

Company Registered No: SC316774

FreeAgent Central Ltd

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020



COMPANIES HOUSE

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STRATEGIC REPORT

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**Ed Molyneux
Katherine Tenner
Nicholas Hepworth**

COMPANY SECRETARY:

Katherine Tenner

REGISTERED OFFICE:

**One Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9QG**

INDEPENDENT AUDITOR:

**Ernst & Young LLP
25 Churchill Place
London
E14 5EY**

Registered in Scotland

STRATEGIC REPORT

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the Company continues to be that of the sale and development of accounting software, with increasing focus on business banking customers with the NatWest Group.

The Company is a subsidiary of NatWest Group plc (formerly known as The Royal Bank of Scotland Group plc (RBSG plc)) which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of NatWest Group plc review these matters on a group basis. Copies may be requested from Legal, Governance and Regulatory Affairs, NatWest Group plc Gogarburn, Edinburgh, PO Box 1000 EH12 1HQ, the Registrar of Companies or at www.natwestgroup.com.

The Company is regulated by the Financial Conduct Authority as an Account Information Services Provider.

NatWest Group comprises NatWest Group plc, its subsidiary and associated undertakings.

Review of the year**Business review**

The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 17 to the financial statements, detailing the change of CEO in July 2021, the capital contribution received in March 2021 and the successful migration of customer data to the cloud.

Financial performance

The Company's financial performance is presented on pages 12 to 14.

Turnover for the year was £14.5m and for the 9 months to December 2019 it was £9.5m (annualised £12.7m). The loss for the year was £4.5m and for the 9 months to December 2019 it was £3.9m (annualised £5.2m). The reason for the continued losses generated is the continued strategy of investing in customer acquisition and product development.

No dividend is proposed for the year (December 2019: £nil).

At the end of the year, the balance sheet showed total assets of £14.9m (December 2019: £16.2m). Total shareholders' funds were £6.0m (2019: £7.1m). The net book value of capitalised software development costs was £7.2m (2019: £4.6m).

Principal risks and uncertainties

The principal risks associated with the Company are as follows:

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

Although credit risk arises this is not considered to be significant and no amounts are past due.

Competitive risk

Competition risk is the risk that the development of external competitor product capabilities and distribution channels adversely affects the ability of the Company to achieve the levels of growth and customer engagement forecast. There are significant competitive risks arising from high levels of competition within the accounting and tax solutions which are exacerbated by the focus on integrated platforms and ecosystems around them. These are seen as the key aspects for driving future revenue. However, given the ongoing investment of the NatWest Group into the Company's innovation programmes, and the size of the existing NatWest Group business customer base, we consider these risks to be within our risk appetite and managed by the Company.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. It arises from day-to-day operations and is relevant to every aspect of the organisation. Risk and control assessments are used across all business areas and support functions to identify and assess material operational and conduct risks and key controls. All risks and controls are mapped to the NatWest Group's Risk Directory. Risk assessments are refreshed quarterly to ensure they remain relevant and capture any emerging risks as well as ensuring risks are reassessed.

Socio-economic risk

The UK Brexit transition period ended on 31 December 2020. With 0.5% of overall turnover coming from the EU, and no restrictions to software as a service, there are minimal risks associated with Brexit, with continual monitoring of any further risks that may arise that will be managed by the Company.

Directors' Duties and Engagement with Stakeholders

Section 172(1) of the Companies Act 2006 (Section 172) is one of the statutory duties that directors have and requires them to promote the success of the company for the benefit of shareholders as a whole while taking into account the interests of other stakeholders and, in so doing, have regard to the matters set out in Section 172(1)(a) to (f). These include the long-term consequences of decisions, colleague interests, the need to foster the company's business relationships with suppliers, customers and others; the impact on community and the environment.

