Kooth Group Limited
(Formerly Xenzone Group Limited)
Financial Statements
Year ended 31 December 2020

Company registration number 09795273

Contents

Strategic Report

Kooth Group Limited, formerly Xenzone Group Limited, changed its name on 2 October 2020. The directors present their strategic report for the year ended 31 December 2020.

Business Review
Kooth Group Limited is part of the Kooth Group, with the Group's activities being the provision of personalised digital mental healthcare. The Company is a wholly owned subsidiary of Kooth plc and with its primary role being the development of the counselling platform.

Performance
During the year the Group 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.

In the year ended 31 December 2020 the Company made a loss of £1.7m (2019: £2.2m) and was in a net liability position of £4.6m (2019: £5.4m).

Principal risks and uncertainties
The Company 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. The material business and operational risks that the Directors consider the Company 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 Company ensures all data and communication are encrypted and personal data is stored securely, and has considerable data breach policies in place.

System outages
The Company 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 Company has regular testing on its systems in addition to active monitoring and a specific recovery plan.

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

By order of the Board

Sanjay Jawa
Chief Financial Officer
30 September 2021

Directors' Report

The Directors present their report and the audited financial statements of Kooth Group Limited for the year ended 31 December 2020. The principal activity of the Company is the development of the counselling platform.

Dividend
The Directors do not recommend payment of a dividend (2019: £nil).

Directors
The directors who held office during the year were as follows:
Tim Barker, Chief Executive (appointed on 27 January 2020)
Sanjay Jawa, Chief Financial Officer
Simon Philips, Non-executive director
Peter Whiting, Chair and Non-executive director (appointed on 21 May 2020)
Frank Hyman, Director (resigned on 9 December 2020)

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

The Company is committed to providing equality of opportunity to all existing and prospective employees without discrimination through channels such as our Diversity and Inclusion Council (established in July 2020) and our Employee Voices Group. As a result of the IPO we are able to offer our staff long term incentives to reward their hard work, passion and impressive results.

Political Contributions
The Company made no political donations or incurred any political expenditure during the year.

Events since the balance sheet date
Please refer to the subsequent events in note 17.

Future developments
The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Going Concern
The Directors have a reasonable expectation that the Company 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.

During the 2020 financial year the Company generated a loss of £1.7m (2019: £2.2m). The Company is in a net liability position of £4.6m (2019: £5.4m).

The Company is part of the Kooth Group, and the parent company, Kooth plc, has indicated its intention to make available such funds as are needed by the company for the period covered by the forecasts.

Management has performed a going concern assessment for a period up to 30 September 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 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.

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 Company 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.

Statement of Disclosure to auditor

Each of the persons who are Directors at the time when this Directors' Report was approved has confirmed that:

- So far as that each Director is aware, there is no relevant audit information of which the Company and the Company's auditor is unaware
- That director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and Company's auditor is aware of that information. The auditor, Grant Thornton LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

Auditor

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

By order of the Board

Sanjay Jawa
Chief Financial Officer
30 September 2021

Statement of Directors' Responsibilities

In respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.
Company law requires the Directors to prepare financial statements for each financial year.

Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

Opinion

We have audited the financial statements of Kooth Group Limited (the 'company') for the year ended 31 December 2020, which comprise the Statement of Profit and Loss and Other Comprehensive Loss, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

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

Other matters – prior year financial statements unaudited

The company was not required to obtain an audit of its financial statements in accordance with section 476 of the Companies Act 2006 for the year ended 31 December 2019. Accordingly, the corresponding comparative figures for the period are unaudited.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which they operate. We determined that the following laws and regulations were most significant: UK GAAP, Companies Act 2006 and UK tax compliance regulations which is the principal jurisdiction in which the company operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relate to employee matters;
- We understood how the company is complying with those legal and regulatory frameworks by, making inquiries to management. We corroborated our inquiries through our review of board minutes;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
    - challenging assumptions and judgements made by management in its significant accounting estimates;
    - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
    - knowledge of the industry in which the client operates.
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue and management over ride of controls.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
    - the company's control environment, including:
    - the policies and procedures implemented to comply with financial reporting requirements, including the adequacy of the training to inform staff of financial reporting changes; and
    - the adequacy of procedures for authorisation of transactions and internal review procedures over the company's transactions.

