



Freetrade Limited

Registered number: 09797821

Annual Report and Consolidated Financial Statements

For the Year Ended 30 September 2022

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Freetrade Limited
Company Information

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Registered number

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Freetrade Limited

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Freetrade Limited**Strategic report***For the year ended 30 September 2022*

The Directors present their Strategic report of Freetrade Limited (“the Company”) and its subsidiaries (together “Freetrade” or “the Group”) for the year ended 30 September 2022 (“2022”). Comparative information is for the year ended 30 September 2021 (“2021”).

The Strategic report has been prepared to provide shareholders of the Company with additional information to assess the Company’s strategies and the potential for those strategies to succeed. The Strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

Freetrade is an app-based stockbroker, providing an execution-only trading platform to retail customers. Customers are able to purchase instruments listed on exchanges in the United Kingdom, United States and Europe without paying commission fees.

Customers can choose one of Freetrade’s simple subscription pricing plans that is best suited to their investment needs, and hold their investments in either a General Investment Account (GIA), a stocks and shares Individual Savings Account (ISA) or a Self-Invested Personal Pension (SIPP).

Business and finance review

Freetrade was created with a mission to get everyone investing. Freetrade’s mission is dedicated to lowering barriers, both cost and educational, to help anyone with the appropriate risk tolerance to put their money to work in the stock market and achieve their long-term financial goals.

Throughout the financial year, customer numbers and net inflows of customer assets have continued to grow strongly. Our number of registered users increased significantly during the year. Total users increased by 51% reaching 1,336,760 by the end of the financial year (2021: 886,743). This growth reflects the impact of a strategic investment in marketing activity with our first large-scale out-of-home marketing campaign as well as continued investment in our highly efficient ‘free share’ referral scheme.

In the financial year we have seen the global stock markets decline. At the end of the financial year, the S&P 500 is down 25%, the NASDAQ is down 33% and the FTSE 100 is down 8% from their peaks seen at the start of the year. Markets have also been volatile as a result of tightening fiscal policy from global central banks and inflationary pressures that have intensified since Russia’s invasion of Ukraine.

Assets under Administration (“AuA”)¹ increased by 39% in the financial year with this growth occurring despite challenging market conditions that contributed to an adverse market movement of £0.3 billion in customer AuA. This movement partially offsets the sustained growth of net new funding, which was consistent with the prior financial year as detailed below:

	2022 £ million	2021 £ million
Opening	897.5	256.0
Net new funding	598.4	552.4
Market movement	(251.9)	89.1
Closing AuA	1,244.0	897.5

Despite challenging macroeconomic conditions, trading volumes² have overall remained resilient, increasing by 9% to £3.6 billion (2021: £3.3 billion). We added thousands of new stocks, exchange-traded funds and investment trusts across the financial year and revenue has increased by over 23% to £15.6 million (2021: £12.7 million).

At the start of the financial year, Freetrade completed a record-breaking seventh public crowdfunding raising £8.0 million. A total of 6,869 retail investors participated both in the UK and Europe. This funding enabled Freetrade to continue to invest in its growth, product development, and international expansion.

In January 2022, Freetrade’s two main institutional shareholders, Left Lane Capital and Molten Ventures, led an investment in a convertible loan note, alongside new investors The Phoenix and Capricorn Capital Group, comprising £29.3 million of new capital.

¹ Assets under administration is the total value of securities and cash balances administered and managed by Freetrade on behalf of its customers.

² Trading volumes are the total value of executed trade orders placed by Freetrade customers.

Freetrade Limited**Strategic report (continued)***For the year ended 30 September 2022*

This new investment enabled Freetrade to continue to develop its proprietary technology stack, Freetrade Cloud Platform ("FCP"). Freetrade's cloud platform enables the company to unlock superior unit economics, by lowering the costs of executing customer orders that might be incurred by using third-party software. Notably during 2022, Freetrade's technical teams launched FreetradeFX, providing direct access to institutional foreign exchange markets and eliminating a significant amount of third party costs associated with currency conversions.

Engineering resources have also been heavily focused on the build and integration of the infrastructure required to offer a range of European stocks to our users. During the financial year we launched a full-stack self clearing solution providing UK and, eventually, European customers with access to European stock markets.

During the financial year, Freetrade onboarded its first European customers following the granting of a regulatory licence from the Swedish Finansinspektionen to Freetrade Europa AB, a direct subsidiary of Freetrade Limited. Having launched in Sweden shortly following the financial year end, Freetrade plans to expand across Europe early in 2023.

The Group's loss for the financial year of £39.7 million (2021: £17.1 million) is attributable to an increased level of costs in the financial year. The most significant increase was in staff costs - of which more detail is given below. Following the Series B financing in early 2021 there was also a strategic investment in marketing activity in the first quarter of the financial year, including a significant brand awareness campaign.

As the market conditions began to change during the year, the Company introduced prudent cost saving measures. In addition to raising funds from existing and new investors, steps were taken to make the cost base more resilient to the market conditions. Initially, this meant a focus on operational costs and third party contracts as well as freezing hiring and significantly reducing marketing expenditure. As the market downturn continued, it became clear to the Board of Directors ("Board") that further action was required. The Board and Executive team, therefore, made the difficult decision to make company-wide redundancies - these were all completed by the end of the financial year with minimal financial cost. A reduction in staff costs from their peak during the financial year has significantly reduced Freetrade's monthly operating costs and has strengthened the forward looking capital and liquidity position.

Our headcount grew substantially through the first half of the financial year as a result of hiring activities undertaken in the final quarter of 2021 and to a lesser degree in the first quarter of 2022. Headcount reached a high of just over 300 employees in March 2022. As a consequence of this headcount growth in the first half of the financial year and the previously noted actions subsequently taken to reduce our headcount in the second half of the financial year, total headcount across all locations decreased by 17 to a total headcount of 184 at 30 September 2022 (2021: 201), despite a higher average headcount over the financial year of 264 (2021: 118). Actual staff costs for the financial year, average and closing headcount numbers are disclosed in Note 4 of the financial statements. The overall level of staff costs in the business at the end of the 2022 financial year is much closer to the level at the end of the 2021 financial year.

The overall net assets of the Group are £30.2 million (2021: £29.3 million) with cash and cash equivalents of £22.0 million (2021: £22.7 million) as at 30 September 2022. Refer to the Directors' report on Page 9 for their assessment of the Group as a going concern for more information on the liquidity position and funding.

Future developments

Looking ahead to the next financial year, we continue towards our mission to get everyone investing. The Freetrade app officially launched in the Swedish App Store in November 2022 and work is underway for a pan-European launch early in 2023. Meanwhile, teams remain dedicated to developing new features and products for UK and European customers that will further enhance Freetrade's value proposition and add potential revenue streams in a competitive market.

The Group has since the reporting date successfully raised additional funding, detailed in the Directors' report and Note 16 of the consolidated financial statements. This supports the continued investment in Freetrade's growth at a product and geographic level whilst also ensuring we remain well capitalised with respect to our regulatory capital requirements.

Principal risks

The Board has accountability and ultimate responsibility for Freetrade's risk management, risk strategy and determining an appropriate risk appetite as well as setting the tolerance levels within which Freetrade must operate. The Board determines the firm's risk appetite and provides oversight of the firm's risk management and business operations.