Directors are supported in the discharge of their duties by the Company Secretary. All directors receive guidance on their statutory duties, including Section 172(1), and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018 in advance of the effective date. NatWest Group has introduced a new approach to board and committee papers with greater focus on ensuring relevant

Directors' Duties and Engagement with Stakeholders (continued)

stakeholder interests are clearly articulated and guidance on documenting decisions has been refreshed to ensure these are recorded in a consistent manner across NatWest Group.

Engagement with suppliers, customers and others

Customers are at the heart of everything NatWest Group does and the Board recognises the key role suppliers play in ensuring the company delivers a reliable service to customers. The company is also committed to managing the wider social, environmental and economic impacts of its operations which includes the way it deals with its customers and manages sustainability issues in its supply chain. Refer to natwestgroup.com for NatWest Group's Modern Slavery Statement and details of the Supplier Code of Conduct, both of which apply to relevant subsidiaries within NatWest Group.

Engaging colleagues

Engaging colleagues is crucial to the success of a company and the company benefits from NatWest Group's approach to colleague engagement. NatWest Group has a well-established colleague listening strategy designed to provide an open channel for colleagues to share their views.

NatWest Group's Colleague Advisory Panel (CAP), established in 2018, met twice during 2019, providing a valuable mechanism to engage directly with colleagues on topics of strategic interest affecting NatWest Group. Topics discussed with the CAP included purpose, future strategy, executive pay, inclusion and sustainability. Every year colleagues are asked to share their thoughts on what it's like to work for NatWest Group via a colleague opinion survey. The results are shared with all colleagues and detailed discussions take place across NatWest Group, including the company. Key themes from the results inform and shape people strategy. NatWest Group also has ongoing discussion and engagement with a number of employee representatives such as trade unions and work councils and regularly discuss developments and updates on the progress of strategic plans with the European Employee Council (ECC). Where colleagues wish to report any concerns relating to wrong doing or misconduct, one of the ways they can do this is by raising their concerns via Speak Up, NatWest Group's whistleblowing service.

NatWest Group is proud to be building an inclusive bank which is a great place for all colleagues to work. NatWest Group's inclusion guidelines apply to all colleagues globally and focus on five key priorities - LGBT Innovative, Gender Balanced, Disability Smart, Ethnically Diverse, all leading to Inclusive Culture. Detailed information can be found in the 2019 Annual Report and Accounts of NatWest Group plc and on natwestgroup.com.

How stakeholder interests have influenced decision making

The company recognises the importance of engaging with stakeholders to help inform the company's strategy and board decision making. Relevant stakeholder interests, including those of colleagues, are taken into account by the board when it takes decisions. The company defines principal decisions as those that are material [or of strategic importance] to the company and also those that are significant to any of the company's key stakeholder groups.

Please refer to the Annual Report and Accounts of NatWest Group plc for further information on NatWest Group's approach to stakeholder engagement.

Going concern

These financial statements are prepared on a going concern basis, see note 1a on page 15.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a Strategic report, Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the 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 estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, [subject to any material departures disclosed and explained in the financial statements]; and
- make an assessment of the Company's ability to continue as a going concern.

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 to enable them to ensure that the Strategic report, Directors' report and financial statements comply with the requirements of 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.

Details of the board's engagement with employees, customers, suppliers and others, and how these stakeholders' interests have influenced board decision making are set out on page 3 of the Strategic report which includes a section 172(1) statement.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.



Approved by the Board of Directors and signed on its behalf

Edward Molyneux
Director
Date: 14/07/2021

DIRECTORS' REPORT

The Strategic report includes the review of the year, risk report, disclosure of information to auditors, directors' indemnities and note of post balance sheet events.

CHANGE OF ACCOUNTING REFERENCE PERIOD

The Company changed its accounting reference date in March 2020, with the accounting reference period ending 31 March 2020 shortened so as to end on 31 December 2019. As a result, the amounts presented in the financial statements are not entirely comparable. Subsequent periods will end on the same day and month in future years.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year, are listed on page 2.

On 31st August 2020 Nicholas Hepworth was appointed as a director to the Company.

AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

Approved by the Board of Directors and signed on its behalf.



