Company Registered No: SC316774

FreeAgent Central Ltd

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	Chiara Berner Andrew Ellis Andrew Harrison Nicholas Hepworth Miles Hillier Roan Lavery
COMPANY SECRETARY:	Natwest Group Secretarial Services Limited
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 Freeagent Central Limited ("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 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. A copy of the NatWest Group annual report is available at www.natwestgroup.com and on Companies House website. A copy can also be requested from Legal, Governance and Regulatory Affairs, NatWest Group, Gogarburn, Edinburgh, PO Box 1000, EH12 1HQ.

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.

A capital contribution of £4,630k (2020: £3,500k) was received from FreeAgent Holdings Limited in March 2021. Post balance sheet events, including an additional contribution of £4,300k, are described in note 17 to the financial statements.

Financial performance

The Company's financial performance is presented on pages 13 to 15.

Turnover for the year was £16.4m (2020: £14.5m). Subscriber numbers as at the end of 2021 were 126k (2020: 110k). The loss for the year was £4.4m (2020: £4.5m). The reason for the continued losses generated is the continued strategy of investing in product development, infrastructure and customer acquisition.

No dividend is proposed for the year (2020: £nil).

At the end of the year, the balance sheet showed total assets of £14.4m (2020: £14.9m). Total shareholders' funds were £6.2m (2020: £6.0m). The net book value of capitalised software development costs was £8.4m (2020: £7.2m).

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.

Competition 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.

Obsolescence risk

Obsolescence risk is the risk that the product or technology used by the Company will become obsolete and no longer competitive in the marketplace. Given the level of investment by the Company into product development, and the knowledge and experience of the market held by the team, 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.

Legislative risk

Legislative risk is the risk that delays to legislation will impact future growth in customer numbers and revenue. The next phase of Making Tax Digital – to cover self-employed business owners and landlords – was originally mandated for April 2023 but will now be mandated for April 2024. The risk of further delays is not considered to be significant and is continually monitored as part of the budgeting process.

Socio-economic risk

The UK Brexit transition period ended on 31 December 2020. With less than 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. In light of the Russian invasion of Ukraine, customers from Russa and Belarus (as well as other high risk jurisdictions) have been screened and will be continually monitored. As at the balance sheet date, there was only one billable customer impacted.

The Covid-19 pandemic has had limited impact on the Company. There was minimal customer disruption, with continued growth in 2020 & 2021, and the most significant impact was on staff working habits, with a hybrid model adopted upon the return to the office. Any further risks that may arise as a result of future lockdowns will be monitored.

Directors' Duties and Engagement with Stakeholders

Section 172(1) statement

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

Board training and support on s.172(1) duties

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 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 2019, met twice during 2020, 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

STRATEGIC REPORT

discuss developments and updates on the progress of strategic plans with the European Employee Council (EEC). 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 2021 Annual Report and Accounts of NatWest Group plc and on natwestgroup.com.

We want NatWest Group to be a great place to work. By offering a fulfilling job, a healthy workplace, fair rewards, excellent development and great leadership, we believe together our colleagues can thrive and unlock the full potential of NatWest Group.
Information on how NatWest Group engages with colleagues, including details of the People Pledge, Colleague listening strategy, Performance and reward, the NatWest Group Academy and Diversity, equity and inclusion, can be found in the NatWest Group plc 2021 Annual Report and Accounts.

Communities and environment
Making a positive contribution to the communities in which we live and work is integral to delivering on our purpose.
Further information on communities and environment can be found in the NatWest Group plc 2021 Annual Report and Accounts, the NatWest Group plc 2021 Climate Related Disclosures Report and the NatWest Group plc 2021 ESG Supplement.

Directors' Duties and Engagement with Stakeholders (continued)

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.

All decisions taken by the board during the financial year were routine in nature but took account of relevant stakeholder interests, as appropriate.

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, as the company relies on financial and operational support from the immediate parent company, FreeAgent Holdings Limited, and ultimately National Westminster Bank plc. See note 1a on page 16.

