RNS Number : 3635V
Kooth PLC
14 April 2021

Kooth plc

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

Final results

Performance ahead of expectations following successful IPO

Kooth (AIM: KOO), a leading digital mental health platform provider , announces audited final results for the financial year ended 31 December 2020.

Strategic highlights

- Excellent momentum for Kooth's digital mental health services in the public sector
    - Children and Young People (CYP): contracted by 85% of NHS England CCGs
    - Adult: 18 new contracts won in 2020. Over 1.5 million adults now have access to Kooth
- Good progress with strategy to broaden reach into the Corporate market (Kooth Work)
    - Over 30,000 employees are currently covered by Kooth
    - Partnership with Doctor Care Anywhere to combine physical and mental health care
    - Hired new head of Corporate business to drive direct and channel growth
- First international pilot project secured for 2021 go-live
- Oversubscribed IPO on AIM in September 2020
    - Raised £16 million to support growth strategies with a debt-free balance sheet
    - Kooth grown to 306 employees from 234 in December 2019. Our engineering team has doubled in number over the same period
    - £1.5 million invested in our technology platform to drive growth strategy

Financial highlights

- Revenue and EBITDA for the financial year ahead of expectations, as announced in January 2021
- Revenue for the financial year of £13 million, up 50.3% from 2019 (£8.7 million)
- Annual Recurring Revenue (ARR) up 33% driven by fee uplifts from existing clients and new business in Adult and CYP
- Adjusted EBITDA for the financial year of £0.9 million (2019: £0.1 million)
- Significant improvement in gross margin to 60.9% (2019: 51.5%)
- High visibility of earnings

    - More than 90% of revenue is generated from contracts of 12 months or longer
    - 95% customer retention by revenue.
- Robust balance sheet with net cash of £7.8 million (2019: net debt of £5.2 million)

Current trading and outlook

The new financial year has started well with strong new business performance giving an ARR at 31 March 2021 of £15.9 million and we have added over 50 new practitioners in the first quarter.

Tim Barker, Chief Executive Officer of Kooth said :

"2020 was a transformational year for Kooth. We were proud to become the first digital mental health platform to list on the London Stock Exchange to support growing demand for mental health services, which was critical long before the pandemic. Our excellent performance in 2020 reflects momentum for our simple strategy: making effective, personalised mental healthcare available to all."

"We have invested in growing our team and refining our market-leading technology platforms, to ensure Kooth remains the leader in supporting children and young people via the NHS, and sustain good traction with the NHS and Corporate adult market. This, combined with current trading in line with our expectations supports our confidence of making further progress in 2021 ."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR'). Upon the publication of this announcement via a Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

- Ends -

Kooth plc	
Tim Barker, CEO	investorrelations@kooth.com
Sanjay Jawa, CFO	
Panmure Gordon, Nominated Adviser and sole Broker	
Corporate Finance:	+44 (0) 20 7886 2500

Dominic Morley, Nicholas Harland, Sandy Clark

Corporate Broking:

Erik Anderson

FTI Consulting

Jamie Ricketts / Alex Shaw / Usama Ali kooth@fticonsulting.com

Notes to Editors

About Kooth

Kooth is one of the UK's leading digital mental health platforms, set up to provide accessible and safe spaces for everyone to achieve better mental health. The Company's online platform is clinically robust and accredited to provide a range of therapeutic support and interventions. All services are predicated on easy access to make early intervention and prevention a reality.

Kooth offers three services:

- **Kooth** is commissioned in 85% of the NHS's clinical commissioning group areas across the country. It is a fully safeguarded and pre-moderated community with a library of peer and professional created content, alongside access to experienced online counsellors. There are no thresholds for support and no waiting lists. Currently, Kooth sees over 3,000 logins a day.
- **Kooth Adult** operates across distinct locations and serves specific cohorts, including parents, teachers, victims of crime and those who have suffered from or continue to experience domestic violence.
- **Kooth Work** is a corporate service, aimed specifically at employers to support the wellbeing of their employees, providing confidential and anonymous access to a wellbeing community, counselling, content and self-help tools. Kooth Work provides valuable, anonymous insights into the wellbeing of the workforce so that employers can identify specific areas of improvement for their wellbeing strategy.

Chair's statement

I am delighted to present Kooth plc's maiden full year results as a public company following our successful listing on AIM in September 2020. It is also my first as Chair since joining Kooth last May.

Our IPO has already begun to deliver a number of strategic benefits to the Company, supporting our investment in product development, our clinical operating model, and expanding our team to pursue new market opportunities. We begin life as a public company in a position of financial strength, with a robust balance sheet and a net cash position. As a listed company we now operate with a high level of transparency that we know our customers, partners, and service users' value.

Key achievements

At a time of exceptional uncertainty, Kooth stepped up to support our customers and partners, scaling our service to meet demand and delivering strong revenue growth ahead of our expectations. Our progress reflects Kooth's leading position supporting children and young people via the NHS, and early success with our expansion to support the NHS Adult and Corporate markets.

We continued to see strong organic growth in our existing contract base with expansions in service usage and the age ranges supported. Our Children and Young People's service (CYP) expanded to cover 85% of English Clinical Commissioning Groups CCGs) and continued to expand into Wales. Our Public Sector Adult Services are now available to 1.5 million adults and we began to make inroads in the nascent corporate market. Kooth's platform is now available to more than 7.8 million people across the UK.

People and culture

2020 was a year for ensuring solid foundations for future growth at Kooth, with our culture, values, purpose, and people a key focus for us. The journey ahead will be to continue to embed our values into business-as-usual, as described in the CEO's statement.

I am pleased to confirm that we continue to retain and attract talent based on these values. Our teams include colleagues with a wide variety of skills - clinical, technical and finance - all brought together by a common drive to grow their areas of the business and deliver on our purpose to make effective, personalised digital mental health care available to everyone.

Diversity and inclusion are essential to Kooth's core purpose. In July 2020 we appointed Steve Gilbert, OBE to chair our Diversity and Inclusion Council and we also established an Employee Voices Group so that we can better understand and embrace diversity across the organisation.

Board changes

Our Executive Board was strengthened in 2020 by the appointment of Tim Barker as CEO and Sanjay Jawa as CFO. Tim brings with him a wealth of experience from his career in the technology industry including leadership positions at DataSift and Salesforce. Prior to his appointment Sanjay had been a Non-Executive Director since 2018 through his role as an operating partner at ScaleUp Capital. He previously held senior finance positions at a combination of public and private equity-backed technology and services businesses including Qualitest, Barclays and FTI Consulting.

As a clinical-first organisation I am very pleased to be joined by Professor Dame Sue Bailey as a Non-Executive Director. Sue is a qualified psychiatrist and academic who specialises in the field of Children and Young People's mental health, underlined by her positions as Vice President of the British Association of Counselling and Psychotherapy and Chair of the Centre for Mental Health. Sue has extensive experience across Government, the NHS and charitable organisations, and in 2013 was made a Dame for services to mental health.

Corporate governance

The Board is fully committed to its obligation individually and collectively to act in good faith to seek to promote the success of the company for the benefit of its shareholders as a whole and the interests of other stakeholders.

Independent Advisory Board

In addition to our plc Board, we established an independent advisory board to provide guidance and strategic advice on the ever evolving landscape of mental health. Chaired by Sir Norman Lamb, our advisory board has proved a valuable partner in helping guide our strategic direction and deepen our partnerships within the NHS, commercial, and charity sectors.