Edward Molyneux
Director
Date: 14/07/2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREEAGENT CENTRAL LIMITED

Opinion

We have audited the financial statements of FreeAgent Central Limited ("the Company") for the year ended 31st December 2020 which comprise Statement of comprehensive income, Balance sheet, the statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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 directors' report.

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

As explained more fully in the directors' responsibilities statement on page 6, 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.

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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are regulatory framework and guidance as laid down by Financial Reporting standard FRS 101-Reduced Disclosure Framework, Companies Act 2006 and UK tax legislation (governed by HM Revenue and Customs).
- We understood how the Company is complying with those frameworks by making inquiries of management and those responsible for legal and compliance matters. We also reviewed minutes of the meetings held by the Board of directors and gained an understanding of the company's governance framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by with regards to the ability of management to override controls as well as improper revenue recognition. Specifically, we considered management's ability to influence revenue recognition of both the subscription and partnership income. We performed journal entry testing by using specific risk criteria, with a focus on journals indicating material or unusual transactions based on our understanding of the business. Additionally, we tested specific revenue transactions reconciling the subscription income back to source documentation and payments.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of minutes of the meetings held by the Board of directors, inquiries of key management and those charged with governance, and the performance of journal entry testing to address the risk of management override of controls. We also reviewed the financial statements to ensure compliance with the reporting requirements of the Company.
- The Company is regulated by the Financial Conduct Authority as an Account Information Services Provider. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

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

Use of our report

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



David Gonnelli (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, 15 July 2021

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

		12 months to December 2020	9 months to December 2019
	Notes	£'000	£'000
Income from continuing operations			
Turnover	3	14,458	9,546
Cost of sales		<u>(3,844)</u>	<u>(2,176)</u>
Gross Profit		10,614	7,370
Operating expenses	4	(16,042)	(11,880)
Operating loss		<u>(5,428)</u>	<u>(4,510)</u>
Finance expense		(135)	(151)
Loss before tax		<u>(5,563)</u>	<u>(4,661)</u>
Tax credit	5	1,031	756
Loss for the financial period		<u><u>(4,532)</u></u>	<u><u>(3,905)</u></u>

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2020

	Notes	December 2020 £'000	December 2019 £'000
Non-current assets			
Property, plant and equipment	6	717	977
Right-of-use asset	7	2,623	3,057
Intangible assets	8	7,197	4,592
Deferred tax assets	5	71	49
		<u>10,608</u>	<u>8,675</u>
Current assets			
Trade and other receivables	9	1,626	1,706
Current tax assets		1,023	1,403
Prepayments, accrued income and other assets	10	637	693
Cash at bank		995	3,710
		<u>4,281</u>	<u>7,512</u>
Total assets		<u>14,889</u>	<u>16,187</u>
Current liabilities			
Trade and other payables	11	1,185	1,781
Lease liability	7	544	120
Amounts due to group companies	12	1,837	1,830
Accruals, deferred income and other liabilities	13	2,116	1,685
		<u>5,683</u>	<u>5,416</u>
Non-current liabilities			
Provisions for liabilities	14	205	204
Lease liability	7	2,983	3,516
		<u>3,188</u>	<u>3,720</u>
Total liabilities		<u>8,871</u>	<u>9,136</u>
Equity			
Share capital	15	307	307
Share premium account		5,904	5,904
Capital contribution reserve		21,425	17,925
Retained earnings		(21,617)	(17,085)
Total equity		<u>6,019</u>	<u>7,051</u>
Total liabilities and equity		<u>14,889</u>	<u>16,187</u>

