



Annual report 2023

koothplc.com

Contents

About Kooth

Our purpose is to build mentally healthier populations, leaving no one behind.

We achieve this by providing everyone with effective digital support from their first moment-of-need.

Our strategy is to focus on supporting youth to help turn the tide on the growing mental health crisis, and apply our learnings to deliver support for adults throughout life.

Our north star is to deliver accretive health economics outcomes. By reducing the number of people that need acute mental healthcare we can save public services money, and build a healthier, happier, more productive society.

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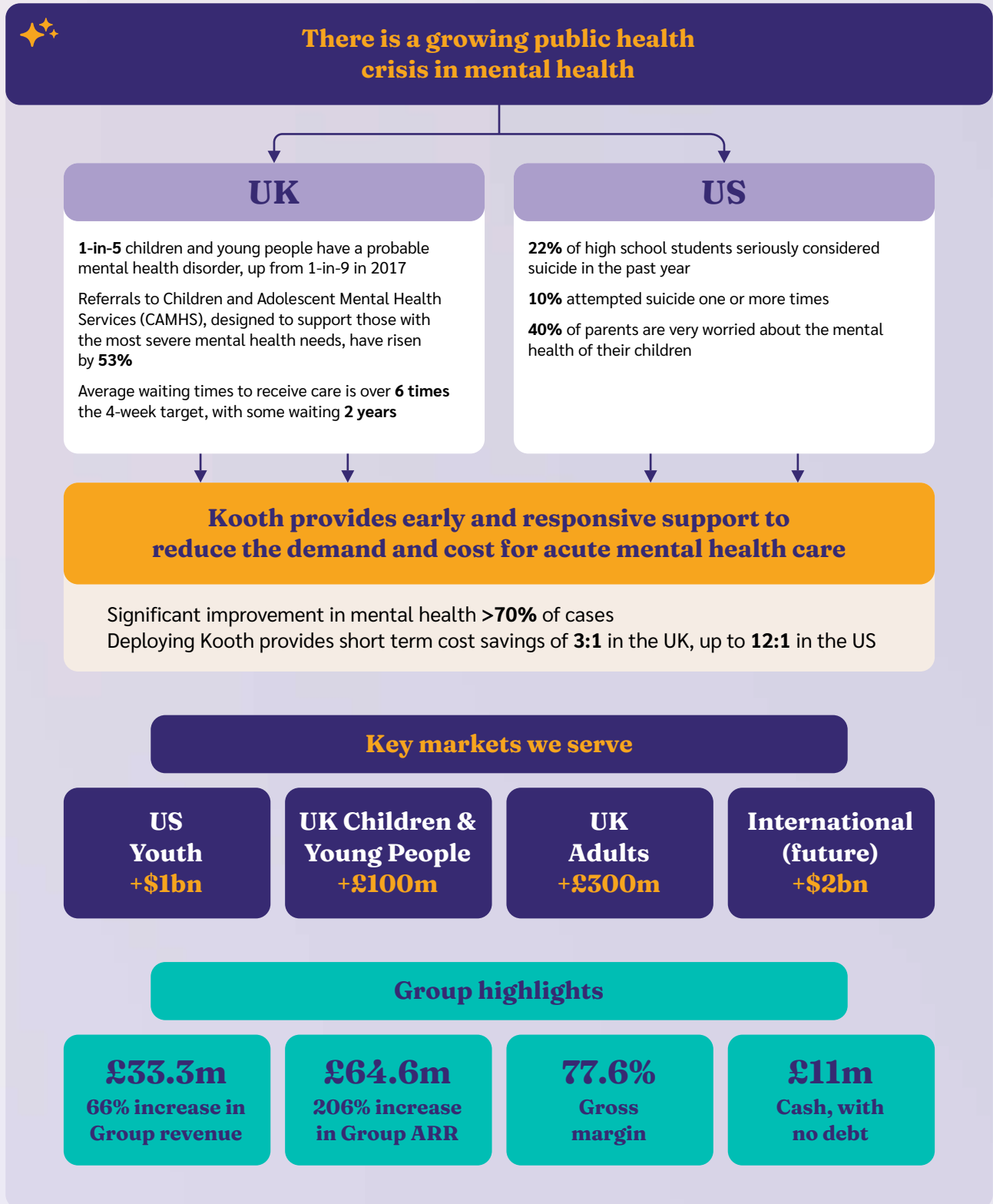
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At a glance



Highlights: a transformational year

Revenue

£m

2023

£33.3m +66%

2022

£20.1m

Annual Recurring Revenue

£m

2023

£64.6m +206%

2022

£21.1m

Adjusted EBITDA

£m

2023

£2.3m +40%

2022

£1.6m

Net Cash

£m

2023

£11.0m +29%

2022

£8.5m

Operating Loss

£m

2023

£2.3m -148%

2022

£0.9m



Highlights: a transformational year Continued

Strategic progress

- ✦✦ **Successful launch of major contract with California**
Delivering mental health care to 13-25 year olds
\$188 million expected value over four years
- ✦✦ **Development and launch of Soluna**
Kooth's next-generation platform
- ✦✦ **Strong uptake of Kooth in Pennsylvania pilot**
1-in-10 high school students using Kooth in its first year
- ✦✦ **First US Medicaid partnership**
Aetna Better Health Illinois
Expanding behavioural health support to youth in low-income families
- ✦✦ **Accelerated investment in US Government sales**
To expand into additional States
- ✦✦ **UK stable**
Despite NHS headwinds with short-term funding pressures
- ✦✦ **US investment**
Drives operating loss £2.3m (2022: £0.9m)

Chair's statement



Peter Whiting

Non-Executive Chair

“Building on the strong foundations we have built in the UK, 2023 was a transformational year for us as we expanded into the US.”

Dear Shareholders,

Without doubt, 2023 has been a transformational year for Kooth, with significant growth and progress towards our vision to build mentally healthier populations by providing everyone with access to effective digital support from their first moment of need. I want to thank all members of the team in both the UK and US for their incredible hard work in delivering on the opportunities that have presented themselves to us. In addition, I want to record my appreciation to our customers who entrust us as custodians for the mental health of their populations.

Reflecting on the progress we have made in the US since late 2021 — first in Pennsylvania, and then in California — we are grateful for the endorsement of our innovation, clinical efficacy, and scale. The rapid progress we are making in the US would not be possible without the proof points we have developed over decades in the UK.

As a result of our \$188m expected value, four-year contract win in California, we upgraded our growth outlook, and I am pleased to report 2023 Group revenues of £33.3 million, a 66% increase over 2022 revenues of £20.1 million, and a 40% increase in EBITDA to £2.3 million.



Chair's statement Continued

Given our rapid progress in California in particular, we successfully raised £10m of equity in July, primarily to invest in accelerating our US growth. I'm pleased to report that this has enabled us to expand our Sales and Research efforts, with discussions underway in a number of States, and a partnership with Aetna to pilot Kooth in Illinois to support youth in low-income families that qualify for Medicaid. The latter represents a potentially significant expansion of our modes of funding, and in turn a reinforcement of our market position.

Turning to the UK, 2023 has been a challenging year given the short-term financial and political pressures to reduce spending to pre-pandemic levels, whilst tackling the elective care waiting lists. Given the estimated £7 billion budget deficit at the start of 2023, NHS commissioners have been faced with difficult decisions to scale back services to balance budgets. As a result, churn in the UK has increased to £2.3m, up from £2.0m in 2022, with Kooth Adult pilot contracts being disproportionately impacted.

However, given the unsustainable, continued double-digit increase in demand for mental healthcare, and the political imperative to transform services for the benefit of society, NHS productivity, and the economy, we anticipate an improvement in the UK following the general election as NHS priorities and funding solidify.

Despite these short-term headwinds, Kooth's recurring revenue business model, with 98% of Kooth's contracts having a duration of 12 months or more, gives us strong forward revenue visibility, ending 2023 with £64.6m Annual Recurring Revenue (ARR), up from £21.1m a year ago.

We enter 2024 with significant growth opportunities, a solid financial position — £11.0m in cash, no debt, and an undrawn \$9.5m working capital credit facility — a proven business model, and a strong social purpose.



Peter Whiting

Non-Executive Chair

25 March 2024

Investment case: why invest in Kooth

There is a growing, global crisis in mental health. Looking to the UK and US, demand for mental healthcare in the UK and US continues to grow at double-digit rates annually, with budgets and workforce unable to match the growing demand.

We believe the status-quo is unsustainable. To address the supply /demand imbalance, governments and healthcare systems need to innovate to provide early and responsive help to those in need, and by doing so, reduce the demand for costly mental health treatments and downstream pressure on healthcare services.

Founded in 2001, Kooth has been a pioneer and leader in digital mental health care, and is committed to helping turn the tide on the growing crisis to help people live healthier, happier lives.



Investment case: why invest in Kooth Continued



Growing demand

1-in-5 of the population has a diagnosable mental health need every year.

Untreated conditions contribute to **13%** of total disease burden and, by 2030, mental health problems are expected to be the leading causes of death and disability worldwide.

The global cost of mental health will reach **\$6 trillion** by 2030 (Currently: \$467bn US, £118bn UK).



Market position

UK's largest provider of digital mental health support for children and young people, with **~60%** of 11-25 year olds having free access.

Rapid progress in the US since entering the market in late 2021, with the California Department of Health Care Services (DHCS) awarding a four year contract to Kooth after vetting **450** providers.



Strong recurring revenue model

Kooth's B2B2C business model is an annual-subscription model with over **95%** revenue coming from contracts of 12-months or longer.

Category leading **65%+** gross margin.

Clear growth potential

US represents an addressable market of **+\$1bn**.

UK market opportunity of **+£400m**.

Future expansion into other international markets represents a **+\$2bn** opportunity.



Long term advantage

Trust and safety at scale: Kooth has a proven, tested model to deliver population-wide mental health services at scale.

Impact: With more than **50** peer-reviewed research studies, Kooth has an abundance of evidence on its therapeutic, social, and economic impact.

Data and AI: As Kooth embarks on a future with AI playing a bigger role in supporting the delivery of mental healthcare, the company benefits from **15+** years of text-based mental health data to help deliver support more effectively and economically.

Chief Executive Officer's statement



Tim Barker

Chief Executive Officer

“Building on the strong foundations we have developed in the UK.”

Dear Shareholders,

What drew me to Kooth in 2020, in addition to its strong social purpose, was the thoughtfulness with which the team approached tackling the ever-growing demand for mental healthcare. In many ways, it was contrary to the thinking at the time:

- Building a tech-enabled service supported by professionals, when everyone was trying to build apps that can scale without human involvement.
- Growing awareness and usage of the service by embedding engagement leads within local communities, where others focused solely on digital promotion.
- Developing a service that could support a whole population, with the goal of reducing demand for acute mental health care, where others were building networks of therapists solely to service the demand for acute care.

A key reason why Kooth chose this path was because the company is ultimately focused on what is going to turn the tide on the growing crisis in mental health: we need to build a mentally healthier population, leaving no-one behind.

Over the four years that I have been at Kooth, from the pandemic to today, every year has seen its own opportunities and challenges. 2023 brought significant opportunities in the US — and challenges in the UK given the political and financial backdrop in the NHS. However, there are clear moments in one's career that can be seen as pivotal to the transformation of a business and its prospects. Based on strategic progress in 2023, I believe this was such a year.



Chief Executive Officer's statement Continued

Executing on Kooth's strategy to expand in US States

As is well documented in this year's annual report, Kooth is significantly ahead of schedule on its US expansion strategy. Firstly with Pennsylvania, and then with California, it's clear that there was a growing imperative and investment case for addressing youth mental health. Kooth's transformational contract and partnership with California put the company in the spotlight to execute and demonstrate its impact. In discussions with many investors, execution risk was often cited as the key area of concern given the size and scale of the contract. Seeing the hard work that so many people did to launch Soluna (the name of the platform and app in the US) initially in September 2023 and fully on 1st January 2024, I couldn't have wished to work with a more engaged, passionate and expert team. As CEO, given the opportunity that California has entrusted to Kooth, this will remain mine and the team's number one priority throughout 2024 to ensure the company is building a strong foundation for the future. In addition, the £10m fundraising in July 2023 enabled Kooth to engage with a growing pipeline of States to bring its services to their population, and invest in research studies with US academic partners to demonstrate Kooth's impact. I'm optimistic that Kooth will expand into further States in 2024.

Executing on Kooth's strategy to support youth through Medicaid managed care providers

More than 29 million under 18s — almost 40% of the US youth population — are covered by Medicaid, the Federal and State funded insurance programme for low-income families; Annual Medicaid spending on youth behavioural health care exceeds \$30.2 billion. A key challenge for Medicaid programmes is providing access to mental health support given the shortage and cost of therapists. Through an innovative partnership and pilot programme with Aetna Better Health of Illinois, agreed post-period end, Kooth aims to demonstrate the impact the company can make in building mentally healthier populations. This is a key pillar to Kooth's US strategy.

Continuing to innovate in technology to transform mental health care, Kooth's partnership and contract with California significantly accelerated the development of the company's product roadmap. It enabled us to build this next-generation platform, incorporating everything Kooth has learnt over time — co-produced with input from over 200 young people to help build 'their dream mental health app'. Soluna will be the platform and brand the company expands into other States, with minimal capital expenditure required to do so. In addition, Kooth will bring its enhanced platform to the UK in the next 12 months to deliver a platform specifically designed for youth that is both engaging and clinically effective.



Chief Executive Officer's statement Continued

Focusing on UK renewals and retention given NHS headwinds

2023 was a more challenging year in the UK for Kooth and the many organisations that serve the NHS. With the reorganisation of NHS England from 135 Clinical Commissioning Groups to 42 Integrated Care Systems finalised, their challenge now is to balance the budgets to pre-pandemic levels and address the forecast £7 billion budget deficit. While Kooth's team worked continually to demonstrate its value in each region it serves, the company at times saw highly successful services decommissioned in response to these financial pressures. In a small number of cases, a cheaper substitute — providing an informational portal or peer-support only option — replaced Kooth. The UK is Kooth's home market, and the company will continue to prioritise and focus on its current customers. Post-election, Kooth anticipates priorities and funding to become clearer.

Our people

When I joined Kooth in early 2020, the company had around 130 employees. Kooth ended 2023 with 585 employees across the US and UK, with staff in 26 States and all corners of the UK. 2023 was a year where everyone at Kooth had to step-up; to deliver on US opportunities, tackle UK headwinds and to provide mental health support to people where the company continued to see a long term increase in acuity, suicidal ideation and self-harm. I couldn't be prouder of the attitude and achievements of the team during these rapidly-changing times.

Outlook

Our proven track record, excellent recurring revenue and net cash position give us a great platform as we enter 2024. The strength of our model, strategy and market position — allied to long-term demand for digital mental health services in the UK and US — support our confidence of further progress in the year ahead.



Tim Barker

Chief Executive Officer
25 March 2024

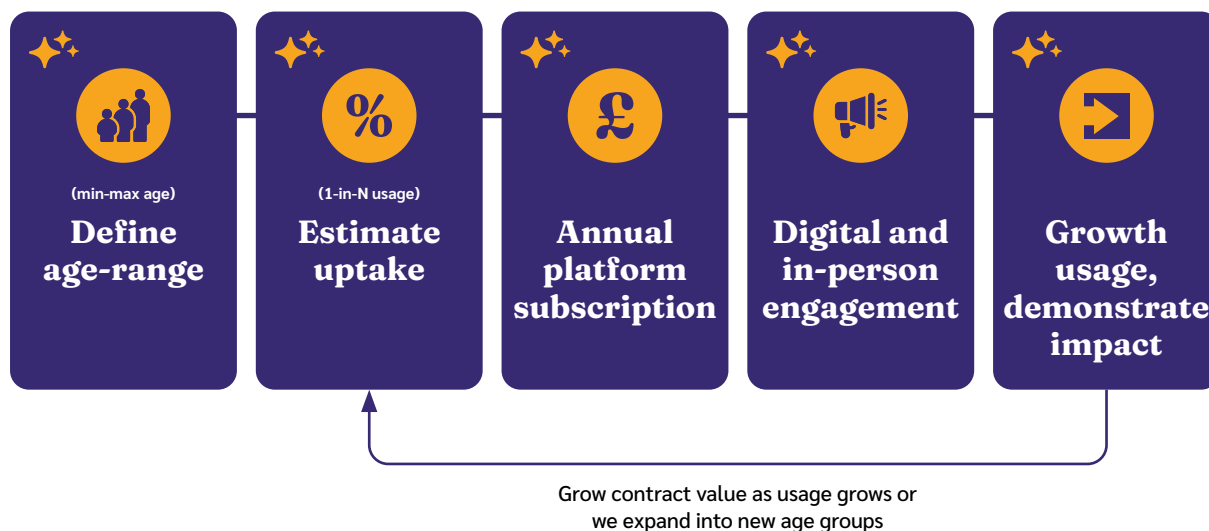
Our business model

Kooth is a Business-to-Business-to-Consumer (B2B2C) business. We provide individuals with free access to mental health support, funded by public healthcare systems, government, insurers, 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.



Our business model Continued

B2B2C Subscription Model. Expansion-focused.



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

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

With our 20+ year track record and over 25 million data points in our platform, we can estimate the likely uptake of service within the first year. This enables us to provide an annual subscription that covers the digital platform and practitioner support that we will be providing.

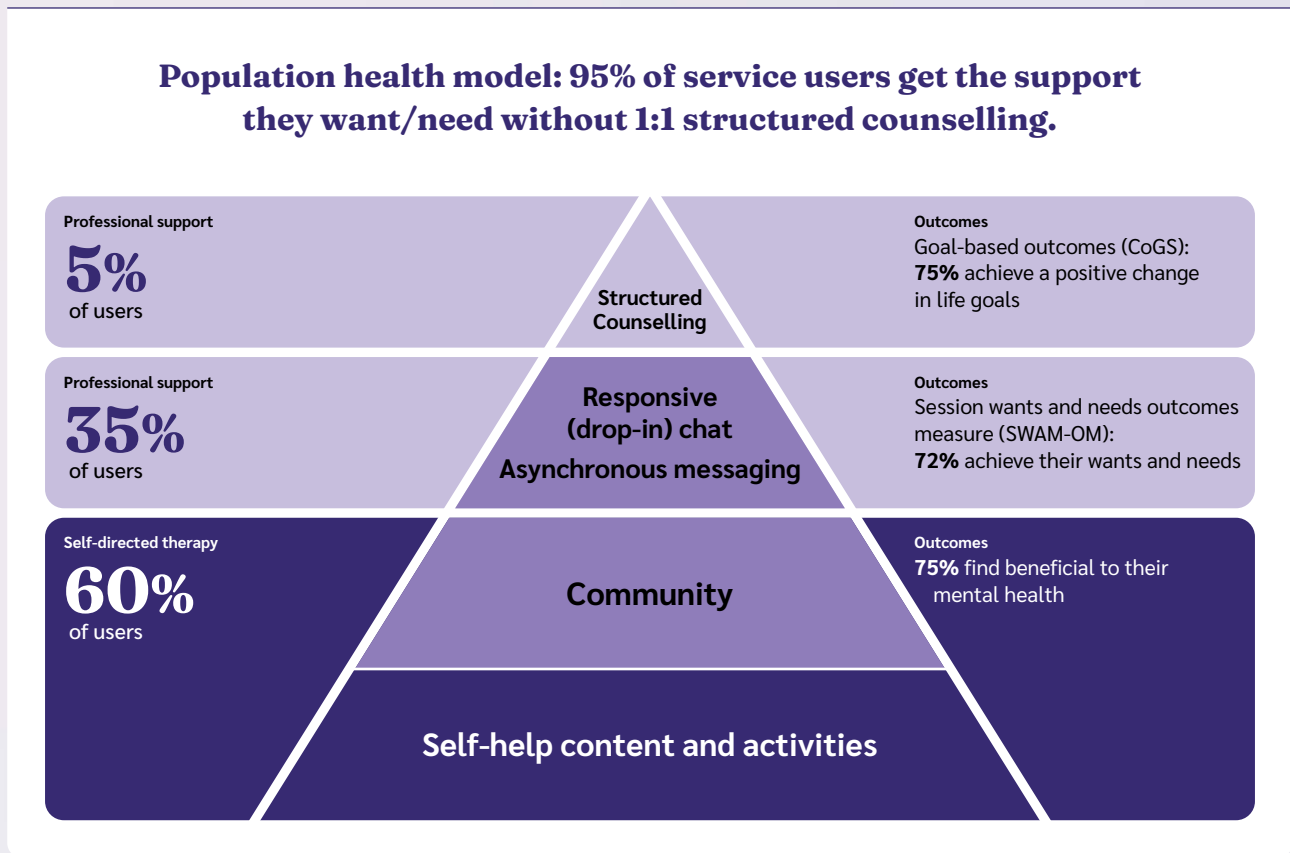
Our community engagement team will promote Kooth to local communities, schools/universities, healthcare and welfare organisations. In addition, our marketing team will focus on building awareness for Kooth in the local region through both PR and digital marketing campaigns.

