

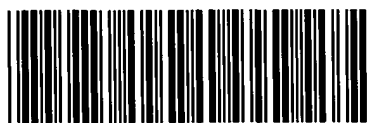
**Company Registered No: SC316774**

**FreeAgent Central Ltd**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

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**FREEAGENT CENTRAL LTD**

**SC316774**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**Nicholas Hepworth  
Miles Hillier  
James Holian  
Kenneth Johnstone  
Roan Lavery  
Jennifer Scott**

**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**

## **ACTIVITIES AND BUSINESS REVIEW**

### **Activity**

The principal activity of FreeAgent Central Ltd (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](http://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.

Capital contributions of £4,308k and £2,000k were received from FreeAgent Holdings Limited in May 2022 and September 2022 (2021: £4,630k). An additional and final contribution of £1,500k, is described in note 17 to the financial statements.

#### **Financial performance**

The Company's financial performance is presented on pages 14 to 16.

Turnover for the year was £19.6m (2021: £16.4m). Subscriber numbers as at the end of 2022 were 154k (2021: 126k). The loss for the year was £2.9m (2021: £4.4m). 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 (2021: £nil).

At the end of the year, the balance sheet showed total assets of £16.3m (2021: £14.4m). Total shareholders' funds were £9.6m (2021: £6.2m). The net book value of capitalised software development costs was £9.4m (2021: £8.4m).

## **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.

### **Liquidity risk**

Liquidity risk is the risk that the Company will have difficulty meeting its financial obligations. Given the capital contributions received from NatWest Group, and forecast future profitability as a company, we consider these risks to be within our risk appetite and managed by the Company.

### **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 2024 but will now be mandated for April 2026. Given the uncertainty, the risk has been managed by minimising forecast growth based on the mandate.

**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 in 2022, 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 were no customers from sanctioned jurisdictions and only 0.01% of customers were from high risk jurisdictions.

The Covid-19 pandemic has had limited impact on the Company. There was minimal customer disruption, with continued growth in 2020, 2021 & 2022, and the most significant impact was on staff working habits, with a hybrid model adopted upon the return to the office. This model has been subsequently developed with any hybrid staff attending the office two days a week from May 2023. Any further risks that may arise as a result of future lockdowns or anticipated changes to working patterns will be monitored.

**Stakeholder Engagement and s.172(1) statement**

This section of the Strategic report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under section 414CZA, of the Companies Act 2006.

The Company is a subsidiary of NatWest Group plc. As such, its operations are aligned to the strategy and purpose of NatWest Group plc and it follows the policies and procedures of NatWest Group plc, as applicable. This is reflected, as appropriate, in the disclosures below.

**Board engagement with stakeholders**

NatWest Group recognises the importance of engaging with stakeholders and understanding their views, to help inform strategy and Board discussions and decision-making.

**Our Stakeholders**

The Company's key stakeholders and the engagement methods used by directors to understand their views and interests are set out below.

**Customers**

At NatWest Group, we want to know what our customers think about us. It helps us better understand their needs and improve the products and services we offer. During the year, the Board received regular updates on customer issues through FreeAgent customer satisfaction surveys, customer feedback and subscriber numbers.

Further information on customers can be found in the NatWest Group plc 2022 Annual Report and Accounts.

**Colleagues**

It is important that the Company is seen to be a credible employer, well regarded in our industry and trusted by our customers and employees. We want the Company to be a place where everyone is able to be themselves and do their best work. We have built our culture on a strong set of values that reflect the daily employee experience. We work hard to create a place where people can own, enjoy and be proud of their work. We want people to feel nurtured, at ease, empowered and engaged. We value our diverse team and believe that the variety of our experiences and backgrounds only makes us stronger. We take time to listen and understand our people's individual needs to create an environment of trust that enables and empowers people to do their best work. The Company takes a number of steps to continuously improve on equality, diversity and inclusion within our organisation and beyond by fostering strong partnerships with external partners to gain insight from key under-represented groups. You can find out more about some of our sustainability focused activities on our website, [www.freeagent.com/company/sustainability](http://www.freeagent.com/company/sustainability).