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14th July 2021



E Molyneux
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	307	5,904	8,925	(13,129)	2,007
Implementation of IFRS16 on 1 April 2019	-	-	-	(51)	(51)
Adjusted balances at 31 March 2019	307	5,904	8,925	(13,180)	1,956
Loss for the financial period	-	-	-	(3,905)	(3,905)
Other comprehensive income for year	-	-	-	-	-
Total comprehensive income for year	-	-	-	(3,905)	(3,905)
Capital contribution	-	-	9,000	-	9,000
At 31 December 2019	307	5,904	17,925	(17,085)	7,051
Loss for the financial year	-	-	-	(4,532)	(4,532)
Other comprehensive income for year	-	-	-	-	-
Total comprehensive income for year	-	-	-	(4,532)	(4,532)
Capital contribution	-	-	3,500	-	3,500
At 31 December 2020	307	5,904	21,425	(21,617)	6,019

Total comprehensive income for the year of (£4,532k) (9 months to December 2019: (£3,905k)) was wholly attributable to the owners of the Company.

Reserve	Description and purpose
Capital contribution reserve	Investment received from parent company

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies**a) Preparation and presentation of accounts**

These financial statements are prepared:

- on a going concern basis which were assessed over 12 months from the date of their approval;
- under Financial Reporting Standard (FRS) 101, *Reduced Disclosure Framework* and in accordance with international accounting standards in conformity with the requirements of the Companies Act;
- on the historical cost basis.

In the first quarter of 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus. Actions taken in response to the spread of Covid-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

The NatWest Holdings Group (the "Group") has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as viable business.

Management continue to monitor further impacts on profitability, assets and operations however, at this stage do not consider there to be any additional material issues for the Company.

The directors have a reasonable expectation that the Company has adequate resources to meet regulatory capital requirements and continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis. This conclusion is based on the director's assessment of the Company's financial position, including the expectation of financial and operational support provided by the National Westminster Bank Plc. The directors, in relying on this support, have considered the National Westminster Bank Plc's ability to provide this support with no issues noted.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in Scotland and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - comparative information in respect of certain assets;
 - cash-flow statement;
 - standards not yet effective;
 - related party transactions;
 - disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value Measurement".

Where required, equivalent disclosures are given in the group accounts of NatWest Group plc, these accounts are available to the public and can be obtained as set out in note 16.

b) Foreign currencies

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in profit or loss.

c) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the provision of services in the ordinary course of business and is shown net of Value Added Tax.

Revenue in relation to online software subscriptions – received via our practice channel, direct channel, banking channel and 3rd party resale channels - is recognised as the service is performed and invoiced either monthly or annually in advance.

Any difference between the amount of revenue recognised and the amount invoiced to a customer is included in the statement of financial position as accrued or deferred income.

d) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

e) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives:

Computer equipment	- 3 years
Fixtures and fittings	- 5 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

1. Accounting policies (continued)

f) Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of the asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

g) Provisions

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

h) Financial instruments

Financial instruments are classified either by product, by business model or by reference to the IFRS default classification.

The Company classifies and measures financial assets as amortised cost assets. The Company has not classified any of its financial assets as fair value through profit or loss.

Amortised costs assets arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

At each balance sheet date each financial asset measured at amortised cost or at fair value through other comprehensive income is assessed for impairment.

Trade receivables are short term in nature. Loss allowances are forward looking, based on lifetime expected credit losses in line with the provisions for trade receivables in IFRS 9.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)**i) Internally generated assets (development costs)**

Expenditure on internally developed software is capitalised only when it can be demonstrated that:

- it is technically feasible to develop the software for it or its use to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the software or its use
- the Company is able to sell the software or its use
- sale of the software or its use will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Company expects to benefit from selling the software developed or its use. The amortization rate used is 20% per annum on a straight-line basis, based on the time that businesses are required to retain financial records within our software and are comparable with competitors in the industry. The amortisation expense is included within the administrative expenses in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

The Directors review the development costs twice per annum for impairment (at the half year and at the year-end). They do this by considering the product roadmap and reviewing the plans for improvement or replacement of existing features in the application.

j) Intangible assets (domain name)

The domain name is stated at cost, net of amortisation and any provision for impairment. Amortisation is provided at the following annual rate in order to write off the asset to zero over its estimated useful life:

Domain name	- 20 years
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The Directors assess the domain name for impairment annually by reviewing and reporting on the number of monthly visits to the website.

k) Leases

The Company adopted IFRS 16 'Leases' with effect from 1 January 2019, replacing IAS 17 'Leases'. The Company applied IFRS 16 on a modified retrospective basis in the December 2019 financial statements.