Summary

Kooth begins 2021 with excellent momentum and a clear strategy for growth, after strong revenue growth and gross margin improvement in 2020.

In 2021, innovating and investing in our proprietary technology platform, data science, and a continued focus on our clinical delivery model are key to our future success. Kooth's strategy is strongly aligned to NHS and other Government policy which we expect to continue to drive growth in our core Government markets. In 2021 we aim to continue growing substantially in the public sector adult market and begin to drive growth in the corporate market.

The Board believes that we are well positioned for future success.

Peter Whiting
Non-Executive Chair
13th April 2021

Chief Executive Officer's statement

A landmark year for Kooth

2020 was a year where remote-first technologies came to the foreground, with many industries accelerating their transformation to digital-first delivery models.

As a mental health care business that was 'born digital', this was a re-enforcement of the benefits of the digital operating model that Kooth has pioneered in partnership with the NHS over many years. We worked with NHS commissioners to expand access to Kooth into more regions within the UK, supported more people than ever before, and provided a safe, welcoming space for individuals in need.

This was reflected in positive revenue growth of 50%, adjusted EBITDA growth from £0.1 million to £0.9 million, and an improved adjusted EBITDA margin to 7.2%. (2019: 1.6%).

Following the IPO, new investment in our technology, data science, and clinical product development will enable us to continue to deliver on our vision of personalised mental health care.

We've seen further contract expansion and high customer retention across the business, retaining 95% of our customers and delivering a net revenue retention of 105%. In the Children and Young Persons market we now cover 85% of Clinical Commissioning Groups (CCGs) in England and have had our first commission from the Welsh Health Boards. Our Adult platform has seen considerable growth with 18 additional contracts coming on board in 2020. We now support more than 1.5 million adults across the UK.

Ongoing investment in clinical safety and outcomes has led us to maintain a strong clinical performance in supporting our service users.

Transition to life as a PLC

In September 2020, we successfully floated on AIM. The move has bought many positive changes to Kooth. Our customers value the greater scrutiny and transparency that comes with life as a public company. We invested in our systems to simplify and streamline reporting ahead of our IPO - meaning we operate our business with greater rigour than ever.

The £16 million raised has allowed us to pay down all debt and create an investment plan to extend our technology, data science, clinical, and research functions to serve more users more effectively.

Lastly, the IPO has enabled us to create a better relationship with our customers through increased transparency, and with our employees through our ability to offer our staff long term incentives to reward their hard work, passion and impressive results.

Our customers

2020 has been a year in which the NHS has needed support like never before. I have been exceptionally proud of how Kooth has collaboratively worked with the NHS and the country through the pandemic. As a remote-first organisation we have been able to support the NHS by continuing to expand our coverage for Children and Young People, increasing coverage of existing contracts to meet increased demand and a rapid scale up of our adult services to provide complementary online alternatives to IAPT (the NHS program to Improve Access to Psychological Therapies) and traditional face to face counselling services.

We have worked collaboratively with the UK Government, providing our national data and insights to help gain a better picture of the impact of the pandemic on the nation's mental health.

We are well-placed to meet the coming demand and structural changes in the NHS. As the market leaders we have exceptional local relationships across primary care, NHS providers and NHS commissioning systems. These relationships allow us to understand the value Kooth can continue to add to help reduce cost and improve outcomes across the mental health pathway.

Innovation

2020 was pivotal for us to innovate in two key areas of our business: data and self-help. Data collection, security and usage is a critical part of our service, enabling us to better support our users, customers, and prove the effectiveness of our interventions.

By introducing a self-assessment (known as a 'measure of need') for users we can now clinically measure the level of mental health support that individuals need, and track changes over time. In addition, our data science and research team continued to collaborate with academia and industry partners to prove the effectiveness of Kooth's service built on our 'Theory of Change' model.

2020 also saw the addition of new self-help tools, with the introduction of the activity-centre, providing a range of self-guided activities and a peer-support community to help individuals manage their own mental health.

Talent

Kooth is all about its people. Employees at Kooth provide the most important support behind the platform to some of the country's most vulnerable people. Our employees have been exceptional in 2020, juggling caring, health and childcare needs with the drive and determination to make sure all our service users are supported.

We continue to retain and attract key talent and I am especially delighted that we welcomed our new Chief Operating Officer, Kate Newhouse, in May 2020 who join sus with a wealth of leadership experience in the digital health space. Kate was previously CEO of Doctor Care Anywhere and CEO of Blenheim Chalcot.

In 2020 we grew to 306 employees, the majority of whom joined our product development and clinical delivery teams.

Following our IPO in September we launched our first staff long term share incentive scheme (as outlined in the IPO admission document).

COVID-19

Kooth has provided vital support to UK citizens throughout the pandemic. Our remote delivery model has enabled us to scale up quickly and effectively to support our NHS colleagues in handling increased demands and shifting from traditional face to face services to digital support. We have been swift in moving to a greater focus on online promotion and using social media and our links with schools, GPs and social work to mobilise digital campaigns.

Outlook

Kooth has a robust business model with 95% recurring revenue and is well positioned to help deliver effective and scalable services to deal with the aftermath of COVID-19 and the burgeoning mental health needs of the nation.

As a resilient and dynamic business we have a strong focus on delivering our 2021 strategy and utilising the funds from the IPO to deliver on our purpose to make digital mental health care available to all, driving our expansion and growth.

Longer term, we are fully aligned with NHS policy and the transition to Integrated Care Systems and Primary Care Networks. We are well placed to continue to build our adult services into adjacent areas such as supporting employers, the unemployed, universities and victims of crime.

Tim Barker
Chief Executive Officer
13th April 2021

Market review

Mental health has emerged as a defining global challenge of our time. Research shows 1 in 4 adults and 1 in 5 children in the UK experience a mental illness in any given year. Untreated mental health problems account for 13% of the total global burden of disease. It is projected that, by 2030, mental health problems will be the leading cause of mortality and morbidity globally. In addition to the direct costs associated with mental health illnesses for individuals and their loved ones, the economic cost to businesses is substantial. It is estimated that mental illness costs UK employers up to £45 billion per annum through lost productivity, employee turnover, and absenteeism.

In the last few years, the NHS has become increasingly aware of the growing need to invest in mental health services and treatment. In 2019-2020, the NHS budget for mental health totalled around £13.1 billion. This was an increase of 4% on the previous year.

As part of the 2019 NHS Long Term plan, a further £2.3 billion is committed to mental health funding by 2023/24. Yet despite this increased spending, expenditure on mental health has not kept pace with demand.

The COVID-19 pandemic has also had a marked effect on mental health globally. Measures taken by national governments, including social distancing and mandatory working from home, have been viewed as essential in decreasing the rate of the virus spreading. These same measures, however, contribute to a severe negative effect on populations' wellbeing: a lack of social interactions; restricted access to open spaces; confined living conditions with young children and elderly relatives; and anxiety associated with working from home, being furloughed or made redundant are all proven to be detrimental to mental wellbeing. Given the growing demand for mental health services this is an area where digital platforms can play a significant role in expanding access to mental health support, providing access to high quality professional counselling and self-help tools, delivering early intervention, prevention and ongoing support for individuals with mental health problems.

Gathering momentum

Kooth continues to gather momentum in our chosen UK markets and sees continued growth in these areas for 2021:

NHS Children and Young People Growth: Continued growth of Kooth for children and young people to serve the growing demand for mental health care services. A potential market opportunity of up to £85 million to expand to nationwide support for 10-25 year olds and expanded usage by the population.