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

In 2023, over 40% of our contracts expanded upon renewal, proving a sustainable, scalable approach to delivering a population-wide service.



Our business model Continued



Scalable delivery model

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



Our business model Continued

Self-directed therapy

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

Professional support

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

Benefits

Kooth's focus is to provide effective support from the 'first moment of need', providing both early help before things escalate, and giving responsive help alongside individuals throughout their life.

In addition to helping individuals, this approach helps reduce the demand for costly mental health treatment, with the York Health Economics Consortium (YHEC) estimating that for every £1 spent with Kooth, over £3 is saved due to reductions including healthcare utilisation (GP appointments), hospitalisation (A&E admissions), prescribing and interactions with the criminal justice system. Kooth's own research in the US estimates a 12x cost saving, given the higher cost of healthcare in the US.

Proven clinical outcomes

Kooth provides a clinically effective service. We measure this through goal-based outcomes, with 73% of users achieving their life and therapy goals. For users that solely engage with our therapeutic content and community, 75% find it beneficial to their mental health.

Mental health trends and insights

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



Our strategy and markets

Our purpose is to build mentally healthier populations, leaving no one behind.

We achieve this by providing everyone with effective digital support from their first moment-of-need.

Our strategy is to focus on supporting youth to help turn the tide on the growing mental health crisis, and apply our learnings to deliver support for adults throughout life.

Our north star is to deliver accretive health economics outcomes. By reducing the number of people that need acute mental healthcare we can save public services money, and build a healthier, happier, more productive society.

How are you feeling ?

Tap on the bars to indicate where you're feeling

Low Energy

slide me

High energy





Unpleasant

slide me

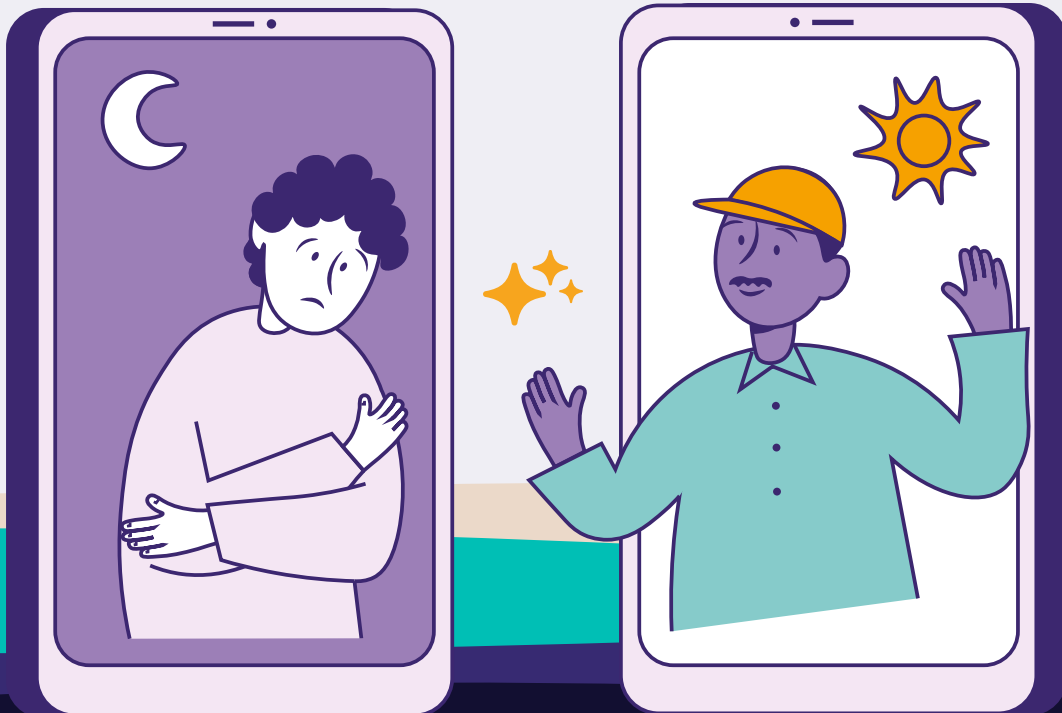
Pleasant



Our strategy and markets Continued

	 <p>US Youth</p>	 <p>UK Children & Young People</p>	 <p>UK Adults</p>	 <p>International (future)</p>
We sell to:	<ul style="list-style-type: none"> • State Government • Medicaid / Payers • School Districts 	<ul style="list-style-type: none"> • NHS Integrated Care Systems • NHS Regional Health Boards • Local Authorities 	<ul style="list-style-type: none"> • NHS Integrated Care Systems • NHS Regional Health Boards • Charities 	<ul style="list-style-type: none"> • Healthcare providers • Government organisations
We provide:	Early help and responsive support to expand access to mental health services		Population-wide service to reduce demand for acute mental health services	SaaS platform for healthcare operators
Market size:	+\$1bn	+£100m	+£300m	+\$2bn

Sources: Internal company data / Liberum research



Our strategy and markets Continued

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

1.

US Youth: Partner with State governments and healthcare providers

Building on our rapid momentum in the US in California and Pennsylvania, our strategy is to partner with State governments and healthcare providers to help turn the tide on the growing youth mental health crisis by making Kooth freely available to the population, thereby removing barriers to accessing support.

To achieve this, Kooth's US commercial team is focused on building advocacy to fund Kooth within the State, and responding to State-issued RFPs. In addition, we are focused on partnering with Medicaid managed care providers to support youth in low-income families. For context, Federal and State governments spend over \$30.2bn annually on Medicaid for youth behavioural health care.

2.

UK Children and Young People: Partner with the NHS to tackle growing demand for mental health support

As a UK-founded organisation, Kooth rolled out its first contract in the UK in 2004. Since then, Kooth has grown across the UK, primarily through regional commissions from the NHS. As of the end of 2023, Kooth is available to approximately 60% of 10-25 year olds in the UK. Our ambition and strategy is to expand to become a nationwide service, accessible to all.



Our strategy and markets Continued

3.

UK Adults: Deliver population-wide support to reduce NHS demands for acute mental health care

The NHS continues to expand mental health services to meet rising demand, with five million patients accessing care in 2022/23, an increase of over one million in five years. However, threshold levels for accessing support mean that individuals who may benefit from additional support cannot qualify for treatment unless they deteriorate further.

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

4.

International: Expand into international markets by licensing Kooth's platform to healthcare and government organisations

According to the WHO (World Health Organisation), nearly a billion people — including 14% of the world's adolescents — were living with a mental disorder in 2019. Mental disorders are the leading cause of disability, and people with severe mental health conditions die on average 10 to 20 years earlier than the general population. Just a small fraction of people in need have access to effective, affordable and quality mental health care.

In response, in 2022 the WHO issued an urgent call for action, with the publication of a comprehensive mental health action plan¹. All 194 WHO Member States have signed up to this plan, which commits them to global targets for transforming mental health.

While Kooth's immediate focus is on expanding in the US and UK, we see a long-term opportunity to support other geographies by licensing Kooth's proprietary digital platform and know-how to healthcare providers and government organisations in international marketing, akin to Software-As-A-Service (SaaS) licensing. This represents a potential market of +£2 billion, and remains a long term ambition of Kooth's to help scale-up and tackle the global crisis in mental health.

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1. <https://www.who.int/initiatives/mental-health-action-plan-2013-2030>



Strategic progress

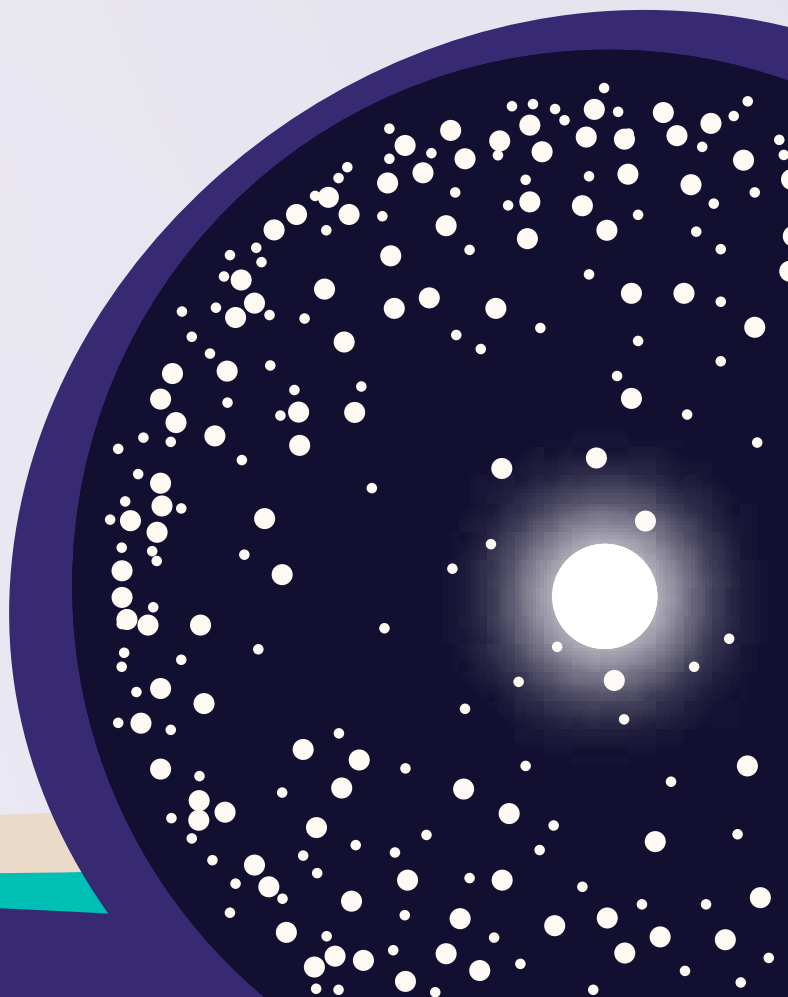
Successful launch of contract with California Department of Health Care Services (DHCS) to deliver behavioural health care to the State's population of 13-25 year olds, representing a \$188 million expected value contract over four years.

In April 2023, following an extensive nine month evaluation process spanning 450 providers, the California Department of Health Care Services (DHCS) selected Kooth as its platform of choice to deliver behavioural health care support to the State's population of 13-25 year olds. This four-year, \$188 million expected value contract for Kooth forms part of the State's \$4.7 billion multi-year investment to address the growing youth mental health crisis.

The contract and partnership with DHCS falls into three key workstreams:

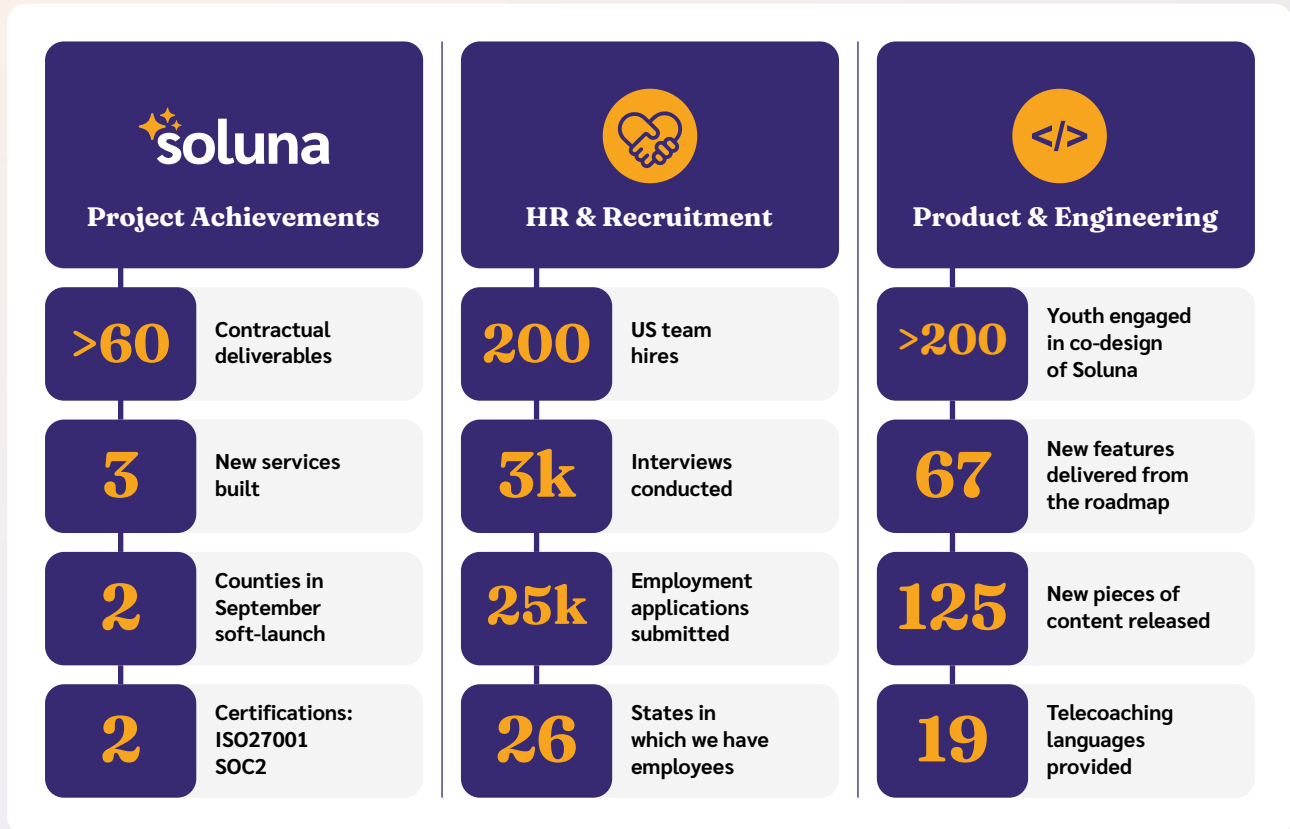
- Development of an enhanced platform and service based on DHCS requirements, co-produced with youth.
- Development of the workforce and delivery of the service.
- Promotion and marketing of the service to grow awareness and uptake.

We are proud to report that Soluna (the brand name for our enhanced platform and service) went live in September 2023 and more widely on January 1 2024, providing access to one-to-one professional support, self-guided tools, content and activities, and peer support communities, all moderated by trained behavioural health professionals. Soluna provides professional coaching support in English and Spanish as well as telephone-based support in all 19 Medi-Cal threshold languages.



Strategic progress Continued

Achieving this was an immense, cross-functional project for both US and UK teams, with some of our key stats being:



While there will be continued investments in platform development for the majority of 2024, our focus now shifts to growing awareness and usage of the service in California, supported by a blend of digital marketing and community engagement that promote and embed Soluna within the diverse communities that it serves.



Strategic progress Continued

Strong uptake of Kooth in Pennsylvania pilot, with 1-in-10 high school students using Kooth in its first year.



In September 2022, the Pennsylvania State Government awarded a one-year contract to Kooth to pilot its platform in up to 30 school districts, providing much needed support for youth across Pennsylvania, and augmenting existing investments in school-based counsellors with digital support options.

The objective for the pilot was to engage with school districts to opt into the programme, raise awareness through engaging with educators, parents, and youth, and demonstrate the uptake and impact that Kooth can have in supporting youth in both rural and urban areas.

Some of the key-results of the pilot and research studies include:

- Over **95,000** students have access to Kooth through their School District.
- A strong uptake of **1-in-10** high school students accessing the service.
- **79%** of service users surveyed reported “Kooth is a useful source of support”.
- **93%** of young people who provided feedback said they felt heard, understood and respected. 91% found the session helpful.
- **75%** of School Administrators said they felt confident or very confident that Kooth will improve support for their students.

Based on the success of the pilot, we are finalising discussions with the State of Pennsylvania regarding an extension of its current service contract.



Strategic progress Continued

First US private-sector pilot contract announced with Aetna Better Health Illinois to expand Medicaid access to behavioural health support to teens and young people.



Medicaid is the largest single health insurance programme for American children, funded by State and Federal Governments to support low-income families.

More than 29 million under-18s — almost 40% of the US youth population — are covered by Medicaid². Annual spending on youth behavioural health care exceeds \$30.2 billion. Given Kooth's mission to make effective mental health care accessible to all, supporting the Medicaid population is a strategy priority and growth pillar for our US expansion.

To progress on this imperative, Kooth and Aetna Better Health of Illinois are embarking on an innovative partnership, agreed post-period end, to pilot Kooth within the Chicago area to expand access to mental health support to the local youth Medicaid population.

According to a National Alliance for Mental Illness report³, over 60% of 12-17 year olds in Illinois with depression did not receive any care in the last year. The same report indicates that high school students with depression are more than two times more likely to drop out than their peers, and 7 in 10 youths in the juvenile justice system have a mental health condition.

As part of the partnership and pilot, Kooth and Aetna will make Soluna available to students in the Chicago area to expand access and provide early help. Aetna Better Health, a CVS Health business (NYSE: CVS) operates Medicaid-managed healthcare plans in 16 states.

2: <https://www.kff.org/other/state-indicator/children-0-18>

3: <https://www.nami.org/NAMI/media/NAMI-Media/StateFactSheets/IllinoisStateFactSheet.pdf>

Strategic progress Continued

Accelerated investment in US Government sales to expand into additional States.



Following our successful £10m fundraise in July 2023 — primarily to fuel Kooth's US expansion — we have accelerated investments in our US commercial and research teams to support our expansion into additional states and continue to innovate in research to demonstrate our impact. Progress includes:

- Growing our US commercial team with expertise in government relationships, sales, and clinical strategy.
- Conducting a US-wide review of all States to prioritise those that we should focus our efforts on for the coming year.
- Engaging lobbyists in high priority States to help build awareness and advocacy for Kooth, and support in the development of initiatives to fund digital mental health support.
- Investing in research studies, in collaboration with US academic institutions to further build the evidence-base for Kooth in the US market.

From progress so far, we are optimistic about the short and medium-term opportunities to expand into additional States. In addition, we are confident in our ability to execute on these opportunities and expect the capital investment to rollout Soluna to additional States to be minimal.

Strategic progress Continued

UK CYP services stable, despite short-term NHS funding pressures.



As reported in our interim results, the short-term NHS financial pressures to balance budgets represent a challenging environment.

Context

NHS England short-term financial pressures

Coming out of the pandemic, and with the added costs and challenges caused by industrial action, at the start of 2023 it was estimated that NHS England would end the year with a **budget deficit of £7 billion** for 2023/24.

In January 2023, a mandate was issued for NHS Integrated Care Systems to implement **cost efficiency savings to balance budgets**.

In March, this was followed with a mandate for ICSs to reduce their **running cost allowance (RCA) in real terms by 30%** by 2025/26. The RCA allowance covers day-to-day administrative operating expenses of running the NHS, for example, management and administrative staff.

In May, a **target of 6% efficiency savings** was issued to ICSs to address the challenges of balancing the budget deficit.

In November, guidance was issued to identify additional cost efficiency savings to cover the **estimated £1 billion cost** of industrial action.

Strategic progress Continued


UK CYP services stable, despite short-term NHS funding pressures.


These pressures have resulted in a challenging environment for both contract renewals and new business, with:


- Annual churn increased to £2.3m from £2.0m in 2022.
- Net revenue retention reduced to 98% from 107% in 2022.
- However, we saw an increase to 41% of contracts expanding (based on expanded usage and inflationary increases) upon renewal, up from 38% in 2022.


Kooth Adult pilot projects were disproportionately impacted by loss of funding, which had a negative impact on our Net Revenue Retention. In 2022 we won pilots in eight new regions. However, despite demonstrating a strong demand and uptake for services, funding pressures have resulted in seven contract losses for Kooth Adult.


Our UK priorities for 2024 remain focused on five key areas:

1.  Prioritise contract retention and renewals to continue to provide our service across the country.

2.  Deliver research studies to demonstrate the impact that Kooth has for children, adults, and alleviating pressures and reducing NHS costs.

