26 March 2024

Kooth Plc

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

Full Year Results

2023 revenues up 66% to £33.3 million
Significant US growth and investment in in-market capabilities to expand into additional States

Kooth (AIM: KOO), a global leader in youth digital mental well-being, announces audited results for the 12 months ended 31 December 2023. All figures relate to this period unless otherwise stated.

Strategic and post-period end highlights

- Successful launch of contract with California Department of Health Care Services (DHCS) to deliver behavioural health care to the State's population of 13-25 year olds, representing an expected $188 million, four-year opportunity with possible revenue upside based on usage levels and product development
- Development and launch of Soluna, Kooth's next-generation platform to help build mental health skills-for-life, access peer-support and professional help
- First US Medicaid strategic partnership with Aetna Better Health Illinois to support youth in low-income families
- Strong uptake in Pennsylvania pilot, with 1-in-10 high school students accessing Kooth
- Accelerated investment in US Government sales to expand into additional States
- UK CYP services stable despite NHS headwinds with short-term funding pressures

Financial Highlights

- 2023 revenues of £33.3 million, increasing 66% year-on-year, driven by US growth and continuing adoption of digital-first healthcare
- £64.6 million year end Annual Recurring Revenue, representing growth of 206% compared to prior year
- 98% of revenue derived from contracts of 12+ months
- 98% UK Net Revenue Retention (2022: 107%)
- 8.7 percentage point gross margin increase, driven by increased US revenue mix and contribution to product development
- £11.0 million net cash compared to £8.6 million prior year
  Strong, debt-free balance sheet with net cash generated from operations of £1.9 million, bolstered by net proceeds of £9.4 million from Kooth's successful equity fundraise in July 2023

Current trading and outlook

- Opportunity for Kooth in the US remains unchanged, driven by the continued need from both US State governments and Medicaid payers to invest further in youth mental health
- UK headwinds remain, given NHS short-term financial pressures to address the 2023/24 budget deficit. Kooth's focus remains on continuing to demonstrate the impact and savings that it generates when commissioned in a region
- Robust balance sheet enabling Kooth to invest to meet long-term, increasing demand for its services
- Kooth's proven track record, strong recurring revenue and net cash position give it an excellent platform for profitable growth as it enters 2024 with the expectation of gross margins of >70%, an EBITDA margin in the mid-teens and rising thereafter
- The strength of Kooth's model, strategy and market position – allied to long-term demand for digital mental health services in the UK and US – support the Company's confidence of further progress in the year ahead
- Revenue and EBITDA expected to be in line with 2024 market expectations

Tim Barker, Chief Executive of Kooth, commented:

"In 2023 Kooth significantly expanded its services and capabilities. We won the most significant contract in our history in California to deliver behavioural health care to the State's population of 13-25 year olds, representing a $188 million, four-year opportunity. To support this contract, we developed Soluna, our next-generation platform to help build mental health skills-for-life, access peer-support and professional help.

"We have delivered record financials in 2023, with revenue increasing by 66% year on year to £33.3 million, and adjusted EBITDA growing to £2.3 million, an increase of 40%. To support this growth, we have grown our headcount to end 2023 with 585 employees, of which over 200 are based in the US. This means we are well placed to support and expand our services, reflecting the continued need from both US State governments and Medicaid payers to invest further in youth mental health. This need was highlighted when, post-period end, we agreed a partnership with Aetna Better, representing Kooth's first private-sector contract in the US. In Pennsylvania, we were delighted that within a year of launching Kooth over 1-in-10 high school students were accessing Kooth, demonstrating strong uptake during the pilot phase of this contract. Our UK offering remains stable in the face of ongoing headwinds following the shift to the ICS structure and short-term funding pressures, which we anticipate lasting until after 2024's anticipated general election. Kooth remains well placed in the UK, and the experience and data we will generate in the US from our significant new contracts will allow us insights which will differentiate us further from our competition, coupled with the launch of Soluna in the UK which we anticipate will occur within the next 12 months.

"This growth, coupled with our strong balance sheet, ensures we are very well placed to take the available opportunities to continue growing our business. I look forward to working alongside our team to build on our successes in 2023 into 2024 and beyond as we seek to help ever more people in the face of this growing, global crisis."