Use of our report

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

Grant Thornton UK LLP

Anthony Thomas

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, UK
30 September 2021

Financial Statements

Statement of Profit and Loss and Other Comprehensive Loss

For the year ended 31 December 2020

	Note	2020	Unaudited 2019
		£	£
Other operating income	*4*	194,275	112,094
Administrative expenses	*5*	(2,178,354)	(2,268,202)
Operating loss		**(1,984,079)**	**(2,156,108)**
Interest paid		(313,360)	(383,276)
Loss before tax		**(2,297,439)**	**(2,539,384)**
Tax	*7*	556,439	365,121
Loss after tax		**(1,741,000)**	**(2,174,263)**

Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020	Unaudited 31 December 2019
		£	£
Assets			
Non-current assets			
Development costs	9	2,171,964	2,363,649
Investments	10	-	1,871,294
Deferred tax	15	231,789	-
Total non-current assets		**2,403,753**	**4,234,943**
Current assets			
Trade & other receivables	11	314,992	339,102
Cash & cash equivalents		15,139	45,013
Total current assets		**330,131**	**384,115**
Total assets		**2,733,884**	**4,619,058**
Liabilities			
Current liabilities			
Trade and intercompany payables	13	(7,039,514)	(4,432,300)
Borrowings	12	-	(5,378,808)
Accruals and other creditors	14	(269,903)	(178,057)
Total current liabilities		**(7,309,417)**	**(9,989,165)**
Non-current liabilities			
Deferred tax	15	-	(11,596)
Total non-current liabilities		**-**	**(11,596)**
Net current liabilities		**(6,979,286)**	**(9,605,050)**
Net Liabilities		**(4,575,533)**	**(5,381,703)**
Equity			
Share capital	16	137	116
Share premium account		4,429	1,984
P&L reserve		(7,122,866)	(5,383,803)
Capital redemption reserve		2,542,767	-
Total equity		**(4,575,533)**	**(5,381,703)**

The financial statements of Kooth Group Limited (Company registration number 09795273) were approved by the Board of Directors and authorised for issue on 30 September 2021. They were signed on its behalf by:

Sanjay Jawa
Chief Financial Officer
30 September 2021

The notes on pages 18 to 31 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2020

	Share Capital	Share Premium	Capital Redemption Reserve	P&L Reserve	Total Equity
Balance at 1 January 2019	**100**	**-**	**-**	**(3,209,540)**	**(3,209,440)**
Issue of share capital	16	1,984	-	-	2,000
Total comprehensive income for the year	-	-	-	(2,174,263)	(2,174,263)
As at 31 December 2019 (Unaudited)	**116**	**1,984**	**-**	**(5,383,803)**	**(5,381,703)**

	Share Capital	Share Premium	Capital Redemption Reserve	P&L Reserve	Total Equity
Balance at 1 January 2020	**116**	**1,984**	**-**	**(5,383,803)**	**(5,381,703)**
Issue of share capital	21	2,445	-	-	2,466
Group restructure	-	-	2,542,767	-	2,542,767
Deferred Tax	-	-	-	1,937	1,937
Total comprehensive income for the year	-	-	-	(1,741,000)	(1,741,000)
As at 31 December 2020	**137**	**4,429**	**2,542,767**	**(7,122,866)**	**(4,575,533)**

The notes on pages 18 to 31 form part of the financial statements.

Notes to the Financial Statements

1) Corporate Information

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

2) Significant Accounting Policies

Basis of Preparation

The financial statements of Kooth Group Limited for the year ended 31 December 2020 have been prepared and approved by the directors in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) in conformity with the requirements of the Companies Act 2006.

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. There was no material impact to the financial statements of this transition.

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.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- Additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of:
    - a reconciliation of the number of shares outstanding at the start and end of the prior period; and
    - reconciliations of the carrying amounts of property, plant and equipment, intangibles assets and investment property at the start and the end of the prior period
- a Statement of Cash Flows and related disclosures for cash flows from discontinued activities
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosures in relation to the objectives, policies and process for managing capital
- Disclosure of the effect of future accounting standards not yet adopted
- The remuneration of key management personnel
- Related party transactions with two or more wholly owned members of the group
- Certain disclosures required under IFRS 15 Revenue from Contracts with Customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations
- The amount of lease income recognised on operating leases as lessor

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Kooth plc. These financial statements do not include certain disclosures in respect of:

- Share based payments – details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined as per paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payment.
- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- Fair value measurements – details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

Going Concern

The Directors have a reasonable expectation that the Company 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.

During the 2020 financial year the Company generated a loss of £1.7m (2019: £2.2m). The Company is in a net liability position of £4.7m (2019: £5.4m).

The Company is part of the Kooth Group, and the parent company, Kooth plc, has indicated its intention to make available such funds as are needed by the company for the period covered by the forecasts.

Management has performed a going concern assessment for a period up to 30 September 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 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.

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 Company 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.

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

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 Company 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 Company 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 the Company 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:

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

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 finite.

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 Company 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 Company 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 Company 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 Company 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 Company has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Company has retained late payment and credit risk. The Company 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 Company considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The Company assesses 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.

Employee Benefit plans
Defined Contribution Plans
The Company 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.

3) Significant Accounting Judgements, Estimates and Assumptions

In the application of the Company'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.

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 and property, plant and equipment

The Company 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.

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.

4) Other operating income

The other income of Kooth Group Limited has been derived from other income on government grants and management service recharges.