Board decisions are taken with due regard to all employee interests. During the year the Board received regular updates on employee engagement initiatives which include weekly town hall check-ins, 'Ask the Execs' open forums, bi-annual engagement surveys and an Inclusion and Diversity Survey from the CEO and Chief People Officer. During the year, the Company held its first internal conference bringing together over 100 of our engineering, design and product teams, providing a good opportunity for career development for employees. FreeAgent were also the recipients of a 'Women in Tech employer award for 'Best Employer for Benefits' and have a Glassdoor rating of 4.7 out of 5.

Engaging colleagues is crucial to the success of a company and the Company also benefits from NatWest Group's approach to colleague engagement.

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 2022 Annual Report and Accounts.

**Regulators**

NatWest Group operates in a highly regulated market which continues to evolve in scope. As such, we understand the need to have an ongoing, constructive and open dialogue with all relevant regulatory bodies.

Further information on how NatWest Group engages with regulators can be found in the NatWest Group plc 2022 Annual Report and Accounts.

**Suppliers**

As a purpose-led business, we foster strong relationships with all our key stakeholders, including our supply chains.

Further information on suppliers, including NatWest Group's Supplier Charter, can be found in the NatWest Group plc 2022 Annual Report and Accounts.

**STRATEGIC REPORT****Communities and environment**

Making a positive contribution to the communities in which we live and work is integral to delivering on our purpose.

The Company is committed to becoming more environmentally and socially sustainable by:

- gaining a better understanding of the impact that we make on our environment and community;
- taking action to support this aim and address any shortcomings;
- increasing awareness of sustainability within the company to build an eco-focused company culture; and
- empowering our customers to take a more sustainable approach to running their businesses.

Further information on communities and environment can be found on the Company's website, [www.freeagent.com/company/sustainability](http://www.freeagent.com/company/sustainability), and in the NatWest Group plc 2022 Annual Report and Accounts, the NatWest Group plc 2022 Climate Related Disclosures Report and the NatWest Group plc 2022 ESG Supplement.

**Supporting effective Board discussions and decision-making**

NatWest Group's purpose – championing potential, helping people, families and businesses to thrive - continues to influence Board discussions and decision-making.

Relevant stakeholder interests, including those of colleagues, customers, suppliers and others are considered by the Board during its discussions and when it takes decisions. In making its decisions, the Board also considers the need to maintain a reputation for high standards of business conduct and the long-term consequences of its decisions. However, directors are mindful that it is not always possible to achieve an outcome which meets the requirements, needs and/or expectations of all stakeholders who are, or may be, impacted.

Principal decisions are those decisions taken by the Board that are material, or of strategic importance, to the Company, or are significant to any of the Company's key stakeholders. During the year, decisions were taken to approve funding from the Company's sole shareholder. These decisions were made after careful consideration of working capital requirements to support the long-term sustainable success of the Company.

**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 17.



**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.

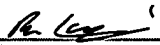
**DISCLOSURE OF INFORMATION TO AUDITOR**

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.

Approved by the Board of Directors and signed on its behalf

  
Roan Lavery (Sep 21, 2023 14:04 GMT+1)

Roan Lavery  
Director

Date: 21 September 2023

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 5 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 2022 to date the following changes have taken place:

<b>Directors</b>	<b>Appointed</b>	<b>Resigned</b>
Chiara Berner	25 March 2022	1 March 2023
Andrew Ellis	25 March 2022	1 March 2023
Andrew Harrison	25 March 2022	21 August 2023
Miles Hillier	25 March 2022	-
Keineth Johnstone	1 March 2023	-
Jennifer Scott	1 March 2023	-
James Holian	2 June 2023	-

#### **Secretaries**

NatWest Group Secretarial Services Limited 25 March 2022

#### **Stakeholder Relationships and Engagement**

The Board recognises the importance of engaging with stakeholders and discussions at Board meetings are focussed around the impact that the Company's activities may have on key stakeholder groups. For further information on the Board's engagement with colleagues, customers and others, and how these stakeholder interests have been taken into account, see pages 5 – 7 of the Strategic report, which includes a s.172 statement incorporating statements required in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).