NHS Adult Growth: NHS spending on Adult mental health was estimated at £11 billion for 2019/20. A potential opportunity of £300 million to provide early intervention and ongoing support into NHS CCGs, Local Authorities, and Public Sector organisations to provide help for adults, either as public health services within a region, or focused on specific groups such as new parents, victims of crime, or frontline workers.

Corporate Expansion: A potential market opportunity in excess of £150 million to expand into the UK corporate market to support employee mental health initiatives.

International Markets: A large market opportunity exists to take Kooth's innovative technology and clinical operating model into new markets through local partnerships and direct expansion into the US market.

Strategy

Kooth has a clear 4-pillar growth strategy to support the increasing demand for mental health services in the public and private sector, both in the UK and internationally, all underpinned by our proprietary technology platform and clinical operating model.

Continue to scale Kooth to support young people

As the UK's largest digital provider to the NHS for Children and Young People, we intend to continue to invest, grow and scale in this important market to meet the growing demand for mental health support across the UK. We aim to achieve this by:

- Selling to Commissioners yet to partner with Kooth in England and devolved nations to continue to expand the availability of Kooth across the UK;
- Focusing on digital and in-person promotion of Kooth within schools, GPs, and with other key stakeholders to raise awareness and educate potential users on how to access support via Kooth;
- Expanding our current contracts as we grow usage, supported by a dedicated account management team to ensure commissioner's objectives are met; and
- Growing our Service Delivery team to support the growing demand.

Replicate our success in the adult public sector market

In (pre-pandemic) 2019/20, the NHS spent approximately £11 billion a year on Adult Mental Health. The Directors believe that there is a significant need and opportunity NHS CYP Growth for Kooth's digital services within the Adult population, working in partnership with the public sector. NHS Adult Growth Replicate our success in the adult public sector market.

2020 has proved to be a foundational year for establishing Kooth Adult within the market, adding 18 new customers and £0.9 million ARR. We intend to continue to focus on expanding this business, providing easy access to effective, professional mental health care.

Bring the benefits of Kooth to every workplace

Deloitte's 2020 report (Mental Health and Employers) estimates that poor mental health costs UK employers up to £45 billion a year. More recently, the Chartered Management Institute (CMI) reported that 72% of UK managers have named wellbeing as a top priority for 2021, a trend that has been accelerated by the pandemic.

The Directors believe there is a large, untapped market opportunity to support employers and employees. While a nascent market today, Kooth's expertise and track record gives us a strong proposition to bring to businesses, especially as organisations adapt to a 'new normal' of remote working, digital transformation, and an imperative to support the wellbeing of the workforce.

Expand Kooth proprietary technology platform & clinical delivery model

A key area of focus for 2021 will be to continue to invest in our proprietary technology and clinical operating model that underpins our service, with three key focus areas:

Safe: As a service that supports vulnerable individuals, safeguarding is at the heart of everything we do at Kooth. We will continue to invest in our safeguarding processes, people, and training for our practitioners.

Effective: Measurement of outcomes is a key area of focus for Kooth and our customers. In 2021 we will continue to partner with academia and the NHS to prove the effectiveness of digital mental health, both in its therapeutic and economic impact.

Personalised: Our bespoke approach to mental health helps address the challenge that "no one size fits all" in mental health. Our strategy is to use the collective data from our service to personalise our service to the wants and needs of individuals. This helps improve outcomes, service effectiveness, and provides insights that we can use for future service improvement.

Chief Financial Officer's statement

Significant growth

This is the first annual report and accounts issued by Kooth plc following a corporate reorganisation implemented shortly prior to the Admission to trading on AIM on 2 September 2020 (the "IPO").

IPO outcome

The fundraising undertaken by Kooth plc as part of the IPO was highly successful, raising £16 million for the Company (prior to expenses of £1.8 million), reflecting the strength of institutional investor demand for Kooth. This allowed Kooth to repay in full all debt and leaves us with a healthy cash position.

Incorporation, Group reorganisation & scope of financial results

The Company was incorporated as Hamsard 3564 Limited on 19 March 2020 as a private limited company.

On 6 August 2020, the Company acquired all the issued share capital of Kooth Group Limited (formerly Xenzone Group Limited), by way of a share for share exchange with the shareholders of Kooth Group Limited at that time. On 24 August 2020, by a special resolution of the Company, the Company was re-registered as a public company limited by shares and the name of the Company was changed to Kooth plc. This was undertaken in anticipation of the IPO.

The financial results included in this annual report cover the Group's combined activities for the 12 months ended 31 December 2020 with the comparatives for the previous 12 months being those of Kooth Group Limited and its subsidiaries (prepared in accordance with applicable International Financial Reporting Standards).

Revenue

Group total revenue grew by 50% to £13.0 million in the year, driven primarily by fee uplifts from existing NHS clients and new business in Adult and CYP as well as a small number of one-off COVID-19 related projects.

Recurring revenue comprises income invoiced for services that are repeatable and consumed and delivered on a monthly basis over the term of a customer contract. Annual Recurring Revenue (ARR) is the annualised revenue of customers engaged or closed at that date (31 December 2020) and is an indication of the upcoming annual value of the recurring revenue. This is used by management to monitor long term revenue growth of the business.

ARR grew by 33% driven by fee uplifts from existing clients and new business in Adult and CYP.

Gross margins

Gross margin grew from 51.5% to 60.9% in the year. Direct costs include the cost of our practitioners, clinical staff directly involved in the delivery of our services and our engagement team who have responsibility for promoting Kooth to potential users in a region.

With the start of the UK national lockdown in March 2020 there was a significant reduction in our physical engagement team activity with most engagement meetings conducted virtually. This led to a reduction in travel and subsistence costs as well as allowing the team to reach more users, driving an increase in gross margin.

This was partially offset by an increase in overall marketing and social media costs within administrative expenses. Gross margin also benefited from shorter go-live periods between closing a contract and commencement of services and revenue as clients looked to accelerate the implementation of Kooth particularly during the lockdown closure of schools.

Statutory loss after tax year

The costs we incurred in achieving the IPO and the share based payment expense incurred as a result of accounting for the fair value of shares acquired by employees pre IPO contributed to the Group loss after tax for the 2020 financial year of £1.5 million (2019: loss of £1.1 million).

Administrative expenses

Excluding depreciation, exceptional and other non-trading items, administrative expenses grew by £2.8 million in the year, a 61.2% increase year on year, in line with our strategic investment plan. This was primarily driven by increases in staff costs resulting from increases in overall headcount across the support teams, the strengthening of the senior management team that took place during 2020 and costs associated with being a listed company. In addition, the Group increased marketing expenditure significantly in 2020 over relatively modest expenditure in 2019 to offset the reduction in direct engagement by the Kooth Engagement teams.

Adjusted EBITDA

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 nonrecurring), 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 6, 7, 8, 12, 13 to the financial statements. In addition, the Group also measures and presents performance in relation to various other non GAAP measures, such as gross margin, annual recurring revenue and revenue growth.

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

Taxation

There was no current year corporation tax charge due to accumulated losses combined with the overall current year. The tax credit in 2020 and 2019 both related to Research and Development expenditure credits.