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About Kooth plc:

Kooth (AIM:KOO) is a global leader in youth digital mental well-being. Our mission is to provide accessible and safe spaces for everyone to achieve better mental health. Our platform is clinically robust and accredited to provide a range of therapeutic support and interventions. All our services are predicated on easy access to make early intervention and prevention a reality.

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

Kooth is the longest standing digital mental health provider to hold a UK-wide accreditation from the British Association of Counselling and Psychotherapy (BACP) and according to NHS England data for 2022/23 is now the largest single access provider for mental health support for under 18s.

In 2021, Kooth began executing on its international expansion strategy, with an initial focus on the US market. This focus is due to the growing recognition of the importance of improving youth mental health in this key global healthcare market, with 1-in-6 people aged 6-17 experiencing a mental health disorder each year.

Chair's Statement

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

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

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

Given our rapid progress in California in particular, we successfully raised £10m of equity in July, primarily to invest in accelerating our US growth. I'm pleased to report that this has enabled us to expand our Sales and

Research efforts, with discussions underway in a number of States, and a partnership with Aetna to pilot Kooth in Illinois to support youth in low-income families that qualify for Medicaid. The latter represents a potentially significant expansion of our modes of funding, and in turn a reinforcement of our market position.

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

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

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

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

Peter Whiting

Non-Executive Chair

25 March 2024

Chief Executive Officer's statement

Delivering positive social impact, cost effectively and at scale

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

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

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

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

Executing on Kooth's strategy to expand in US States

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

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

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

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

Focusing on UK renewals and retention given NHS headwinds

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

Our people

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

Outlook

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

Tim Barker

Chief Executive Officer

25 March 2024

Chief Financial Officer's statement

Significant growth

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

Revenue

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

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

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

Net revenue retention, which is a measure of the depth and longevity of our client relationships, although still strong, fell to 98% in the UK (2022: 107%). This is measured by the total value of ongoing ARR at the year end from customers in place at the start of the year as a percentage of the opening ARR from those clients.

Gross profit

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

Foreign currency impact

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

Operating loss

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

Administrative expenses

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

Adjusted EBITDA

Adjusted EBITDA grew by 40% to £2.3 million (2022: £1.6 million) in the year, with increases in revenue and gross profit offset by our investment in the US and higher administrative expenses as outlined above.

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

Adjusted results exclude items as set out in the consolidated statement of profit and loss and below, with further details given in Notes 2, 3, 4, 5, 6, 11, 12 & 13 to the financial statements. In addition, the Group also measures and presents performance in relation to various other non GAAP measures, such as annual recurring revenue and revenue growth.

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

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

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

Taxation

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

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

Cash

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

Overall the Group has net cash inflow due to the net proceeds from financing activities following a successful placing, which resulted in the raise of a net £9.4m. The net cash at year end was £11.0 million (2022: £8.5

million). In addition we recently entered into a working capital credit facility with Citibank of $9.5 million that remains undrawn at this time. The Group continues to be debt free.

Capitalised development costs

The Group significantly increased investment in product and platform development in 2023 to support the launch of our service in California and this is expected to be ongoing in 2024. Costs are a combination of internal and external spend. Where such work is expected to result in future revenue, costs incurred that meet the definition of software development in accordance with IAS38, Intangible Assets, are capitalised in the statement of financial position. During the year the Group capitalised £8.7 million in respect of software development (2022: £3.0 million) with an amortisation charge of £3.6 million (2022: £2.1 million).

Investment in product and development continues to be significant to the Group and we anticipate capitalising software costs at a higher rate over the next year as we continue to invest in the Soluna platform.

Capital expenditure

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

Capital and reserves

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

Dividend policy

As outlined at the time of the IPO and previous reports, the Group’s intention in the short to medium term is to invest in order to deliver capital growth for shareholders. The Board has not recommended a dividend in respect of the year ended 31 December 2023 (2022: Nil) but may do so in future years.