#### **AUDITOR**

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

#### **DIRECTORS' INDEMNITIES**

NatWest Group plc has indemnified all the directors under qualifying third-party terms.

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

  
Roan Lavery (Sep 21, 2023 14:04 GMT+1)

Roan Lavery  
Director

Date: 21 September 2023

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREEAGENT CENTRAL LTD**

### **Opinion**

We have audited the financial statements of FreeAgent Central Limited ("the Company") for the year ended 31st December 2022 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 United Kingdom Accounting Standards 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREEAGENT CENTRAL LTD**

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 8, 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREEAGENT CENTRAL LTD**

### **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 United Kingdom Generally Accepted Accounting Practice including 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 inquiries 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.

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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREEAGENT CENTRAL LTD

### 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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**Jason Seymour-Cousens** (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date:

21 September 2023

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2022**

		<b>December 2022</b>	<b>December 2021</b>
		<b>£'000</b>	<b>£'000</b>
<b>Income from continuing operations</b>	<b>Notes</b>		
Turnover	<b>3</b>	19,571	16,436
Cost of sales		<u>(4,070)</u>	<u>(3,886)</u>
<b>Gross Profit</b>		<b>15,501</b>	<b>12,550</b>
Operating expenses	<b>4</b>	(18,837)	(17,800)
<b>Operating loss</b>		<u>(3,336)</u>	<u>(5,250)</u>
Finance expense		(228)	(226)
<b>Loss before tax</b>		<u>(3,564)</u>	<u>(5,476)</u>
<b>Tax credit</b>	<b>5</b>	672	1,033
<b>Total comprehensive loss for the financial year</b>		<u><b>(2,892)</b></u>	<u><b>(4,443)</b></u>


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

**BALANCE SHEET**  
**as at 31 December 2022**

	Notes	December 2022 £'000	December 2021 £'000
<b>Non-current assets</b>			
Property, plant and equipment	6	587	458
Right-of-use asset	7	1,757	2,191
Intangible assets	8	9,429	8,367
Deferred tax assets	5	80	74
		<u>11,853</u>	<u>11,090</u>
<b>Current assets</b>			
Trade and other receivables	9	736	446
Current tax assets		701	1,045
Prepayments, accrued income and other assets	10	721	840
Cash at bank		<u>2,245</u>	<u>984</u>
		<u>4,403</u>	<u>3,315</u>
<b>Total assets</b>		<u>16,256</u>	<u>14,405</u>
<b>Current liabilities</b>			
Trade and other payables	11	1,406	1,462
Lease liability	7	544	544
Amounts due to group companies	12	5	1,305
Accruals, deferred income and other liabilities	13	<u>2,542</u>	<u>2,195</u>
		<u>4,497</u>	<u>5,506</u>
<b>Non-current liabilities</b>			
Provisions for liabilities	14	250	250
Lease liability	7	<u>1,888</u>	<u>2,443</u>
		<u>2,138</u>	<u>2,693</u>
<b>Total liabilities</b>		<u>6,635</u>	<u>8,199</u>
<b>Equity</b>			
Share capital	15	307	307
Share premium account		5,904	5,904
Capital contribution reserve		32,362	26,055
Retained earnings		<u>(28,952)</u>	<u>(26,060)</u>
<b>Total equity</b>		<u>9,621</u>	<u>6,206</u>
<b>Total liabilities and equity</b>		<u>16,256</u>	<u>14,405</u>

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

The financial statements were approved by the Board of Directors on 21 September 2023 and signed on its behalf by

  
 Roan Lavery (Sep 21, 2023 14:04 GMT+1)