On entering a new lease contract, the Group recognises a right of use asset and a lease liability to pay future rentals. The liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate. The right of use asset is depreciated over the shorter of the term of the lease and the useful economic life, subject to review for impairment.

Short term and low value leased assets are expensed on a systematic basis.

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the estimates the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

Capitalisation of development costs

It is a requirement under IFRS that development costs that meet the criteria prescribed in the standard are capitalised. The assessment of each project requires that a judgement is made as to the commercial viability and the ability of the Company to bring the software to market. At 31 December 2020 the net book value of capitalised development costs was £7,197k (2019: £4,592k). The amortization rate used is 20% per annum on a straight-line basis, based on the time that businesses are required to retain financial records within our software and are comparable with competitors in the industry.

Provision for reinstatement of property under leasehold

A provision has been recognised for the reinstatement of the Company's leasehold property to the condition the property was in at the time the lease commenced. This provision requires a judgement to be made as to the likely dilapidations over the life of the lease. This has been estimated with advice from external surveyors. The cost of the dilapidations will not be known until the premises are vacated at the end of the lease.

Going Concern

See note 1a on page 15

3. Turnover

All turnover arises in the from the sale or use of the Company's online accounting software. Revenue for services rendered to customers within the NatWest Group is paid on a fixed fee basis by NatWest Bank.

The majority of our customers are based in the UK, with 0.5% of turnover from EU customers. There has been minimal disruption following Brexit; for more details, see page 4.

	12 months to December 2020	9 months to December 2019
	£'000	£'000
Subscription Income – Direct	4,713	3,427
Partnered Sales	5,205	3,960
Subscription Income – NWG	3,944	1,909
Other	596	250
	<u>14,458</u>	<u>9,546</u>

4. Operating expenses

	12 months to December 2020	9 months to December 2019
	£'000	£'000
Staff costs	9,419	6,396
Premises and equipment	440	356
Other administrative expenses	4,040	3,761
Depreciation of tangible fixed assets	434	475
Amortisation of intangible fixed assets	1,709	892
	16,042	11,880

The Company occupies certain properties under commercial rental agreements.

Staff costs by category:

	12 months to December 2020	9 months to December 2019
	£'000	£'000
Wages and salaries	13,037	7,514
Social security contributions and similar taxes	1,552	918
Pension costs	551	298

The total staff costs per the table above does not reconcile to the breakdown of staff costs in operating expenses above due to the capitalisation of certain product and engineering staff costs (see note 1j).

	12 months to December 2020	9 months to December 2019
Average number of employees	251	216

Operating expenses include:

	12 months to December 2020	9 months to December 2019
	£'000	£'000
Auditor's remuneration – audit services	36	41
Auditor's remuneration – non-audit services	4	4
	40	45

Directors' emoluments

The Company does not remunerate directors outside of their capacity as employees of the Company, nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

5. Tax

	12 months to December 2020 £'000	9 months to December 2019 £'000
Current taxation:		
UK corporation tax credit for the period	(999)	(762)
Under/(over) provision in respect of prior periods	(10)	60
	<u>(1,009)</u>	<u>(702)</u>
Deferred taxation:		
Credit for the period	(44)	(55)
Under provision in respect of prior periods	22	1
	<u>(22)</u>	<u>(54)</u>
Tax credit for the year	<u>(1,031)</u>	<u>(756)</u>

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 19% (period to 31 December 2019: 19%) as follows:

	2020 £'000	2019 £'000
Expected tax charge	(1,057)	(885)
Non-deductible items	18	31
UK tax rate change	(4)	4
Transfer pricing adjustment	-	33
Adjustments in respect of prior periods	12	61
Actual tax (credit)/charge for the year	<u>(1,031)</u>	<u>(756)</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Tax (continued)

In the current period, the substantively enacted UK Corporation tax rate applicable to the company from 1 April 2020 was increased from 17% to 19%. The closing deferred tax assets and liabilities have been calculated at 19% and accordingly a rate change adjustment has arisen as the opening deferred tax balance had been calculated taking into account the previously enacted rate of 17%.