		Unaudited
	2020	**2019**
	£	**£**
Government grant income	174,055	36,507
Management service recharges	20,136	69,593
Other income	84	5,994
	194,275	**112,094**

5) Administrative Expenses

	2020	Unaudited 2019
	£	£
Employee costs	626,633	917,466
Depreciation and amortisation	1,132,684	752,025
Professional fees	11,944	268,197
Marketing	-	31,357
Share based payment expense	98,723	-
Other overheads	308,370	299,157
Total administrative expenses	**2,178,354**	**2,268,202**

6) Employee Remuneration

Staff costs for Kooth Group Limited are as follows. Director emoluments are borne by other companies within the Kooth Group.

	2020	Unaudited 2019
	£	£
Salaries	502,836	779,698
National insurance	87,056	111,171
Pension	36,741	26,597
	626,633	**917,466**

The average number of employees during the year was as follows:

	2020	Unaudited 2019
Average number of employees	17	16

7) Tax

	2020	Unaudited 2019
	£	£
Loss on ordinary activities before tax	(2,297,439)	(2,539,384)
Tax on loss on ordinary activities at standard CT rate of 19.00% (PY: 19.00%)	(436,513)	(482,483)
Effects of:		
Fixed asset differences	68	-
Expenses not deductible for tax purposes	-	14,930
Adjustments to brought forward values	-	(4,712)
Adjustments to losses	-	4,712
Additional deduction for R&D expenditure	(233,292)	(194,773)
Surrender of tax losses for R&D tax credit refund	97,756	81,616
R&D expenditure credits	3,349	-
Group relief surrendered/(claimed)	10,830	203,573
Adjustments to tax charge in respect of previous periods	1	-
Adjust closing deferred tax to average rate of 19.00%	-	(1,364)
Adjust opening deferred tax to average rate of 19.00%	-	13,380
Remeasurement of deferred tax for changes in tax rates	1,362	-
	(556,439)	**(365,121)**

8) Auditor remuneration

Auditor remuneration costs are borne by the parent company, Kooth plc. In 2019, the Group's auditor was Hazlewoods LLP. Audit fees of £25,000 and tax fees of £4,000 were paid to Hazlewoods LLP in 2019.

9) Development costs

	2020	Unaudited 2019
	£	£
Cost		
Balance as at 1 January	3,114,463	2,241,134
Additions	940,998	873,329
Balance as at 31 December	**4,055,461**	**3,114,463**
Amortisation		
Balance as at 1 January	(750,814)	-
Amortisation	(1,132,683)	(750,814)
Balance as at 31 December	**(1,883,497)**	**(750,814)**
Carrying amount 31 December	**2,171,964**	**2,363,649**

10) Investments

	2020	Unaudited 2019
	£	£
Investments in subsidiaries	-	1,871,294

During the year, on incorporation of the parent company, Kooth plc, and its listing on AIM, the Group undertook a hive-up whereby Kooth plc became the parent company of Kooth Digital Health Limited, reducing Kooth Group Limited's investments in subsidiaries to nil. The deemed consideration was the value of the intercompany balance of £4,414,060 at the date of the hive up. As a result, there was a credit to Kooth Group Limited's P&L reserve of £2,542,768.

11) Trade & other receivables

	2020	Unaudited 2019
	£	£
Prepayments	-	23,407
Amounts owed by group undertakings	-	8,988
R&D tax receivable	314,992	267,838
Other receivables	-	38,869
Total trade and other receivables	**314,992**	**339,102**

12) Borrowings

	2020	Unaudited 2019
	£	£
Borrowings	-	5,378,808

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

13) Trade and intercompany payables

	2020	Unaudited 2019
	£	£
Intercompany payables	7,039,514	4,302,288
Trade payables	-	130,012
	7,039,514	**4,432,300**

14) Accruals and other creditors

	2020	Unaudited 2019
	£	£
Accruals	222,957	161,412
Payroll and VAT liabilities	46,946	16,645
	269,903	**178,057**

15) Deferred tax

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.

Unaudited

	2020	2019
	£	£
Movement in provision:		
Provision at start of period	(11,596)	(113,734)
Deferred tax charged in the Statement of comprehensive income	241,447	102,138
Deferred tax included directly in equity	1,938	-
	231,789	**(11,596)**

16) Share Capital

	2020	Unaudited 2019
	£	£
Ordinary A shares of £0.0001 each	137	116

Ordinary share capital consists of 1,367,928 shares of £0.0001 each.

17) Events after the reporting date

There have been no material events.

18) Ultimate parent company and control

At 31 December 2020 the company's ultimate parent company was Kooth plc, incorporated and registered in the United Kingdom. Kooth plc is the smallest and largest group to consolidate these financial statements. Copies of the Kooth plc consolidated financial statements can be obtained online from the Group website.

The registered office of Kooth plc is 5 Merchant Square, London, W2 1AY. Kooth plc is controlled by Root Capital LLP trading as ScaleUp Capital, incorporated in the United Kingdom.