Roan Lavery  
 Director



**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2022

	Share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
<b>At 31 December 2020</b>	307	5,904	21,425	(21,617)	6,019
Loss for the financial year	-	-	-	(4,443)	(4,443)
Other comprehensive income for year	-	-	-	-	-
<b>Total comprehensive income for year</b>	-	-	-	(4,443)	(4,443)
Capital contribution	-	-	4,630	-	4,630
<b>At 31 December 2021</b>	307	5,904	26,055	(26,060)	6,206
Loss for the financial year	-	-	-	(2,892)	(2,892)
Other comprehensive income for year	-	-	-	-	-
<b>Total comprehensive income for year</b>	-	-	-	(2,892)	(2,892)
Capital contribution	-	-	6,307	-	6,307
<b>At 31 December 2022</b>	307	5,904	32,362	(28,952)	9,621

Total comprehensive income for the year of (£2,892k) (2021: (£4,443k)) was wholly attributable to the owners of the Company.

**Reserve**

Capital contribution reserve

**Description and purpose**

Investment received from parent company

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

**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 National Westminster Bank Plc. The directors, in relying on this support, have considered 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 2022 have had no material effect on the Company's financial statements for the year ended 31 December 2022.

**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.

**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 was 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. This estimate is believed to still be accurate as at the balance sheet date.

**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.

**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
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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**

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 2022 the net book value of capitalised development costs was £9,417k (2021: £8,353k). 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 17.

## 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 National Westminster Bank Plc.

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.

	2022 £'000	2021 £'000
Subscription Income – Direct	4,830	4,774
Partnered Sales	5,329	5,176
Subscription Income – NWG	8,217	5,799
Other Income - NWG	405	-
Other	790	687
	<u>19,571</u>	<u>16,436</u>

**4. Operating expenses**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs	9,799	10,044
Premises and equipment	459	486
Other administrative expenses	5,210	4,410
Depreciation of tangible fixed assets	316	379
Amortisation of intangible fixed assets	3,053	2,481
	<b>18,837</b>	<b>17,800</b>

The Company occupies certain properties under commercial rental agreements.

**Staff costs by category:**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	13,358	13,128
Social security contributions and similar taxes	1,707	1,565
Pension costs	1,530	1,259

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 for part of 2021 and the whole of 2022.

	<b>2022</b>	<b>2021</b>
Average number of employees	267	264

**Operating expenses include:**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Auditor's remuneration – audit services	40	40
	<b>40</b>	<b>40</b>

**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**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current taxation:</b>		
UK corporation tax credit for the year	(686)	(1,030)
Over provision in respect of prior periods	20	-
	<u>(666)</u>	<u>(1,030)</u>
<b>Deferred taxation:</b>		
Charge for the year	11	(23)
(Under)/over provision in respect of prior periods	(17)	20
	<u>(6)</u>	<u>(3)</u>
<b>Tax credit for the year</b>	<u><b>(672)</b></u>	<u><b>(1,033)</b></u>

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 19% (2021: 19%) as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Expected tax charge	(677)	(1,040)
Non-deductible items	-	5
UK tax rate change	2	(18)
Adjustments in respect of prior periods	3	20
Actual tax credit for the year	<u>(672)</u>	<u>(1,033)</u>

The UK Corporation Tax rate for the year was 19%. On 24 May 2021 the UK Government substantively enacted an increase in the UK Corporation Tax rate from 19% to 25% with effect from 1 April 2023. Closing deferred tax assets and liabilities have therefore been calculated 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 2021	(40)	(31)	-	(71)
Credit to profit and loss	(1)	(2)	-	(3)
At 31 December 2021	(41)	(33)	-	(74)
Credit to profit and loss	(10)	4	-	(6)
At 31 December 2022	(51)	(29)	-	(80)

**Deferred tax**

	2022 £'000	2021 £'000
Deferred tax assets	80	74
	<u>80</u>	<u>74</u>

The Company had unused tax losses of £7,743k at 31 December 2022 (2021: £7,743k). A deferred tax asset of £1,936k (2021: £1,936k) has not been recognised on these losses as there is insufficient evidence as to their recoverability.