Cash

Net cash at year end was £7.8 million (2019: net debt of £5.2 million) following the receipt of the proceeds of the IPO and the repayment of all shareholder debt. The Group's current cash reserves provide sufficient capital to fund current planned product and software development, any international expansion and working capital as the business continues to grow.

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

£'m	**2020**	**2019**
Operating Loss	**1.6**	**0.9**
Add back:		
Depreciation & Amortisation	1.5	1.0
Share based Payment expense	0.5	-
IPO and other exceptional items	0.6	-
Adjusted EBITDA	**0.9**	**0.1**

Capital expenditure

Software and product development costs aside, the Group's ongoing capital expenditure requirements are expected to be modest and focused on headcount growth.

Capitalised development costs

The Group continues to invest in product and platform development resulting in ongoing improvements in its delivery platform. Costs are a combination of internal and external spend. Where such work is expected to result in future revenue, costs incurred that meet the definition of software development in accordance with IAS38, Intangible Assets, are capitalised in the statement of financial position. During the year the Group capitalised £1.5 million in respect of software development (2019: £0.9 million).

In implementing its product development strategy following the IPO the Group anticipates capitalising software costs at a higher rate over the next few years during a period of accelerated product investment.

Capital and Reserves

Total equity for the year increased by £13.7 million to £10.9 million (2019: £(2.8) million), reflecting the issue of shares in September 2020, partly offset by the loss for the year.

IFRS 16 adoption & right of use assets

As a result of the transition to IFRS, the Group has adopted IFRS 16 from 1 January 2019. This has altered the treatment of the following elements of the Group's operations, the future value of which are capitalised as Right of Use Assets and the annual costs of which are now treated as depreciation and interest.

Costs associated with the leases of the Group's offices in the UK which were previously included within administrative expenses under UK GAAP.

Dividend policy

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 2020 and does not anticipate recommending a dividend within the next year but may do so in future years.

Principal risks and uncertainties

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

Details of the Group's financial risk management objectives and policies of the Group and exposure to foreign exchange risk, market risk, credit risk and liquidity risk are given in note 15 to the consolidated financial statements.

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

Cyber security

As a business that holds Service User data maintaining controls over this risk is imperative. The Group ensures all data and communication are encrypted and personal data is stored securely, and has considerable data breach policies in place.

System outages

The Group requires stable and robust systems and hosting services to enable the service to function. Any disruption to this could result in compromised Service User experience and/ or reputational damage. To prevent this the Group has regular testing on its systems in addition to active monitoring and a specific recovery plan.

Safeguarding incidents

The Group is not a crisis service; however, given the nature of the Group's activities, it is necessary to have significant procedures in place to mitigate potential reputational damage in the event of a serious safeguarding incident.

COVID-19

The full scale of potential impact of the pandemic is still unknown and is dependent on the course of the disease. During 2020 and throughout the pandemic to date Kooth has provided vital support to UK citizens and our remote delivery model has enabled us to scale up to support the NHS.

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

Sanjay Jawa
Chief Financial Officer
13th April 2021

Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Loss

For the year ended 31 December 2020

	Note	2020	2019
Continuing operations		**£'000**	**£'000**
Revenue	4	13,012	8,659
Cost of sales		(5,091)	(4,197)

Gross profit		**7,921**	**4,462**
Administrative expenses	5	(10,049)	(5,683)
Other operating income	25	497	319
Operating Loss		**(1,631)**	**(902)**
Analysed as:			
Adjusted EBITDA		**934**	**137**
Depreciation & amortisation	12, 13, 14	(1,498)	(1,039)
Exceptional items	8	(580)	-
Share based payment expense	6	(507)	-
Gain on disposal of subsidiary	20	20	-
Operating Loss		(1,631)	(902)
Interest paid	7	(314)	(387)
Loss before tax		**(1,945)**	**(1,289)**
Tax	24	467	369
Loss after tax from continuing operations		**(1,478)**	**(920)**
Profit/(Loss) after tax from discontinued operations	20	**1**	**(161)**
Total comprehensive loss for the year		**(1,477)**	**(1,081)**
Loss per share - basic (£)	10	(0.06)	(0.05)
On continuing operations		(0.06)	(0.05)
On discontinued operations		0.00	(0.01)
Loss per share - diluted (£)		(0.06)	(0.05)
On continuing operations		(0.06)	(0.04)
On discontinued operations		0.00	(0.01)

Consolidated Statement of Financial Position
As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000	1 January 2019 £'000
Assets				
Non-current assets				
Goodwill	11	511	511	511
Development costs	12	2,615	2,402	2,342
Right of use asset	14	14	98	60

Property, plant and equipment	13	157	146	82
Deferred tax	17	133	-	-
Total non-current assets		**3,430**	**3,157**	**2,995**
Current assets				
Trade & other receivables	18	2,097	1,922	1,039
Contract assets		107	106	136
Cash & cash equivalents	19	7,823	154	389
Assets of disposal group classified as held for sale		-	292	274
Total current assets		**10,027**	**2,474**	**1,838**
Total assets		**13,457**	**5,631**	**4,833**
Liabilities				
Current liabilities				
Trade payables	22	(275)	(433)	(373)
Contract liabilities	23	(619)	(603)	(257)
Government grants	25	-	(257)	-
Borrowings	16, 22	-	(5,379)	(4,496)
Lease liability	14	(17)	(95)	(60)
Accruals and other creditors	22	(866)	(996)	(789)
Deferred tax	17	-	(31)	(136)
Tax liabilities	22	(827)	(546)	(350)
Liabilities of disposal group classified as held for sale		-	(127)	(129)
Total current liabilities		**(2,604)**	**(8,467)**	**(6,590)**
Net current assets		**7,423**	**(5,993)**	**(4,752)**
Net Assets / (Liabilities)		**10,853**	**(2,836)**	**(1,757)**
Equity				
Share capital	21	1,653	-	-
Share premium Account	21	14,229	2	-
P&L reserve	21	(1,569)	(2,838)	(1,757)
Share-based payment reserve	21	529	-	-
Capital redemption reserve	21	115	-	-
Merger reserve	21	(4,104)	-	-
Total equity		**10,853**	**(2,836)**	**(1,757)**

The financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 13 April 2021. They were signed on its behalf by:

Sanjay Jawa
Chief Financial Officer

13 April 2021

The notes on pages 21 to 55 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share Capital	Share Premium	Share Based Payment Reserve	P&L Reserve	Capital Redemption Reserve	Merger reserve	Total Equity
Balance at 1 January 2019	-	-	-	(1,757)	-	-	(1,757)
Issue of share capital	-	2	-	-	-	-	2
Total comprehensive income for the year	-	-	-	(1,081)	-	-	(1,081)
As at 31 December 2019	**-**	**2**	**-**	**(2,838)**	**-**	**-**	**(2,836)**
Balance at 1 January 2020	-	2	-	(2,838)	-	-	(2,836)
Issue of share capital	400	14,227	-	-	-		14,627
Share for share exchange	3,989	-	-	-	115	(4,104)	-
Capital reduction	(2,736)	-	-	2,736	-	-	-
Share Based Payments	-	-	529	-	-	-	529
Deferred tax	-	-	-	10	-	-	10
Total comprehensive income for the year	-	-	-	(1,477)	-	-	(1,477)
As at 31 December 2020	**1,653**	**14,229**	**529**	**(1,569)**	**115**	**(4,104)**	**10,853**

The notes on pages 21 to 55 form part of the financial statements.