The Company has in place robust governance arrangements, which includes a clear organisational structure, clearly defined responsibilities, effective processes to identify, manage, monitor and report on risk, and internal control mechanisms. Freetrade's senior governance framework is well established and comprises the Board, formal committees and operational working groups. These include:

- Risk and Compliance Committee
- Product Governance Committee
- Capital and Liquidity Committee
- CASS Oversight Committee

Freetrade Limited**Strategic report (continued)***For the year ended 30 September 2022*

The committee and working group arrangements have documented terms of reference and defined delegation of authority. Each committee is formally constituted and has a regular agenda, minutes and tracking of actions. Freetrade's committees typically meet on a monthly basis, or more frequently where required and committee membership is reviewed periodically to ensure there is effective representation from relevant functions.

Since the end of the financial year, John Baines has joined the Board as an independent Non-Executive Director, bringing additional experience and expertise to the Freetrade Limited Board. Further, work has begun on establishing a Board Audit and Risk Committee in order to further enhance the Company's governance arrangements. The Board Audit and Risk Committee terms of reference will include, for example, oversight of financial control and reporting, the internal and external audit arrangements, the assessment of existing and future risks facing the Company, and ongoing compliance with regulatory and statutory requirements.

In the financial year, the Company transitioned from the Internal Capital Adequacy Assessment Process ("ICAAP") to the Internal Capital Adequacy and Risk Assessment ("ICARA"). The primary purpose of the ICARA is to ensure a clear, accurate and transparent link between the risk profile of the business and the capital and liquidity held by the firm. This is further detailed in the financial risk management disclosures set out in the Directors' report on Page 7.

The Company's Enterprise Risk Management Framework ("RMF") sets out how Freetrade manages risk throughout the organisation and how the framework will be maintained. An effective and robust RMF is a fundamental prerequisite to the long term stability and soundness of Freetrade, ensuring that current and future risk is applied to decision making. The RMF details the principles used to support effective enterprise-wide risk management across the end-to-end risk management lifecycle. The framework covers the risk management roles and responsibilities of the Board, Senior Management and employees across the three lines of defence model.

The way Freetrade approaches and manages risk directly impacts our success. Our growth and financial stability depend upon sound operations, strategic positioning and a strong reputation with our customers and the market alike. We have, therefore, established limits on the level and nature of the risk we are willing and able to assume in achieving our strategic objectives. Freetrade's Risk Appetite Statement both informs and embodies our culture, characterised by prudent risk-taking and values around risk awareness, ownership and accountability.

Compliance with the defined risk appetite is measured and monitored regularly via Key Risk Indicators ("KRIs"). These indicators are approved by the Board on at least an annual basis or more frequently should Freetrade's risk profile change materially. The responsibility for monitoring the firm's risk profile against its risk appetite is delegated by the Board to the Freetrade Risk and Compliance Committee. This committee meets monthly and consists of management across both first and second lines of defence. Any decisions, situations or outcomes outside of risk appetite as defined are required to be communicated to the Board.

The Board has carried out an assessment of the principal risks and uncertainties to which Freetrade is exposed. The principal risks are linked to risk appetite and KRI measures for reporting and are detailed below:

Strategic and business risk

Freetrade operates in a competitive environment and runs the risk that revenue and customer growth do not meet expectations or slow down. Strategic and business risk is the risk that Freetrade fails to achieve its goals or strategic objectives. Risk can arise through failed business decisions and may arise from the decisions taken by the Board or Senior Management. Freetrade's strategy is built around the firm's operational objectives to attain profitability and sustainability, while giving due consideration to the interests of customers.

Freetrade has diversified revenue, with a balance of recurring and transactional revenue which is based on customer activity and is sensitive to market conditions and volatility. Freetrade closely monitors revenue and customer numbers, as well as market conditions. Stress testing is performed based on market scenarios and management is prepared to take actions should an adverse scenario impact revenue growth.

Freetrade sets and closely monitors its strategic initiatives to grow the business and ensure its path to profitability. Business-wide initiatives are set and refreshed on a regular basis and are cascaded to each department and business area to ensure that all teams are focused and accountable for the delivery of these strategic objectives.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Freetrade is committed to delivering operational excellence to meet the expectations of our customers and regulators. We don't expect our customers to suffer as a result of our failings, nor for our own success to be hampered by remediating customer losses.

Operational risk is the most prevalent risk in our business and is amplified when technology, processes and controls are poorly designed or modified without appropriate assessment and controls. Additionally, complying with regulations and laws across multiple jurisdictions is a constant challenge.

Fretrade Limited**Strategic report (continued)***For the year ended 30 September 2022*

An Operational Risk Framework has been put in place to identify, assess, manage, monitor and report on all material areas of operational risk across the firm. The Risk and Compliance Committee plays a key role in ensuring that this framework operates as intended and escalating areas of concern to the Board.

Fretrade has a strong culture of risk management driven by its values and is maturing its operational risk framework in line with business growth. This framework seeks to identify, assess and manage risk within the firm's tolerance. Key areas of operational risk for Fretrade include:

Technology risk

Fretrade needs to build and maintain trust with our users and partners who expect us to keep their data and assets safe. Fretrade has a high exposure to technology and data related risks and a critical dependency on availability of technology, both in-house and third party, to deliver its products and services to its customers. Fretrade has put in place and monitors technology risk through KRIs, a robust framework around its testing and release processes as well as a wide suite of alarming alerts as part of its technology risk management.

Information security risk

Fretrade has a high exposure to information security related risks. Fretrade is obligated to collect and retain personal data as a finance company, which requires a focus on data privacy and specifically the requirements set out in the General Data Protection Regulation ("GDPR").

Fretrade seeks to protect its technology environment from cyber-attacks and internal threats to maintain the confidentiality, integrity and availability of its platform and prevent the unauthorised disclosure of customer data. Fretrade continually reviews and enhances its cyber security measures to protect the confidentiality, integrity and availability of data Fretrade handles.

Third party risk

Fretrade relies on a large number of third party service providers to run the platform, app, and provide services more generally to customers. Fretrade is focused on ensuring the control framework around onboarding, integrating and using third party vendors protects customers from harm resulting from the poor performance of a third party Fretrade relies on. The control framework around third party vendors includes:

- Conducting risk assessments prior to onboarding vendors;
- Carrying out appropriate levels of due diligence on vendors;
- Regular Executive and Board level oversight of third party vendor reliance and associated risks; and
- Ongoing monitoring of vendors.

Financial crime risk

Fretrade is fully committed to embedding a culture that is free of financial crime, including fraud. This message is disseminated down from the Board, through the Executive and senior management. Fretrade has no appetite for breaching the spirit and letter of financial crime regulations and legislation and has put in place a suite of preventative and detective controls. The control environment is continually assessed in light of emerging risks and where appropriate remedial action is undertaken. Fretrade has in place a dedicated financial crime function who are responsible for overseeing the operation and effectiveness of the control environment.

Regulatory and conduct risk

Management of regulatory and conduct risk is one of Fretrade's highest priorities. It is fundamental to Fretrade's mission, that the firm operates in compliance with all financial services regulations, and does not cause detriment to its customers or the market. Fretrade defines the two elements of this risk as follows:

- Regulatory risk is the risk that Fretrade fails to comply with all regulations which apply to it, leading to regulatory fines or restrictions;
- Conduct risk is the risk that the behaviour of the firm or its staff results in detriment to customers or the wider market.

These risks comprise the following sub-topics:

- Regulatory engagement;
- Customer engagement and sales, including financial promotions;
- Customer trading and reporting;
- Governance and controls;
- Client money and assets; and
- Individual compliance.

