salaries are normally reviewed annually with effect from 1 January taking into account inflation, salaries paid to directors of comparable companies, Group and personal performance. Salaries of Executive Directors are determined by the Remuneration Committee. The Board as a whole decides the remuneration of the Chair and Non-Executive Directors. Salaries and fees for directors effective from 1 January 2022 are as follows:

Salaries

Name	£'000
Dame Sue Bailey	35
Tim Barker	265
Sanjay Jawa	200
Simon Philips	50
Peter Whiting	80

Director's remuneration: long term incentives (audited)

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

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

The fair value of the employee services received in exchange for these grants is recognised as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options or shares determined at the date of grant.

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

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

Long Term Incentives

Name	No. of Options	Exercise price (p)
Tim Barker	100,000	0.05
Sanjay Jawa	75,000	0.05

Director's remuneration: interests

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

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

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

Executive Directors' Remuneration: current year

Executive Director's remuneration for the years ended 31 December 2021 and 31 December 2020 was as follows.

2021

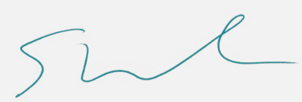
Name	Base Salary and Fees	Pension	Gain on exercise of share options	Total
Tim Barker	250	8	-	258
Sanjay Jawa	175	5	-	180
Total	425	13	-	438

2020

Name	Base Salary and Fees	Pension	Gain on exercise of share options	Total
Tim Barker	234	6	94	334
Sanjay Jawa	159	3	38	200
Total	393	9	132	534

Remuneration policy for Non-Executive Directors

Dame Sue Bailey, Peter Whiting and I each receive a fee for our services as Directors, which is approved by the Board, mindful of the time commitment and responsibilities of our roles and of current market rates for comparable organisations and appointments. Non-Executive Director fees for the year commencing 1 January 2022 are noted above.



Simon Philips
Chair of the Remuneration Committee

28 March 2022

Directors' report

The Directors present their report and the audited financial statements of Kooth plc for the year ended 31 December 2021.

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

Comparatives

The 2020 comparatives shown cover the year ended 31 December 2020

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

Disabled employees

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

Directors

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

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

Political Contributions

The Group made no political donations during the year (2020: nil).

Directors' insurance

The Group maintains appropriate insurance cover in respect of any legal action against its directors including in respect of the prospectus issued for the initial public offering.

Research and Development

During the year the Group invested over £2.5 million in Research and Development. More information on this is provided in the Strategic Report and in the notes to the financial statements.

Anti-Bribery

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

Going Concern

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

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 4 to 60. 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.

Employee Involvement

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

The Group is committed to providing equality of opportunity to all existing and prospective employees without discrimination through channels such as our Diversity and Inclusion Council (established in July 2020) and our Employee Voices Group.

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

Notice of Annual General Meeting

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

Significant events after year end

There have been no significant events after year end.

Auditor

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

Significant shareholders

The Group has been notified of the following interests in 3% or more of the issued ordinary share capital of the Company. This is the position as at 31 December 2021.

Name	% of Issued Share Capital
Root Capital Fund II LP trading as Scale Up Capital	37.3%
Cannacord Genuity Group Inc	14.3%
LF Gresham House UK Micro Cap	8.7%
Stancroft Trust Limited	6.1%
Premier Miton Investors	4.9%

Sanjay Jawa
Chief Financial Officer

28 March 2022

Directors' responsibilities statement

In respect of the Annual Report and the financial statements

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

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

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

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

The directors confirm that:

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

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

To the best of our knowledge:

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

Sanjay Jawa
Chief Financial Officer
28 March 2022

Grant Thornton

Independent auditor's report to the members of Kooth plc

28th March 2022

Our opinion on the financial statements is unmodified.

We have audited the financial statements of Kooth plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Loss, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cashflow Statement, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity and notes to the financial statements and to the parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Group's and the Parent company's ability to continue to adopt the going concern basis of accounting included challenging the key assumptions used within the cash flow scenarios modelled and the available sources of liquidity. We critically assessed both the outcomes of reverse stress testing and the availability of controllable mitigating future actions within the going concern assessment. We have also considered the disclosures contained within the Annual Report in relation to the going concern basis of accounting and are satisfied they describe adequately the impact of Covid-19 on the Group as at 31 December 2021.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the Parent company's business model including effects arising from macro-economic uncertainties such as Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the Parent company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach
Overall materiality:

Group: £246,000, which represents approximately 1.5% of the Group's revenue.