Consolidated Cashflow Statement
For the year ended 31 December 2020

	Note	2020	2019
		£'000	**£'000**
Cash flows from operating activities			
Loss for the year from continuing operations		(1,478)	(920)
Profit/(Loss) for the year from discontinued operations	20	1	(161)
Adjustments:			
Depreciation & amortisation	12, 13, 14	1,498	1,026
Loss on disposal of property, plant and equipment	13	-	15
Income tax received		268	354
Share based payment expense	6	507	-
Interest expense	7	314	387
Tax income recognised		(466)	(369)
Gain on Disposal	20	(20)	-
Movements in working capital:			
(Increase)/decrease in trade and other receivables	18	132	(891)
Increase/(decrease) in trade and other payables	22	(396)	919
Net cashflow from operating activity		**360**	**360**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(107)	(153)
Disposal of property, plant and equipment	13	-	29
Additions to intangible assets	12	(1,505)	(874)
Net cash used in investing activities		**(1,612)**	**(998)**
Cash flows from financing activities			
Proceeds from issue of capital	21	16,000	-
Cost incurred on issue of capital	21	(1,378)	
Receipt/(Repayment) of borrowings	16	(4,249)	500
Interest paid	16	(1,444)	-
Lease payments	14	(81)	(151)
Net cash from financing activities		**8,848**	**349**
Net increase/(decrease) in cash and cash equivalents		**7,596**	**(289)**
Cash and cash equivalents at the beginning of the year	19	227	516
Cash and cash equivalents at the end of the year	**19**	**7,823**	**227**

The notes on pages 21 to 55 form part of the financial statements.

Notes to the Financial Statements

1) Corporate Information
Kooth plc is a company incorporated in England and Wales. The address of the registered office is The Epworth, 25 City Road, London, England, EC1Y 1AA.

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 2020 have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Transition to Adopted IFRS
The Group is preparing its financial statements in accordance with adopted IFRS for the first time and consequently has applied IFRS 1. See note 29.

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

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

The company's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 4 to 15.
In addition, note 15 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 2020 financial year the Group generated a loss of £1.5 million (2019: £1.1 million). Adjusted EBITDA is £0.9 million (2019: £0.1 million). The Group is in a net asset position of £10.9 million (2019: £(2.8 million)).

The Group raised £16m of funds through the IPO in September 2020 resulting in a positive cash position. Additionally, the Group has no debt facilities in place as at 31 December 2020 after repaying all debt in full during the year.

Management has performed a going concern assessment for a period up to 30 June 2022, 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 2020 actual results. The key assumption used in the assessment is revenue and Management has analysed the impact of reduced revenue on the Group's performance.

Whilst Management has concluded that the possibility of the downside scenario occurring is remote, the Group would still have adequate resources to be able to trade and settle its liabilities as they fall due in this scenario. As a result Management also deems the likelihood of the scenarios in the default model occurring to be remote.

The Directors have considered the impact of COVID-19 and do not expect the pandemic to have a material adverse impact on the Group. Consequently, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

2.2) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020, with the comparatives presented for the previous 12 months being the Group's combined activities for the 12 months ended 31 December 2019.

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

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

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

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

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

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions. As Kooth plc's operations are all in one location within the United Kingdom, the Directors are of the opinion that the Group has only one reportable operating segment, this is in line with internal reporting provided to the executive directors.

2.3) Summary of Significant Accounting Policies

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

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

To determine whether to recognise revenue, the Group follows the 5 step process as set out within IFRS 15.

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

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

In certain circumstances the number of hours of counselling provided may surpass the expected number of hours within the contract. In this circumstance, Management does not recognise additional revenue during the period, as contractually the Group has no right to demand payment for additional hours. In some instances, the Group has recovered additional fees post year end for the additional hours incurred; this additional revenue is recognised at a point in time when the Group has agreed an additional fee and has a right to invoice. At each reporting date there was no significant overprovision of hours noted.

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

The Group typically receives cash from customers 42 days after invoicing a customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment testing of intangible assets and property, plant and equipment

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

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

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the

Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value except for trade receivables which are initially accounted for at the transaction price. Financial instruments cease to be recognised at the date when the Group ceases to be party to the contractual provisions of the instrument.

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

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

The carrying amounts of the trade receivables include receivables which are subject to an invoice discounting arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the invoice discounting agreement is presented as accruals and other creditors. The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

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

Loans
Loans are measured initially at fair value, net of transaction cost and are measured subsequently at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss.

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that have a maturity date of 3 months or less, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Leases

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

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

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

Employee Benefit plans

Defined Contribution Plans

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

Share-based payment

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

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

Assets and liabilities classified as held for sale and discontinued operations

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

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

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 20. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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

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

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

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

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

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

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

3) Significant Accounting Judgements, Estimates and Assumptions

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

Estimates and Assumptions

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

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

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

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

Share-based payments

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

Judgements

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

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

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

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

Deferred tax

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

Capitalisation of Development Costs
Distinguishing the research and development phases of a new customised project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Capitalised development expenditure is analysed further in note 12.

Development costs largely relate to amounts paid to external developers, consultancy costs and the direct payroll costs of the internal development teams. Capitalised development expenditure is reviewed at the end of each accounting period for indicators of impairment.

Treatment of costs incurred on the equity raise
The decision of how to split the costs incurred on an equity raise via IPO requires judgement given that, whilst costs incurred on an equity raise should be recognised against equity in share premium, costs that relate to a stock market listing should be recognised as an expense in the Statement of Comprehensive Income. Costs incurred on Admission were split as follows:

	£'000
Share premium	1,378
Exceptionals	391
	1,769

Group Reorganisation
There is judgement on the changes made to the Group structure prior to the insertion of Kooth plc as the new parent company, specifically on the share for share exchange transactions. See Accounting Policies for disclosure.

4) Revenue

The total turnover of Kooth plc has been derived from its principal activity wholly undertaken in the United Kingdom.

Revenue

	2020	**2019**
	£'000	**£'000**
Provision of online counselling	13,012	8,659

5) Administrative Expenses

	2020	**2019**
	£'000	**£'000**
Employee costs	4,710	2,924
Rent and rates	347	86

IT hosting and software	756	506
Professional fees	498	244
Marketing	611	289
Depreciation & amortisation	1,498	1,039
Exceptional items	580	-
Share based payment expense	507	-
Other overheads	542	595
Total administrative expenses	**10,049**	**5,683**

6) Employee Remuneration

	2020	2019
	£'000	£'000
Salaries	7,811	5,429
Pensions	213	131
Social security & other staff benefits	728	416
Share based payment expense	507	-
Government grant	148	82
Total	**9,407**	**6,058**

	2020	2019
Employee numbers		
Direct	203	160
Indirect	57	36
Developers	20	10
	280	**206**

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

Share based payment

	2020	2019
	£'000	£'000
Long term incentive awards	191	-
Growth shares	316	-
	507	**-**

Long Term Incentive Awards

Long term incentive awards have been issued to all staff. The fair value of the awards has been calculated at £2 which is equal to the market price of the underlying shares on the date of grant. Performance conditions are attached to the incentive awards of Executives, with 50% linked to ARR growth and 50% linked to comparative total shareholder return. Vesting conditions require that all staff remain employed by the business for 3 years. The shares vest over a 3 year period with a maximum term of 10 years.