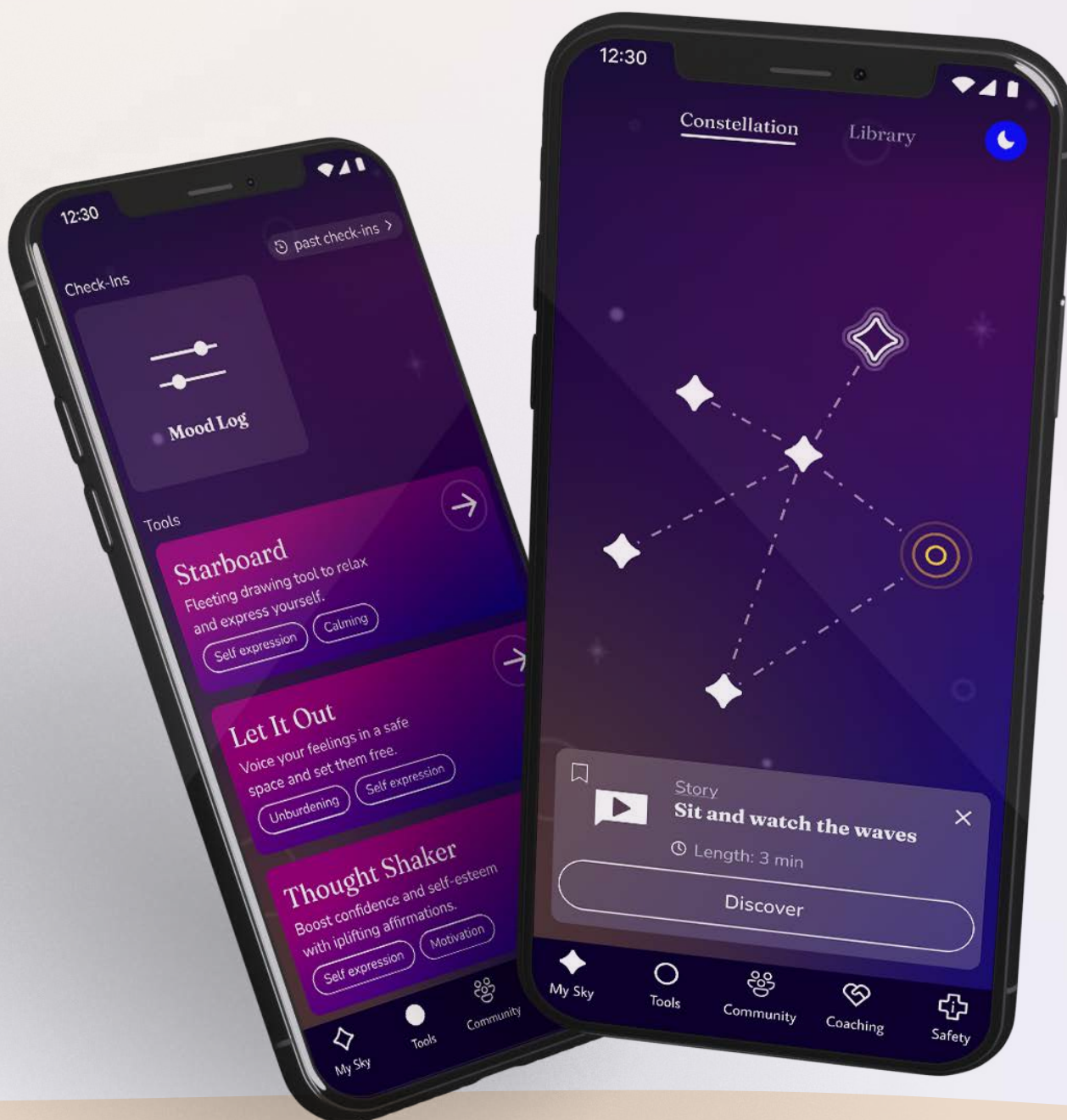
3.  Invest in policy and public affairs to champion the role that Kooth and digital mental healthcare can have in helping build a mentally healthier and more productive population.

4.  Deliver ongoing pilots of our Integrated Digital Pathway (IDP) service to help tackle waiting lists by supporting individuals awaiting treatment.

5.  Bring our Soluna platform to the UK over the next 12 months, delivering a more engaging and effective service.

Soluna: Kooth's next generation platform

Kooth provides an integrated platform for personalised mental health care.



Soluna Continued

In awarding a statewide contract, the California Department of Health Care Services (DHCS) vetted over 450 providers. Kooth's credentials for this, in addition to already meeting 70% of the State's requirements, include:

- Extensive operating experience in delivering an open, digital 'front-door' to provide effective, safe, youth behavioural healthcare, at population-scale.
- A decade of research studies and evidence to demonstrate positive outcomes.
- Proven experience in promotion and engagement to embed Kooth within communities to drive awareness and uptake.
- Expertise in service co-production with youth to ensure services are built with — not just built for — youth.

After Kooth was awarded the contract in April 2023, we embarked on an transformation project to build our platform, service and teams ahead of launching in September 2023 and more widely on 1 January 2024:

1. Building an enhanced platform (launched as Soluna), shaped by research conducted with over 200 youth to design their 'dream mental health app'. Youth co-design is a critical element to developing an app that is both welcoming, culturally relevant, engaging and clinically effective.
2. Growing our team in the US from under 30 staff, to over 200 to deliver, promote and manage the service and business.
3. Developing our promotion and engagement strategy to grow awareness of Kooth through both digital channels and via our community engagement teams which act as our 'feet on the street' to engage youth in schools, colleges, healthcare organisations and community based organisations.

This was an opportunity to take a fresh look at Kooth's technology, platform, and service, applying lessons learned from over two decades of operating experience, to build our 'next generation platform for the next generation'.

A key foundational element to this are the five principles that underpin our Soluna platform, and the research-driven Theory of Change that defines the positive impact we want to make to people's lives.



“Definitely the coaching section, the coach I got was great and it worked very well in my opinion, that’s the best part about the app because it gives it a uniqueness that most other apps don’t offer.”

Soluna user feedback —
Anon, age 23

Soluna Continued

Five principles that underpin Soluna



Early help

At the 'moment of need'
Culturally relevant, stigma free



Integration

Digital front door into
other services
'Appropriate use' of other services



Prevention

Of mental illness
Of need for acute and specialist
services



Population Health

Scaling the workforce through
task-shifting
Insights into population needs



Ethical AI

Detect risk
Improve productivity
Personalised user experience

Early help

Too often, stigma and the complexities of navigating healthcare systems mean that children and young people don't seek help until they reach crisis. To address this, we need to provide a welcoming, culturally-relevant, stigma-free space for youth to get help from the first 'moment of need' when a problem first emerges. But also, to be alongside people for life, providing them with responsive support whenever they need it.

Integration

Soluna is a digital front-door to getting support, but also a gateway into other services for youth that may have more acute or specialised needs.

In California, Kooth operates as a sub-clinical service, staffed with licensed behavioural health coaches. However, where more specialist support would be beneficial — for example support from a counsellor to provide treatment for a mental health disorder — Soluna's care navigation service will identify relevant services that are suitable based on the individual's demographics, preferences, location, and insurance eligibility. They will then hand-hold them into this service to ensure they get the support they need. This ensures that Soluna acts as a simple, single point of entry for youth, and connects them to the most appropriate support services when needed.

Prevention

Prevention is, of course, the best solution to addressing the mental health crisis. We want to prevent both the heartache and suffering of young people and their families, but also prevent and reduce the need and demand for costly, high-intensity specialist services. By doing so, we can help build a mentally healthier population, reduce the overall cost of healthcare, and create a happier, more productive society.



Soluna Continued

Population health

As a population health model, Soluna is for everyone. Developing a culturally-relevant service is a key foundation for this, as is giving people choice in support options, as there is no 'one size fits all' to better mental health.

In addition, to a population-wide service, it's important to deliver a service that can address the workforce challenges given the shortage of mental health practitioners.

We address this in two ways:

1. By innovating in therapeutic-content, community powered peer-support, and professional support, we can give people a choice of ways to get the support they need, which of course may change over time
2. Given the 'work to be done' by our practitioners in the Soluna platform, we can expand the mental health workforce by applying the principles of task-shifting. This enables us to hire, train, and audit professionals from adjacent professions (such as teachers and social workers) to provide emotional support to young people, enabling licensed counsellors to provide support for those with a higher level of need. As every practitioner is trained, supervised, and audited frequently, we can ensure a high quality service at scale through this proven model.

"In the constellation section, the videos really resonated with my battles with stress and the ways I would cope with stress and anxiety."

Soluna user feedback —
Anon, age 15

Ethical AI

While technologies such as Generative AI have generated a huge amount of excitement about the 'art of the possible', as a healthcare service, we must move with extreme caution by applying an ethical-first approach to using AI within Soluna. Unethical AI can be dangerous and discriminatory.

One of the first questions we are often asked in 1:1 chat sessions is "are you a real person?". Therapy is a deeply humanistic interaction, where compassion and empathy are key.

By following the Alan Turing Institute's framework for responsible innovation, our focus is to use AI to support:

Risk detection: Risk detection: For example, using AI to analyse journal entries in real-time to identify risks or safeguarding concerns. If a journal entry indicates an individual may self-harm, for example, our practitioner team will reach out to them through the app.

Practitioner productivity: AI can augment the efforts of our practitioners, helping them to be more productive. For example, applying AI to assist in the moderation of user-generated content means that we can reduce the burden of moderation for content that is clearly acceptable, enabling them to focus their efforts elsewhere.

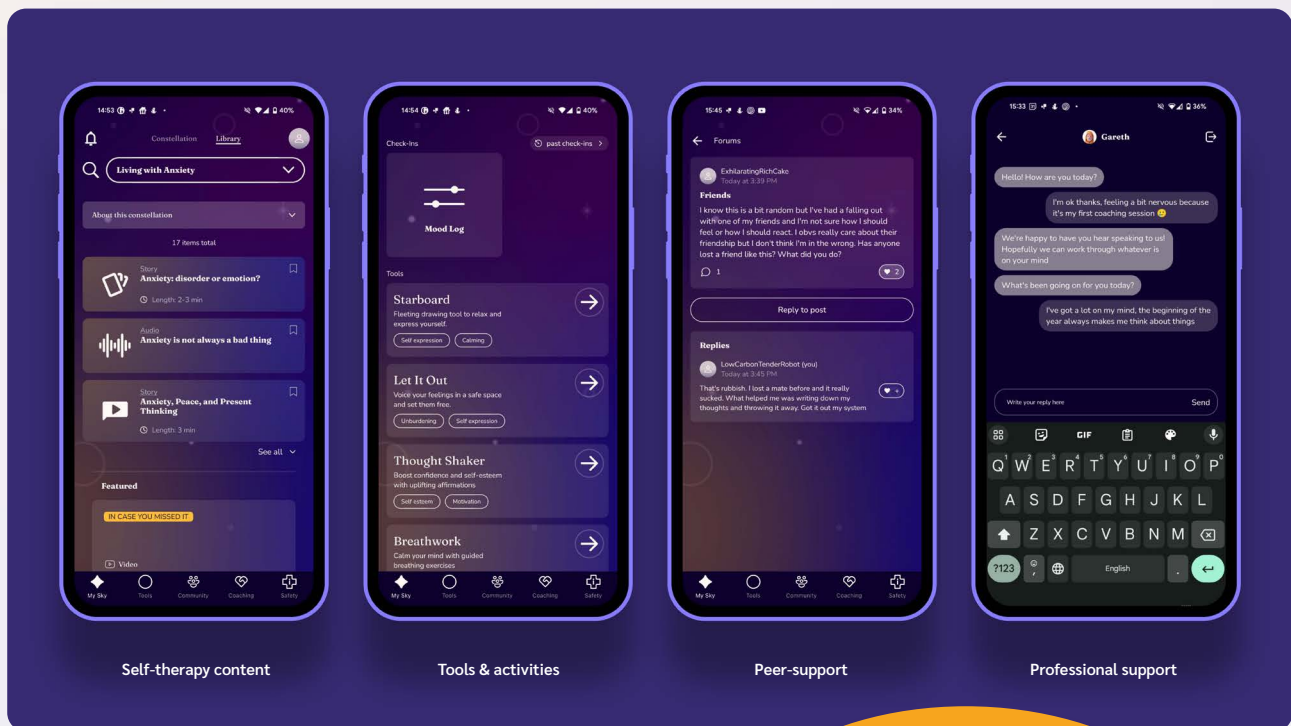
User experience and personalisation: AI can assist in improving the user experience, giving users a highly personalised experience that, over time, becomes uniquely theirs.



Soluna Continued

Theory of Change model: building psychological flexibility to help support good mental health for life.

Soluna's Theory of Change model is a psychologically-informed, and research-driven foundation for guiding our product and users to good mental health for life.



“The community!! It’s so hard to find a safe and anonymous place to feel connected to others.”

Soluna user feedback —
Anon, age 22



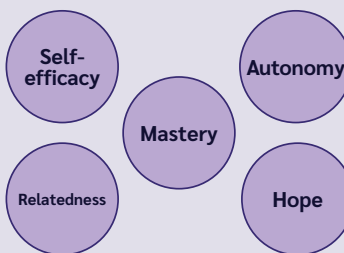
Soluna: Theory of Change model Continued

Our mission is to provide a wellbeing app for young people, shaped by young people, to help them build skills to navigate life's challenges.

All in one place, Soluna offers

- Engaging tools, activities, and content that speak to diverse experiences
- A safe and supportive peer community
- Personalized 1-to-1 coaching
- Guidance to national and local resources and services

Young people will gain knowledge and skills including



Fueled by purpose, young people take meaningful action and make decisions according to their values and goals

Here, **self-determination** is born



We will then see young people develop psychological flexibility as they learn to



This has a positive ripple effect on their future

We will see young people who:

- respond to situations with a mindful approach
- develop meaningful relationships with others
- enhance their wellbeing by coping effectively with life's challenges
- lead purposeful and fulfilling lives



Achieving all of this, for every person, will fulfill our vision that Soluna cultivates strong, vibrant, and productive communities.



Soluna: Theory of Change model Continued

We recognise that change is a complex, interconnected process, and that young people require support that aligns with their values and aspirations as they grow and evolve.

Drawing from positive psychology, our Theory of Change promotes a wellness-oriented approach, encouraging young individuals to embrace their strengths, values, and aspirations. By emphasising positivity, personal growth, autonomy, and optimal functioning, Soluna empowers young people to proactively enhance their mental wellbeing through their own unique journeys.

Our Theory of Change model creates a structured framework, ensuring that each Soluna feature is directly linked to the positive outcomes we aim to achieve. This fosters a learning-oriented environment for users and instils accountability within our product, and in our clinical and service delivery teams. It serves as a guiding light in our mission to provide youth with the tools and resources they need to navigate life's challenges in a way that resonates with their values and aspirations.

“I really enjoyed the purple/starry aesthetic of it all. I like that it emphasizes calmness more than happiness, it's hard to be happy in many situations but it's doable to be calm.”

Soluna user feedback —
Anon, age 18

Psychological flexibility

Engaging with Soluna yields a long-term outcome: the cultivation of psychological flexibility. This is the superpower of adapting to life's challenges while staying true to personal values and goals. In non-clinical terms, Soluna helps young people build resilience.

Psychological flexibility is a learnable skill, and Soluna serves as the ultimate guide by offering:

- One-to-one support.
- Creative features and content.
- A supportive peer community.

These elements help young people understand how to observe thoughts and feelings without judgement, embrace themselves fully, tackle stress head-on, and savour the present moment. Armed with psychological flexibility, users are empowered to craft meaningful goals, build rewarding connections, and pursue satisfying lives aligned with their personal values.

The three core areas of psychological flexibility that Soluna fosters are:

Open up: Ability to recognise and accept unpleasant thoughts and feelings as they come up

Be present: Stay calm, engaged and aware in the moment

Do what matters: Choose steps that lead towards personal goals based on one's own values



Soluna Continued

Roadmap: Bring Soluna innovations to additional US States and the UK

Soluna represents a step-change in both providing early help, and supporting children and young people to develop life-skills to navigate life's challenges.

Our roadmap for 2024 is to continue to invest in Soluna to ensure success in California, use Soluna as our platform to expand into additional US States, and embark on a project to upgrade our UK service for children and young people with Soluna's innovations.

As part of our UK project, our team will engage and conduct research with NHS commissioners, children, and young people to ensure that we are delivering a service that supports the evolving needs of the NHS, and delivers a culturally relevant, engaging service for today's youth.

It is worth noting that California's investment in youth behavioural health represents the world's most comprehensive and progressive investment globally. We believe this can act as a blueprint for other States and nations to help them rapidly improve the support available for the next generation, and build mentally healthier populations.



Case study

Universal support from ages 10 and up in Greater Manchester



“To enable a consistent, full, all-age digital clinical support offer across Greater Manchester, in recognition of the ongoing post-pandemic support mental health and emotional wellbeing needs of our local populations”

Sandy Bering

Strategic Lead Clinical Commissioner

— Mental Health & Disabilities

Greater Manchester Health & Care Commissioning

In the post-pandemic health and social care landscape, commissioners on the Integrated Care Board in Greater Manchester had a vision for a consistent, all-age digital clinical support offer across the region. Kooth was seen as a key part of this vision, due in part to our clinical efficacy and therapeutic approach, which lined up with the contracting authority’s strategy. With our children and young people support offer already commissioned across the 10 regional clinical commissioning groups in the Integrated Care System footprint, and our adult service ready to mobilise rapidly, we were well positioned to scale in the region to provide whole population support from 10 years of age upwards. We worked closely with the commissioners to unify the currently commissioned services and launch the new adult service.

Scale and scalability

Kooth’s combined offer is available to a total eligible population of 1.9 million people aged 10 and above in Greater Manchester. We were initially commissioned across the 10 Clinical Commissioning Group (CCG) areas in the region but the new Integrated Care System structure coalesced these contracts to create a vertically integrated offer that provides seamless support across the region.

Engagement strategy

Using a combined top down and bottom up approach to engaging local stakeholders, influencers, healthcare bodies and potential service users, Kooth and Kooth Adult (Qwell) have become deeply embedded in the local system and clinical pathways. Combining a strategic level approach from our customer success team and account managers with on-the-ground delivery by our Kooth Engagement Leads enabled us to streamline our engagement and marketing approach and scale registrations quickly.



Case study Continued

Universal support from ages 10 and up in Greater Manchester

An initial combined communications approach with NHS and ICS stakeholders was used to then cascade awareness, deliver promotional materials, and build stakeholder support throughout the healthcare system in Greater Manchester to all NHS providers, private and public, as well as local community providers and voluntary and community sector organisations. A simultaneous social media launch was also implemented to engage service users throughout the mobilisation period, scaling the service quickly. Seminars for the public and for NHS teams, tailored to the required audience, were promoted and delivered across the region to maximise awareness. Promotional materials were designed and localised to maximise reach and engagement, and then disseminated through the online Kooth Promotional Hub where local stakeholders and service providers can download digital Kooth content or order physical collateral.

Our service user marketing strategy also included a significant element of social media promotion. Internally, a communications planning matrix was built to track, manage and implement this engagement plan, which in turn was disseminated to local stakeholders and the commissioning authority.

Impact

The execution of our engagement plan in the region has seen a significant uptake across all 10 areas. Qwell, for example, saw 4,600 new registrations between October and December 2023, with 12,000 logins and over 1,000 chat/counselling sessions in the same period. 94% of users stated they would recommend Qwell to a friend.

In addition, the granularity and depth of reporting allows stakeholders to understand the mental health of their constituent populations, comparing regional trends, understanding the difference between rural and urban presenting issues, viewing year on year comparisons, and breaking down data by age, ethnicity, and gender.



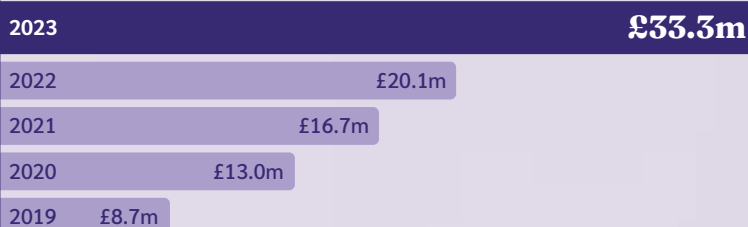
Key performance indicators

We use our key performance indicators (KPIs) to measure our business. These indicators provide us with the visibility of both our strategic and financial performance, which is set by the Board; non-financial KPIs provide us with a measure of how successful we are in supporting our customers.

Total revenue

Revenue is a KPI that reflects the work we are doing and the fees received over a period of time for that work. It has been driven by US expansion, fee uplifts from existing clients and new business in 'Adult' and 'Children and Young People'.

£m



Annual Recurring Revenue

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. Our 2023 growth is predominantly driven by US expansion in California.