Since the balance sheet date, it was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 25% rate. The impact of the post balance sheet date change in tax rate is not expected to be material.

Deferred tax

Net deferred tax liability/ asset comprised:

	Fixed asset temporary differences £'000	Short term temporary differences £'000	Intangibles £'000	Total £'000
At 1 April 2019	19	(34)	19	4
Charge/(credit) to profit and loss	(44)	4	(13)	(53)
At 31 December 2019	(25)	(30)	6	(49)
Credit to profit and loss	(21)	(1)	-	(22)
Reclassification of deferred tax balance	6	-	(6)	-
At 31 December 2020	(40)	(31)	-	(71)

Deferred tax

	2020 £'000	2019 £'000
Deferred tax assets	71	54
Deferred tax liabilities	-	(5)
	71	49

The company had unused tax losses of £7,743k at 31 December 2020 (2019: £7,809k). A deferred tax asset of £1,471k (2019: £1,328k) has not been recognised on these losses as there is insufficient evidence as to their recoverability.

NOTES TO THE FINANCIAL STATEMENTS

6. Property, plant and equipment

	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
2020			
Cost or valuation			
At 1 January 2020	1,051	2,072	3,123
Additions	149	25	174
Disposals	(34)	-	(34)
At 31 December 2020	1,166	2,097	3,263
Accumulated depreciation			
At 1 January 2020	792	1,354	2,146
Charge for the year	162	272	434
Disposals	(34)	-	(34)
At 31 December	920	1,626	2,546
Net book value			
At 31 December 2020	246	471	717
At 31 December 2019	259	718	977

NOTES TO THE FINANCIAL STATEMENTS

7. Leases

The Company has leases for two floors of an office and office equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment. The leases were not subject to changes due to the pandemic.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	Lease end date	Remaining term
Office lease 1	January 2027	6 years, 1 month
Office lease 2	January 2027	6 years, 1 month

Right-of-use assets

Additional information on the right-of-use assets by class of assets is as follows:

	Office building lease 1 £'000	Office building lease 2 £'000	Total £'000
2019			
Cost or valuation			
At 1 January 2020	2,473	2,164	4,637
Accumulated depreciation			
At 1 January 2020	950	631	1,581
Charge for the year	217	216	433
At 31 December 2020	1,167	847	2,014
Net book value			
At 31 December 2020	1,306	1,317	2,623
At 31 December 2019	1,523	1,534	3,057

7. Leases (cont.)*Lease liabilities*

Lease liabilities are presented in the statement of financial position as follows:

	December 2020 £'000	December 2019 £'000
Current – Lease 1	275	-
Current – Lease 2	269	120
	<u>544</u>	<u>120</u>
Non-current – Lease 1	1,512	1,788
Non-current – Lease 2	1,471	1,729
	<u>2,983</u>	<u>3,517</u>

8. Intangible assets

	Domain name £'000	Development costs £'000	Total £'000
Cost or valuation			
At 1 January 2020	32	9,553	9,585
Additions	-	4,314	4,314
At 31 December 2020	<u>32</u>	<u>13,867</u>	<u>13,899</u>
Accumulated depreciation			
At 1 January 2020	15	4,978	4,993
Charge for the year	1	1,708	1,709
At 31 December 2020	<u>16</u>	<u>6,686</u>	<u>6,702</u>
Net book value			
At 31 December 2020	<u>16</u>	<u>7,181</u>	<u>7,197</u>
At 31 December 2019	<u>17</u>	<u>4,575</u>	<u>4,592</u>

NOTES TO THE FINANCIAL STATEMENTS

9. Trade and other receivables

	Due within one year		Due after more than one year	
	Dec 2020 £'000	Dec 2019 £'000	Dec 2020 £'000	Dec 2019 £'000
Trade receivables	1,277	1,393	-	-
Other receivables	20	27	329	286
	<u>1,297</u>	<u>1,420</u>	<u>329</u>	<u>286</u>

Trade receivables includes £1.1m (2019: £1.3m) due from the National Westminster plc which was repaid subsequent to the year end.