Sanjay Jawa

Chief Financial Officer

25 March 2024

Consolidated statement of profit and loss and other comprehensive loss
For the year ended 31 December 2023

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

Total comprehensive loss for the year		**(330)**	**(716)**
Loss per share - basic and diluted (£)	*9*	(0.00)	(0.02)

Consolidated statement of financial position

As at 31 December 2023

	Note	31 December 2023 £'000	31 December 2022 £'000
Assets			
Non-current assets			
Goodwill	*10*	511	511
Development costs	*11*	8,750	3,681
Right of use asset	*12*	42	68
Property, plant and equipment	*13*	304	122
Deferred tax	*14*	2,649	-
Total non-current assets		**12,256**	**4,382**
Current assets			
Trade and other receivables	*15*	7,174	2,618
Contract assets	*16*	251	649
Cash and cash equivalents	*17*	11,004	8,492
Total current assets		**18,429**	**11,759**
Total assets		**30,685**	**16,141**
Liabilities			
Current liabilities			
Trade payables	*18*	(1,555)	(680)
Contract liabilities	*19*	(5,156)	(2,583)
Lease liability	*12*	(44)	(68)
Accruals and other creditors	*18*	(2,521)	(977)
Tax liabilities	*18*	(651)	(967)
Deferred tax	*14*	-	(348)
Total current liabilities		**(9,927)**	**(5,623)**
Net current assets		**8,502**	**6,136**

Net assets		**20,758**	**10,518**
Equity			
Share capital	*20*	1,825	1,653
Share premium account	*20*	23,444	14,229
P&L reserve	*20*	(2,503)	(2,595)
Share-based payment reserve	*20*	2,142	1,221
Capital redemption reserve	*20*	115	115
Merger reserve	*20*	(4,104)	(4,104)
Translation reserve	*20*	(161)	-
Total equity		**20,758**	**10,518**

The financial statements of Kooth plc (Company registration number 12526594) were approved by the Board of Directors and authorised for issue on 26 March 2024. They were signed on its behalf by:

Sanjay Jawa
Chief Financial Officer
25 March 2024

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital	Share premium	Share based payment reserve	P&L reserve	Capital redemption reserve	Merger reserve	Translation reserve	Total equity
Balance at 1 January 2022	**1,653**	**14,229**	**959**	**(1,879)**	**115**	**(4,104)**	**-**	**10,973**
Loss for the year	-	-	-	(716)	-	-	-	(716)
Total comprehensive income	1,653	14,229	959	(2,595)	115	(4,104)	-	10,257
Transactions with owners:								
Share based payments	-	-	262	-	-	-	-	262
As at 31 December 2022	**1,653**	**14,229**	**1,221**	**(2,595)**	**115**	**(4,104)**	**-**	**10,519**
Balance at 1 January 2023	**1,653**	**14,229**	**1,221**	**(2,595)**	**115**	**(4,104)**	**-**	**10,519**

Loss for the year	-	-	-	(169)	-	-	-	(169)
Other comprehensive income	-	-	-	-	-	-	(161)	(161)
Total comprehensive income	1,653	14,229	1,221	(2,764)	115	(4,104)	(161)	10,189
Transactions with owners:								
Share options exercised	7	-	(261)	261	-	-	-	7
Share based payment charge	-	-	766	-	-	-	-	766
Shares issued	165	9,215	-	-	-	-	-	9,380
Deferred tax	-	-	416	-	-	-	-	416
As at 31 December 2023	**1,825**	**23,444**	**2,142**	**(2,503)**	**115**	**(4,104)**	**(161)**	**20,758**

The accompanying notes form part of the financial statements.

Consolidated cash flow statement

For the year ended 31 December 2023

	Note	**2023**	**2022**
		£'000	**£'000**
Cash flows from operating activities			
Loss for the year		(169)	(716)
Adjustments:			
Depreciation & amortisation	*11, 12, 13*	3,775	2,232
Income tax received	8	569	330
Share based payment expense	*6*	744	292
Income tax recognised	*8*	(1,795)	(115)
Interest income	*7*	(298)	(81)
Movements in working capital			
(Increase) / decrease in trade and other receivables	*15*	(4,158)	78
Increase in trade and other payables	*18, 19*	3,199	2,408
Net cashflow from operating activity		**1,867**	**4,428**