£m



Gross margin

Gross Profit as a percentage of revenue. Direct costs are the costs of our practitioners directly involved in the delivery of our services. We have seen an increase in 2023 as certain US revenues include platform development revenue, the cost of which is predominantly capitalised.

%



Key performance indicators Continued

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation in the financial year, adjusted for share based payments and exceptional costs. 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.

£m

2023	£2.3m
2022	£1.6m
2021	£2.1m
2020	£0.9m
2019	£0.1m

Cash

Cash is a key metric as it provides assurance on our ability to invest to grow the business, as well as provide comfort to customers from a vendor risk perspective. The increase in 2023 followed a successful fundraise (gross £10m) in July, as well as cash generated from operations offset by investment in our platforms.

£m

2023	£11.0m
2022	£8.5m
2021	£7.1m
2020	£7.8m
2019	£0.2m

Population coverage

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

Millions

2023	17.3m
2022	16.7m
2021	10.9m
2020	7.8m
2019	5.9m

Service user logins

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

Millions

2023	1.5m
2022	1.5m
2021	1.3m
2020	1.1m
2019	0.7m



Chief Financial Officer's review



Sanjay Jawa

Chief Financial Officer

“A record year for growth.”

Significant growth

The results reflect a transformational year for the business as we executed on our strategic plans, delivering significant growth in the US, and built solid foundations to support future growth in the UK and internationally.

Revenue

I am pleased to report Group revenue grew strongly during the year by a record 66% (2022: 21%) to £33.3 million (2022: £20.1 million). As previously reported, this has been driven primarily by our US growth, predominantly our contracts during the year in California and Pennsylvania, which delivered £14.2 million (2022: £1.5 million) with UK revenue up 3% despite headwinds (2022: 12%)

Recurring revenue comprises income invoiced for services that are repeatable, consumed and delivered on a monthly basis over the term of a customer contract. Annual Recurring Revenue (ARR) of £64.6 million is the annualised revenue of customers engaged or closed at that date (31 December) and is an indication of the upcoming annual value of the recurring revenue. This is used by management to monitor the long term revenue growth of the business and has increased to 98% of total revenues (2022: 95%).

While we have seen an increase in contracts that expand upon renewal to 41% (2022: 38%), gains were offset by £2.3 million of churn, a combination of funding unavailable to continue pilot contracts, reductions as contracts consolidated and a small number of competitive losses. In addition we have excluded £2.6 million from ARR as we continue to negotiate an extension to our contract in Pennsylvania.

Chief Financial Officer's review Continued

Net revenue retention, which is a measure of the depth and longevity of our client relationships, although still strong, fell to 98% in the UK (2022: 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 86.6% to £25.9 million (2022: £13.9 million) with gross margin up to 77.6% (2022: 68.9%). Direct costs are the costs of the practitioners directly involved in the delivery of our services, a total of 304 at the year-end (2022: 267 heads). Gross margin benefitted from the contribution within US revenues to product development where costs are either capitalised or included in overheads. This was offset by a small fall in UK gross margin as direct costs continued to see the impact of salary and cost inflation.

Foreign currency impact

Whilst foreign currency markets were not as volatile as the previous year our increasing presence in the US impacted the Group which had around 43% of revenues in US Dollars, and 26% of Group expenses. The Group's focus on management of foreign currency risk resulted in a small foreign currency loss of £0.2 million (2022: loss £0.1 million).

Operating loss

The Group's operating loss for the year was £2.3 million (2022: loss of £0.9 million). This was driven by the scaling up of activities in the US as mentioned in the section below.

Administrative expenses

Excluding depreciation, amortisation, share based payments and exceptional costs, administrative expenses grew by £11.4 million in the year, an 92.8% increase year on year, which whilst well ahead of revenue growth, remains in line with our strategic investment plans. The real (i.e. non inflationary) increase in costs was almost entirely focused on the US where, in addition to increased commissions and bonuses, we strengthened the business development, clinical and customer engagement teams as well as seeing increases in non-staff costs, including legal and consulting expenses.

Adjusted EBITDA

Adjusted EBITDA grew by 40% to £2.3 million (2022: £1.6 million) in the year, with increases in revenue and gross profit offset by our investment in the US and 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, 3, 4, 5, 6, 11, 12 & 13 to the financial statements. In addition, the Group also measures and presents performance in relation to various other non GAAP measures, such as annual recurring revenue and revenue growth.



Chief Financial Officer's review Continued

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.

£'m	2023	2022
Operating Loss	(2.3)	(0.9)
Add Back:		
Depreciation and Amortisation	3.8	2.2
Share based payment expense	0.7	0.3
Adjusted EBITDA	2.3	1.6

Share-based payments are adjusted to reflect the underlying performance of the group as the fair value is impacted by market volatility that does not correlate directly to trading performance. The total charge for share based payments in the year was £0.7 million (2022: £0.3 million). The increase reflects the annual issue of three year grants to staff and a credit in 2022 following a reassessment of those grants subject to performance criteria.

Taxation

There has been a corporation tax charge of £0.3 million (2022: £nil) recognised in the year due to taxable profits accumulated in the US. There continues to be no corporation tax charge in the UK due to accumulated losses combined with the overall current year position (2022: £nil).

The tax credit for the year ended 31 December 2023 and 2022 relates to Research and Development expenditure credits. This has been enhanced in 2023 as the Research and Development claim for 2022 was subsequently carried forward at a higher effective tax rate rather than taking this as a cash credit resulting in a prior year adjustment.

Cash

The Group has had good cash management in the year with net cash generated from operating activities of £1.9 million (2022: £4.4 million). Free cash flow, after taking account of capital expenditure was a net outflow of £6.8 million in 2023 compared to an inflow of £1.3 million in 2022 as we invested significantly in the Soluna platform.

Overall the Group has net cash inflow due to the net proceeds from financing activities following a successful placing, which resulted in the raise of a net £9.4m. The net cash at year end was £11.0 million (2022: £8.5 million). In addition we recently entered into a working capital credit facility with Citibank of \$9.5 million that remains undrawn at this time. The Group continues to be debt free.



Chief Financial Officer's review Continued

Capitalised development costs

The Group significantly increased investment in product and platform development in 2023 to support the launch of our service in California and this is expected to be ongoing in 2024. 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 £8.7 million in respect of software development (2022: £3.0 million) with an amortisation charge of £3.6 million (2022: £2.1 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 year as we continue to invest in the Soluna platform.

Capital expenditure

Software and product development costs aside, the Group's ongoing capital expenditure requirements remain modest at £0.3 million (2022: £0.1 million).

Capital and reserves

The strength of the Group's balance sheet with net assets of £20.8 million (2022: £10.5 million), high levels of recurring revenue and strong cash generation from operating activities provide the Group with financial strength with which to execute on its investment strategy which continues to focus on US expansion and platform investment.

Dividend policy

As outlined at the time of the IPO and previous reports, 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 2023 (2022: Nil) but may do so in future years..



Sanjay Jawa

Chief Financial Officer
25 March 2024

Environmental, Social and Governance (‘ESG’) report

About this report

Our 2023 Environment, Social and Governance (ESG) report is our third annual report, reflecting our ESG performance and steps we have taken towards becoming a more sustainable business. 2023 was a material year for Kooth, with the baseline calculation of our Greenhouse Gas (GHG) emissions providing insight into our measured impact on the environment. We are committed to embedding ESG practices and policies into all aspects of our Company and strive to continue learning and implementing new strategies.

Frameworks, guidelines and standards

The information contained in this year’s ESG Report has been structured around three main frameworks and guidelines: the UN Global Compact, the Sustainable Development Goals and the Task Force on Climate-Related Financial Disclosures (TCFD). We remain a participant of the UN Global Compact, committing ourselves to aligning our strategies and operations with the Ten Principles on human rights, labour, environment and anti-corruption.

Our participation in the UN Global Compact has given Kooth the tools and knowledge to further support the Sustainable Development Goals. The UN Sustainable Development Goals aim to build a more sustainable future for people and the planet by 2030.



ESG report: Continued

Below are the specific goals that are reflected in our work throughout this Report:

Goal 3



Ensure healthy lives and promote wellbeing for all at all ages

It is only in the last decade that mental health was added to the agenda, when the impact of mental illness on healthcare systems was identified. This gap in healthcare is where Kooth has its greatest impact.

Goal 5



Achieve gender equality and empower all women and girls

We are committed to our workforce diversity by building a culture that is inclusive and empowers our employees. We aim to increase female representation across all levels throughout the business. As a result, 76% of staff at Kooth are female and 33% of the board is female.

Goal 8



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

As an employer of over 500 individuals worldwide, we support our staff by ensuring an excellent working environment and comprehensive benefits. We provide in-depth training to our people, as well as partner with universities to provide placement opportunities for students.

Goal 9



Build resilient infrastructure, promote inclusion and sustainable industrialization and foster innovation

Kooth's proprietary technology platform underpins everything we do. Our strategy is focused on three key areas:

1. Delivering a welcoming and engaging space.
2. Delivering clinically and cost effective access to mental health support.
3. Applying artificial intelligence to improve the efficiency and effectiveness of our service.

Goal 10



Reduce inequality within and between countries

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

Goal 13



Take urgent action to combat climate change and its impacts

In the last year, we have taken large strides towards understanding our impact on the environment by calculating our Scope 1, 2 and 3 emissions for the first time. Moving forward, this data will inform our strategies and policies to reduce our impact on the environment.

ESG report: Continued

A year in review



Environmental Pillar



Calculated our Baseline GHG Emissions.



Data Storage and Processors: Cloudflare (100% renewable).



Data Storage and Processors: Google Cloud (net zero).



Social Pillar



Published our first US Evidence Report.



Grew our global workforce by 27% (460 to 585).



73% of management is female.



Governance Pillar



33% of our board is female.



Awarded the ISO 27001:2022 certification.



Achieved SOC 2 Type II compliance post year end.



ESG: Environment

At Kooth, we are aware that a healthy planet is pivotal to both human health and business sustainability. In 2023 we made significant progress in understanding our role in climate change and our impact on the environment. In order to understand this and make positive changes, we calculated our baseline greenhouse gas emissions utilising FY 2022 as our baseline year.

Reporting boundary

An operational control approach has been selected for Kooth's carbon footprint assessment. This approach determines the Scope 1, 2 and 3 emissions for which Kooth is responsible. The emissions are as follows:

- Scope 1: Direct
- Scope 2: Indirect
- Scope 3: Indirect, Upstream and Downstream

Methodology

To calculate our emissions, Kooth employed the services of a consultancy specialising in the quantification of environmental performance and sustainability advisory services. The following methodology was applied in the preparation of this data:

- Where available, Kooth provided datasets from direct sources for Eightversa to utilise. These consisted of consumption data, primary activity data and spend-based data.
- Emissions factors for the dedicated reporting year have been applied to direct activity data to quantify total emissions from individual sources.
- Where consumption and primary activity data was not provided by us, EightVersa utilised robust assumptions to quantify total emissions.
- Emissions have been categorised according to Scope 1, 2 and 3 emissions following best practice guidance provided by the GHG Protocol.
- A quantification model was developed to quantify the GHG emissions. Credible quantification tools provided by the GHG Protocol have been used where applicable.

Results

	2023		2022	
	Tonnes CO ₂ e	tCO ₂ e/FTE employee	Tonnes CO ₂ e	tCO ₂ e/FTE employee
Total UK Energy Consumption ^(kWh)	36,475	–	26,220	–
Scope 1	1.48	0.003	0.00	0.00
Scope 2	6.2	0.01	5.07	0.01
Scope 3	2,187.4	3.74	624.16	1.35
Total emissions	2,195.1	3.75	629.2	1.36

ESG: Environment Continued

Benchmarking data⁴

Organisation	2023 Emissions Intensity (tCO ₂ e/FTE)
Kooth	3.75
Company A: Healthcare Software Provider	7.12
Company B: Tech Platform Provider	23.66

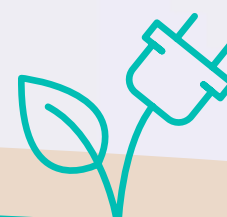
Kooth's absolute emissions have seen an overall increase due to the rapid expansion of our services in the US and using location-based calculation methods. The focus of the increase was on Scope 3 emission, in particular purchased goods and services and employee homeworking. The increase in these two categories reflects the expansion of our US workforce who are primarily remote and costs incurred on set up of the US business. The increase in Scope 1 and Scope 2 data is nominal, reflecting Kooth's minimal direct emissions.

Reducing our impact

Kooth is dedicated to understanding and reducing our impact on the environment. Having calculated our 2022 baseline and 2023 comparative carbon emissions, Kooth plans to outline a carbon reduction strategy. To date, we are committed to reducing our impact on the environment in the following ways:

- One of the largest sources of carbon emissions and energy usage from the digital healthcare industry is the collection and storage of data. Kooth uses two cloud providers to store and process our data: Google Cloud and Cloudflare. Google Cloud has been carbon neutral since 2007 and aims to run on carbon-free energy by 2030. Kooth has chosen two of Google Cloud's 'Low CO₂' host regions, including our US region operating on 97% carbon free energy consumption. Our other data processor, Cloudflare, powers its network with 100% renewable energy.
- Given that the majority of our workforce works from home, all employees have a company laptop. Kooth reduces the waste created by laptops by collecting, wiping and reusing old laptops for new starters. Kooth recycled 103 laptops in 2023.

⁴ Provided by EightVera, our third-party environmental consultants



Social

As a provider

Today, 1-in-4 British adults⁵ are living with a mental health condition and 1-in-5 Americans⁶ are diagnosed with a mental health condition. Reducing wait times for treatment is therefore crucial to population health management. This year Kooth was accessible to 17 million people and had 1.5 million user logins across our platforms.

In the UK, the volume of people accessing our platform reduced pressure on the NHS, in particular on children and adolescent mental health services (CAMHS), which are seeing wait times of up to 13 weeks for treatment.

Expanding in the US addresses the shortage of mental health practitioners, where as many as 1-in-3 people live in federally designated practitioner shortage areas.

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

- **Confidentiality** is at the heart of design. Allowing users to access help while choosing their level of disclosure.
- **At no cost to the user:** healthcare can be expensive or stressful to deal with, this takes away those barriers.

Diversity and inclusion

Kooth aims to remove barriers and ensure all individuals — regardless of race, age, gender, disability, sexuality or socio-economic background — have access to effective mental health services. We are aware that mental health affects different communities in different ways, as well as acknowledging health inequalities between communities.

In 2023, our marketing, engagement and content teams focused on strengthening relationships with certain ethnic minority communities. These partnerships enable us to create content with specific audiences, ensuring Kooth is a space where everyone is seen, heard and represented.

5. <https://www.england.nhs.uk/mental-health/>

6. <https://www.nimh.nih.gov/health/statistics/mental-illness>

ESG: Social Continued

Two of our 2023 UK partnership highlights include:

The Muslim Community

We collaborated with Muslim teachers, mental health practitioners, young Muslims born in the UK or who had moved to the UK from other countries.

The clinical content team helped to produce multiple articles and personal stories covering topics such as

- ‘Stigma and mental health and its effects in the Muslim community’.
- ‘Why wearing a hijab is important to me’.
- ‘Managing mental health through self-love and faith: a Muslim woman’s perspective’.

A podcast called ‘Role models and representation in the Muslim community’, reflects the views of a Muslim teacher on how faith and culture can impact mental health.

Mothers

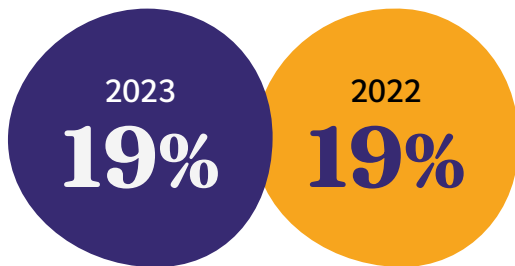
The team worked with teen and young mums, mothers who have experienced mental health difficulties during and after pregnancy and Black mothers (with a focus on Black maternal health).

The clinical content team collaborated with mothers to develop articles, podcasts and videos which acknowledge and address the experiences of new mums, giving both personal and clinical perspectives.

In Q4 of 2023, Kooth beta launched ‘Soluna’ in California — an app for youth, designed by youth. Before development, we recruited a panel of 13-25 year olds from intentionally diverse, intersectional and BIPOC communities. This panel of youth has helped to design elements of the app including the brand name, imaging, demographic categories and the sign up flow. The intention from the beginning was to build an app to be representative of those who will utilise it.

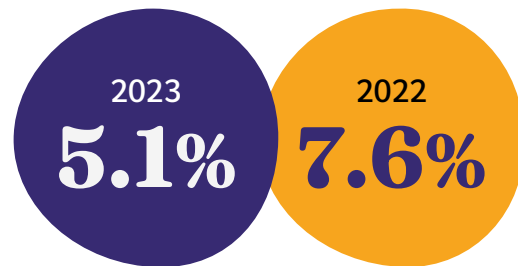
Ethnicity

Users from ethnic minorities



Gender

Users identifying as non-binary or gender fluid



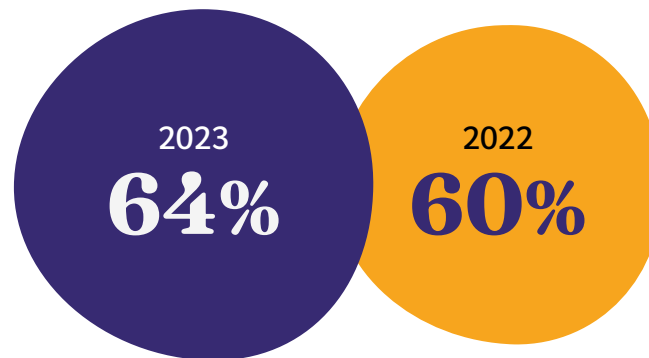
ESG: Social Continued

Personalised service

Providing a personalised experience is one of Kooth's biggest aims through person-centred care. This approach enables users to be the decision-makers in their Kooth journey. Giving users options allows them to be in control of their needs. 64% of our users in 2023 used 'self-directed therapy' indicating they chose to find their own blend of mental health support through our forums, articles and mini activities on the platform.

Comparatives

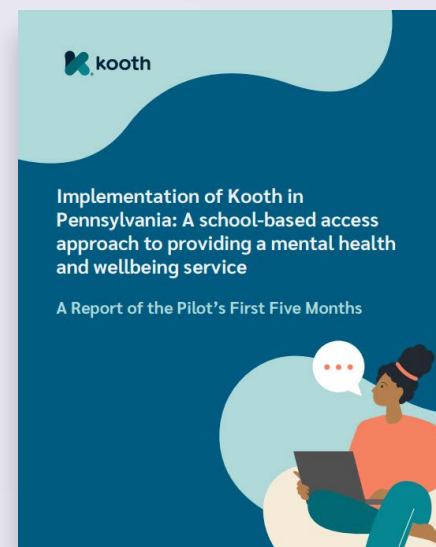
Self-directed therapy



Building an evidence base

Kooth is committed to developing the evidence base for mental health research. We continue to be skilled in developing strong relationships between academia, industry, policy and commissioners, and in aligning user needs and wants with an evidence base to ensure we are providing the best service possible.

In 2023, we published our first US Evidence Report of our service in Pennsylvania. This report provides an overview of the services we provide, with trends noted by users, highlighting the value of a whole-school approach to mental health.

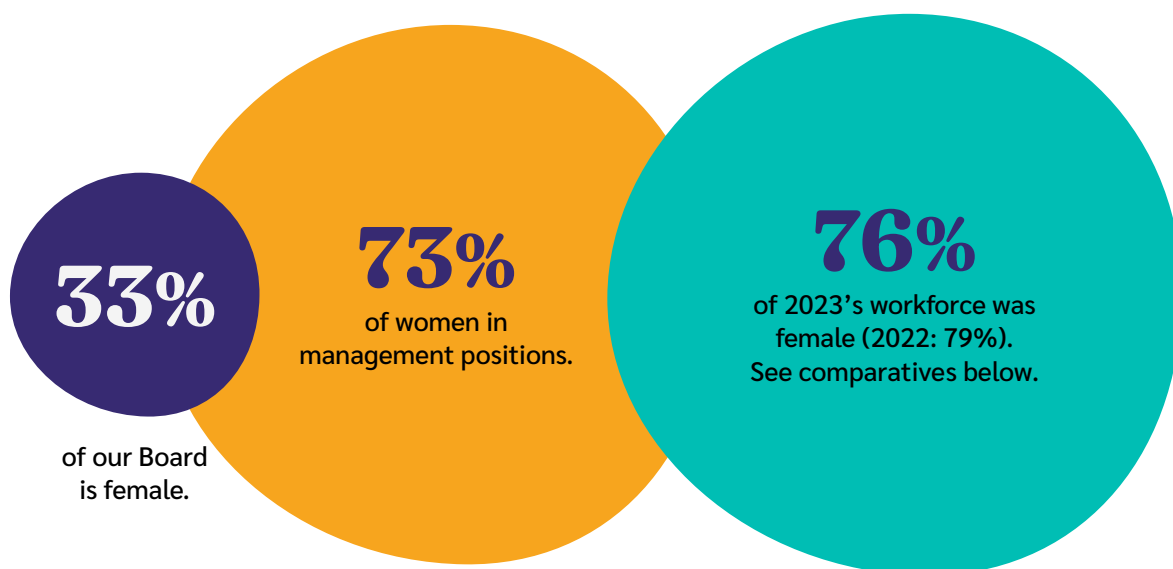


ESG: Social Continued

As a Employer

Diversity and inclusion

- **Diversity Working Groups** were set up for Menopause, LGBTQIA+, Neurodiversity and Race. Employees across the UK and US are invited to join and discuss these topics.
- At Kooth, we are proud of the female representation throughout our business:
 - Board Level: 33% of our Board is female.
 - Management Level: 73% of women in management positions.
 - Workforce Level: 76% of 2023’s workforce was female (2022: 79%).