Freetrade Limited**Strategic report (continued)***For the year ended 30 September 2022*

Responsibility for management of regulatory and conduct risk sits with the business in general, in particular senior management and function leads who form the first line of defence. The nature of the underlying controls depends on the processes and responsibilities of each function. The Compliance team provides second line oversight of the risk, and provides advice and training to the business to support their compliance with existing and new regulations, undertaking surveillance and regular and focused testing. The Compliance team also works alongside senior management to ensure and maintain an open dialogue with the Financial Conduct Authority (FCA).

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

In doing this requires a director to have regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interest of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

The Board understands that how we behave matters not only to our people but also to the many stakeholders who have an interest in Freetrade. We believe that productive business relationships with our suppliers, customers and other key stakeholders are key to the success of the Group and that the interest of relevant parties should be considered when making decisions that may impact them.

Though engagement is carried out by those most relevant to the stakeholder or issue in question, the Board receives updates on the engagement that has been undertaken, the recurring questions, concerns raised and the feedback provided by the Group's key stakeholders.

Detailed below are examples of how the Board have had regard to the duties under Section 172 when considering matters under Section 172(1)(a) to (f):

Customers

Freetrade was created to break down barriers and open up stock market investing to everyone. Our trading proposition is focused on long-term and sustainable investing for our customers. Our customers expect, and we strive to provide, a stable, secure and reliable trading platform so that when executing customer orders, we offer a seamless experience for orders totalling in excess of £3.6 billion across the financial year. Our customers also expect efficient customer service and we have a dedicated customer service team who are there for our customers if they encounter problems or need extra support with the Freetrade app, offering a fast and friendly service.

Our customers use the Freetrade platform everyday, and that makes them the most valuable source of feedback for us. The number of registered users increased by 450,017 across the financial year. We engage with our customers through regular user testing and the Freetrade community. This helps to direct the development of the Freetrade product and enable a prioritisation of the features and functionality that matter most to our customers.

We offer a range of content through the Freetrade website, including investment guides which are a knowledge base to help users make better decisions when investing in the stock market. Pages on our website are open to all investors, such as the *Dictionary*, which provides an online financial glossary to help users understand some of the most commonly used terms in finance and the stock market. The website includes pages dedicated to recent market news and analysis and through *Honey*, our regular newsletter, which provides a concise insight into what's happening in the stock market and the world of finance.

Regulators

Regulations affect how the Company markets and provides services to its customers. The regulator's focus is on ensuring firms safeguard their customers' best interest and ensuring that all customers are treated fairly. They also take interest in capital and liquidity issues and value firms that respect and follow both the letter and the spirit of the regulations and guidelines they set out. The Board is regularly briefed on regulatory developments and expectations by the Risk and Compliance Committee alongside the monitoring of the firm's risk profile against its risk appetite.

Freetrade maintains constructive relationships with its key regulators, communicating in an open and transparent manner and ensuring that its actions are consistent with regulatory expectations. This is ensuring Freetrade is positioning itself to be well-informed about future developments in the regulatory environment. Further to maintaining the constructive relationships with our regulators, the prioritisation of activities that will support Freetrade's risk management and compliance ensure that Freetrade is keeping up with regulatory initiatives and remaining compliant. During the year, Freetrade has engaged with the FCA on key areas of regulatory engagement and focus, across the business. This has included key workstreams focused on continuing to enhance Freetrade's governance, risk management, CASS arrangements and investor protection.

Freetrade Limited

Strategic report (continued)

For the year ended 30 September 2022

Shareholders

The Group has an engaged and supportive investor base from the Series A and Series B fundraising rounds, where global funds joined our shareholder register alongside the thousands of individual investors from our crowdfunding raises. We have engaged with our private investors in the year through community meet-ups at our London and Stockholm offices and provided detailed financial performance, strategy and business developments as part of the annual crowdfunding. The Directors regularly update our institutional investors on financial performance, strategy and business developments at Board meetings and through monthly management information reporting.

The Directors have embedded a framework for establishing the objectives and key results which set out the vision and goals for Freetrade. This framework is cascaded to the different functions within Freetrade and to individuals with the underlying objective to promote the achievement of Freetrade's long term strategic objectives and to provide returns to the shareholders and benefits for other stakeholders.

During the year, the Directors introduced prudent cost saving measures to make the cost base more resilient to the market conditions. Initially, this meant a focus on operational costs and third party contracts as well as freezing hiring and significantly reducing marketing expenditure. As the market downturn continued, it became clear to the Board that further action was required in the long term interest of the Company and, therefore, the difficult decision was made to make company-wide redundancies. A reduction in staff costs has significantly reduced Freetrade's monthly operating costs and has strengthened the forward looking capital and liquidity position on our path to profitability.

People

Freetrade brings together some of the best industry talent with people bringing diverse skills and backgrounds to the team to ensure the foundations are in place to facilitate growth and deliver its mission. It is vital that our people are kept informed about our strategy, industry changes. Our people expect to be involved in planning the changes that will impact them and their teams as well as Freetrade providing opportunities for their own development.

The Company uses a range of means to engage with our people. During the year an Engagement Committee was established as a forum dedicated to making Freetrade a great place to work for all employees. There are regular 'All Hands' meetings which connect employees across different teams and time zones and a range of speakers from across Freetrade update on their key initiatives. These sessions also ensure that our people remain informed about Freetrade's strategy and how we are tracking against our key objectives and results.

The Strategic report is approved by the Board on 27 January 2023 and signed on behalf of the Board by:

DocuSigned by:

Adam Dodds

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Adam Dodds

Director

Freetrade Limited

Directors' report

For the year ended 30 September 2022

The Directors present their report of Freetrade Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 30 September 2022 ("2022").

Directors

The Directors who held office during the year and up to the date of signing these financial statements were as follows:

- Adam Dodds
- Harley Miller - Appointed on 28 January 2022
- John Baines - Appointed on 14 December 2022
- Perry Blacher
- Stuart Chapman - Appointed on 24 August 2022
- Viktor Nebehaj

The Company provides indemnities to the Directors against all costs, charges, losses, expenses and liabilities incurred by them in the execution and discharge of their duties to the Company through its directors' and officers' liability insurance. This insurance is a qualified indemnity insurance and was in force during the financial year and also at the date of approval of the consolidated financial statements.

Results

The Group loss for the year after tax was £39.7 million (2021: £17.1 million). Refer to the Strategic Report on Page 1 onwards for further discussions of the Group's results and performance for the year.

Dividend

The Directors do not recommend a final dividend in respect of the year ended 30 September 2022 (2021: £nil).

Political contribution and charitable donations

No political contributions were made during the financial year. Charitable donations of £25,000 (2021: £nil) were made during the financial year.

Overseas branches

The consolidated financial statements for the year ended 30 September 2022 include two direct subsidiaries of the Company which are based overseas. Freetrade Europa AB was incorporated on 24 November 2020 and operates as a separate legal entity and is registered in Sweden. Freetrade Canada Limited was incorporated on 9 September 2021 and operates as a separate legal entity, and is registered in Canada. The Company also has a direct subsidiary incorporated in England and Wales, Freetrade Core Limited, which is registered in Australia and supplies Engineering personnel to the Company.

The Company has provided initial capital injections by way of a share issuance from the subsidiary undertaking or a contribution of capital to the subsidiary from the Company. Details of the Company's investments in subsidiary undertakings are included in Note 8 of the consolidated financial statements and Note 4 of the Company financial statements.