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 year. 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; 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.

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.

Roan Lavery (Aug 3, 2022 09:49 GMT+1)

Approved by the Board of Directors and signed on its behalf

Roan Lavery
Director
Date: 03/08/2022

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. 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 4 of the Strategic report which includes a section 172(1) statement.

DIRECTORS AND SECRETARY

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

From 1 January 2021 to date the following changes have taken place:

Directors	Appointed	Resigned
Chiara Berner	25 March 2022	
Andrew Ellis	25 March 2022	
Andrew Harrison	25 March 2022	
Miles Hillier	25 March 2022	
Edward Molyneux		16 July 2021
Roan Lavery	16 July 2021	
Katherine Tenner		21 December 2021
Secretaries		
Katherine Tenner		21 December 2021
Natwest Group Secretarial Services Limited	25 March 2022	

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.

Roan Lavery (Aug 3, 2022 09:49 GMT+1)

Roan Lavery
Director
Date: 03/08/2022

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 2021 which comprises 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 2021 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 within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 this gives rise to 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 7, 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 corroborated our enquiries by reviewing the 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 with regards to the ability of management to override controls as well as improper revenue recognition. Specifically, we considered management's ability to influence the assumptions used in the capitalisation of intangible assets as well as 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.

DocuSigned by:

Ernst & Young LLP

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David Gonnelli (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, 3rd August 2022

August 3, 2022 | 5:23:18 BST

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

Income from continuing operations	Notes	December 2021 £'000	December 2020 £'000
Turnover	3	16,436	14,458
Cost of sales		(3,886)	(3,844)
Gross Profit		**12,550**	**10,614**
Operating expenses	4	(17,800)	(16,042)
Operating loss		(5,250)	(5,428)
Finance expense		(226)	(135)
Loss before tax		(5,476)	(5,563)
Tax credit	5	1,033	1,031
Total comprehensive loss for the financial year		(4,443)	(4,532)

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

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BALANCE SHEET
as at 31 December 2021

	Notes	December 2021 £'000	December 2020 £'000
Non-current assets			
Property, plant and equipment	6	458	717
Right-of-use asset	7	2,191	2,623
Intangible assets	8	8,367	7,197
Deferred tax assets	5	74	71
		11,090	10,608
Current assets			
Trade and other receivables	9	446	1,626
Current tax assets		1,045	1,023
Prepayments, accrued income and other assets	10	840	637
Cash at bank		984	995
		3,315	4,281
Total assets		14,405	14,889
Current liabilities			
Trade and other payables	11	1,462	1,185
Lease liability	7	544	544
Amounts due to group companies	12	1,305	1,837
Accruals, deferred income and other liabilities	13	2,195	2,116
		5,506	5,683
Non-current liabilities			
Provisions for liabilities	14	250	205
Lease liability	7	2,443	2,983
		2,692	3,188
Total liabilities		8,199	8,871
Equity			
Share capital	15	307	307
Share premium account		5,904	5,904
Capital contribution reserve		26,055	21,425
Retained earnings		(26,060)	(21,617)
Total equity		6,206	6,019
Total liabilities and equity		14,405	14,889

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

The financial statements were approved by the Board of Directors on 3rd August 2022 and signed on its behalf by

Roan Lavery (Aug 3, 2022 09:49 GMT+1)
Roan Lavery
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'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
Loss for the financial year	-	-	-	(4,443)	(4,443)
Other comprehensive income for year	-	-	-	-	-
Total comprehensive income for year	-	-	-	(4,443)	(4,443)
Capital contribution	-	-	4,630	-	4,630
At 31 December 2021	307	5,904	26,055	(26,060)	6,206

Total comprehensive income for the year of (£4,443k) (2020: (£4,532k)) 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.

1. Accounting policies

a) Preparation and presentation of accounts

The directors have prepared the financial statements:

- on a going concern basis after assessing principal risks and other relevant evidence over the twelve months from the date the financial statements are approved and under FRS 101 *Reduced Disclosure Framework*; and
- on the historical cost basis.