	2023	2022
Male	24%	21%
Female	76%	79%



ESG: Social Continued

Company culture

- UK and US **Koolaboration Groups** are in place to provide feedback and employee representation on company projects and increase communication around all areas of the business. These meetings are held monthly and minutes are shared more widely.
- **Company All Hands:** Company wide meetings are held on average twice a month to foster transparency and engagement across the business.
- **Department Town Halls** are held to understand the departments and how they function collectively.
- **Regular department bulletins** are sent to ensure ongoing communication around achievements and celebrations.

Recognition and feedback

- **Appraisals:** We conduct mid-year and annual appraisals allowing us to focus on career development and training on a greater holistic level. It enables us to share feedback, offer a clear career pathway, discuss training and development objectives and ensure everyone is aware of how their goals fit with the broader aims of the business.
- **Officevibe:** We utilise an online tool to capture anonymous feedback from our people across the business, on a regular basis.
 - 97% say the work they do is impactful on Kooth’s mission (2022 was 96%)
 - Score of 8.5/10 for relationship with manager (8.2 in 2022)
- **KooMA (Kooth management):** Training was launched to support and empower our managers. This streamlined training gives clarity on roles and expectations of a manager and clearer processes to help guide employees.
- **Long Term Incentive Plan:** All employees are annually awarded nominal cost share options. These options can be exercised after three years of service.



ESG: Social Continued

Physical and mental health

- **Wellbeing Champions:** This initiative, started in 2023, is run by employees who have received mental health training. These volunteers are there to lend an ear and support to any other employees who are going through a rough time or simply want to chat.
- **Healthcare schemes:**
 - Kooth is committed to supporting our people with their physical and mental health. We subsidise membership for all employees to a healthcare scheme once they successfully pass their probation period.
 - Our healthcare schemes help with budgeting for everyday health needs, give people access to a range of treatment and provide cover for the unexpected. Eligible employees can use the scheme to access healthcare services, such as osteopathy, chiropody and counselling, as well other specialist consultations. Employees can also extend cover to additional family members. There are no referrals needed to receive treatment and pre-existing conditions are covered, which gives staff peace of mind.
 - Staff benefit from free access to virtual GP services through Doctor@Hand, an online, private GP that people can access at their convenience and outside of usual working hours.
 - All staff also have access to an Employee Assistance Programme (EAP). 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 EAP also provides mental health support, offering up to eight counselling sessions for employees who require it.
- **Wellness days:** Kooth recognises that providing support for wellness is a key part of caring for our people. For every year of service, our front-line staff gain one wellness day (up to a maximum of five) annually for use when they please. These days are designed to be flexible and support employees in managing their own wellbeing, energy levels and work-life balance.



ESG: Social Continued

Gender pay gap

Our 2023 gender pay gap (GPG) analysis shows our statutory gender pay gap in comparison to our 2022 GPG. It also provides insight into how we are addressing our gender balance. Please refer to the definitions below when reading about our pay gap metrics:

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

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

	Mean	Median
2021	32.8%	11.6%
2022	34.8%	15.4%
2023	31.8%	30.5%

This year our female workforce, as a proportion of total employees, decreased 3.5% to 75.7%. Kooth employs more women than men, which reflects the gender imbalance in the healthcare sector. We are aligned with the high percentage of female employees in the NHS (69% as of 2022⁷) and in the US healthcare sector (76%).

In 2023, our mean gender pay gap decreased 3% to 31.8% and our median pay gap widened to 35%. The decrease in mean indicates that the average pay of men and women has become more aligned, reflecting the increased female pay across the business.

As expected, the median pay gap widened as a result of a large increase in practitioner hiring due to our US expansion, with the largest proportion being female, reflecting the industry in both the UK and the US.

⁷: <https://www.england.nhs.uk/long-read/gender-pay-gap-report-2022/#:~:text=As%20of%2031%20March%202022%2C%20NHS%20England%20and%20NHS%20Improvement's,compared%20to%20the%20previous%20year.>



ESG: Social Continued

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

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

- Offering flexible working policies.
- Company-wide campaigns to ensure employees feel informed and connected.
- Our counsellors are paid the same regardless of gender within the industry; this is also true of our management team.
- We make an effort to understand our gender gap to analyse and assess where more focus is required.
- We partake in blind recruitment of our practitioners and our recruitment process includes panel interviews to ensure a more inclusive approach to hiring.
- Our Diversity and Inclusion Council and Kooth Employee Voice Group ensure employees have an outlet to raise concerns and give feedback.



ESG: Social Continued

Ethnicity pay gap

Of our 423 employees who have disclosed their ethnicity, 64.5% were white and 35.5% were from ethnic minorities. Our employees from ethnic minorities increased 20% throughout 2024, reflecting the strong efforts to recruit a diverse workforce at Kooth.

In 2023, our mean ethnicity pay gap widened to 3.1% and our median ethnicity pay gap shrank to -12.5%. Fluctuations like these are not unexpected, particularly in a rapidly growing company like Kooth.

	Mean	Median
2022	-9.2%	5.8%
2023	3.1%	-12.5%

We are committed to understanding and addressing our ethnicity pay gap by increasing focus on diversity and inclusion efforts across the business. We do this in the following ways:

- A specific diversity working group on race, supporting employees to meet on a regular basis to discuss ideas for projects and initiatives and to build on policies and guidelines for the whole company.
- Our Diversity Council has representatives from all departments to ensure policies and initiatives are embedded across the company.
- The Kooth Employee Voice Group ensures employees have an outlet to raise concerns and give feedback.
- Within hiring, we have launched an Equality, Diversity and Inclusion monitoring form through our Applicant Tracking System so we can make sure we are visible to minority groups.



ESG: Governance

The Board provides oversight while ensuring decisions are made to promote Kooth's success for the long term benefit of its shareholders. It does this while preserving the interests of its other key stakeholders — our service users, customers, colleagues and the communities in which we operate. Effective governance facilitates the delivery of Kooth's mission and strategy.

Kooth seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner. These values underpin our business model and strategy. We are committed to acting professionally, fairly and with integrity in all of our business dealings and relationships, with consideration for the needs of all of our stakeholders, including service users, investors, suppliers 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 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 at 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 Susan 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 Susan Bailey and is chaired by Simon Philips.



ESG: Governance Continued

Our business ethics

In 2023, Kooth remained a UN Global Compact Signatory, ensuring that our business ethics align to the Ten Principles of the United Nations Global Compact (UNGC) in the following areas: human rights, labour, environment and anti-corruption. This commitment involves an independent Commitment of Progress to the UNGC annually.

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

We have specific staff policies in the following areas: Health & Safety, Information Security, 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.

Non-Financial and Sustainability Report (TCFD aligned) acknowledgement

The TCFD was established in 2015 and is based on a set of 11 recommendations from the UK Financial Stability Board (FSB) detailing how organisations should disclose their climate-related financial risks and opportunities in a clear and consistent way.

During 2023, Kooth did not meet the threshold required to make Non-Financial and Sustainability reporting disclosures. We do believe we will meet the disclosure requirements during 2024 and we will fully report against these in our 2024 Annual Report at the group level. While our impact on the environment is minimal due to the size, scale and nature of our operations (see "Environment"), we are committed to mitigating any long-term climate-related risks in line with emerging climate science as our business continues to expand.

Modern slavery

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



ESG: Governance Continued

Bribery and corruption

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

Accreditations

Kooth's CYP platform has recently become DTAC (Digital Technology Assessment Criteria) Compliant. The DTAC is a framework for assessing digital health tools built by NHS England and conducted for Kooth by ORCHA. The DTAC consists of five components: Clinical Safety, Data Protection, Technical Security, Interoperability and Usability and Accessibility. Additionally, Kooth is the longest standing digital mental health provider to hold a UK-wide accreditation from the British Association of Counselling and Psychotherapy (BACP). This demonstrates that we offer an accountable, ethical, professional and responsive service to all of our stakeholders as assessed by the BACP through the submission of evidence via annual review. Specifically, there are a number of benefits to this accreditation. For example, in the face of a growing number of new digital service providers, our accredited status with the UK's leading governing body provides reassurance for new and existing users of Kooth that we are safe. It also enhances recognition and credibility with employers and funding bodies as well as helping with the acquisition of new contracts and supporting our recruitment and retention programmes.

Information security

We have a Data Protection Office, headed up by the Data Protection Officer and Head of Information Security, which monitors our compliance with international data, security and privacy standards such as SOC 2 and ISO 27001. Kooth was awarded the ISO 27001:2022 certification in October 2023 and has successfully renewed the Cyber Essentials certification. Kooth has successfully completed a rigorous audit process covering security and has received a SOC 2 Type II attestation report. Management carries out diligence to ensure that third party suppliers are maintaining good standards of security. Kooth continues to ensure that all members of staff receive annual mandatory cyber security training. Kooth takes the threat of a cyber incident very seriously and endeavours to mitigate the risk wherever possible, although it is recognised by the Board and management that it will never be possible to fully mitigate cyber risk.



Section 172 statement

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company and to deliver long-term shareholder value, while having regard for all individual stakeholders. The Board and its Committees consider who its key stakeholders are, and the potential impact of decisions made on them, taking into account a wide range of factors including the impact on the Group's operations and the likely consequences of decisions made in the long term.

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.



Section 172 statement Continued

Stakeholder engagement

We have identified our key stakeholders as follows:

Employees

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

Surveys

In 2021 we introduced an online tool called OfficeVibe that allows us to capture and report on valuable feedback from our people across the business, on a regular basis. This tool ensures we act in a true and fair manner across all members of our company. 97% of our employees say the work they do is impactful on Kooth's mission (2022 was 96%). A score of 8.5/10 was obtained for employees' relationships with their manager (8.2 in 2022). We use this tool to gather feedback on company decisions affecting the long term development of our employees.

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.

Share scheme

Long term nominal cost share options are awarded to all of our employees on an annual basis in a fairly distributed manner.

Flexible working

We have continued to support employees by implementing remote and hybrid-working for our office-based staff when possible and in addition 45% of employees work flexible hours. This allows our employees to fairly balance their personal and work commitments.



Section 172 statement Continued

Customers

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

Customer base

UK business

Kooth continues to meet increasing demand from children and young people for fast and effective access to mental health support. As of the end of 2023, Kooth is available to approximately 60% of 10-25 year olds in the UK. Our ambition, and strategy, is to expand to become a nationwide service, accessible to all.

Momentum for Kooth Adult (known as Qwell) continues, with focus on providing support to the whole adult population within a region, providing early intervention support to help tackle problems before they escalate.

In 2023 we have focused on population-health, with an aim to reach and support underserved groups that may be less likely to use established NHS services e.g., ethnic minority groups and LGBTQIA+ communities.

US business

2023 was a monumental year for Kooth's ambition of expanding our leading digital health platform to the US. In April 2023, the California Department of Health Care Services (DHCS) selected Kooth as its platform of choice to deliver free behavioural health care support to the State's population of 13-25 year olds. In September 2023 we successfully piloted our next generation platform in two counties with a further successful full launch taking place in January 2024.

2023 also saw a strong uptake of our Pennsylvania pilot contract, with over 95,000 students having access to Kooth through partnerships within School Districts and 1-in-10 high school students accessing the service. Based on the success of the pilot, we are finalising discussions with the State of Pennsylvania regarding an extension of its current service contract.



Section 172 statement Continued

Customers Continued

We have embarked on an innovative partnership with Aetna Better Health of Illinois to pilot Kooth within the Chicago area to expand access to mental health support to the Medicaid population. As part of this initiative we will make Soluna available to students in the Chicago area to expand access and provide early help.

Outcome measures

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

Service reviews

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

Investors

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

Investor meetings

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

Investor presentations

The CEO and CFO regularly provide live presentations relating to investing in the future of mental healthcare. Presentations are open to all existing and potential shareholders. There is a dedicated contact (investorrelations@kooth.com) for investor questions and comments. In this forum we would discuss the consequences of any decisions affecting long term success of the company.

Investor communications

The Group communicates with all shareholders through a mix of formal and less formal communication tools and media, including the Annual Report and financial statements; the Annual General Meeting (AGM) and; the release of news via the London Stock Exchange Regulatory News Service (RNS).



Section 172 statement Continued

Investors Continued

Less formal communication methods utilised by the Group include social media such as LinkedIn and YouTube with the latest updates provided on the Soluna launch and UK initiatives.

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 aims to remove barriers and ensure all individuals — regardless of race, age, gender, disability, sexuality or socio-economic background — have access to effective mental health services. We are aware that mental health affects different communities in different ways, as well as acknowledging health inequalities between communities.

In 2023, our marketing, engagement and content teams focused on strengthening relationships with certain ethnic minority communities. These partnerships enable us to create content with specific audiences, ensuring Kooth is a space where everyone is seen, heard and represented. Two of our 2023 UK partnership highlights include the Muslim community and new mothers.

Access

Accessibility is at the forefront of Kooth's mission. We have created our platforms to be accessible by removing potential barriers. Confidentiality is at the heart of its design. We allow users to access help while choosing their level of disclosure. Our solution is provided at no cost to the end user.

Our service

By nature of being a digital service provider, the Group's operations are deemed to have low environmental impact. Our impact is discussed further in the ESG report on pages 42 to 58.



Section 172 statement Continued**Suppliers**

The relationship we have with our suppliers is crucial to ensuring the smooth-running of our business and its operations. The Group has a policy of treating all suppliers fairly and in accordance with high standards of business conduct and ethics.

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. This enables us to maintain a reputation for high standards of business conduct.



Principal risks and uncertainties

Kooth is exposed to a variety of risks and actively manages them through risk management procedures, which are overseen by Kooth's Legal and Risk team. While risk cannot be eliminated altogether, actions are taken to mitigate risk wherever possible. Details of Kooth's financial risk management objectives and policies, and exposure to foreign exchange risk, market risk, credit risk and liquidity risk are given in note 22 to the consolidated financial statements.

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

System outages

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

Safeguarding incidents

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

Changes in laws and regulations

Kooth's business and its counsellors are subject to regulation and so our business may be adversely affected by changes in government legislation, guidelines and/or regulations. It is not always possible to predict future changes to laws and regulations as they may relate to the services Kooth offers, and any changes could have a material adverse effect on our business operation and financial condition. Any changes to the prominent areas of the Kooth's business resulting from changes in laws, regulations or guidelines may cause Kooth to incur significant costs in respect of implementing necessary changes required and may severely restrict aspects of our business, leading to an impact on revenue and its financial condition. Kooth is ensuring compliance with the recent introduction of the Online Safety Act 2023 and monitoring developments closely between the Safeguarding and Legal teams.



Principal risks and uncertainties Continued

Cyber security and data protection

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

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

The nature of the service means that the data that Kooth collects from its Service Users is typically anonymised and collected with explicit consent, but it is possible that identifiable data from Service Users may be collected during the course of the provision of services; no financial information is collected, and all data is encrypted in compliance with NHS data standards. Nevertheless, there is a risk that any data breach within Kooth could have significant reputational impact, given the nature of the services we offer. In the United States, there is continued focus on Kooth’s SOC2 type II compliance to ensure we have sufficient controls with the management of data and ISO 27001 certification to ensure we meet international standards around information security. Kooth is subject to annual audits on SOC2 and ISO 27001 to ensure ongoing compliance. As much of our service focuses on children and young people, we are ensuring compliance with COPPA, to protect the data of children and obtaining the appropriate parental consent for those under the age of 13 to access our services. The Board considers that Kooth has in place adequate procedures to ensure compliance with UK GDPR and US laws and controls to ensure the security of the data collected.



Principal risks and uncertainties Continued

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

Our people

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

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

Economic environment

Whilst the ongoing challenges around the cost of living will impact government bodies and could impact public sector spend and in particular the NHS, we do not anticipate significant near-term funding changes for digital mental health support given the critical nature of — and demand for — these services. We will, however, adapt to an evolving commissioning environment within the NHS in the United Kingdom and continue to invest in our products so that we remain best in class for the delivery of mental health services.

The Strategic Report has been approved by the Board of Directors and signed on its behalf.



Tim Barker

Chief Executive Officer

25 March 2024

Corporate governance



Chair's introduction to governance

Dear Shareholder,

As Chair of the Board of Directors of Kooth plc, I am pleased to present this year's Corporate Governance Statement. 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").

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. Board discussions are conducted openly and transparently, which creates an environment for rigorous and robust debate. Of particular note this year, the Board has focused on the challenges of significant expansion in the US and the more difficult operating environment in the UK.

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.



Peter Whiting

Non-Executive Chair

25 March 2024

The Board

Peter Whiting



Independent Chair
Joined May 2020
–
Committee Membership:
• Audit Committee (Chair)
• Remuneration Committee

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

Susan Bailey



Independent Non-Executive Director
Joined August 2020
–
Committee Membership:
• Audit Committee
• Remuneration Committee

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

Simon Philips



Non-Executive Director
Joined October 2015
–
Committee Membership:
• Audit Committee
• Remuneration Committee (Chair)

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

Tim Barker



Chief Executive Officer
Joined January 2020

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

Sanjay Jawa



Chief Financial Officer
Joined March 2020

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

Kate Newhouse



Chief Operating Officer
Joined May 2020

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

The Board Continued

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 in the previous section.

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

The Board has the ultimate responsibility for the successful operations of the Group and meets at least eight times per year to set the overall direction and strategy of the Group.

The Board annually reviews, and takes appropriate action to ensure, orderly succession for appointments to the Board and to senior management, with the goal of maintaining an appropriate balance of skills and experience to facilitate growth and help the Company meet its long-term objectives.

Directors are expected to attend Board and Committee meetings and to devote enough time to the Company and its business in order to fulfil their duties as Directors.

Board meetings

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

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

Board and committee attendance

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

Director	Position	Board Meeting		Audit Committee		Remuneration Committee	
		Max possible attendance	Meetings attended	Max possible attendance	Meetings attended	Max possible attendance	Meetings attended
Tim Barker	Chief Executive Officer	12	12	—	—	—	—
Sanjay Jawa	Chief Financial Officer	12	12	—	—	—	—
Kate Newhouse	Chief Operating Officer	12	12	—	—	—	—
Peter Whiting	Independent Non-Executive Chairman	12	12	4	4	3	3
Susan Bailey	Independent Non-Executive Director	12	12	4	4	3	3
Simon Philips	Non-Executive Director	12	11	4	3	3	3

The Board Continued

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.
- Providing a robust review of Kooth's corporate governance arrangements.

The Board Continued

Board evaluation

In March 2023, a formal external board evaluation was carried out by Almond CS Limited, who have experience in evaluating Boards of AIM listed companies. Evaluation based questionnaires were circulated and completed by all members, and a thorough analysis of the responses was conducted.

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

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

The Chief Financial Officer is the primary contact for Shareholders and there is a dedicated email address (investorrelations@kooth.com) for shareholder questions and comments.

Regular meetings are held between the Chief Executive Officer, Chief Financial Officer and institutional investors and analysts to ensure that the Company's strategy, financials and business developments are communicated effectively. The Board intends to engage with any shareholders who do not vote in favour of resolutions at annual general meetings to understand their motivation.

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

Audit Committee

The Audit Committee comprises three Non-Executive Directors, namely; Peter Whiting (Committee Chair), Susan Bailey (INED) and Simon Philips (NED), two of whom are independent. At the discretion of the Committee Chair, Executive Directors were 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, reviewing the likelihood of any fraud risks, reviewing the effectiveness of Kooth's internal controls and risk management systems and overseeing 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 four times during the year. In the meetings the Committee considers key risk areas for the financial statements such as revenue recognition, capitalised development costs, going concern and internal controls.