Research and development

The Group incurs expenditure on research and development in order to develop its app-based trading platform to retail customers. Total research and development costs expensed in the financial year was £2,311,000 (2021: £1,472,000). The Group accounting policies on research and development is detailed in Note 1.16 in the Notes to the consolidated financial statements.

Financial risk management

The Company's activities expose it to capital risk, liquidity risk, credit risk and market risk. Financial risk management is carried out by the Finance, Risk and Compliance functions under policies which have been approved by the Board.

Capital risk and capital management

Capital risk is the risk that the Company would not have the capital resources to meet our capital requirements and to absorb unexpected losses if they were to occur.

In order to provide investment products to retail customers, Freetrade Limited is regulated by the Financial Conduct Authority (FCA) and Freetrade Europa AB is regulated by the Swedish Finansinspektionen. As a consequence, companies are required to hold sufficient regulatory capital at the individual entity level to cover risk exposures assessed in accordance with the applicable regulatory rules. The Group maintains a level of capital that exceeds our minimum requirements in each regulated entity. Each regulated entity held capital in excess of their regulatory minimums throughout the year ended 30 September 2022.

Freetrade Limited**Directors' report** *(continued)**For the year ended 30 September 2022*

The FCA's Investment Firm Prudential Regime (IFPR) came into effect on 1 January 2022 focusing on the potential harm firms can pose to consumers and markets. Freetrade Limited has been subject to the IFPR from this date and this has altered the basis of the calculation of Freetrade's regulatory capital. In accordance with the amended regulatory rules Freetrade Limited has prepared a Board approved Internal Capital Adequacy and Risk Assessment (ICARA) in which management, with advisory support, has assessed the regulatory minimum levels of capital and liquidity required.

The ICARA is prepared by the Capital and Liquidity Committee, a cross-functional working group across Risk, Compliance and Finance teams - utilising external advisory support as appropriate. The overall adequacy of the ICARA process is governed by the Board with the support, review and challenge of the Executive Risk and Compliance Committee. The first full ICARA report under the new IFPR regime was approved by the Board on 29 September 2022. A full refresh will be carried out on at least an annual basis alongside the Company's financial forecasting process.

	2022
	£000
Shareholders' funds	34,373
Less:	
Intangible assets	(4,894)
Significant investments in regulated subsidiaries	(3,946)
Regulatory capital resources	25,533
Minimum capital requirement ³	7,884
Capital headroom	17,649
Cash and cash equivalents	20,768
Minimum liquidity requirement ⁴	10,260
Liquidity headroom	10,508

During the financial year, Freetrade onboarded its first European customers, following the granting of a regulatory licence from the Swedish Finansinspektionen to Freetrade Europa AB. At 30 September 2022 Freetrade Europa AB was in a closed beta test phase of its launch and held capital resources in excess of its £0.5 million capital requirement.

Liquidity risk

Liquidity risk is defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a sustainable cost.

Short term liquidity risk could occur due to a temporary shortage of funds; for instance due to funds being illiquid at the time they are required. Alternatively, cash could be held in a different Group legal entity, bank account or currency than where the obligation is due.

Long term liquidity is reliant on both the ability to raise cash through either crowdfunding or via venture capital funds, and the profitability of the Freetrade products. Long-term liquidity risk would occur if Freetrade is unable to raise the cash required to continue product development and expansion plans, or can only do so at an unsustainable cost.

In order to effectively manage liquidity risk, Freetrade maintains a buffer of available cash to cover projected expenses over and above its regulatory liquidity requirement and constantly monitors liquidity of assets against projected cash flows. Long-term liquidity is assessed on a monthly basis by the Treasury team and reported to the Risk and Compliance Committee and to the Board on a regular basis. The aim of the process is to give an early warning of liquidity shortfalls and allow sufficient time for action to be taken.

Credit risk

Credit risk is the risk of financial loss when customers or other counterparties fail to settle their contractual obligations to Freetrade or fail to perform their obligations in a timely manner. Freetrade's exposure to credit risk covers its cash balances held with banks and trade and other receivables. This risk represents the potential failure of market counterparties, banks or payment processors used by Freetrade to fulfil its contractual obligations.

Freetrade holds customer funds with investment grade counterparties in the UK and Sweden. The majority of funds are on demand or short term deposits, enabling Freetrade to react promptly to any deterioration in credit quality. Credit risk is not considered a material risk, but is monitored and mitigated by Freetrade principally trading with recognised, creditworthy third parties. In an insolvency event our UK customers are protected under the Financial Services Compensation Scheme (FSCS).

³ The minimum capital requirement is set as the Company's Own funds threshold requirement ("OFTR") and is calculated based on MIFIDPRU 7.6 ICARA process: assessing and monitoring the adequacy of own funds.

⁴ The minimum liquidity requirement is set as the Company's Liquid assets threshold requirement ("LATR") and is calculated based on MIFIDPRU 7.7 ICARA process: assessing and monitoring the adequacy of liquid assets.

Freetrade Limited**Directors' report** *(continued)**For the year ended 30 September 2022**Market risk*

Market risk represents the risk that a significant and prolonged capital market or economic downturn adversely impacts Freetrade's principal activities. Freetrade does not trade on its own account or take material risk in relation to the execution of client orders.

A source of revenue for Freetrade is the interest earned on uninvested customer cash held in safeguarded client money accounts - this results in an indirect exposure to interest rate risk on these cash balances held for the benefit of customers. The cash balances are not included in the Consolidated Statement of Financial Position. Freetrade's exposure to market risk is not considered by the Directors' to be a material risk.

Going concern

The Directors have considered a wide range of information relating to present and future conditions, including future path to profitability projections, operating cash flows and future fundraising activities. The going concern assessment is measured by reference to capital and liquidity resources against the minimum regulatory requirements set out on Page 8.

The forecast for the forthcoming financial year, approved by the Board, is underpinned by the assumption that additional fundraising will be required in order to continue in operation, and that it is successfully obtained. The Board acknowledges that additional fundraising could occur for example, through change in regulatory control. The forecast is based on the forward looking financial projections performed as a part of the preparation of the Board approved ICARA, specifically the calculation of our minimum regulatory capital and liquidity requirements.

The financial projections have been updated to reflect the timing and amount of additional funding which Freetrade has secured subsequent to the financial year. In September 2022 Freetrade launched its annual public crowdfunding round. Subsequent to the completion of the crowdfunding, Freetrade received £2.1 million of investment on 28 November 2022. Further to the recent crowdfunding, Freetrade completed legal documents on 18 January 2023 for an additional investment of up to £6.0 million in the form of a loan agreement and a convertible loan note instrument. At 24 January 2023 a total of £4.8 million of this additional investment had been legally committed from existing shareholders. This is as set out in Note 16 of the consolidated financial statements.

Management is in the process of raising additional funding in line with the business plan. This funding is incremental to the fundraising set out above and expected to raise sufficient funds to allow the business to continue as a going concern and to fund our path to profitability. The crowdfunding round and institutional investment, received after the financial year end, has provided a sufficiency of capital and liquidity resources over a reasonable expectation of timelines that is required to enable the successful execution of this further fundraising process.

The Directors' have a reasonable expectation to execute this additional fundraising process because of the high level of observed engagement from prospective investors through the fundraising process to date - demonstrating the strength of Freetrade's technology and business as a compelling investment proposition.

In the assessment of going concern, the Directors' have applied detailed stress testing to the financial projections. The key sensitivities to the going concern assessment are that Freetrade could fail to raise additional financing or could require additional time to complete the additional financing included in the financial projections.