**6. Property, plant and equipment**

<b>2022</b>	<b>Computer Equipment £'000</b>	<b>Fixtures &amp; Fittings £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 January 2022	896	2,078	2,974
Additions	178	268	446
Disposals	(107)	-	(107)
At 31 December 2022	967	2,346	3,313
<b>Accumulated depreciation</b>			
At 1 January 2022	695	1,821	2,516
Charge for the year	144	172	316
Disposals	(106)	-	(106)
At 31 December 2022	733	1,993	2,726
<b>Net book value</b>			
At 31 December 2022	234	353	587
At 31 December 2021	201	257	458

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 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	4 years, 1 month
Office lease 2	January 2027	4 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
<b>2022</b>			
<b>Cost or valuation</b>			
At 1 January 2022	2,473	2,164	4,637
<b>Accumulated depreciation</b>			
At 1 January 2022	1,383	1,063	2,446
Charge for the year	217	217	434
At 31 December 2022	1,600	1,280	2,880
<b>Net book value</b>			
At 31 December 2022	873	884	1,757
At 31 December 2021	1,090	1,101	2,191

*Lease liabilities*

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

	2022 £'000	2021 £'000
Current – Lease 1	275	275
Current – Lease 2	269	269
	544	544
Non-current – Lease 1	957	1,238
Non-current – Lease 2	931	1,205
	1,888	2,443

**FREEAGENT CENTRAL LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**8. Intangible assets**

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	<b>Domain name £'000</b>	<b>Development costs £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 January 2022	32	17,518	17,550
Additions	-	4,115	4,115
At 31 December 2022	32	21,633	21,665
<b>Accumulated depreciation</b>			
At 1 January 2022	18	9,165	9,183
Charge for the year	2	3,051	3,053
At 31 December 2022	20	12,216	12,236
<b>Net book value</b>			
At 31 December 2022	12	9,417	9,429
At 31 December 2021	14	8,353	8,367

**9. Trade and other receivables**

	<b>Due within one year</b>		<b>Due after more than one year</b>	
	<b>2022 £'000</b>	<b>2021 £'000</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Trade receivables	229	138	-	-
Other receivables	221	22	286	286
	450	160	286	286

**10. Prepayments, accrued income and other assets**

	<b>2022 £'000</b>	<b>2021 £'000</b>
Prepayments	686	806
Accrued income	35	34
	721	840

**FREEAGENT CENTRAL LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**11. Trade and other payables**

SC316774

	Due within one year	
	2022	2021
	£'000	£'000
Trade creditors	354	538
Other payables	1,052	924
	<u>1,406</u>	<u>1,462</u>

**12. Amounts due to group companies**

	2022	2021
	£'000	£'000
Parent (FreeAgent Holdings Limited)	5	1,305
	<u>5</u>	<u>1,305</u>

All amounts are due within one year.

**13. Accruals, deferred income and other liabilities**

	2022	2021
	£'000	£'000
Accruals	1,426	1,132
Deferred income	1,116	1,063
	<u>2,542</u>	<u>2,195</u>

**14. Provisions for liabilities**

	Total
	£'000
At 1 January 2022 and 31 December 2022	<u>250</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 has been revised in line with an updated estimate based on recent dilapidations claims in similar office accommodation received in December 2021. This estimate is believed to still be accurate as at the balance sheet date.

**FREEAGENT CENTRAL LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**15. Share capital**

Allotted, called up and fully paid

2022	2021
£'000	£'000

**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; 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 2022

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.

**17. Post balance sheet events**

In April 2023 the directors of FreeAgent Holdings Limited approved a capital contribution of £1,500k funded by National Westminster Bank Plc. This sum was subsequently forwarded to FreeAgent Central Ltd, the ultimate recipient of the capital contribution.