Cash flows from investing activities			
Purchase of property, plant and equipment	*13*	(291)	(100)
Additions to intangible assets	*11*	(8,713)	(2,952)
Interest income	*7*	298	81
Net cash used in investing activities		**(8,706)**	**(2,971)**
Cash flows from financing activities			
Proceeds from issue of share capital	*20*	9,923	-
Costs incurred from the issue of share capital	*20*	(536)	-
Net cash from financing activities		**9,387**	**-**
Net increase in cash and cash equivalents		2,548	1,457
Exchange adjustments		(36)	(44)
Cash and cash equivalents at the beginning of the year	17	8,492	7,079
Cash and cash equivalents at the end of the year	*17*	**11,004**	**8,492**

Notes to the financial statements

1. **Corporate Information**

Kooth plc is a company incorporated in England and Wales. The address of the registered office is 5 Merchant Square, London, England, W2 1AY.

2. **Significant accounting policies**

2.1 Basis of preparation

The preliminary results for the year ended 31 December 2023 are an abridged statement of the full Annual Report which was approved by the Board of Directors on 25 March 2024. The consolidated financial statements in the full Annual Report are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The auditor's report on those consolidated financial statements were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. The preliminary results do not comprise statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The Annual Report for the year ended 31 December 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The financial information included in this preliminary announcement does not itself contain sufficient information to comply with UK-adopted

International Accounting Standards. The Annual Report and audited financial statements for the year ended 31 December 2023 will be made available on the Company's website in April 2024.

Measurement convention
The financial statements are prepared on the historical cost basis. These policies have been consistently applied to all years presented unless otherwise stated. All values are presented in Sterling and rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

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

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 8 to 25 of the 2023 Annual Report. In addition, note 22 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

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

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

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

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

2.2 Basis of consolidation

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

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

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

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

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

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

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

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

Revenue recognition

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

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

<u>Provision of online counselling contracts</u>

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

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

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

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

<u>Platform build and behavioural support services contracts</u>

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

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

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

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

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

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

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

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

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

Contract assets and liabilities

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

Tax

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

Sales tax

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

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

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

Research and Development tax claims

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

Property, plant and equipment

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

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

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

Computer and office equipment	33.33% straight line

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.

Intangible assets

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

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

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

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

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

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

- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

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

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

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

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

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

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

Financial instruments
The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value except for trade receivables which are initially accounted for at the transaction price. Financial instruments cease to be recognised at the date when the Group ceases to be party to the contractual provisions of the instrument.

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

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

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

Trade payables

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

Cash and cash equivalents

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

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

<u>Defined contribution plans</u>

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

Share-based payment

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

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

Alternative performance measures

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

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

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

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

3. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

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

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

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

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

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

4. Revenue and segmental analysis

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

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

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

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

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

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

5. Operating loss

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

Total cost of sales and administrative expenses	**35,599**	**21,032**

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

6. Employee remuneration

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

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

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

Employee numbers	**2023**	**2022**
Direct	259	234
Indirect	183	139
Developers	36	33
	478	**406**

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

The Directors' remuneration and share options are detailed within the Report of the Remuneration Committee within the 2023 Annual Report (pages 85 to 90). This includes detail of the total Directors' remuneration, including bonuses and pension contributions and remuneration of the highest paid Director. No directors exercised share options in the year.

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

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

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

Long term incentive awards

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

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

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

Fair value of options granted:

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

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

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

7. **Interest**

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

8. **Taxation**

	2023	2022
	£'000	£'000
Current tax		
UK corporation tax	-	(438)
Foreign tax	336	–
Adjustments in respect of prior years	451	(308)
	787	**(746)**
Deferred tax		

Current year	(1,756)	9
Adjustments in respect of prior years	(826)	622
	(2,582)	**631**
Tax credit on losses	**(1,795)**	**(115)**

	2023	2023	2022	2022
	£'000	**%**	**£'000**	**%**
Profit/(loss) before tax for the period	**(1,964)**		(831)	
Tax charge/(credit) at standard rate of 23.5% (2022: 19%)	**(462)**	**23.5**	(158)	19.0
Effects of:				
Permanent items / additional relief under R&D scheme	**(782)**	**39.8**	(398)	47.9
Difference between UK CT & DT rates	**(160)**	**8.2**	3	(0.4)
Losses surrendered at 14.5% under SME tax relief scheme	**-**	**0.0**	137	(16.5)
Prior year adjustments	**(375)**	**19.1**	313	(37.7)
Other differences	**(16)**	**0.8**	(12)	1.4
Tax credit for the year	**(1,795)**	**91.4**	**(115)**	13.8