In 2022, the Group established a voluntary arrangement ("VREQ") with the FCA to ring-fence £15.0 million of liquid assets to ensure accordance with the FCA's prudential requirements while it refreshed its wind down plan and undertook its first ICARA prudential assessment under the new IFPR regime. Freetrade intends to request that the FCA removes the VREQ during the period being assessed for going concern.

If Freetrade did not raise additional financing in the period being assessed for going concern and without the removal of the VREQ in the period being assessed for going concern then the Group's liquidity would likely fall below the voluntary arrangement in Q3 of the financial year. This would trigger notifications to, and discussion with, the Group's Board and FCA with regards to the ongoing viability of the business.

In the event that Freetrade's capital and liquidity fall below £7.9 million capital and £10.3m liquidity requirement as set out on Page 8 and without a path to a timely resolution, then the Board of Directors would consider a trigger of the solvent wind down plan. This would commence the process of a closure of the business and the return of customer assets and monies. The regulatory thresholds used for wind down triggers within the going concern assessment are those from the Board approved ICARA process.

When considering the results of the stress test analysis and giving consideration to the factors set out above, the Directors' affirm the Group and the Company's ability to continue as a going concern for twelve months from the date of signing these financial statements. The Board has a reasonable expectation that Freetrade will raise the resources required to continue in business for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

However, there is no guarantee that attempts to raise additional funding on a timely basis will be successful. This represents a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern.

Freetrade Limited

Directors' report *(continued)*

For the year ended 30 September 2022

Statement of Directors' responsibilities

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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 enable them to ensure that the financial statements comply with the Companies Act 2006.

Statement of disclosure to auditors

Deloitte LLP were appointed as auditor to the Company in accordance with s485 of the Companies Act 2006. Each of the persons who is a director at the date of approval of this report confirms that:

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

The Directors' report is approved by the Board on 27 January 2023 and signed on behalf of the Board by:

DocuSigned by:

Adam Dodds

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Adam Dodds

Director

Freetrade Limited

Independent auditors report to the members of Freetrade Limited

For the year ended 30 September 2022

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Freetrade Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated and company statements of cash flows and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Material uncertainty related to going concern

We draw attention to note 1.4 in the financial statements, which indicates the forecast for the forthcoming financial year is underpinned by the assumption that additional fundraising will be required in order to continue in operation and there is no guarantee that attempts to raise additional funds on a timely basis will be successful.

As stated in note 1.4, these events or conditions, along with the other matters as set forth in note 1.4, indicate that a material uncertainty exists that may cast significant doubt on the Group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Freetrade Limited

Independent auditors report to the members of Freetrade Limited (continued)

For the year ended 30 September 2022

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Financial Conduct Authority regulatory requirements.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, IT, and regulatory specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- There is a risk associated with the valuation of the foreign exchange commission revenue balance with regards to the foreign exchange rate used for the translation of the non-GBP denominated trades. The foreign exchange rate is provided to the company by a third party and is the rate applied at the point of executing a trade. For our sample selected, we have performed a recalculation of the foreign exchange commission revenue using independent exchange rates. We have obtained independent confirmations for the valuation of the associated trading activity, which we have based the recalculation on.
- There is a risk associated with the accuracy and recognition of the capitalised development costs and associated impairment of the internally generated development of softwares. We have assessed the recognition of the intangible assets and their development costs in accordance with IAS 38 Intangible Assets. We have assessed the balance against the indicators of impairment in accordance with IAS 36 Impairment of Assets. We performed testing over a sample of the capitalised costs against the research and development criteria.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Freetrade Limited

Independent auditors report to the members of Freetrade Limited (continued)

For the year ended 30 September 2022

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC and the Financial Conduct Authority (FCA).

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

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:

David Rozier

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David Rozier (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

27 January 2023

Freetrade Limited**Consolidated statement of comprehensive income***For the year ended 30 September 2022 from continuing operations*

	<i>Notes</i>	2022	2021
		£000	£000
Revenue		15,643	12,682
Cost of sales		(2,272)	(1,639)
Gross profit		13,371	11,043
Other operating expenses		(55,771)	(29,274)
Operating loss	2	(42,400)	(18,231)
Finance income		59	-
Finance costs	11	(197)	(16)
Loss before taxation		(42,538)	(18,247)
Tax on loss on ordinary activities	5	2,805	1,136
Loss for the year		(39,733)	(17,111)
Exchange differences on translation of foreign operations		(82)	-
Total comprehensive expense for the year		(39,815)	(17,111)

Freetrade Limited**Consolidated statement of financial position***As at 30 September 2022*

	<i>Notes</i>	2022	2021
		£000	£000
Assets			
Non-current assets			
Property, plant and equipment	6	3,201	5,588
Intangible assets	7	4,894	2,354
Trade and other receivables	9	731	731
		8,826	8,673
Current assets			
Trade and other receivables	9	3,970	7,859
Corporation tax receivables		2,755	1,021
Cash and cash equivalents		22,019	22,672
		28,744	31,552
Liabilities			
Current liabilities			
Trade and other payables	10	4,022	5,381
Lease liabilities	11	3,102	2,127
		7,124	7,508
Net current assets			
		21,620	24,044
Non-current liabilities			
Lease liabilities	11	280	3,388
		280	3,388
Net assets			
		30,166	29,329
Equity			
Share capital and share premium	12	73,052	57,837
Other equity	12	22,325	-
Other reserves	12	5,882	2,852
Retained earnings		(71,093)	(31,360)
Total equity		30,166	29,329

The consolidated financial statements of Freetrade Limited were approved by the Board on 27 January 2023 and signed on behalf of the Board by:

DocuSigned by:

Adam Dodds

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Adam Dodds
Director

Freetrade Limited**Consolidated statement of changes in equity***For the year ended 30 September 2022*

	Notes	Share capital and premium	Other equity	Other reserves		Retained earnings	Total equity
				Share-based payment reserve	Cumulative translation reserve		
		£000	£000	£000	£000	£000	£000
Balance as at 1 October 2021		57,837	-	2,852	-	(31,360)	29,329
Loss for the year		-	-	-	-	(39,733)	(39,733)
Other comprehensive expense		-	-	-	(82)	-	(82)
Equity settled share-based payments	13	-	-	3,112	-	-	3,112
Issue of share capital	12	8,215	-	-	-	-	8,215
Issue of convertible notes	12	-	29,325	-	-	-	29,325
Conversion of notes and issuance of share capital	12	7,000	(7,000)	-	-	-	-
Balance as at 30 September 2022		73,052	22,325	5,964	(82)	(71,093)	30,166
<hr/>							
Balance as at 1 October 2020		22,801	-	2,034	-	(14,249)	10,586
Loss for the year		-	-	-	-	(17,111)	(17,111)
Equity settled share-based payments	13	-	-	818	-	-	818
Issue of share capital	12	35,036	-	-	-	-	35,036
Balance as at 30 September 2021		57,837	-	2,852	-	(31,360)	29,329

Freetrade Limited**Consolidated statement of cash flows***For the year ended 30 September 2022*