Remuneration Committee

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

The Board Continued

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

The Remuneration Committee met 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).

Further details on the actions taken to engage with stakeholders and respond to their feedback can be found in the s.172 statement on page 60.

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.

Risk management and internal controls

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

The Board's financial risk management objectives involve safeguarding Kooth's assets by identifying, managing, monitoring and reporting the critical risks across the business. As part of the admission to AIM, Kooth has set up a risk register which identifies, monitors and reports on the critical risks of the business. The risk register covers commercial, financial, operational, competitive, technological and other risks.

The Board has delegated the maintenance of its risk management and internal controls to the Audit Committee, who work alongside the Head of Information Security and the Head of Legal and Risk to regularly review and update risks and ensure that they are being addressed.

A review of the effectiveness of these systems is included in the Board's informal Board evaluation process and the Audit Committee provides the Board with regular updates on any significant changes to risks.

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 in the Corporate Governance Report on page 71. 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.

Compliance with the QCA Code Continued

Principle 1

Establish a purpose, strategy and business model which promotes long-term value for shareholders

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

Full disclosure of our Company purpose, strategy and business model can be found in pages 11 to 25 of the Annual Report which is also available on the Company's website. The Directors intend to subject the purpose and strategy to ongoing review and will provide an update on it from time to time in the strategic report that forms part of the Annual Report.

Principle 2

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 pages 47 to 55 of the Annual Report, reflect the Board's dedication to promote an ethical culture.

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

Compliance with the QCA Code Continued

Principle 3

Seek to understand and meet shareholder needs and expectations

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

In addition, the Chief Executive Officer and Chief Financial Officer meet regularly with institutional investors and analysts to ensure that objectives and any business developments are clearly communicated, and that they are available to respond to any enquiries following Company announcements, together with other Company advisers and the Non-Executive Directors. In the last year the Company has presented through Investor Meets Company to reach a wider shareholder audience.

Details of the quantitative and qualitative metrics surrounding the Company's environmental and social matters can be found in the ESG report on pages 45 to 55 of this report.

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

Compliance with the QCA Code Continued

Principle 4

Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success

The Company takes Environmental Social and Governance (ESG) issues 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 and the various environmental & social issues surrounding them, can be found in the ESG report and s172 statement in the Annual Report on pages 42 to 58 and 59 to 64.

The associated KPIs for these matters can be found on pages 45 to 55.

Principle 5

Embed effective risk management, internal controls and assurance activities, 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 on page 65, alongside disclosure of the company's appetite for risk and its risk identification and management systems.

Compliance with the QCA Code Continued

Principle 6

Establish and maintain the board as a well-functioning, balanced team led by the Chair

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

Further details of the Directors, their experience, independence, diversity and time commitments are set out on page 70 of the Annual Report and the AIM 26 section of the website.

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

The Board is also supported by the Committees (Audit and Remuneration) each with specific remits. The detail of the number of meetings and attendance by Directors is noted on page 71. Details on the performance-related remuneration of the directors can be found on page 88.

Compliance with the QCA Code Continued

Principle 7

Maintain appropriate governance structures and ensure that individually and collectively the Directors have the necessary up-to-date experience, skills and capabilities

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

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

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

The Chairman maintains regular contact with the Non-Executive Directors outside of formal Board meetings and works with the Company secretary to provide regular training materials to keep the Directors' skill sets up-to-date.

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

The Board has established a sub-committee for the approval of share issuances concerning their long-term incentive plan.

Compliance with the QCA Code Continued

Principle 8

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

In March 2023, a formal Board evaluation process was carried out by Almond CS Limited, which has experience in evaluating Boards of AIM listed companies. Evaluation-based questionnaires were circulated and completed by all members, and a thorough analysis of the responses was conducted.

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

As this was the Company's first formal Board evaluation process, there are no previous results to compare against. The Directors discuss the use of a formal evaluation process annually and will disclose the results of the next evaluation with reference to the steps taken to action any previous evaluation points.

Details of the Board's succession planning process can be found on page 71.

Principle 9

Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The Board is committed to implementing a remuneration structure which rewards management for their work and aligns their vision with the Company's long-term success.

Details of the remuneration structure and how it supports the Company's purpose, business model, strategy and culture can be found in the Remuneration Committee report on page 87.

Compliance with the QCA Code Continued

Principle 10

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key 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.

Details of the challenges faced in the previous year and how they were addressed at the Board level can be found on page 69.

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.

Reports on the structures and activities of the Board's committees can be found in the Audit Committee Report on page 83 and the Remuneration Committee Report on page 86.

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

Approved by order of the Board



Almond CS Limited

Company Secretary

25 March 2024

Report of the Audit Committee

Committee Chair's introduction

As the Chair of the Audit Committee of Kooth ('the Committee'), I present the Committee Report for the year ended 31 December 2023, which has been prepared by the Committee and approved by the Board.

Committee meetings and attendance

The Committee's terms of reference require a minimum of three members. The Committee currently comprises Susan 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 four other listed company Board and Audit Committee positions including one other Audit Chair role. During the year ended 31 December 2023, the Committee met four times with attendance noted above. 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 2023 audit. In addition, the Committee reviewed the audit provided by Grant Thornton UK LLP, Kooth's external auditors for the financial year ended 31 December 2023 which is the fourth consecutive year end for the firm. The Committee has agreed with Grant Thornton UK LLP that they will continue in post for the next financial year and that a new audit partner has taken on the lead partner role on the Group's audit for the year ended 31 December 2023. This is consistent with the FRC's requirements around the rotation of the audit partner.

The Committee concluded that Grant Thornton UK LLP is delivering the necessary audit scrutiny.

Accordingly, the Committee recommended to the Board that Grant Thornton UK LLP be reappointed 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.

Report of the Audit Committee Continued

- 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 2024 as well as financial projections into 2025 and concluded that the going concern basis is appropriate. The Committee also reviewed the Strategic Report and concluded that it presented a useful, fair, balanced, and understandable review of the business.

Auditor independence

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

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



Peter Whiting

Chair of the Audit Committee

25 March 2024

Report of the Remuneration Committee

Committee Chair's introduction

As the Chair of the Remuneration Committee of Kooth ('the Committee'), I present the Remuneration Committee Report for the year ended 31 December 2023, which has been prepared by the Committee and approved by the Board.

Committee meetings and attendance

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

During the year ended 31 December 2023, 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 2023

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

- Reward Executive Directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders.
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and senior management.
- Encourage value creation through consistent and transparent alignment of incentive arrangements with the agreed company strategy over the long term.
- 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.

Report of the Remuneration Committee Continued

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.

Report of the Remuneration Committee Continued

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 as well as 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.

As covered extensively in our annual report, the success of Kooth in winning contracts in the US, and the California contract in particular, has transformed the scale and complexity of the business. In addition to a significant expansion purely in terms of scale, in comparison to working only in the UK, the management team now has to deal with multiple currencies, jurisdictions and a number of different and potentially conflicting demands in terms of the nature of the services provided.

As a result of these changes, the Remuneration Committee undertook a fundamental review of the remuneration arrangements of the executive team, to ensure that they remain appropriate given the significant changes to the business. This was done in part by a comparison with pay levels in the industry both in the UK and in the US. The Committee notes that, while benchmark data was not used as a primary point of reference in this exercise, the CEO and CFO base salaries in particular, and remuneration structure in general, remain below the median for UK public companies of a similar size.

Salaries and fees for directors effective from 1 January 2024 are as follows:

Name	£'000
Susan Bailey	65
Tim Barker	360
Sanjay Jawa	300
Kate Newhouse	300
Simon Philips	65
Peter Whiting	109

Report of the Remuneration Committee Continued

Director's remuneration: long term incentives

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 adjusted EBITDA growth (ARR growth for grants prior to 2023) and 50% linked to comparative total shareholder return (TSR), with both elements being measured over a three year period. TSR is measured by the aggregate of dividends declared and paid, and average share price over the applicable period. The TSR of the Group is compared to the TSR of companies constituting 101-200 of the FTSE AIM All-share Index. The percentage of shares vesting increases from nil at a TSR below the median of the comparator group and rising to 100% at a TSR in the top quartile of the comparator group. 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 a Stochastic simulation model for options with Y+TSR performance conditions. Non-market based vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date to allow for options that are not expected to vest and the difference is credited to the Consolidated Statement of Comprehensive Income with a corresponding adjustment to reserves.

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

Long term incentives

Name	Title	Number of options	Exercise price (£)
Tim Barker	Chief Executive Officer	298,476	0.05
Sanjay Jawa	Chief Financial Officer	230,390	0.05
Kate Newhouse	Chief Operating Officer	242,398	0.05

Report of the Remuneration Committee Continued

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	Number of shares
Susan Bailey	—
Tim Barker	841,692
Sanjay Jawa	353,981
Kate Newhouse	520,966
Simon Philips*	12,996,540
Peter Whiting	44,000

*Simon Philips is one of the beneficial owners of the shares held by Root Capital LP Funds.

Executive Directors' remuneration: current year

Executive Directors' remuneration for the years ended 31 December 2023 and 31 December 2022 was as follows.

2023 (£'000)

Name	Base salary and fees	Bonus	Pension	Gain on exercise of share options	Total
Tim Barker	320	417	9	—	746
Sanjay Jawa	255	315	8	—	578
Kate Newhouse	266	346	8	—	620
Total	841	1,078	25	—	1,944

2022 (£'000)

Name	Base salary and fees	Bonus	Pension	Gain on exercise of share options	Total
Tim Barker	265	-	8	—	273
Sanjay Jawa	200	-	6	—	206
Kate Newhouse	244	-	7	—	251
Total	709	-	21	—	730

Report of the Remuneration Committee Continued

Implementation of policy in 2024

As a part of the strategic review of our remuneration policy in the previous year a bonus scheme has been implemented for Executive Directors to reward performance against annual targets which support the strategic direction of the Group. Awards are up to 100% of salary, based on annual Group performance (e.g., adjusted EBITDA performance) and will normally be paid in cash.

We continue to have in place a long term incentive plan under which the Remuneration Committee has discretion to make option grants to executive directors and other staff, subject to the scheme rules, and to determine appropriate performance conditions as noted above.

Remuneration policy for Non-Executive Directors

Susan 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 2024 are noted above.



Simon Philips

Chair of the Remuneration Committee
25 March 2024

Directors' report

The Directors present their report and the audited financial statements of Kooth plc for the year ended 31 December 2023.

Principal activity

The principal activity of the Group is the provision of online counselling, coaching 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.

Further details on how the Directors have had regard to the need to foster the company's business relationships with suppliers, customers and other key stakeholders, and their effects on the principal decisions taken by the company during the year can be found in the s.172 statement on pages 59 to 64.

Share capital

At the time of this report, the Company's share capital comprises 36,480,873 ordinary shares of £0.05 each.

The Company has been notified of the following interests in 3% or more of the issued ordinary share capital of the Company:

Name	% of issued share capital
Root Capital Fund II LP trading as Scale Up Capital	35.6%
Cannacord Genuity Group Inc	7.5%
LF Gresham House UK Micro Cap	6.6%
Stancroft Trust Limited	6.6%
BGF	6.1%
J O Hambro Capital Management Limited	5.1%

There are currently no restrictions on the voting rights or transfer of the Company's AIM securities.

The Directors have the authority to issue shares up to one-third of the Company's issued share capital. This authority is given on an annual basis by shareholders at the Company's annual general meeting.

Directors' report Continued

Dividends

The Directors do not recommend the payment of a dividend (2022: £nil).

Disabled employees

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

Directors

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

- **Tim Barker**, Chief Executive Officer
- **Sanjay Jawa**, Chief Financial Officer
- **Kate Newhouse**, Chief Operating Officer
- **Peter Whiting**, Chair and Non-executive director
- **Simon Philips**, Non-executive director
- **Susan Bailey**, Independent Non-executive director

Political contributions

The Group made no political donations during the year (2022: nil).

Directors' insurance

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

Payment of suppliers

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Group expects to pay all supplier debts as they become due. Our approach to engagement with suppliers is detailed further in the Section 172 Statement on page 64.

Research and development

During the year the Group invested £3.8 million in Research and Development. More information on this is provided in the Strategic Report on pages 26 to 33.

Directors' report Continued

Financial instruments

The principal financial instruments comprise cash and short-term deposits and trade receivables. Details of the Group's exposure to financial risks are set out in note 22 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 8 to 25. In addition, note 22 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

During the 2023 financial year the Group generated a loss of £0.2 million (2022: £0.7 million loss). Adjusted EBITDA is £2.3 million (2022: £1.6 million). The Group is in a net asset position of £20.8 million (2022: £10.5 million). The Group generated an inflow of £2.5 million in cash in 2023 (2022: £1.4 million) and ended 2023 with a cash balance of £11.0 million (2022: £8.5 million).

Management has performed a going concern assessment for a period up to 31 May 2025, 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 2023 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.

Directors' report Continued

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

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

A list of all non-UK based Company subsidiaries can be found on page 143.

Employee involvement

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

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

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

Further details on employee engagement is provided in the Section 172 statement on page 60.

Directors' report Continued

Environment

The Group adheres to all environmental regulations and has, where possible, utilised environmental-sustaining policies such as recycling and waste reduction. Further details of the Group's Environmental, Social and Governance strategy and SECR disclosures are provided on pages 42 to 46.

Future business developments

Details of these are provided in the Strategic Report, and the Chief Executive Officer's Report on pages 8 to 25.

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.

In accordance with the Company's articles of association, each of the Directors will retire and stand for re-election at this year's annual general meeting.

Any amendments to the Company's articles must be approved by shareholders at the annual general meeting.

Significant events after year end

In January 2024, the Group entered into a working capital credit facility with Citibank of \$9.5 million that remains undrawn at the time of issuing this report.

Directors' report Continued

Auditor

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

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.
- The Directors have taken all the steps that they ought to have taken as Directors information and to establish that the company's auditor is aware of that information.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:



Sanjay Jawa

Chief Financial Officer

25 March 2024

Directors' responsibilities statement

In respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual 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 group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- 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 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

Directors' responsibilities statement Continued

To the best of our knowledge:

- The group financial statements, prepared in accordance with UK-adopted international accounting standards, 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

25 March 2024

Independent auditor's report to the members of Kooth plc

25 March 2024



Independent auditor's report Continued

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kooth plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated statement of profit and loss and other comprehensive loss, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Parent company statement of financial position, the Parent company statement of changes in equity and notes to each of the financial statements and to the Parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 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.

Independent auditor's report Continued

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Independent auditor's report Continued

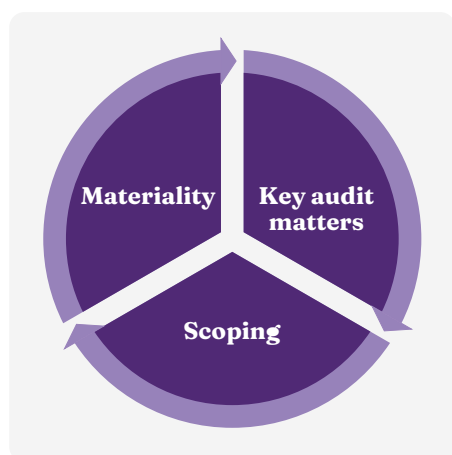
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as inflation and the cost of living crisis, we assessed and challenged the reasonableness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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £500,000, which represents 1.5% of the group's forecast total revenue. Prior year £400,000.

Parent company: £360,000, which represents 1.5% of the parent company's total assets at the planning stage of the audit. Prior year £250,000.

Key audit matters were identified as:

- Revenue recognition from the significant contract; and
- Accounting for capitalised internal development costs.

Our auditor's report for the year ended 31 December 2022 included no key audit matters that have not been reported as key audit matters in our current year's report.

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

In the prior period a full scope component audit was performed on Kooth Group Limited, whilst specific procedures were performed on Kooth USA LLC. This change is due to larger revenues in Kooth USA LLC which has made the component more significant to the group. In contrast, Kooth Group Limited now has less financial significance within the group.

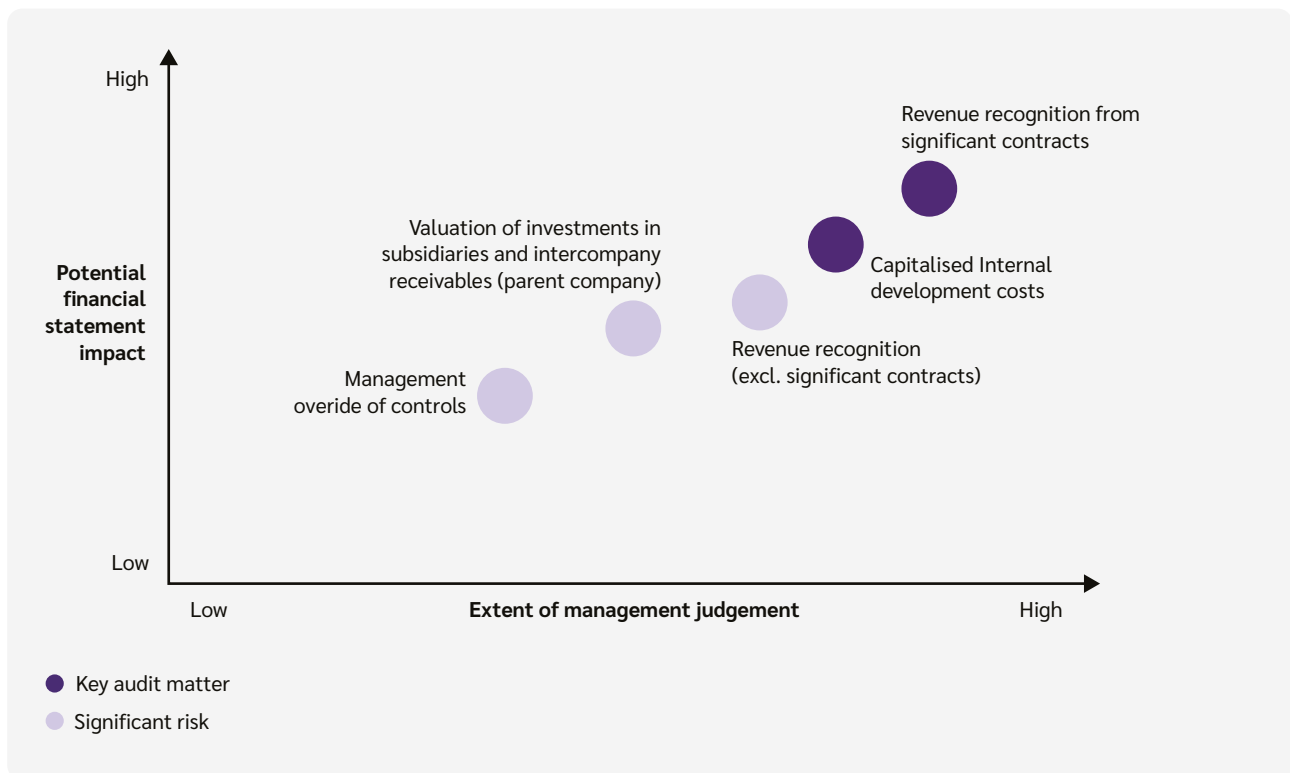
Independent auditor’s report Continued

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 and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.



Independent auditor's report Continued

Key Audit Matter – Group

Revenue recognition from the significant contract (£33.3m, 2022: £16.7m)

We have identified revenue recognition from the new US contract as one of the most significant assessed risks of material misstatement due to fraud and error.

In the year, a significant contract was undertaken in the US. The revenue recognition for this contract contained significant judgements and estimates in the application of IFRS 15 'Revenue from Contracts with Customers', particularly in identifying performance obligations and determining the transaction price. This is due to the contract having multiple complex performance obligations, combined with a milestone payment billings schedule, generating complexity in allocating transaction price as well as the timing of revenue recognition. This leads to an opportunity to fraudulently recognise revenue in advance of performance obligation satisfaction also leading to incomplete deferred revenue. The level of judgement and complexity of required estimates also creates an opportunity for material errors to occur.

Revenue forms the basis for some of the Group's key performance indicators, both for reporting to external stakeholders and for management incentives. This contract is the largest to date for the group, representing a significant proportion of their revenue and is the first of its kind.