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

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

9. Earnings per share

	2023	2022

	£'000	£'000
Earnings used in calculation of earnings per share:		
On total losses attributable to equity holders of the parent	(169)	(716)

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

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

10. Goodwill

	2023	2022
	£'000	£'000
Goodwill as at 1 January and 31 December	511	511

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

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

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

Discount rate	8%
Growth rate	2%

Forecasts are based on past experience and take into account current and future market conditions and opportunities. Using alternative discount (increase to 10%) and growth rates (decrease to nil) as sensitised assumptions does not result in any impairment.

The Group prepares forecasts based on the most recent financial budgets approved by the Board. The forecasts have been used in the value in use calculation along with the assumptions stated above. The forecasts used are consistent with those used in the going concern review and discussed in note 2. The forecasts extended for a period of 12 months from the date of signing.

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

11. Development costs

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

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

12. Leases

	2023	2022
	£'000	**£'000**
Right of use asset		

As at 1 January	**68**	**-**
Additions	-	68
Depreciation	(22)	-
Disposal	-	-
Currency revaluation	(4)	-
As at 31 December	**42**	**68**

Lease liability		
As at 1 January	**68**	**-**
Additions	-	68
Interest charge	5	-
Cash payment	(25)	-
Disposal	-	-
Currency revaluation	(4)	-
As at 31 December	**44**	**68**

13. Property, plant and equipment

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

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

14. Deferred tax assets and liabilities

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

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

15. Trade and other receivables

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

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

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

16. Contract assets

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

17. Cash and cash equivalents

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

18. Trade and other payable

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

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

19. Contract liabilities

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

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

The following table shows the movement in contract liabilities:

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

20. Equity

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

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

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

The A ordinary shares have attached to them full voting, dividend and capital distribution rights (including on winding up). They do not confer any right of redemption.

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

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

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

	2023	**2022**
	£'000	**£'000**
Share Premium	23,444	14,229

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

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

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

	2023	**2022**
	£'000	**£'000**
Merger reserve	(4,104)	(4,104)

The merger reserve was created as a result of the share for share exchange during the year ended 31 December 2020.

	2023	2022
	£'000	**£'000**
Capital redemption reserve	115	115

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

	2023	2022
	£'000	**£'000**
Translation reserve	161	-

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

21. Auditor's remuneration

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

22. Financial assets and liabilities

	2023	2022
	£'000	**£'000**
Financial assets		
Trade receivables	5,801	1,110
Cash and cash equivalents	11,004	8,492

Financial liabilities		
Trade and other payables	4,120	1,725

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

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

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

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

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

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

Management has assessed that the fair values of cash, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Group's principal financial liabilities comprise trade and other payables. The Group has no debt facility as at 31 December 2023 (2022: £nil). The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables and cash that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Board of Directors who advise on financial risks and the appropriate financial risk governance framework for the Group. The Board provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Market risk is deemed to be immaterial to the Group given that the Group has no debt facilities in place at the year ended 31 December 2023 (2022: £nil) that would cause interest rate risk.

Credit risk

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

Liquidity risk

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

As at the year ended 31 December 2023 the Group is solely funded by equity and as a result liquidity risk is deemed to be immaterial. The Group monitors its risk of a shortage of funds through both review and forecasting procedures.

Foreign currency risk

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

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

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

23. Related party transactions

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

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

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

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

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

24. Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

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

25. Subsidiaries and associated companies

Name	Country of Incorporation	Proportion Held	Activity	Registered Address
Kooth Group Limited	UK	100%	Platform development	5 Merchant Square, London, England, W2 1AY
Kooth Digital Health Limited	UK	100%	Provision of online services to children, young people and adults in the UK	5 Merchant Square, London, England, W2 1AY
Kooth USA LLC	US	100%	Provision of online services to children, young people in the US	167 North Green Street, Chicago, IL, 60607

26. Standards issued but not yet effective

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

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

27. Ultimate controlling party

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

28. Events after the reporting date

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

29. Capital commitments

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