	<i>Notes</i>	2022	2021
		£000	£000
Operating activities			
Loss before tax		(42,538)	(18,247)
Adjustments for:			
Depreciation of property, plant and equipment	6	2,962	331
Loss of disposal of property, plant and equipment	6	66	-
Amortisation of intangible assets	7	2,131	1,143
Share-based payment expense	13	3,112	818
Finance income		(59)	-
Finance costs	11	197	16
Operating cash flows before movements in working capital		(34,129)	(15,939)
(Increase) / decrease in trade and other receivables	9	3,901	(5,829)
Increase / (decrease) in trade and other payables	10	(1,359)	3,920
Cash used in operations		(31,587)	(17,848)
Income taxes received	5	1,071	672
Net cash flows used in operating activities		(30,516)	(17,176)
Investing activities			
Purchase of property, plant and equipment	6	(641)	(326)
Purchase and development of intangible assets	7	(4,671)	(1,592)
Interest received		47	-
Net cash flows used in investing activities		(5,265)	(1,918)
Financing activities			
Proceeds from issue of shares and other equity securities	12	37,906	35,036
Share issue transaction costs	12	(366)	-
Principal elements of lease payments	11	(2,330)	-
Net cash flows from financing activities		35,210	35,036
Cash and cash equivalents at beginning of the year		22,672	6,730
Net increase / (decrease) in cash and cash equivalents		(571)	15,942
Effects of exchange rates on cash and cash equivalents		(82)	-
Cash and cash equivalents at end of year		22,019	22,672

Freetrade Limited**Notes to the consolidated financial statements***For the year ended 30 September 2022***1. Accounting policies**

Freetrade Limited ("the Company") is a private company, limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is 10 Devonshire Square, London, England, EC2M 4YP.

The consolidated financial statements incorporate the accounts of the Company and entities controlled by the Company ("its subsidiaries") (together "the Group").

1.1. Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below for the year ended 30 September 2022. Comparative information is for the year ended 30 September 2021 ("2021").

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK in conformity with the requirements of the Companies Act 2006. The financial statements are prepared on a historical cost basis. The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and for management to exercise judgement in applying the Group's accounting policies which are detailed in Note 1.21.

The functional currency of the Company and the presentational currency of the consolidated financial statements is Pound Sterling (£). Amounts in the consolidated financial statements are shown in round thousands unless otherwise indicated.

1.2. New standards and interpretations not yet adopted

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group for the financial reporting period beginning 1 October 2021.

1.3. Basis of consolidation

The consolidated financial statements incorporate the accounts of Freetrade Limited and entities controlled by the Company. Control is achieved where the Company:

- has the power over the entity;
- is exposed, or has rights, to variable return from its involvement with the entity; and
- has the ability to use its power to affect its returns.

The results of subsidiaries are included in the consolidated financial statements from the date control commences.

On consolidation, intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been aligned to ensure consistency with the policies adopted by the Group.

Foreign subsidiaries

At the year end, the Company has two subsidiaries that use a functional currency which is different to the presentational currency of the Group. Freetrade Europa AB's functional currency is the Swedish Krona and Freetrade Canada Limited's functional currency is the Canadian Dollar. These are the currency of the primary economic environment in which the subsidiaries operate.

Assets and liabilities for foreign subsidiaries are translated into Pound Sterling using the exchange rate at the statements of financial position date and the statement of comprehensive income translated using the average exchange rate for the year. Exchange differences on translation into the presentational currency are recognised within other comprehensive income.

1.4. Going concern

The Directors have considered a wide range of information relating to present and future conditions, including future path to profitability projections, operating cash flows and future fundraising activities.

The forecast for the forthcoming financial year, approved by the Board, is underpinned by the assumption that additional fundraising will be required in order to continue in operation, and that it is successfully obtained. Management is in the process of raising additional funding in line with the business plan. This funding is expected to raise sufficient funds to allow the business to continue as a going concern and to fund our path to profitability. The crowdfunding round and additional investment, received after the financial year end and detailed in Note 16, has provided a sufficiency of capital and liquidity resources over a reasonable expectation of timelines that is required to enable the successful execution of this further fundraising process.

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022*

In the assessment of going concern, the Directors' have applied detailed stress testing to the financial projections. The key sensitivities to the going concern assessment are that Freetrade could fail to raise additional financing or could require additional time to complete the additional financing included in the financial projections.

When considering the results of the stress test analysis and giving consideration to the factors set out above, the Directors' affirm the Group and the Company's ability to continue as a going concern for twelve months from the date of signing these financial statements. The Board has a reasonable expectation that Freetrade will raise the resources required to continue in business for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

However, there is no guarantee that attempts to raise additional funding on a timely basis will be successful. This represents a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern.

1.5. Revenue

Revenue is related to services provided to customers in the UK and is stated net of value added tax or other sales tax. It is recognised in the consolidated statement of comprehensive income on the following basis:

Transaction revenue

Freetrade does not charge a commission on stockbroking transactions entered into on behalf of customers but does provide a foreign exchange service to enable customers to purchase instruments listed on exchanges in the United States and Europe. Revenue consisting of a predetermined flat fee is recognised on the execution date of the transaction. This is the date on which services are provided to customers and the Group becomes entitled to the revenue. There is no variable consideration in relation to transactional revenue.

Transaction revenue for the financial year ended 30 September 2022 was £9,351,000 (2021: £9,408,000), which represented 60% (2021: 74%) of total revenue.

Recurring revenue

Revenue from account subscription fees which are charged monthly in advance. All obligations to the customer are satisfied across the period in which the service is provided. Interest earned on client money is the net interest margin earned on money held by users on the Freetrade platform and is accrued on a time basis, based on the client money balances under administration and by reference to the effective interest rate applicable.

Recognition of recurring revenue is on an accruals basis over the period in which the service is provided. The consideration due is based on a fixed fee and there is no variable income in which judgement or estimation is involved.

Recurring revenue for the financial year ended 30 September 2022 was £6,292,000 (2021: £3,274,000), which represented 40% (2021: 26%) of total revenue.

1.6. Finance income and costs

Finance income represents interest receivable on cash and deposit balances. Interest receivable is recognised in the statement of comprehensive income as it accrues using the effective interest rate method.

Finance costs represent the interest expense on lease liabilities which is recognised under IFRS 16. Finance costs are recognised in the statement of comprehensive income using the effective interest rate method.

1.7. Foreign currencies

Monetary assets and liabilities denominated in currencies other than the functional currency of the Company and its subsidiaries are translated into the functional currency at the rates of exchange prevailing on the statement of financial position date. Transactions in foreign currencies are recorded at the prevailing foreign exchange rates at the date of the transaction. Exchange differences are recorded in other gains/(losses) in the statement of comprehensive income.

1.8. Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. This cost includes the purchase price, directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and are not revalued. Depreciation is recognised so as to write off the cost of the assets over their useful economic lives using the straight-line method, as follows:

- | | |
|-----------------------|-----------------------|
| - Right-of-use assets | - over the lease term |
| - Office equipment | - over two years |
| - Computer equipment | - over two years |

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022***1.9. Intangible assets**

Intangible assets consist of internally generated software and separately acquired assets. Separately acquired assets are recognised at cost, including any directly attributable costs of bringing the assets into use. Directly attributable costs incurred in the development of software are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete it;
- management intends to complete the asset and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are adequate technical, financial and other resources available to complete the development of the asset; and
- the expenditure attributable to the asset can be reliably measured.

Intangible assets are amortised when they are available for use. Amortisation is recognised so as to write off the cost of the assets over their useful economic lives using the straight-line method, as follows:

- | | | |
|------------|---|------------------|
| - Software | - | over three years |
|------------|---|------------------|

The residual values and useful lives of intangible assets are revised at the consolidated statement of financial position date. Where intangible assets are considered to have an indefinite useful life, no amortisation is charged. Indefinite life assets are reviewed annually for impairment.