	Number of Options 2020	Exercise price per share 2020	Number of Options 2019	Exercise price per share 2019
Outstanding at the beginning of the year	-		-	-
Granted	1,012,770	£0.05	-	-
Forfeited	(13,089)	£0.05	-	-
Exercised	-	£0.05	-	-
Outstanding at the end of the year	**999,681**		-	-

Growth Shares

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

Risk free rate	1%
Annualised volatility	60%

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

	Number of Options 2020	Exercise price per share 2020	Number of Options 2019	Exercise price per share 2019
Outstanding at the beginning of the year	**65,604**		-	
Granted	203,153	£0.01	164,776	£0.01
Forfeited	-	£0.01	(99,172)	£0.01
Exercised	(268,757)	£0.01	-	£0.01
Outstanding at the end of the year	**-**		**65,604**	

7) Interest

	2020 £'000	2019 £'000
Interest on loans	312	364
Interest on invoice discounting facility	-	19

Interest on lease liability	2	4
	314	**387**

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

8) Exceptional items

	2020	2019
	£'000	£'000
IPO fees	391	-
Other exceptional items	189	-
	580	**-**

9) Auditor remuneration

	2020	2019
	£'000	£'000
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	50	-
Fees payable to the auditor and its associates for other services:		
Other audit related services	139	-

In 2019, the Group's auditor was Hazlewoods LLP. Audit fees for £25,000 and tax fees of £4,000 were paid to Hazlewoods LLP in 2019.

10) Earnings per share

	2020	2019
	£'000	£'000
Earnings used in calculation of earnings per share:		
On total losses attributable to equity holders of the parent	(1,477)	(1,081)
On continuing operations	(1,478)	(920)
On discontinued operations	1	(161)

	2020	2019
Weighted average no. of shares (Basic)	24,351,925	22,229,026

Weighted average no. of shares (Diluted)	24,685,152	-
Shares in issue		
B shares in issue	-	2,674,831
Ordinary shares in issue	33,055,776	20,000,000
Share options	999,681	
Loss per share (basic, £)		
On total profits attributable to equity holders of the parent	(0.06)	(0.05)
On continuing operations	(0.06)	(0.05)
On discontinued operations	0.00	(0.01)
Loss per share (diluted, £)		
On total profits attributable to equity holders of the parent	(0.06)	(0.05)
On continuing operations	(0.06)	(0.04)
On discontinued operations	0.00	(0.01)

11) Goodwill

	2020	**2019**
	£'000	**£'000**
Goodwill as at 1 January	511	511
Movement during the year	-	-
Goodwill as at 31 December	**511**	**511**

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

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

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

Discount rate	8%
Growth rate	2%

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

The Group prepares forecasts based on the most recent financial budgets approved by the Board. The forecasts have been used in the value in use calculation along with the assumptions stated above. The forecasts used are consistent with those used in the going concern review and discussed in note 2. There were no impairments in the years ended 31 December 2020 and 31 December 2019.

12) Development costs

	2020	2019
	£'000	£'000
Cost		
Balance as at 1 January	3,297	2,423
Additions	1,531	874
Balance as at 31 December	**4,828**	**3,297**
Amortisation		
Balance as at 1 January	(895)	(81)
Amortisation	(1,318)	(814)
Balance as at 31 December	**(2,213)**	**(895)**
Carrying amount 31 December	**2,615**	**2,402**

13) Property, plant and equipment

	2020	2019
	£'000	£'000
Cost		
Balance as at 1 January	281	165
Additions	107	145
Disposals	-	(29)
Balance as at 31 December	**388**	**281**
Depreciation		
Balance as at 1 January	(135)	(83)
Depreciation	(96)	(67)
Disposals	-	15
Balance as at 31 December	**(231)**	**(135)**
Carrying amount 31 December	**157**	**146**

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

14) Leases

Kooth plc leases properties. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Amounts recognised in the Consolidated Statement of Financial Position relating to leases are:

	2020 £'000	2019 £'000
Right of use asset		
As at 1 January	98	60
Additions	-	183
Depreciation	(84)	(145)
As at 31 December	**14**	**98**
Lease liability		
As at 1 January	95	60
Additions	-	183
Interest charge	2	4
Cash payment	(80)	(152)
As at 31 December	**17**	**95**

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

	2020 £'000	2019 £'000
Cash outflows	81	151

Total cash outflows for both short term leases and those within scope of IFRS 16 was £427k (2019: £380k).

All lease contracts relate to the lease of office buildings. As at 31 December 2020 all remaining lease liabilities are short term and due within one year.

An incremental borrowing rate of 5% has been used to calculate the present value of the remaining lease payments.

15) Financial assets and liabilities

	2020 £'000	2019 £'000
Financial assets		
Trade and other receivables	1,782	1,654
Cash and cash equivalents	7,823	154
Financial liabilities		
Trade and other payables	1,985	7,450

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.

Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. The Group has no debt facility as at 31 December 2020 (2019: £5,379k). 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 2020 (£2019: £5,379k) that would cause interest rate risk, and
- the Group's activities are solely domestic therefore eliminating foreign currency risk.

Credit risk

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

Liquidity risk

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

As at the year ended 31 December 2020 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.

16) Borrowings

	2020	2019
	£'000	**£'000**
Borrowings	-	5,379

All debt was repaid during the year ended 31 December 2020. Borrowings in place at the year ended 31 December 2019 was a loan from Root Capital LLP, denominated in GBP with an interest rate of 8% per annum. The loan was secured by a fixed charge over all properties acquired, all present and future licenses, intellectual property, investments, book debts, bank balances and other unsecured assets, and was repayable upon demand.

17) Deferred tax assets and liabilities

	Fixed asset temporary differences	**Other temporary differences**	**Tax losses**	**Total**
At 1 January 2019 - asset/(liability)	(364)	124	104	**(136)**
Movement - (charge)/credit	(24)	69	60	**105**
At 1 January 2020 - asset/(liability)	(388)	193	164	**(31)**
Movement - (charge)/credit	(93)	(114)	371	**164**
At 31 December 2020 - asset/(liability)	(481)	79	535	**133**

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

18) Trade and other receivables

	2020	2019
	£'000	**£'000**
Trade receivables	1,430	1,403
Prepayments and other receivables	667	519
Total trade and other receivables	**2,097**	**1,922**

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

In 2019, trade receivables were pledged as security for invoice discounting facility advances of £816,599. The Group retained the credit risk in respect of all receivables discounted under the facility. In 2020, the invoice discounting facility was closed with the balance now nil.

19) Cash and cash equivalents

	2020	2019
	£'000	**£'000**
Cash and cash equivalents	7,823	154

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2020 and 31 December 2019 and 1 January 2019:

	31 December 2020	**31 December 2019**	**1 January 2019**
	£'000	£'000	£'000
Cash at banks	7,823	154	389
Cash at banks recognised within assets held for sale	-	73	127
	7,823	**227**	**516**

20) Disposal groups classified as discontinued operations

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

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

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

	2020	**2019**
	£'000	**£'000**
Revenue	273	1,070
Expenses	(272)	(1,231)
Profit/(Loss) after tax from discontinued operations	**1**	**(161)**

The discontinued operations results contributed the following to the cash flow:	**2020**	**2019**
	£'000	**£'000**
Net cash inflows /(outflows) from operating activities	27	(43)
Net cash inflows/(outflows) from investing activities	-	(8)
Net cash inflows/(outflows) from financing activities	-	-
Net cash inflows/(outflows) arising on disposal	**27**	**(51)**

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

The carrying amounts of assets and liabilities as at the date of sale (3 April 2020) were:

Tangible assets	8
Trade and other receivables	225
Cash and cash equivalents	103
Total assets classified as held for sale	**336**
Trade and other payables	(356)
Total liabilities classified as held for sale	**(356)**
Net liabilities of disposal group	**(20)**

21) Equity

Share Capital

	2020	**2019**
	£'000	**£'000**
Ordinary A shares	1,653	-
Ordinary B shares	-	-
	1,653	**-**

The 2019 comparatives are not presented due to rounding.