Parent company: £159,900, which represents 2% of the Parent company's total assets, capped at 65% of group materiality.

Key audit matters were identified as:

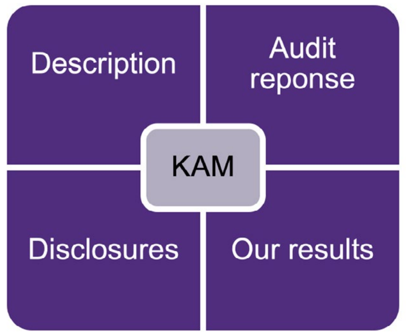
- revenue recognition (same as previous year)
- accounting for capitalised internal development costs (same as previous year).

Our auditor's report for the year ended 31 December 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This related to the accounting for IPO transaction and related costs, as this transaction occurred wholly in the previous period.

We performed audits of the financial statements of the significant Group components Kooth plc, Kooth Group Limited and Kooth Digital Health Limited using component materiality (full scope audit procedures). We performed analytical procedures on the financial information of the remaining component.

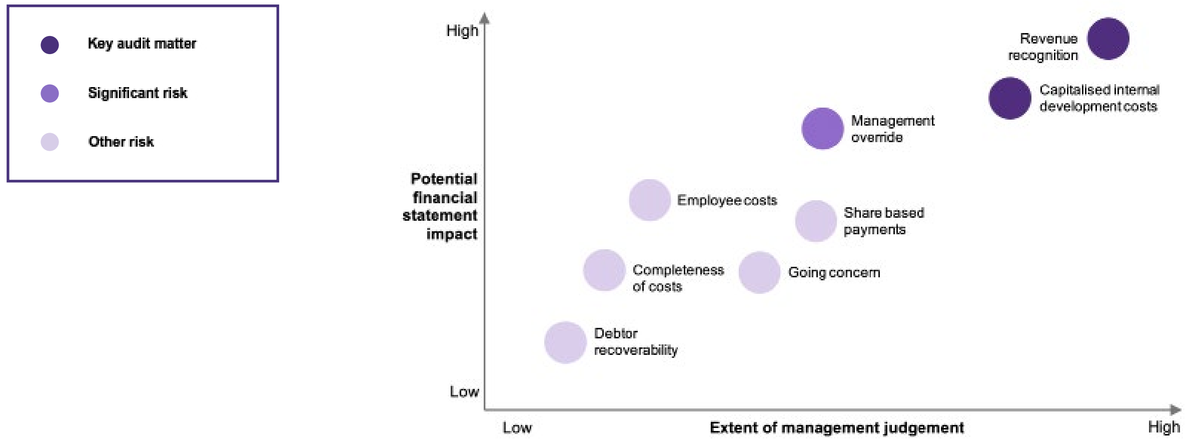
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.



These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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



Key Audit Matter - Group	How our scope addressed the matter – Group
Revenue recognition (£16,682k, 2020: £13,012k) **Revenue forms the basis for some of the Group's key performance indicators, both for reporting to external stakeholders and for management incentives.** The nature of the Group's services and their recognition over time, combined with the fact that some contracts have terms where invoicing is ahead of the service delivery, means that there is a risk of inappropriate timing of revenue recognition, specifically as regards the completeness of deferred revenue. Furthermore, the invoicing and revenue deferral process is manual in nature which gives rise to the risk of errors being made in the processing of both. We therefore identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud or error.	In responding to the key audit matter, we performed the following audit procedures: • Evaluating management's determination of whether the nature of the Group's services results in the provision of a service at a point in time or over a contractual term, by assessing a sample of customer contracts against the requirements of International Financial Reporting Standard ('IFRS') 15 'Revenue from Contracts with Customers'. This included the assessment of new or one-off transactions, by comparing the accounting treatment adopted by management to the Group accounting policy and IFRS 15. • Evaluating the design effectiveness of controls in respect of revenue recognition, including those employed to ensure revenue is recognised correctly in line with IFRS 15. • Utilising data analytics techniques to identify revenue postings to unusual account codes and investigating those transactions. • Testing a sample of transactions to determine that the amount of revenue recognised in the year and the amount deferred at the balance sheet date were accurately calculated based on progress of the underlying contract.