1.10. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

The Group established a voluntary arrangement ("VREQ") with the FCA in the financial year to ring-fence £15.0 million of liquid assets to ensure accordance with the FCA's prudential requirements. Freetrade intends to request the removal of the VREQ in the next financial year, but will continue to ring-fence an amount of liquid assets in line with its regulatory minimum liquidity requirement.

1.11. Trade and other receivables

Trade and other receivables are designated as loans and receivables. They are initially recognised at fair value and subsequently carried at amortised cost, which is net of any allowance for impairment in relation to irrecoverable amounts. This is deemed to be a reasonable approximation of their fair value. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

Trade and other receivables are classified as current assets if the receivable is due within one year or less. If not, they are presented as non-current assets.

1.12. Impairment of tangible and intangible assets

Tangible and intangible assets are tested for impairment when an indicator has been identified. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment less is recognised immediately in the consolidated statement of comprehensive income.

1.13. Trade and other payables

Trade and other payables are not interest bearing and are designated as other financial liabilities. They are recognised at their carrying amount, which is deemed to be a reasonable approximation of their fair value. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1.14. Equity

The Company's share capital consists of Series A shares, Series B shares, G1 shares, Deferred shares, A Ordinary shares and B Investment shares and is detailed in Note 12.

The Company has issued a convertible instrument in the form of convertible loan notes. The principal amount is recognised as an equity instrument as it represents a subscribers consideration for a fixed number of shares, at the discretion of the Company. This is detailed in Note 12.

Transaction costs directly attributable to an equity transaction are accounted for as a deduction from the amount recorded as a premium on the issued shares, net of any related tax benefit.

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022***1.15. Financial instruments**

Financial assets and liabilities are recognised on the consolidated statement of financial position when Freetrade becomes a party to the contractual provisions of the instrument.

Trade and other receivables are designated as loans and receivables. They are recognised at amortised cost, which is net of any allowance for impairment in relation to irrecoverable amounts. This is deemed to be a reasonable approximation of their fair value. The provision is reviewed regularly in conjunction with detailed analysis of historical payment profiles and past default experience.

1.16. Research and development

The Group incurs expenditure on research and development in order to develop its app-based trading platform to retail customers. Research expenditure is expensed in the financial year in which it is incurred. Development costs are expensed when incurred unless they meet certain criteria for capitalisation as detailed in Note 1.8. Capitalised development costs are presented in the financial statements as additional to software assets and are amortised over their useful economic life in line with the policy detailed in Note 1.8.

Subsequent to when capitalised development projects become available for use and are being amortised over their useful lives and further expenditure to maintain the asset or small enhancements are recognised as an expense when it is incurred.

Research and Development tax credit claims made in the United Kingdom are recognised as a credit to the taxation line in the consolidated statement of comprehensive income.

1.17. Share based compensation

During the period the Company operated three equity-settled, share-based compensation schemes, under which the entity receives services from employees as consideration for equity instruments of the Company:

- The Freetrade Limited EMI Scheme;
- The Non-Employee Sub-Scheme of the Freetrade Limited EMI Scheme;
- The Global Share Plan;
- Growth Shares.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period in the consolidated statement of comprehensive income. The total amount to be expensed is determined by reference to the fair value of the options granted.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances, employees might provide services in advance of the grant date, and so the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

1.18. Current tax

Current income tax comprises income tax and is provided at amounts expected to be paid, or recovered, using the tax rates and laws that have been enacted or substantively enacted by the consolidated statement of financial position date. Current tax is recognised in the consolidated statement of comprehensive income except to the extent that it is required to be recognised directly in equity.

1.19. Deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the current tax losses or temporary differences can be utilised. Deferred tax liabilities are provided for in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements.

Tax rates enacted or substantively enacted are used to determine the deferred tax assets and liabilities.

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022***1.20. Leases**

A contract is assessed as to whether it contains a lease, at inception of the contract. Only where one of the following two criteria are met, lease payments are recognised as an expense on a straight-line basis over the lease term:

- the lease has a term of twelve months or less and contains no purchase options; or
- the underlying asset has a low value.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease. If this is not readily determinable an incremental borrowing rate, specific to the entity which is party to the contract, on commencement of the lease is used.

The lease liability is presented as a separate line in the consolidated statement of financial position. Subsequent to initial measurement lease liabilities increase as a result of interest charge at the effective rate on the balance outstanding and are reduced for lease payments made. The value of the lease payments due within one year or less, minus the interest to be charged at the effective rate, are presented within current liabilities and the value greater than one year within non-current liabilities.

Right of use assets are initially measured at the amount of the lease liability and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the lease asset.

The right of use assets are presented within property, plant and equipment in the consolidated statement of financial position. Subsequent to initial measurement the right of use assets are depreciated over the remaining term of the lease as detailed in Note 1.8.

1.21. Critical accounting judgements

The following judgements are deemed significant as they have been identified by the Board as ones which could result in a material adjustment in the next financial year:

Deferred tax

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the current tax losses or temporary differences can be utilised.

Following the operating cost saving measures taken in the financial year, as detailed in the Strategic report on Page 2, the future profitability of Freetrade still requires scaling of the customer base in order to cover the operational costs associated with a technology based, regulated financial services business.

The Board has considered the evidence related to assessing the probability of future taxable profits. Freetrade has a history of accumulated operating losses and the Directors' report on Page 9 highlights a material uncertainty regarding going concern. The business plan (as set out in the assessment of going concern) requires additional funding to cover short term losses and fund Freetrade's path to profitability. Each of these factors are highlighted as reasons to not recognise a deferred tax asset within the issued accounting guidance.

Therefore, while the Board strongly expects Freetrade to achieve profitability in the medium term the indicators noted above highlight the risk that sufficient taxable profits will not be available to offset a deferred tax asset against in the future. Therefore, the Board has made a prudent judgement and no deferred tax asset has been recognised at 30 September 2022 (2021: nil)

A change in this judgement would have a material impact on the financial statements. The Group has not recognised deferred tax assets in respect of cumulative losses amounting to £64,529,000 (2021: £32,516,000) which can be carried forward against future taxable income.

Software development

Note 1.8 outlines the principal accounting policies applied to the capitalisation of intangible assets where expenditure is incurred on the development of software and implementation of systems. Amounts are detailed in Note 7.

Time spent by the Company's employees in software development is capitalised as an internally generated intangible asset when the requirements of IAS 38 and of the Group policy are both met. The key accounting judgement is the assessment of the project against the development criteria for capitalisation set out in IAS 38. A change in this judgement would have a material impact on the financial statements.

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022**Assessment of potential claims and liabilities*

Freetrade is subject to claims and potential liabilities in the normal course of business. These claims require judgement in the assessment of the potential outcome and the impact on the Freetrade's assets and liabilities as well with regards to the required disclosures for contingent liabilities.

A potential liability exists in relation to ongoing enquiries from HMRC. In response to these enquiries Freetrade has obtained legal advice that indicates that it is not probable that a liability will arise. The expert legal opinion concludes that there are a range of arguments to support Freetrade's technical position in response to the enquiries. Management's best estimate of any financial settlement shows it would not be material to the Group. No provision has been made in these financial statements as the Group's management does not consider that there is any probable loss.

In making this judgement the Board has assessed and taken into account information that has become available between the reporting date and the date on which these financial statements are signed. However, the actual outcome could materially differ to judgement and impact the statement of comprehensive income and cash flows of the Group.

1.22. Key sources of estimation uncertainty

In preparing the consolidated financial statements, estimates affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

Share-based payment vesting period

At the end of each financial year, the Company revises its estimate of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. The service condition is typically four years from when an award is granted under the Company share schemes.