The directors have a reasonable expectation that the Company has adequate resources to meet regulatory capital requirements and continue in operational existence for twelve months from the date the financial statements are approved and therefore 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.

Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgements and estimates for the current period.

The changes to IFRS that were effective from 1 January 2021 have had no material effect on the Company's financial statements for the year ended 31 December 2021.

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.

1. Accounting policies (continued)

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.

The cost has been revised in line with an updated estimate based on recent dilapidations claims in similar office accommodation received in December 2021 from HK Surveying & Design LLP.

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.

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, enhancement or replacement of existing features in the application. Where an economic benefit from this development is no longer expected, an impairment will be made to the relevant capitalised development costs.

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

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 2021 the net book value of capitalised development costs was £8,367k (2020: £7,197k). 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 16.

3. Turnover

All turnover arises 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 less than 1.5% of turnover from customers outside the UK. There has been minimal disruption to turnover caused by the Covid-19 pandemic beyond a small amount of customer churn, although this has been mitigated to some extent by a growth in new small businesses started.

	2021	2020
	£'000	£'000
Subscription Income – Direct	4,774	4,713
Partnered Sales	5,176	5,205
Subscription Income – NWG	5,799	3,944
Other	687	596
	16,436	14,458

4. Operating expenses

	2021 £'000	2020 £'000
Staff costs	10,044	9,419
Premises and equipment	486	440
Other administrative expenses	4,410	4,040
Depreciation of tangible fixed assets	379	434
Amortisation of intangible fixed assets	2,481	1,709
	17,800	16,042

The Company occupies certain properties under commercial rental agreements.

Staff costs by category:

	2021 £'000	2020 £'000
Wages and salaries	13,128	13,037
Social security contributions and similar taxes	1,565	1,552
Pension costs	1,259	551

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 product and engineering staff costs related to product development (see note 1i) and the reclassification of maintenance and support costs to cost of sales.

In April 2021, the Company implemented a salary sacrifice pension scheme whereby up to 5% of an employee's salary can be sacrificed and contributed directly to their pension scheme. This resulted in a decrease in the wages and salaries category and a corresponding increase in pension costs.

	2021	2020
Average number of employees	264	251

Operating expenses include:

	2021 £'000	2020 £'000
Auditor's remuneration – audit services	40	40
	40	40

The Auditor's remuneration figure for 2020 has been restated to correct the allocation between audit and non-audit services,

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.

5. Tax

	2021 £'000	2020 £'000
Current taxation:		
UK corporation tax credit for the year	(1,030)	(999)
Under/(over) provision in respect of prior periods	-	(10)
	(1,030)	(1,009)
Deferred taxation:		
Credit for the year	(23)	(44)
Under provision in respect of prior periods	20	22
	(3)	(22)
Tax credit for the year	(1,033)	(1,031)

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 19% (2020: 19%) as follows:

	2021 £'000	2020 £'000
Expected tax charge	(1,040)	(1,057)
Non-deductible items	5	18
UK tax rate change	(18)	(4)
Adjustments in respect of prior periods	20	12
Actual tax (credit)/charge for the year	(1,033)	(1,031)

The UK Corporation tax rate applicable to the company from 1 April 2020 is 19%.

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. Closing deferred tax assets and liabilities have therefore been recalculated taking into account this change of rate and the applicable period when the deferred tax assets and liabilities are expected to crystallise.

5. Tax (continued)

Deferred tax
Net deferred tax liability/ asset comprised:

	Fixed asset temporary differences £'000	Short term temporary differences £'000	Intangibles £'000	Total £'000
At 1 January 2020	(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)**
Credit to profit and loss	(1)	(2)	-	**(3)**
At 31 December 2021	(41)	(33)	-	**(74)**

Deferred tax

	2021 £'000	2020 £'000
Deferred tax assets	74	71
	74	71

The company had unused tax losses of £7,743k at 31 December 2021 (2020: £7,743k). A deferred tax asset of £1,936k (2020: £1,471k) has not been recognised on these losses as there is insufficient evidence as to their recoverability.