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

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

Number of Shares

	2020	**2019**
Ordinary A shares	33,055,776	1,000,000

Ordinary B shares	-	164,776

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

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

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

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

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

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

	2020	**2019**
	£'000	**£'000**
Share Premium	14,229	2

Share premium represents the funds received in exchange for shares over and above the nominal value, offset by £1,378k of costs incurred on the raise of equity.

	2020	**2019**
	£'000	**£'000**
Share based payment reserve	529	-

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

	2020	**2019**
	£'000	**£'000**

Merger reserve	(4,104)	-

The merger reserve was created a result of the share for share exchange. The accounting policy developed in line with IAS 8 was that the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

	2020	**2019**
	£'000	**£'000**
Capital redemption reserve	115	-

The capital redemption reserve was established as a result of the deferred share buyback.

22) Trade and other payables

	2020	**2019**
	£'000	**£'000**
Trade payables	275	433
Accruals and other creditors	866	996
Tax liabilities	827	546
Borrowings	-	5,379
Total	**1,968**	**7,354**

Borrowings relates to a loan advanced from Root Capital Fund II LP, which is denominated in GBP and bears interest at a rate of 8% per annum. The loan is repayable upon demand and has been disclosed within creditors falling due within one year. The capital along with the interest on the loan was fully repaid in 2020.

Included within accruals and other creditors in 2019 is £816,599 in relation to an invoice discounting facility. This balance was secured by way of a fixed and floating charge of the assets of the group. In 2020, the invoice discounting facility was closed with the balance now nil.

23) Contract liabilities

	2020	**2019**
	£'000	**£'000**
Contract liabilities - current	619	603

24) Tax expense

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax	(315)	(263)
Total current tax charge/(credit)	**(315)**	**(263)**
Deferred tax (P&L)		
Origination and reversal of timing differences	(156)	(106)
Effect of tax rate change on opening balance	4	-
Total deferred tax charge / (credit) (P&L)	(152)	(106)
Tax charge / (credit) on profit on ordinary activities	**(467)**	**(369)**
Reconciliation of tax charge		
Profit /(loss) on ordinary activities before tax	**(1,945)**	**(1,289)**
Expected tax charge on profit on ordinary activities at standard CT rate	(370)	(245)
Effects of:		
Expenses not deductible for tax purposes	632	20
Effect of tax rate changing on opening balance	3	11
Income not taxable	(487)	-
R&D additional deduction	(348)	(195)
Group relief	-	(42)
Surrender of tax losses for R&D tax credit refund	98	82
R&D expenditure credits	5	-
	(467)	**(369)**

25) Other operating income

	2020	2019
	£'000	£'000
At 1 January	**257**	**-**
Received during the year	240	576
Released to the statement of profit and loss	(497)	(319)
At 31 December	**-**	**257**

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

26) Related party transactions

Note 28 provides information about the Group's structure, including details of the subsidiaries and the holding company. The Group has taken advantage of the exemption available under IAS 24 Related Party Disclosures not to disclose transactions between Group undertakings which are eliminated on consolidation.

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

	2020 £'000	2019 £'000
Loans from related parties - Root Capital Fund II LP	-	5,379
Rent - Root Capital LLP	-	45
Monitoring fees - Root Capital LLP	91	225
	91	**5,649**

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current payables	2020 £'000	2019 £'000
Root Capital LLP	-	26

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

Key management personnel are the executive members of the Board of Directors of the Group and their remuneration is disclosed below and in the Remuneration Committee report. During the year ended 31 December 2019, 99,172 B shares were repurchased from key management personnel who left their positions.

	2020 £'000	2019 £'000
Base salary and fees	393	300

Pension	9	3
Gain on exercise of share options	132	-
Total	**534**	**303**

27) Capital management policies and procedures

The Group's capital management objectives are:

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

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

The Group has no debt facilities in place as at 31 December 2020 (2019: £5,379,000).
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:

	2020	**2019**
	£'000	**£'000**
Total equity	10,853	(2,836)
Cash and cash equivalents	7,823	154
Capital	**18,676**	**(2,682)**
Total equity	10,853	(2,836)
Lease liability	17	95
Financing	**10,870**	**(2,741)**

28) Subsidiaries and associated companies

Name	**Country of Incorporation**	**Proportion Held**	**Activity**	**Registered Address**
Kooth Group Limited	UK	100%	Platform development	The Epworth 25 City Road, London, England, EC1Y 1AA

Kooth Digital Health Limited	UK	100%	Provision of online counselling and support to children, young people and adults in need.	The Epworth 25 City Road, London, England, EC1Y 1AA
Xenzone Alliance CIC	UK	100%	Dormant	The Epworth 25 City Road, London, England, EC1Y 1AA

29) First time adoption of IFRS

These financial statements, for the year ended 31 December 2020, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, the Group prepared its financial statements in accordance with local generally accepted accounting principles (FRS 102).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2019, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its FRS 102 financial statements, including the statement of financial position as at 1 January 2019 and the financial statements as of, and for, the year ended 31 December 2019.

Group reconciliation of equity as at 1 January 2019 (date of transition to IFRS)

	FRS 102 as at 1 January 2019	**Reclassification and Remeasurements**	**IFRS as at 1 January 2019**
	£'000	**£'000**	**£'000**
Non current assets			
Goodwill	511	-	511
Intangible assets	2,358	(15)	2,343
Right of use asset	-	60	60
Property, plant and equipment	86	(4)	82
Current assets			
Trade & other receivables	1,166	(128)	1,038
Contract assets	136	-	136
Cash & cash equivalents	516	(127)	389
Held for sale assets	-	274	274
Total assets	**4,773**	**60**	**4,833**
Liabilities			
Current liabilities			

Trade payables	(502)	129	(373)
Contract liabilities	(257)	-	(257)
Government grants	-	-	-
Borrowings	(4,496)	-	(4,496)
Lease liability	-	(60)	(60)
Accruals and other creditors	(789)	-	(789)
Deferred tax	(136)	-	(136)
Tax liabilities	(350)	-	(350)
Held for sale liabilities	-	(129)	(129)
Total current liabilities	**(6,530)**	**(60)**	**(6,590)**
Net Assets / (Liabilities)	**(1,757)**	**-**	**(1,757)**
Equity			
Share capital	-	-	-
Share premium account	-	-	-
P&L reserve	(1,757)	-	(1,757)
Share-based payment reserve	-	-	-
Capital redemption Reserve	-	-	-
Merger reserve	-	-	-
Total equity	**(1,757)**	**-**	**(1,757)**

Group reconciliation of equity as at 31 December 2019

	FRS 102 as at 31 December 2019	Reclassification and Remeasurements	IFRS as at 31 December 2019
	£'000	£'000	£'000
Non current assets			
Goodwill	219	292	511
Intangible assets	2,402	-	2,402
Right of use asset	-	98	98
Property, plant and equipment	155	(9)	146
Current assets			
Trade & other receivables	2,129	(208)	1,922
Contract assets	106	-	106
Cash & cash equivalents	230	(76)	154
Held for sale assets	-	292	292
Total assets	**5,241**	**389**	**5,631**