10. Prepayments, accrued income and other assets

	December 2020 £'000	December 2019 £'000
Prepayments	571	668
Accrued income	66	25
	<u>637</u>	<u>693</u>

NOTES TO THE FINANCIAL STATEMENTS

11. Trade and other payables

	Due within one year	
	December 2020	December 2019
	£'000	£'000
Trade creditors	300	817
Other payables	885	964
	<u>1,185</u>	<u>1,781</u>

12. Amounts due to group companies

	December	December
	2020	2019
	£'000	£'000
Parent (FreeAgent Holdings Ltd)	1,837	1,830
	<u>1,837</u>	<u>1,830</u>

All amounts are due within one year, and £1.8m was repaid in March 2021 (see note 17).

13. Accruals, deferred income and other liabilities

	December	December
	2020	2019
	£'000	£'000
Accruals	1,059	672
Deferred income	1,057	1,013
	<u>2,116</u>	<u>1,685</u>

14. Provisions for liabilities

	Total
	£'000
At 1 January 2020	204
Charge	1
At 31 December 2020	<u>205</u>

The provision relates to the estimated cost of returning leasehold properties to their original state at the end of the lease in accordance with the lease terms, expected to crystallise and be settled by January 2027. The cost is based on an estimate of recent dilapidations claims in similar office accommodation received in December 2019.

NOTES TO THE FINANCIAL STATEMENTS

15. Share capital

Authorised, allocated, called up and fully paid

December 2020 £'000	December 2019 £'000
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Equity shares

30,740,470 ordinary shares of £0.01 each

307	307
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16. Related parties**UK Government**

The UK Government through HM Treasury is the ultimate controlling party of NatWest Group plc. Its shareholding is managed by UK Government Investments Limited, a company it wholly owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of: taxes including UK corporation tax and value added tax; national insurance contributions; and local authority rates.

Group companies

At 31 December 2020

The Company's immediate parent was:	FreeAgent Holdings Limited
The smallest consolidated accounts including the Company were prepared by:	National Westminster Bank plc
The ultimate parent company was:	NatWest Group plc

All parent companies are incorporated in the UK. Copies of their accounts may be requested from Legal, Governance and Regulatory Affairs, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

On 22 July 2020 the ultimate parent company, The Royal Bank of Scotland Group plc, was renamed NatWest Group plc.

As per note 1, the company is taking advantage of the disclosure exemptions available over IAS 24 relating to transactions that occur within a group of entities with a common parent, who report the related party transaction of that group at the consolidated level.

17. Post balance sheet events

During March 2021 the directors of FreeAgent Holdings Limited approved a capital contribution of £4,830k from National Westminster Bank plc. This sum was subsequently forwarded to FreeAgent Central Limited, the ultimate recipient of the capital contribution. As part of the terms of the capital contribution, the intercompany loan outstanding with Silvermere Holdings for £1,830k was repaid.

In March 2021, the company finalised migration of customer data from physical storage to the cloud. This resulted in the sale of servers and hardware to a third party to erase the data on the now redundant physical drives. The disposal amounted to £345k of computer equipment, £344k of which was fully depreciated, and a gain on disposal of £17k.

On 17th June 2021, Edward Molyneux announced his stepping down as CEO of FreeAgent Central Ltd. He will be succeeded by the current Chief Product Officer and fellow founder Roan Lavery from 17th July 2021. This forms part of the existing long-term succession planning and the Company anticipates no change in the day-to-day running of the business.