6. Property, plant and equipment

2021	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost or valuation			
At 1 January 2021	1,166	2,097	3,263
Additions	120	21	141
Disposals	(390)	(40)	(430)
At 31 December 2021	896	2,078	2,974
Accumulated depreciation			
At 1 January 2021	920	1,626	2,546
Charge for the year	161	218	379
Disposals	(386)	(23)	(409)
At 31 December 2021	695	1,821	2,516
Net book value			
At 31 December 2021	201	257	458
At 31 December 2020	246	471	717

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	5 years, 1 month
Office lease 2	January 2027	5 years, 1 month

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

2021	**Office building lease 1 £'000**	**Office building lease 2 £'000**	**Total £'000**
Cost or valuation			
At 1 January 2021	2,473	2,164	4,637
Accumulated depreciation			
At 1 January 2021	1,167	847	2,014
Charge for the year	216	216	432
At 31 December 2021	1,383	1,063	2,446
Net book value			
At 31 December 2021	1,090	1,101	2,191
At 31 December 2020	1,306	1,317	2,623

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

	2021 £'000	2020 £'000
Current – Lease 1	275	275
Current – Lease 2	269	269
	544	544
Non-current – Lease 1	1,238	1,512
Non-current – Lease 2	1,205	1,471
	2,443	2,983

8. Intangible assets

	Domain name £'000	Development costs £'000	Total £'000
Cost or valuation			
At 1 January 2021	32	13,867	13,899
Additions	-	3,651	3,651
At 31 December 2021	32	17,518	17,550
Accumulated depreciation			
At 1 January 2021	16	6,686	6,702
Charge for the year	2	2,479	2,481
At 31 December 2021	18	9,165	9,183
Net book value			
At 31 December 2021	14	8,353	8,367
At 31 December 2020	16	7,181	7,197

9. Trade and other receivables

	Due within one year		Due after more than one year	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables	138	1,277	-	-
Other receivables	22	20	286	329
	160	1,297	286	329

Trade receivables as at December 2020 included £1.1m due from the National Westminster plc which was repaid in January 2021.

10. Prepayments, accrued income and other assets

	2021 £'000	2020 £'000
Prepayments	806	571
Accrued income	34	66
	840	637

NOTES TO THE FINANCIAL STATEMENTS

11. Trade and other payables

	Due within one year	
	2021	2020
	£'000	£'000
Trade creditors	538	300
Other payables	924	885
	1,462	1,185

12. Amounts due to group companies

	2021	2020
	£'000	£'000
Parent (FreeAgent Holdings Ltd)	1,305	1,837
	1,305	1,837

All amounts are due within one year, and £1.3m was repaid in May 2022 (see note 17).

13. Accruals, deferred income and other liabilities

	2021	2020
	£'000	£'000
Accruals	1,132	1,059
Deferred income	1,063	1,057
	2,195	2,116

14. Provisions for liabilities

	Total
	£'000
At 1 January 2021	205
Additional provisions	45
At 31 December 2021	250

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 has been revised in line with an updated estimate based on recent dilapidations claims in similar office accommodation received in December 2021.

15. Share capital

Authorised, allocated, called up and fully paid	**2021**	2020
	£'000	£'000
Equity shares		
30,740,470 ordinary shares of £0.01 each	307	307

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; together with normal business transactions included in note 4.

Cash at bank relates to amounts with a group bank and other balances with group companies are shown in note 12.

Group companies

At 31 December 2021

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.

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 May 2022 the directors of FreeAgent Holdings Limited approved a capital contribution of £4,300k funded by 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 £1,305k was repaid.

In light of the Russian invasion of Ukraine, customers from Russia and Belarus (as well as other high risk jurisdictions) have been screened and will be continually monitored. As at the balance sheet date, there was only one immaterial billable customer impacted. There has been no material impact on the Company, its operations or its finances.