How our scope addressed the matter – Group

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

- Assessing the significant judgements and estimates made by management in identifying performance obligations and determining the method of revenue recognition for the contract. This included an assessment of contract terms and mapping them to management's identified performance obligations. We have also considered the pattern of flow of economic benefit to the customer over the life of the contract, with reference to signed contractual terms, to determine the correct method of revenue recognition against the requirements of 'IFRS 15 'Revenue from Contracts with Customers'.
- To allocate the transaction price to performance obligations, the cost-plus margin method was utilised for the contract. We therefore tested forecast costs to complete, as well as costs incurred to date in fulfilling the contract. We challenged management on their accuracy in estimating forecast costs to complete and considered the impact of changes to forecast costs on revenue recognised.
- Assessing whether the performance obligation related to the revenue recognised was satisfied, ensuring that all invoiced amounts were billed to the contract and tracing all payments made to the bank statements and remittances received.
- Testing the accuracy of deferred income by agreeing the payment received to the bank statements and reviewing supporting documentation for work performed by the business. This was done to confirm whether the business has satisfied the performance obligations or not. For completeness, testing was performed by sampling after-date revenue and cash transactions.

Independent auditor's report Continued

Key Audit Matter – Group	How our scope addressed the matter – Group
<p>Relevant disclosures in the Annual Report 2023</p> <ul style="list-style-type: none"> Financial statements: Strategic report Financial statements: Note 2.3, Revenue Recognition Financial statements: Note 4, Revenue and segmental analysis 	<p>Our results</p> <p>Based on the procedures performed, we did not identify any material misstatements in relation to the revenue recognised during the year or the deferred income recognised at year-end for the new US contract.</p>
<p>Accounting for capitalised internal development costs (£8.7m, 2022: £3.0m)</p> <p>We identified accounting for capitalised internal development costs as one of the most significant assessed risks of material misstatement due to error.</p> <p>The Group capitalises costs associated with development of their online platforms, which are developed internally.</p> <p>The costs associated with the time spent on this development are capitalised in the Statement of Financial Position at the year end.</p> <p>Costs must be capitalised when they meet the criteria under International Accounting ('IAS') 38 'Intangible Assets'. This involves management judgement in determining the distinction between research and development costs. Given the existence of management judgement, there is an opportunity for error leading to an incorrect capitalisation of costs.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> Assessing the accounting policy and disclosure for compliance with IAS 38. Obtaining and assessing management's judgements on the level of employee costs to be capitalised across the year, by project. Performing a test of details on a sample of these costs, agreeing amounts to underlying payroll information or external invoices. Where external invoices were capitalised, we corroborated the nature of the work to assess whether any research elements had been inappropriately been capitalised. For a sample of capitalised costs, making enquiries with employees in the development team to gain an understanding of the nature of the work they had performed which had been capitalised and the proportion of their time which was spent on qualifying development costs. This included assessing whether the nature of the costs capitalised met the criteria as set out in IAS 38. Obtaining the budget for the projects capitalised as developments in the year and assessing how the project was progressing against this, including whether the necessary resources were in place to complete the project.

Independent auditor's report Continued

Key Audit Matter – Group	How our scope addressed the matter – Group
	<ul style="list-style-type: none"> • Discussing the overall projects in the year directly with the Chief Technology Officer. This enabled us to consolidate our understanding of whether management's assessment of whether the costs met the criteria for capitalisation was appropriate. • Assessing the amortisation policy used by management for appropriateness, considering the underlying development projects and their anticipated useful life. We also performed an amortisation recalculation based on management's accounting policy. • We assessed related disclosures in the financial statements to ensure these were sufficient and appropriate in line with IAS 38.

Relevant disclosures in the Annual Report 2023

- Financial statements: Strategic report
- Financial statements: Note 2.3, Intangible Assets
- Financial statements: Note 3, Significant accounting judgments, estimates and as-sumptions.
- Financial statements: Note 11, Development costs

Our results

Our testing did not identify any material misstatements in the accounting for capitalised internal development costs.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company only.

Independent auditor's report Continued

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
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	£500,000, which represents 1.5% of the group's forecast total revenue at the planning stage of the audit.	£360,000, which represents 1.5% of the parent company's total assets at the planning stage of the audit.
Significant judgements made by auditor in determining materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> we considered the financial measures which we believed to be most relevant to the shareholders in assessing the performance of the Group. Profit before tax is a generally accepted benchmark for a profit-orientated business. We concluded that, in isolation, this metric did not appropriately reflect the scale of the Group's ongoing operations or its underlying performance. As a result, revenue was considered the most appropriate metric. 	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Total assets was considered the most appropriate benchmark because the Parent company does not trade and holds material investments in subsidiary companies.

Independent auditor's report Continued

Materiality measure	Group	Parent
Continued	<ul style="list-style-type: none"> 1.5% of revenue has been selected as it is in the middle of our acceptable range. This is lower than the 2% of revenue used in determining materiality for the year ended 31 December 2022. This reflects the significant increase in revenue from a new significant contract in the period in the US. <p>Materiality for the current year is higher than the level we determined for the year ended 31 December 2022, reflecting an increase in group revenue, despite a reduction in benchmark percentage.</p>	<ul style="list-style-type: none"> 1.5% of total assets is at the upper end of our acceptable range and has been selected to reflect the lack of complexity in the transactions it undertakes. <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022, reflecting an increase in the total assets held by Kooth plc.</p>
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	£350,000, which is 70% of financial statement materiality.	£252,000, which is 70% of financial statement materiality.

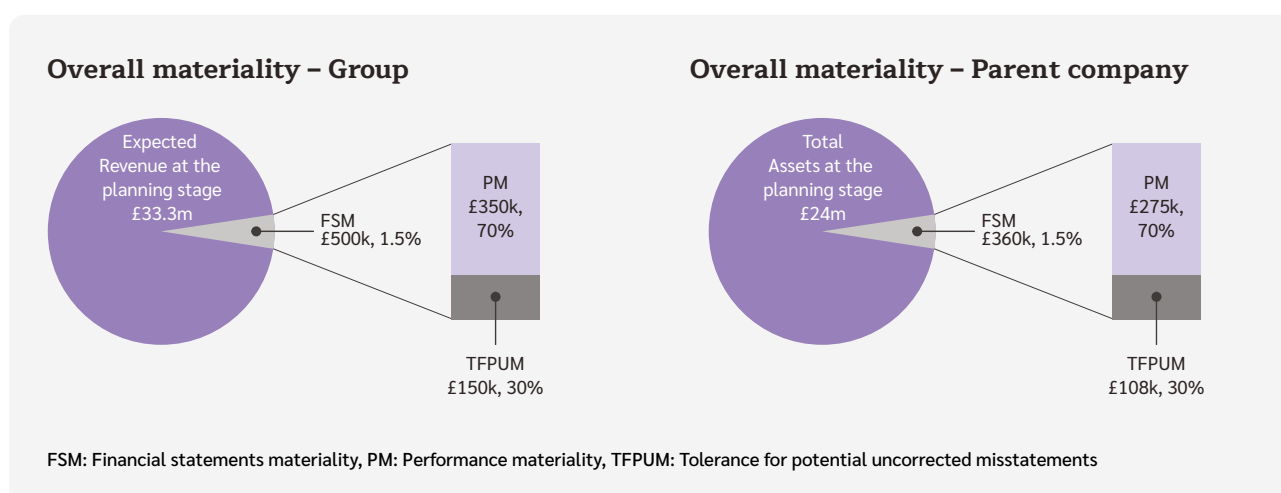
Independent auditor's report Continued

Materiality measure	Group	Parent
<p>Significant judgements made by auditor in determining performance materiality</p>	<p>In determining performance materiality, we considered the following matters:</p> <ul style="list-style-type: none"> • 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'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. 	<p>In determining performance materiality, we considered the following matters:</p> <ul style="list-style-type: none"> • 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'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.
<p>Specific materiality</p>	<p>We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.</p>	
<p>Specific materiality</p>	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> • Identified related party transactions outside of the normal course of business. • Director's remuneration • Auditor's remuneration • Key management personnel 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> • Identified related party transactions outside of the normal course of business. • Director's remuneration • Auditor's remuneration • Key management personnel

Independent auditor’s report Continued

Materiality measure	Group	Parent
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£25,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£18,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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



Independent auditor's report Continued

An overview of the scope of our audit

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

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

- The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Identifying significant components

- The engagement team evaluated the identified components to assess their significance 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, total assets, and loss before tax.

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

- Audit of the financial information of the component materiality (full-scope audit) procedures were performed on the financial information of three components, being Kooth plc, Kooth USA LLC and Kooth Digital Health Limited. These procedures included a combination of tests of details, including addressing key audit matters stated above and analytical procedures.
- Audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) procedures were carried out on a further one component using group materiality, being Kooth Group Limited. These procedures included a combination of tests of details, including addressing key audit matters stated above and analytical procedures and were designed to increase coverage of the group's financial statement line items.
- No component auditors were involved in performance of the audit with the Group engagement team performing all audit procedures.

Performance of our audit

For significant components we evaluated the design and implementation of controls over the financial reporting systems identified as part of our risk assessment and addressed critical accounting matters such as those related to the key audit matters as identified above. With respect to revenue recognition, we evaluated the design and implementation of relevant controls and performed data analytics alongside substantive procedures.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage LBT
Full-scope audit	3	64	100	60
Specific-scope audit	1	36	0	40

Independent auditor's report Continued

Changes in approach from previous period

- Kooth Group Limited has been scoped for specific procedures, rather the full-scope audit undertaken for the audit of the year ended 31 December 2023 due to its lower financial significance in context of the group as a whole.
- Kooth USA LLC has been scoped for a full-scope audit due to increased revenue and overall contribution to the group as a whole.

Other information

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

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

We have nothing to report in this regard.

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

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

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

Independent auditor's report Continued

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 75, 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.

Independent auditor's report Continued

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company, the group and the industry in which they operate. We determined that the following laws and regulations were most significant: UK-adopted international accounting standards, Financial Reporting Standard 101 'Reduced Disclosure Framework', the Companies Act 2006, the Quoted Companies Alliance Corporate Governance Code, tax compliance regulations in the US and tax compliance regulations in the UK, which are the principal jurisdictions in which the Group operates;
- We understood how the parent company and the group are complying with applicable laws and regulations, through discussions with the Audit Committee and we corroborated our understanding through our review of board minutes, and papers provided to the Audit Committee;
- In assessing the potential risks of material misstatement, we obtained an understanding of the parent company's and the group's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- Based on the results of our risk assessment we designed further audit procedures to identify non-compliance with such laws and regulations identified above. These procedures were performed at all components within the scope of our audit. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of legal counsel and group management at locations where full scope audit procedures and specified audit procedures were performed.
- 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;

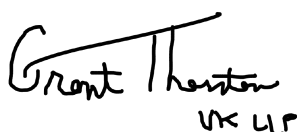
Independent auditor's report Continued

- Engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team including 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
 - knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the entity including:
 - the provisions of the applicable legislation
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - the applicable statutory provisions

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.

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

Christopher Raab, ACA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London, UK

25 March 2024

Financial statements



Consolidated statement of profit and loss and other comprehensive loss

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Revenue	4	33,337	20,120
Cost of sales	5	(7,480)	(6,265)
Gross profit		25,857	13,855
Administrative expenses	5	(28,119)	(14,767)
Operating loss		(2,262)	(912)
Analysed as:			
Adjusted EBITDA		2,257	1,612
Depreciation & amortisation	11, 12, 13	(3,775)	(2,232)
Share based payment expense	6	(744)	(292)
Operating loss		(2,262)	(912)
Interest income	7	298	81
Loss before tax		(1,964)	(831)
Tax	8	1,795	115
Loss after tax		(169)	(716)
Other comprehensive (expense)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(161)	—
Total comprehensive loss for the year		(330)	(716)
Loss per share — basic and diluted (£)	9	(0.00)	(0.02)

Consolidated statement of financial position

As at 31 December 2023

	Note	31 December 2023 £'000	31 December 2022 £'000
Assets			
Non-current assets			
Goodwill	10	511	511
Development costs	11	8,750	3,681
Right of use asset	12	42	68
Property, plant and equipment	13	304	122
Deferred tax	14	2,649	—
Total non-current assets		12,256	4,382
Current assets			
Trade and other receivables	15	7,174	2,618
Contract assets	16	251	649
Cash and cash equivalents	17	11,004	8,492
Total current assets		18,429	11,759
Total assets		30,685	16,141
Liabilities			
Current liabilities			
Trade payables	18	(1,555)	(680)
Contract liabilities	19	(5,156)	(2,583)
Lease liability	12	(44)	(68)
Accruals and other creditors	18	(2,521)	(977)
Tax liabilities	18	(651)	(967)
Deferred tax	14	—	(348)
Total current liabilities		(9,927)	(5,623)
Net current assets		8,502	6,136
Net assets		20,758	10,518
Equity			
Share capital	20	1,825	1,653
Share premium account	20	23,444	14,229
P&L reserve	20	(2,503)	(2,595)
Share-based payment reserve	20	2,142	1,221
Capital redemption reserve	20	115	115
Merger reserve	20	(4,104)	(4,104)
Translation reserve	20	(161)	—
Total equity		20,758	10,518

The financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 25 March 2024. They were signed on its behalf by:



Sanjay Jawa

Chief Financial Officer

25 March 2024

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital	Share premium	Share based payment reserve	P&L reserve	Capital redemption reserve	Merger reserve	Translation reserve	Total equity
Balance at 1 January 2022	1,653	14,229	959	(1,879)	115	(4,104)	—	10,973
Loss for the year	—	—	—	(716)	—	—	—	(716)
Total comprehensive income	1,653	14,229	959	(2,595)	115	(4,104)	—	10,257
Transactions with owners:								
Share based payments	—	—	262	—	—	—	—	262
As at 31 December 2022	1,653	14,229	1,221	(2,595)	115	(4,104)	—	10,519
Balance at 1 January 2023	1,653	14,229	1,221	(2,595)	115	(4,104)	—	10,519
Loss for the year	—	—	—	(169)	—	—	—	(169)
Other comprehensive income	—	—	—	—	—	—	(161)	(161)
Total comprehensive income	1,653	14,229	1,221	(2,764)	115	(4,104)	(161)	10,189
Transactions with owners:								
Share options exercised	7	—	(261)	261	—	—	—	7
Share based payment charge	—	—	766	—	—	—	—	766
Shares issued	165	9,215	—	—	—	—	—	9,380
Deferred tax	—	—	416	—	—	—	—	416
As at 31 December 2023	1,825	23,444	2,142	(2,503)	115	(4,104)	(161)	20,758

The notes on pages 121 to 144 form part of the financial statements.

Consolidated cash flow statement

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Loss for the year		(169)	(716)
Adjustments:			
Depreciation & amortisation	11, 12, 13	3,775	2,232
Income tax received	8	569	330
Share based payment expense	6	744	292
Income tax recognised	8	(1,795)	(115)
Interest income	7	(298)	(81)
Movements in working capital			
(Increase)/decrease in trade and other receivables	15	(4,158)	78
Increase in trade and other payables	18, 19	3,199	2,408
Net cashflow from operating activity		1,867	4,428
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(291)	(100)
Additions to intangible assets	11	(8,713)	(2,952)
Interest income	5	298	81
Net cash used in investing activities		(8,706)	(2,971)
Cash flows from financing activities			
Proceeds from issue of share capital	20	9,923	—
Costs incurred from the issue of share capital	20	(536)	—
Net cash from financing activities		9,387	—
Net increase in cash and cash equivalents		2,548	1,457
Exchange adjustments		(36)	(44)
Cash and cash equivalents at the beginning of the year	17	8,492	7,079
Cash and cash equivalents at the end of the year	17	11,004	8,492

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 2023 have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards.

The Company's UK subsidiaries listed below are exempt from the requirements to audit their accounts under section 479A of the Companies Act 2006:

- Kooth Digital Health Limited 04154208
- Kooth Group Limited 09795273

Under section 479A of the Companies Act 2006, Kooth Plc, being the parent undertaking of these entities, has given a statutory guarantee of all the outstanding liabilities to which the companies are subject to as at 31 December 2023.

Measurement convention

The financial statements are prepared on the historical cost basis. 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 8 to 25. In addition, note 22 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

During the 2023 financial year the Group generated a loss of £0.2 million (2022: £0.7 million). Adjusted EBITDA is £2.3 million (2022: £1.6 million). The Group is in a net asset position of £20.8 million (2022: £10.5 million).

Notes to the financial statements Continued

Management has performed a going concern assessment for a period of 12 months from signing, which indicates that the Group will have sufficient funds to trade and settle its liabilities as they fall due. This assessment takes into account a number of sensitivities, including a downside scenario and a reverse stress test, which models the scenarios that would lead to a default by the Group. Both the downside scenario and reverse stress test reflect lower activity levels than both the Group forecast and 2023 actual results. The key assumption used in the assessment is revenue and Management has analysed the impact of reduced revenue on the Group's performance.

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

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

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023, with the comparatives presented for the previous 12 months being the Group's combined activities for the 12 months ended 31 December 2022.

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. 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.

Notes to the financial statements Continued

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

Segmental reporting

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

2.3. Summary of significant accounting policies

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

Revenue Recognition

The Group applies IFRS 15 "Revenue from Contracts with Customers". To determine whether to recognise revenue, the Group follows the five step process as set out within IFRS 15.

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

Provision of online counselling contracts

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

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, which reflects the continuous transfer of the service to the customer throughout the contracted service period.

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.

Notes to the financial statements Continued

Platform build and behavioural support services contracts

Revenue arises from the provision of a digital mental health platform alongside supporting behavioural healthcare services, promotional campaigns, reporting and analysis and technical support. The contracts have fixed and variable pricing elements which depend on platform utilisation, with a service period of more than one year. Contracts with customers take the form of signed agreements from customers.

The contracts include an enforceable right by either party to terminate the contract without penalty with a fixed notice period. The contract term is therefore limited up to the end of the notice period. The transaction price is determined as all consideration due within the contract period. The contract term is modified each month if the termination clause is not enacted with the modification being treated on a prospective basis as the incremental transaction price does not reflect the standalone selling price for the additional distinct services.

Under IFRS 15, five distinct performance obligations have been identified for these contracts:

- Providing access to a digital mental health platform.
- Customer contact services to resolve technical issues.
- Collection and analysis of data and reporting.
- Providing on-platform behavioural healthcare services.
- Conducting promotional campaigns to spread awareness.

Revenue from the first three performance obligations is recognised evenly over time using the output method. This is to reflect the continuous consumption of the service by the customer over the contracted service period. For the last two performance obligations revenue is recognised using the input method. This is to reflect how much of the service the customer has used by comparing the actual costs incurred to the total projected costs that are expected to be incurred in delivering the service. These costs include directly attributable labour and external marketing and promotion costs.

The allocation of the transaction price between the five performance obligations included in the contract is based on an expected cost plus margin approach as the standalone selling price is not observable.

The transaction price is determined at contract inception as being the most likely amount of consideration in which the Group is entitled to, including any variable consideration. This has been determined through an expected value calculation modelling various utilisation rate projections against their likely achievement. The variable consideration has been appropriately constrained as the Group has limited historical experience to ensure it can be virtually certain there will be no material reversal of revenue.

The Group typically receives cash from customers 38 days after invoicing a customer.

Revenue to come from contracts entered into with performance obligations not fulfilled or only partially fulfilled amounted to £35.5m as at 31 December 2023, all of which is expected to be recognised within one year.

Contract assets and liabilities

The Group recognises contract assets in the form of accrued revenue when the value of satisfied or part satisfied performance obligations is in excess of the payment due to the Group, and contract liabilities in the form of deferred revenue when the amount of unconditional consideration is in excess of the value of satisfied or part satisfied performance obligations. Once a right to receive consideration is unconditional, that amount is presented as a trade receivable.

Notes to the financial statements Continued

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.

Notes to the financial statements Continued

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

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

Sales tax

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

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

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

Research and Development tax claims

Where Kooth plc has made Research and Development tax claims under the Small and Medium Enterprise scheme and tax losses have been surrendered for a repayable tax credit, a current tax credit is reflected in the income statement.

Property, plant and equipment

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

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

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Computer and office equipment	33.33% straight line
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Goodwill and intangibles

Goodwill

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

Notes to the financial statements Continued

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.

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 within administrative expenses.

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

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

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

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

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

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

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

Notes to the financial statements Continued

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 applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivable. To measure expected credit losses, trade receivables are analysed based on their credit risk characteristics to determine a suitable historic loss rate. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors that the Group considers could affect the ability of its customers to settle the receivables.

Trade payables

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

Cash and cash equivalents

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

Notes to the financial statements Continued

Leases

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

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

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

Employee benefit plans

Defined contribution plans

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

Share-based payment

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

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

Alternative performance measures

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

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

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

Notes to the financial statements Continued

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

3. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. No significant estimates have been identified.