Key Audit Matter - Group	How our scope addressed the matter - Group
Relevant disclosures in the Annual Report The Group's accounting policy for revenue recognition is shown in note 2.3 to the consolidated financial statements and related disclosures are included in note 4.	**Our results** Based on procedures performed, we did not identify any material misstatements in the revenue recognised during the year.
Accounting for capitalised internal development costs (£3,112K, 2020: £2,615k) We identified accounting for capitalised internal development costs as one of the most significant assessed risks of material misstatement due to error. The Group capitalises costs associated with development of their online platform, which is being developed internally. The costs associated with the time spent on this development are capitalised in the Statement of Financial Position at the year end. Costs must be capitalised when they meet the requirements of International Accounting ('IAS') 38 'Intangible Assets'. This includes management judgement in determining the distinction between research and development costs.	In responding to the key audit matter, we performed the following audit procedures: • Assessing the accounting policy and disclosure for compliance with IAS 38. • Evaluating the design effectiveness of controls in respect of accounting for these transactions, including those performed to ensure the correct costs are capitalised. • Obtaining and assessing management's judgement on the level of employee costs to be capitalised across the year. • Performing a test of details on a sample of these costs, agreeing amounts to underlying payroll information or external invoices. • For a sample of capitalised costs, making enquiries with employees in the development team to gain an understanding of the nature of the work they had performed which had been capitalised. This included assessing whether the nature of the costs capitalised met the criteria as set out in IAS 38.
Relevant disclosures in the Annual Report The Group's accounting policy for accounting for capitalised internal development costs and the associated significant accounting judgement are shown in notes 2.3 and 3, to the consolidated financial statements, respectively and related disclosures are included in note 12.	**Our results** Our testing did not identify any material misstatements in the accounting for capitalised internal development costs.

Our application of materiality

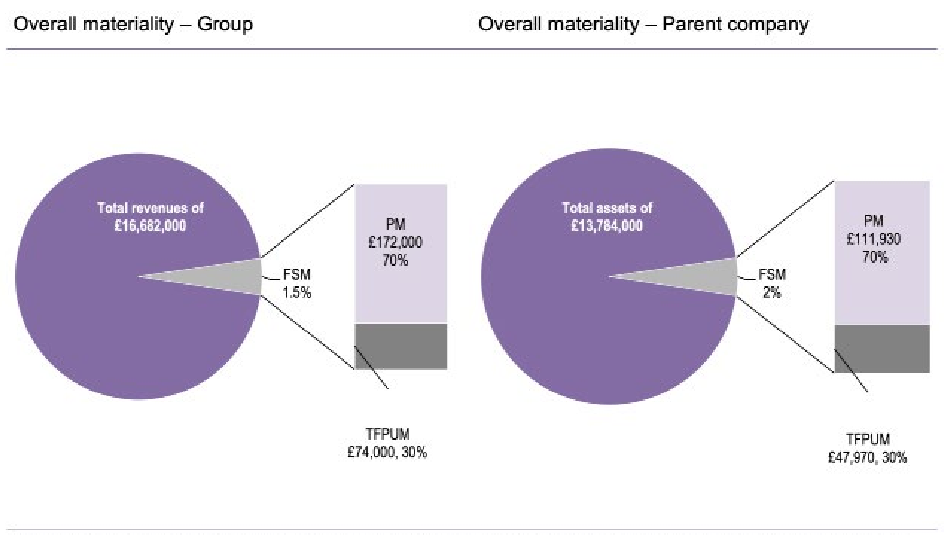
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£246,000 which is approximately 1.5% of revenue.	£159,900, which represents 2% of the Parent company's total assets, capped at 65% of group materiality.
Significant judgements made by auditor in determining the materiality	In arriving at this judgement, we considered the financial measures which we believed to be most relevant to the shareholders in assessing the performance of the Group. Profit before tax is a generally accepted benchmark for a profit-orientated business. We concluded that, in isolation, this metric did not appropriately reflect the scale of the Group's ongoing operations or its underlying performance. As a result, revenue was considered the most appropriate metric. 1.5% of revenues has been selected as it is in the middle of our acceptable range. There have been no significant changes to the business model year on year and the senior management team has remained consistent, however, we reduced the percentage to reflect the higher risk arising from the entity being listed. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the growth in revenue during the year.	Total assets was considered the most appropriate benchmark because the Parent company does not trade and holds material investments in subsidiary companies. 2% of total assets is at the upper end of our acceptable range and has been selected to reflect that there have been fewer complex transactions in the Parent company in the current year, this was capped at 65% of group materiality. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the increase in Group materiality against which this amount has been capped.