Liabilities			
Current liabilities			
Trade payables	(559)	127	(433)
Contract liabilities	(603)	-	(603)
Government grants	(257)	-	(257)
Borrowings	(5,379)	-	(5,379)
Lease liability	-	(95)	(95)
Accruals and other creditors	(996)	-	(996)
Deferred tax	(31)	-	(31)
Tax liabilities	(546)	-	(546)
Held for sale liabilities	-	(127)	(127)
Total current liabilities	**(8,371)**	**(95)**	**(8,467)**
Net Assets / (Liabilities)	**(3,130)**	**294**	**(2,836)**
Equity			
Share capital	-	-	-
Share premium account	2	-	2
P&L reserve	(3,132)	294	(2,838)
Share-based payment reserve	-	-	-
Capital redemption Reserve	-	-	-
Merger reserve	-	-	-
Total equity	**(3,130)**	**294**	**(2,836)**

Group Reconciliation of Total Comprehensive Income for the year ended 31 December 2019

	FRS 102 as at 31 December 2019	Reclassification and Remeasurements	IFRS as at 31 December 2019
	£'000	**£'000**	**£'000**
Revenue	9,729	(1,070)	8,659
Cost of sales	(5,079)	882	(4,197)
Gross profit	**4,650**	**(188)**	**4,462**
Administrative expenses	(6,713)	643	(6,070)
Other operating income	319	-	319

Operating profit	**(1,744)**	**455**	**(1,289)**
Tax	369	-	369
Loss after tax from continuing operations	**(1,375)**	**455**	**(920)**
Profit/(Loss) after tax from discontinued operations	-	(161)	(161)
Total comprehensive loss for the year	**(1,375)**	**294**	**(1,081)**
Loss per share - basic (£)	(0.05)		(0.05)
On continuing operations	(0.05)		(0.05)
On discontinued operations	(0.01)		(0.01)
Loss per share - diluted (£)	(0.05)		(0.05)
On continuing operations	(0.04)		(0.04)
On discontinued operations	(0.01)		(0.01)

Notes to the reconciliation of equity as at 1 January 2019 and 31 December 2019 and total comprehensive income for the year ended 31 December 2019.

a) Leases

Under FRS 102, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments.

The transition to IFRS resulted in an adjustment to the Right of Use asset and lease liability opening balances at 1 January 2019 of £60k. The net impact to retained earnings for 2019 was £3k. The resulting adjustments to the Right of Use asset and lease liability as at 31 December 2019 was £98k and £95k respectively.

b) Assets held for sale

Under FRS 102 there is no separate classification for assets held for sale and as such balances are consolidated in the statement of financial position. IFRS requires separate presentation of disposal groups and so, upon transition to IFRS, the Group has reclassified net assets attributable to Beam ABA Services Limited as assets held for sale.

The decision was made to put the Company up for sale in December 2017, and the directors announced their intention to sell. As a result the reclassification of net assets as held for sale has been applied to all prior periods presented.

Under FRS 102 discontinued operations are only presented upon sale. As a result items of revenue and costs have been reclassified to loss from discontinued operations for 2019 at a net impact of £161k.

c) Goodwill
IFRS 1 requires that the FRS 102 carrying amount of goodwill must be used in the opening IFRS statement of financial position. The impact on the accounts is to reverse the annual amortisation recognised under FRS 102 of £292k in 2019.

d) Cash flows
There have been no material adjustments made to the statement of cash flows as a result of the transition to IFRS.

30) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.

The new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2020, and which have a minimal impact on the financial statements are:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS 2015-2017 Cycle (Amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

31) Ultimate Controlling Party

Kooth plc is controlled by Root Capital LLP trading as ScaleUp Capital, incorporated in the United Kingdom.

32) Events after the reporting date

There have been no material events.

33) Capital commitments

The Group's capital commitments at 31 December 2020 are £nil (FY19: £nil).

Parent Company Statement of Financial Position

	Note	**31 December 2020**
		£'000
Assets		
Non-current assets		
Investments	34	4,414
Current assets		
Trade & other receivables	38	114
Deferred tax	39	15
Intercompany receivables	35	6,734
Cash & cash equivalents	36	6,674
Total current assets		**13,537**
Total assets		**17,951**
Liabilities		
Current liabilities		
Trade payables	40	(23)
Intercompany payables	35	(2,891)

Total current liabilities		**(2,914)**
Net current assets		**10,623**
Non-current liabilities		-
Net Assets / (Liabilities)		**15,037**
Equity		
Share capital	41	1,653
Share premium account	41	14,222
P&L reserve		2,622
Share-based payment reserve	41	529
Capital redemption reserve	41	115
Merger reserve	41	(4,104)
Total equity		**15,037**

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of the financial statements. The parent company's loss for the financial period was £115,067.

The financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 13 April 2021. They were signed on its behalf by:

Sanjay Jawa
Chief Financial Officer

13 April 2021

The notes on pages 58 to 62 form part of these financial statements.

Parent Company Statement of Changes in Equity

	Share Capital	Share Premium	Share Based Payment Reserve	P&L Reserve	Capital Redemption Reserve	Merger reserve	Total Equity
Balance at 19 March 2020	-	-	-	-	-		-
Issue of share capital	400	14,222	-	-	-	-	14,622
Share for share exchange	3,989	-	-	-	115	(4,104)	-
Capital reduction	(2,736)	-	-	2,736	-	-	-
Share based payments	-	-	529	-	-	-	529

Total comprehensive income for the year	-	-	-	(114)	-	-	(114)
As at 31 December 2020	**1,653**	**14,222**	**529**	**2,622**	**115**	**(4,104)**	**15,037**

The notes on pages 58 to 62 form part of these financial statements.

Notes to the Parent Company Financial Statements

Basis of Preparation

The financial statements are presented for the first time since incorporation.

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

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

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

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

The following are key accounting policies for the Company:

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

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

Investments

Investments are stated at their cost less impairment losses.

Intercompany

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

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

34) Investments

	2020
	£'000
Investment in subsidiary	4,414

35) Intercompany

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

36) Cash and cash equivalents

	2020
	£'000
Cash and cash equivalents	6,674

37) Related parties

Key management personnel are the executive members of the Board of Directors. Remuneration applicable to the Company is disclosed below, with further information disclosed in the Remuneration Committee report.

	2020
	£'000
Salaries	157
Social security costs	21
Pension costs	3
Total remuneration	**181**

38) Trade Receivables

	2020

	£'000
Prepayments and other receivables	38
VAT receivable	76
	114

39) Deferred tax assets

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

40) Trade Payables

	2020 £'000
Trade payables	23

41) Equity

	2020 £'000
Ordinary A shares	1,653
Ordinary B shares	-
	1,653

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

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

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

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

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

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

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

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

	2020
	£'000
Share Premium	14,222

Share premium represents the funds received in exchange for shares over and above the nominal value, offset by £1,378k of costs incurred on the raise of equity.

	2020
	£'000
Share based payment reserve	529

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

	2020
	£'000
Merger reserve	(4,104)

The merger reserve was created a result of the share for share exchange. The accounting policy developed in line with IAS 8 was that the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

2020
£'000

Capital redemption reserve 115

The capital redemption reserve was established as a result of the deferred share buyback.