Judgements

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

Revenue recognition

Judgements have been taken in the application of IFRS 15 "Revenue from Contracts with Customer". The determination of the transaction price included judgement as to how much variable consideration was expected to be received across the contract and how much those considerations should be constrained based on projected contract performance. There was judgement taken in allocating the transaction price to the identified performance obligations based on the relative stand-alone selling price (SSP) of each distinct service or item within the contract. An observable SSP was not available, therefore judgement was used to estimate the SSP considering all reasonably available information using an expected cost-plus margin approach.

Deferred tax

In assessing the requirement to recognise a deferred tax asset, management carried out a forecasting exercise in order to assess whether the Group and Company will have sufficient future taxable profits on which the deferred tax asset can be utilised. This forecast required management's judgement as to the future performance of the Group and Company.

Capitalisation of development costs

The Group capitalises costs associated with the development of the Kooth platform. These costs are assessed against IAS 38 Intangible Assets to ensure they meet the criteria for capitalisation. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Capitalised development expenditure is analysed further in note 11.

Development costs largely relate to amounts paid to external developers, consultancy costs and the direct payroll costs of the internal development teams. Any internal time capitalised is the result of careful judgement of the proportion of time spent on developing the platform. Capitalised development expenditure is reviewed at the end of each accounting period for indicators of impairment.

Notes to the financial statements Continued

4. Revenue and segmental analysis

In accordance with IFRS 8 “Operating Segments”, the Group requires consideration of the Chief Operating Decision Maker (“CODM”) within the Group. In line with the Group’s internal reporting framework and management structure, the key strategic and operating decisions are made by the Executive Directors, who review internal monthly management reports, budgets and forecast information as part of this. Accordingly, the Executive Directors are deemed to be the CODM.

Accordingly, the CODM determines the Group currently operates under one reporting segment. There are no individual groups of assets generating distinct and separately identifiable cashflows.

The total turnover of Kooth plc has been derived from its principal activity undertaken in the UK and the US. A geographical analysis of revenue by customer location is provided below:

	2023 £'000	2022 £'000
Provision of online counselling contracts — UK	19,143	18,648
Provision of online counselling contracts — US	1,466	1,472
Platform build and behavioural support services contracts — US	12,728	—
	33,337	20,120

The group had one customer (2022: none) that accounted for more than 10% of total revenue in 2023. This customer accounted for 38% of group revenue (2022: 0%)

Segmental reporting of assets and liabilities has not been provided as the information is not available, and the cost to develop it would be excessive.

5. Operating loss

	2023 £'000	2022 £'000
Labour costs	7,354	6,150
Share based payment expense	100	65
Travel and subsistence	26	50
Total cost of sales	7,480	6,265
Employee costs	15,855	8,701
Rent and rates	492	316
IT hosting and software	1,450	963
Professional fees	3,948	1,307
Marketing	1,650	490
Depreciation & amortisation	3,775	2,236
Share based payment expense	644	292
Other costs	305	462
Total administrative expenses	28,119	14,767
Total cost of sales and administrative expenses	35,599	21,032

Cost of sales represent the costs of our service user facing employees including external contractors.

Notes to the financial statements Continued

6. Employee remuneration

	2023 £'000	2022 £'000
Salaries	20,669	12,033
Pensions	529	317
Social security costs	2,325	1,189
Other staff benefits	479	207
Share based payments	744	304
	24,746	14,050

Employee remuneration is presented in the financial statements in the following locations:

	2023 £'000	2022 £'000
Cost of sales	6,837	4,763
Administrative expenses	14,988	8,539
Statement of financial position	2,921	748
	24,746	14,050

	2023 £'000	2022 £'000
Employee numbers		
Direct	259	234
Indirect	183	139
Developers	36	33
	478	406

Employee numbers disclosed represent the average number of employees, including directors, for the year.

The Directors' remuneration and share options are detailed within the Report of the Remuneration Committee on pages 85 to 90. This includes detail of the total Directors' remuneration, including bonuses and pension contributions and remuneration of the highest paid Director. No directors exercised share options in the year.

The Executive Directors of the Company control 4.7% of the voting shares of the Company (2022: 4.8%).

	2023 £'000	2022 £'000
Share based payment		
Long term incentive awards	744	304

An element of long term incentive awards are capitalised accounting for the difference in long term incentive awards shown in this note compared to the amount disclosed as an expense in the Statement of Profit and Loss.

Notes to the financial statements Continued

Long term incentive awards

Long term incentive awards have been issued to all staff. Performance conditions are attached to the incentive awards of Executives, with 50% linked to adjusted EBITDA growth (ARR growth for grants prior to 2023) and 50% linked to comparative total shareholder return (TSR). Vesting conditions require that all staff remain employed by the business for three years. The shares vest over a three year period with a maximum term of 10 years.

	Number of options 2023	Weighted average exercise price 2023	Number of options 2022	Weighted average exercise price 2022
Outstanding at the beginning of the year	1,873,356	£0.05	1,080,066	£0.05
Granted	882,989	£0.05	1,096,464	£0.05
Forfeited	(311,520)	£0.05	(303,174)	£0.05
Exercised	(105,808)	£0.05	—	£0.05
Outstanding at the end of the year	2,339,017	£0.05	1,873,356	£0.05

The share options outstanding at the end of the year have a weighted average remaining contractual life of 8.6 years (2022: 9.0 years).

Fair value of options granted:

The fair value of the awards has been calculated using the Black Scholes option pricing model and using a Stochastic simulation model for options with TSR performance conditions. The following assumptions were used on options granted in the year:

Options granted on	15/03/2023	24/05/2023	02/09/2023	14/09/2023	27/10/2023	16/11/2023
Share price at date of grant	171.5p	247.0p	329.0p	323.0p	300.0p	301.0p
Exercise price	5.0p	5.0p	5.0p	5.0p	5.0p	5.0p
Vesting period (years)	2.8	2.6	3	2.4	2.9	2.7
Expected volatility	38.50%	38.50%	38.50%	38.50%	38.50%	38.90%
Option life (years)	10	10	10	10	10	10
Expected life (years)	10	10	10	10	10	10
Risk-free rate	4.40%	4.40%	4.40%	4.40%	4.40%	4.50%
Expected dividends expressed as a dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value of options granted	137.5p	199.7p	318.1p	262.6p	234.4p	241.5p

The expected volatility is based on the historical volatility of the Company's share price. An assessment of the likelihood of market conditions being achieved is made at the time that the options are granted.

7. Interest

	2023 £'000	2022 £'000
Interest income on cash deposits	298	81

Notes to the financial statements Continued

8. Taxation

	2023 £'000	2022 £'000		
Current tax				
UK corporation tax	—	(438)		
Foreign tax	336	—		
Adjustments in respect of prior years	451	(308)		
	787	(746)		
Deferred tax				
Current year	(1,756)	9		
Adjustments in respect of prior years	(826)	622		
	(2,582)	631		
Tax credit on losses	(1,795)	(115)		
	2023 £'000	2023 %	2022 £'000	2022 %
Profit/(loss) before tax for the period	(1,964)		(831)	
Tax charge/(credit) at standard rate of 23.5% (2022: 19%)	(462)	23.5	(158)	19.0
Effects of:				
Permanent items/additional relief under R&D scheme	(782)	39.8	(398)	47.9
Difference between UK CT & DT rates	(160)	8.2	3	(0.4)
Losses surrendered at 14.5% under SME tax relief scheme	—	0.0	137	(16.5)
Prior year adjustments	(375)	19.1	313	(37.7)
Other differences	(16)	0.8	(12)	1.4
Tax credit for the year	(1,795)	91.4	(115)	13.8

Tax rate

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This increases the Group's current tax charge accordingly to a weighted average standard tax rate of 23.5%

Prior year adjustment

The prior year adjustment reflects a decision that was made subsequent to the finalisation of the 2022 annual report not to surrender losses and claim an R&D tax credit and instead carry forward those losses to be offset against expected future taxable profits. The net impact of the rate used in calculating the deferred tax balance on carried forward losses of 25% (opposed to the tax credit at 14.5%) has resulted in this difference.

Notes to the financial statements Continued

9. Earnings per share

	2023 £'000	2022 £'000
Earnings used in calculation of earnings per share:		
On total losses attributable to equity holders of the parent	(169)	(716)
	2023	2022
Weighted average no. of shares (Basic)	34,768,325	33,055,776
Shares in issue		
Ordinary shares in issue	36,480,873	33,055,776
Loss per share (basic and diluted, £)		
On total losses attributable to equity holders of the parent	(0.00)	(0.02)

While there are options and potentially dilutable instruments, they have not been included due to a loss in the year making them anti-dilutive. The earnings per share figures above are therefore both basic and diluted.

10. Goodwill

	2023 £'000	2022 £'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%

Forecasts are based on past experience and take into account current and future market conditions and opportunities. Using alternative discount (increase to 10%) and growth rates (decrease to nil) 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. The forecasts extended for a period of 12 months from the date of signing.

There were no impairments in the years ended 31 December 2023 and 31 December 2022.

Notes to the financial statements Continued

11. Development costs

	2023 £'000	2022 £'000
Cost		
Balance as at 1 January	10,315	7,363
Additions	8,713	2,952
Balance as at 31 December	19,028	10,315
Amortisation		
Balance as at 1 January	(6,634)	(4,496)
Amortisation	(3,644)	(2,138)
Balance as at 31 December	(10,278)	(6,634)
Carrying amount 31 December	8,750	3,681

The US Soluna platform has a carrying value of £5.4m and a remaining amortisation period of between 2 and 3 years. The UK platform has a carrying value of £2.8m and a remaining amortisation period of between 1 and 3 years. The US Klassic platform has a carrying value of £0.6m and remaining amortisation period of between 1 and 2 years.

12. Leases

	2023 £'000	2022 £'000
Right of use asset		
As at 1 January	68	—
Additions	—	68
Depreciation	(22)	—
Disposal	—	—
Currency revaluation	(4)	—
As at 31 December	42	68
Lease liability		
As at 1 January	68	—
Additions	—	68
Interest charge	5	—
Cash payment	(25)	—
Disposal	—	—
Currency revaluation	(4)	—
As at 31 December	44	68

Notes to the financial statements Continued

13. Property, plant and equipment

	2023 £'000	2022 £'000
Cost		
Balance as at 1 January	551	451
Additions	291	100
Balance as at 31 December	842	551
Depreciation		
Balance as at 1 January	(429)	(335)
Depreciation	(109)	(94)
Balance as at 31 December	(538)	(429)
Carrying amount 31 December	304	122

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

14. Deferred tax assets and liabilities

	Fixed asset temporary differences	Other temporary differences	Tax losses	Total
At 1 January 2022 — asset/(liability)	(458)	323	570	435
Movement — (charge)/credit	(119)	(98)	(566)	(783)
At 1 January 2023 — asset/(liability)	(577)	225	4	(348)
Movement — (charge)/credit	(643)	503	2,721	2,581
Amounts recognised in equity	—	416	—	416
At 31 December 2023 — asset/(liability)	(1,220)	1,144	2,725	2,649

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

15. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	5,801	1,110
Prepayments	1,084	504
Other receivables	289	1,004
	7,174	2,618

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

Included within prepayments are £0.3m of contract costs related to the California contract which will be amortised in line with revenue recognition to be released in 2024.

Notes to the financial statements Continued

16. Contract assets

	2023 £'000	2022 £'000
Accrued income	251	649

17. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash and cash equivalents	11,004	8,492

18. Trade and other payable

	2023 £'000	2022 £'000
Trade payables	1,555	680
Accruals and other creditors	2,521	977
Tax liabilities	651	967
	4,727	2,624

The Group recognises a provision for an obligation when there is a probable outflow of resources and an amount can be reliably estimated. This includes legal disputes the estimated costs of which are provided for in other creditors. Disclosure of the exact details of these claims could prejudice the financial position of the Group and accordingly further information is not disclosed in this report.

19. Contract liabilities

	2023 £'000	2022 £'000
Contract liabilities — current	5,156	2,583

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the year totalled £2.5m (2022: £0.8m).

The following table shows the movement in contract liabilities:

	2023 £'000	2022 £'000
Contract liabilities recognised at start of the year	2,583	797
Amounts invoiced in prior year recognised as revenue in the current year	(2,525)	(754)
Amounts invoiced in the current year which will be recognised as revenue in the later years	5,098	2,540
Balance at the end of the year	5,156	2,583

Notes to the financial statements Continued

20. Equity

	2023 £'000	2022 £'000
Ordinary A shares	1,825	1,653

	2023	2022
Number of shares		
Ordinary A shares	36,480,873	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.

The following share transactions have taken place during the year ended 31 December 2023:

	2023 Number	2022 Number
At the start of the year	33,055,776	33,055,776
Share placement	3,305,577	—
Exercise of share options	119,520	—
At the end of the year	36,480,873	33,055,776

Share capital increased from the prior year following the successful share placement in July 2023 and the exercise of staff share options.

	2023 £'000	2022 £'000
Share premium	23,444	14,229

Share premium represents the funds received in exchange for shares over and above the nominal value. Share premium increased from the prior year following the successful share placement in July 2023. The movement in the reserve represents the amounts received from the placement less the costs incurred.

	2023 £'000	2022 £'000
Share based payment reserve	2,142	1,221

The share based payment reserve represents amounts accrued for equity settled share options granted.

	2023 £'000	2022 £'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.

Notes to the financial statements Continued

	2023 £'000	2022 £'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.

	2023 £'000	2022 £'000
Translation reserve	161	—

The translation reserve represents differences on translation of balances in Kooth USA LLC which has a functional currency of USD.

21. Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	130	85
Fees payable to the auditor and its associates for other services: Other audit related services	5	5

22. Financial assets and liabilities

	2023 £'000	2022 £'000
Financial assets		
Trade receivables	5,801	1,110
Cash and cash equivalents	11,004	8,492
Financial liabilities		
Trade and other payables	4,120	1,725

The carrying amount of trade receivables are denominated in the following currencies:

	2023 £'000	2022 £'000
GBP	931	1,100
USD	4,870	10
Total	5,801	1,110

Notes to the financial statements Continued

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	2023 £'000	2022 £'000
GBP	6,463	6,916
USD	4,508	1,576
EUR	33	—
Total	11,004	8,492

The carrying amount of trade and other payables are denominated in the following currencies:

	2023 £'000	2022 £'000
GBP	1,579	857
USD	2,541	868
Total	4,120	1,725

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.

The Group's principal financial liabilities comprise trade and other payables. The Group has no debt facility as at 31 December 2023 (2022: £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 2023 (2022: £nil) that would cause interest rate risk.

Credit risk

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

Notes to the financial statements Continued

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 2023 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.

Foreign currency risk

The Group is exposed to the US Dollar through the US subsidiary, Kooth USA LLC, which raises its sales invoices to customers in US Dollars and incurs costs in US Dollars.

With the Group reporting in Sterling, any change to the GBP/USD exchange rate could increase the Group's foreign currency risk. The Group deems the UK and US to be stable economies, thereby significantly reducing foreign currency risk.

If the exchange rate between sterling and the US dollar had been 10% higher/lower at the reporting date, the effect on profit would have been approximately (£635,000)/£780,000 respectively (2022: (£65,000)/80,000). If the exchange rate between sterling and euro had been 10% higher/lower at the reporting date the effect on profit would have been approximately (£3,000)/£4,000 respectively (2022: (£0)/£0).

23. Related party transactions

Note 25 provides information about the Group's structure, including details of the subsidiaries and the holding company. The Group has taken advantage of the exemption available under IAS 24 Related Party Disclosures not to disclose transactions between Group undertakings which are eliminated on consolidation.

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.

	2023 £'000	2022 £'000
Salaries and bonuses	1,919	709
Pension costs	25	21
Share based payment charges	227	147
	2,171	877

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

	2023 £'000	2022 £'000
Monitoring fees — ScaleUp Capital Limited	58	50

Notes to the financial statements Continued

24. Capital management policies and procedures

The Group's capital management objectives are:

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

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

The Group has no debt facilities in place as at 31 December 2023 (2022: £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:

	2023 £'000	2022 £'000
Total equity	20,758	10,518
Cash and cash equivalents	11,004	8,492
Capital	31,762	19,010
Total equity	20,758	10,518
Lease liability	(44)	(68)
Financing	20,714	10,450

25. 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 services to children, young people and adults in the UK	5 Merchant Square, London, England, W2 1AY
Kooth USA LLC	US	100%	Provision of online services to children, young people in the US	167 North Green Street, Chicago, IL, 60607

Notes to the financial statements Continued

26. Standards issued but not yet effective

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

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

27. Ultimate controlling party

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

28. Events after the reporting date

In January 2024, the Group entered into a working capital credit facility with Citibank of \$9.5 million that remains undrawn at the time of issuing this report.

29. Capital commitments

The Group's capital commitments at 31 December 2023 are £nil (FY22: £nil).

Parent company statement of financial position

	Note	31 December 2023 £'000	31 December 2022 £'000
Assets			
Non-current assets			
Investments	1	4,414	4,414
Intercompany receivables	2	15,150	6,970
Total non-current assets		19,564	11,384
Current assets			
Trade and other receivables	5	206	56
Cash and cash equivalents	3	5,331	6,046
Tax receivable	7	49	—
Total current assets		5,586	6,102
Total assets		25,150	17,486
Liabilities			
Current liabilities			
Trade payables	6	(74)	(54)
Intercompany payables	2	(717)	(2,523)
Tax liabilities	7	—	(53)
Total current liabilities		(791)	(2,630)
Net current assets		4,795	3,472
Net assets		24,359	14,856
Equity			
Share capital	8	1,825	1,653
Share premium account	8	23,438	14,222
P&L reserve	8	943	1,749
Share-based payment reserve	8	2,142	1,221
Capital redemption reserve	8	115	115
Merger reserve	8	(4,104)	(4,104)
Total equity		24,359	14,856

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 £1,067k (2022: £482k). The financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 25 March 2024. They were signed on its behalf by:



Sanjay Jawa
Chief Financial Officer
25 March 2024

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 1 January 2022	1,653	14,222	959	2,231	115	(4,104)	15,076
Loss for the year	—	—	—	(482)	—	—	(482)
Total comprehensive income	1,653	14,222	959	1,749	115	(4,104)	14,594
Transactions with owners:							
Share based payments	—	—	262	—	—	—	262
As at 31 December 2022	1,653	14,222	1,221	1,749	115	(4,104)	14,856
Balance at 1 January 2023	1,653	14,222	1,221	1,749	115	(4,104)	14,856
Loss for the year	—	—	—	(1,067)	—	—	(1,067)
Total comprehensive income	1,653	14,222	1,221	682	115	(4,104)	13,789
Transactions with owners:							
Shares options exercised	7	—	(261)	261	—	—	7
Share based payment charge	—	—	766	—	—	—	766
Shares issued	165	9,216	—	—	—	—	9,381
Deferred tax	—	—	416	—	—	—	416
As at 31 December 2023	1,825	23,438	2,142	943	115	(4,104)	24,359

The notes on pages 147 to 149 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 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.

Notes to the parent company financial statements Continued

1. Investments

	2023 £'000	2022 £'000
Investment in subsidiaries	4,414	4,414

2. Intercompany

	2023 £'000	2022 £'000
Intercompany receivable balances		
Kooth Group Limited	9,635	6,970
Kooth Digital Health Limited	5,515	—
Intercompany payable balances		
Kooth Digital Health Limited	—	(2,523)
Kooth USA LLC	(717)	—

3. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash and cash equivalents	5,331	6,046

4. 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.

	2023 £'000	2022 £'000
Salaries and bonuses	1,919	709
Pension costs	25	21
Share based payment charges	227	147
	2,171	877

5. Trade receivables

	2023 £'000	2022 £'000
Prepayments and other receivables	206	56

6. Trade payables

	2023 £'000	2022 £'000
Trade payables	74	54

Notes to the parent company financial statements Continued

7. Tax assets/(liabilities)

	2023 £'000	2022 £'000
VAT receivable/(payable)	49	(53)

8. Equity

	2023 £'000	2022 £'000
Ordinary A shares	1,825	1,653

	2023	2022
Number of shares		
Ordinary A shares	36,480,873	33,055,776

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

Share capital increased from the prior year following the successful share placement in July 2023 and the exercise of staff share options.

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.

	2023 £'000	2022 £'000
Share premium	23,438	14,222

Share premium represents the funds received in exchange for shares over and above the nominal value. Share premium increased from the prior year following the successful share placement in July 2023.

	2023 £'000	2022 £'000
Share based payment reserve	2,142	1,221

The share based payment reserve represents amounts accrued for equity settled share options granted.

	2023 £'000	2022 £'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.

	2023 £'000	2022 £'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.

Company secretary

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