Continued overleaf

Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£172,200 which is 70% of financial statement materiality.	£111,930 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: • Whether there were changes to the business in their operations and in their business strategy • Whether there were changes to our risk assessment, including our assessment of the Group and Parent company's overall control environment • Consideration of the number and individual magnitude of audit adjustments observed in the previous period We concluded that an amount at the upper end of our normal range was appropriate on the basis of the above considerations.	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£12,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,995 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.



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

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

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

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

For significant components requiring a full scope approach, we evaluated the design and implementation of controls over the financial reporting systems identified as part of our risk assessment and addressed critical accounting matters such as those related to the key audit matters as identified above. With respect to revenue recognition, we evaluated the design effectiveness of controls and performed data analytics and substantive procedures. A fully substantive approach was used for all other areas.

For the smallest component of the Group, Xenzone Alliance CIC, we performed analytical procedures.

Performance of our audit

Audit approach	No. of components	%coverage revenue	%coverage total assets	%coverage LBT
Full-scope audit	3	100%	>99%	>99%
Analytical procedures	1	-%	<1%	<1%

Other information

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

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

We have nothing to report in this regard.

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

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

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

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Parent company, the Group and industry in which they operate. We determined that the following laws and regulations were most significant: UK-adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies and tax compliance regulations in the UK, which is the principal jurisdiction in which the Group operates.

- We understood how the Parent company and the Group is complying with applicable laws and regulations, through discussions with the Audit Committee and we corroborated our understanding through our review of board minutes, and papers provided to the Audit Committee;
- In assessing the potential risks of material misstatement, we obtained an understanding of the Parent company's and the Group's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement
- We assessed the susceptibility of the Parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
  - considering performance targets and their potential influence on revenue recognition;
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - assessing whether assumptions and judgements in making its significant accounting estimates are indicative of potential management bias;
  - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates.

Grant Thornton

Use of our report

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

Grant Thornton UK LLP

Anthony Thomas FCA
Senior Statutory Auditor

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

28th March 2022

Financial Statements

Kooth Plc Annual Report 2021

Consolidated statement of profit and loss and other comprehensive loss

For the year ended 31 December 2021

Continuing operations	Note	2021 £'000	2020 £'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, 15, 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 financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 28 March 2022. They were signed on its behalf by:

Sanjay Jawa
Chief Financial Officer

28 March 2022

The notes on pages 113 to 142 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 notes on pages 113 to 142 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 notes on pages 113 to 142 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. 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.

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%*

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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 2021	Exercise price per share 2021	Number of Options 2020	Exercise price per share 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 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'000
Cash outflows	-	81

16. Property, plant and equipment

	2021 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'000
Accrued income	406	107

20. Cash and cash equivalents

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

21. Trade and other payables

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

22. Contract liabilities

	2021 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'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 financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 28 March 2022. They were signed on its behalf by:

Sanjay Jawa
Chief Financial Officer

28 March 2022

The notes on pages 146 to 150 form part of these 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 notes on pages 146 to 150 form part of these 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 £'000	2020 £'000
Investment in subsidiaries	4,414	4,414

35. Intercompany

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

36. Cash and cash equivalents

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

38. Trade Receivables

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

41. Equity

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

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

	2021 £'000	2020 £'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 £'000	2020 £'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 £'000	2020 £'000
Capital redemption reserve	115	115

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

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