As set out in the Directors' report, management is in the process of raising additional funding in line with the business plan. This funding will allow the business to continue as a going concern and to fund Freetrade's path to profitability. A liquidity event, if it were to occur as part of the additional funding, could result in the vesting of share options that have not vested as part of the service condition.

A liquidity event is one of several plausible outcomes from management raising additional funding and such event would not automatically result in an acceleration of the vesting period. Therefore, the vesting of share options is in line with the service conditions set out within the initial award and no change in estimation has been applied at the reporting date. A change in this judgement would have a material impact on the financial statements.

There were no other areas involving estimation uncertainty deemed significant to the extent that the estimate could result in a material adjustment in the next financial year.

2. Operating loss

	2022	2021
	£000	£000
Operating loss is stated after charging:		
Depreciation of plant, property and equipment (Note 6)	428	116
Depreciation of right-of-use assets (Note 6)	2,534	215
Amortisation of intangible assets (Note 7)	2,131	1,143
Loss on disposal of plant and equipment (Note 6)	66	-
Share-based payments (Note 13)	3,112	818

3. Auditor's remuneration

During the year Freetrade obtained the following services from external auditors:

	2022	2021
	£000	£000
For the audit of Freetrade Limited and the consolidated financial statements	123	81
Audit assurance related services	139	96
Non-audit related services	-	30
Total	262	207

It is not considered practicable to allocate consolidated financial statement audit fees to Freetrade Europa AB as they are not actively trading at the year ended 30 September 2022 and the remaining subsidiaries are not audited.

Freetrade LimitedNotes to the consolidated financial statements *(continued)*

For the year ended 30 September 2022

4. Employee costs

	2022	2021
	£000	£000
Staff costs (including Directors) comprise:		
Wages and salaries	20,055	8,769
Social security costs	2,699	1,044
Pension costs	948	355
Share-based payments (Note 13)	3,112	818
Total	26,814	10,986

The number of permanent employees (excluding Directors) was:

	2022	2021
	Number	Number
As at 30 September	184	201
Monthly average for the financial year	264	118

5. Taxation

	2022	2021
	£000	£000
Current tax:		
Current period	(2,755)	(1,021)
Adjustments in respect of prior periods	(50)	(115)
Total current tax	(2,805)	(1,136)
Deferred tax:		
Origination and reversal of temporary differences	-	-
Adjustment in respect of prior periods	-	-
Total deferred tax	-	-
Total income tax expense	(2,805)	(1,136)

The credit for the year can be reconciled to the loss in the consolidated statement of comprehensive income as follows:

	2022	2021
	£000	£000
Profit before tax	(42,538)	(18,247)
Current corporation tax rate of 19% (2021: 19%)	(8,082)	(3,467)
Prior year adjustment	87	115
Share-based payments	288	(1,107)
Non-deductible expenses	25	30
Difference in overseas tax rates	-	(19)
Deferred tax not recognised	6,806	4,066
Fixed asset and timing differences not recognised	(291)	-
R&D tax credit	(1,638)	(742)
Other	-	(12)
Total income tax credit	(2,805)	(1,136)

A change in this judgement would have a material impact on the financial statements. The Group has not recognised deferred tax assets in respect of cumulative losses amounting to £64,529,000 (2021: £32,516,000) which can be carried forward against future taxable income.

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022***6. Property, plant and equipment**

	Computer equipment	Office equipment	Right-of-use assets	Total
	£000	£000	£000	£000
Cost				
At 1 October 2021	440	127	5,499	6,066
Additions	551	90	-	641
Disposals	(108)	-	-	(108)
At 30 September 2022	883	217	5,499	6,599
At 1 October 2020	203	38	-	241
Additions	237	89	5,499	5,825
At 30 September 2021	440	127	5,499	6,066
Accumulated depreciation				
At 1 October 2021	226	37	215	478
Charge for the year	367	61	2,534	2,962
Disposals	(42)	-	-	(42)
At 30 September 2022	551	98	2,749	3,398
At 1 October 2020	121	26	-	147
Charge for the year	105	11	215	331
At 30 September 2021	226	37	215	478
Net book value				
At 30 September 2022	332	119	2,750	3,201
At 30 September 2021	214	90	5,284	5,588

In the prior year, Freetrade entered into lease agreements for office space which were recognised as an addition to right-of-use assets. The corresponding lease liabilities are detailed in Note 11 of the consolidated financial statements.

In the financial year, computer equipment with an original cost of £108,000 was disposed of by the Company. A loss on disposal of £66,000 has been recognised in the statement of comprehensive income in the financial year.

7. Intangible assets

	Software
	£000
Cost	
At 1 October 2021	4,252
Additions	4,671
At 30 September 2022	8,923
At 1 October 2020	2,660
Additions	1,592
At 30 September 2021	4,252
Accumulated amortisation	
At 1 October 2021	1,898
Charge for the year	2,131
At 30 September 2022	4,029
At 1 October 2020	755
Charge for the year	1,143
At 30 September 2021	1,898
Net book value	
At 30 September 2022	4,894
At 30 September 2021	2,354

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and therefore are not treated, for dividend purposes, as a realised loss

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022***8. Investments in subsidiaries**

Details of the Company's direct interest in subsidiaries at 30 September 2022 is shown below. All of the entities listed are consolidated in the consolidated accounts of Freetrade Limited, the ultimate parent company of the Group and are direct subsidiaries of Freetrade Limited.

Name	Country of incorporation	Ownership of Ordinary Shares and voting interest	Principal activities	Registered address
Freetrade Nominees Limited	United Kingdom	100%	Dormant company	10 Devonshire Square, London, EC2M 4YP
Freetrade Core Limited	United Kingdom	100%	Services company	10 Devonshire Square, London, EC2M 4YP
Freetrade Europa AB	Sweden	100%	Trading company	Vasagatan 7, 11120 Stockholm, Sverige
Freetrade Canada Limited	Canada	100%	Non-trading company	2015 Main Street, Vancouver BC, Canada, V5T 3C2

Subject to successfully obtaining a regulatory licence, Freetrade Canada Limited will become a trading company.

9. Trade and other receivables

	2022	2021
	£000	£000
Trade receivables	318	397
Less: provision for impairment of trade receivables	(145)	(309)
Prepayments and accrued income	1,897	5,480
Other receivables	2,631	3,022
Total	4,701	8,590
Current	3,970	7,859
Non-current	731	731

The element of trade receivables designated as non-current relates to a deposit on leased office space where the lease expiry date is more than one year beyond the consolidated statement of financial position date.

In the preparation of the consolidated financial statements management, with the support of appropriate tax advisors, has made judgments with regards to amounts receivable from HMRC in relation to Value Added Tax ("VAT") claims. The expense recognised in the statement of comprehensive income for the financial year related to irrecoverable VAT is based on how Freetrade considers VAT is used within the business, with the view set out in the claim to HMRC. However, the actual outcome of the claim submitted could differ from management's view and impact the statement of comprehensive income and cash flows of the Group by £0.7 million in the next financial year.

Freetrade applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The lifetime expected loss provision for trade receivables is as follows:

	Within due date £000	More than a month past due £000	More than three months past due £000	Total £000
At 30 September 2022				
Expected loss rate	0%	99%	-	46%
Gross carrying amount	171	147	-	318
Loss provision	0	145	-	145
At 30 September 2021				
Expected loss rate	39%	98%	93%	78%
Gross carrying amount	116	59	222	397
Loss provision	45	58	206	309

Trade receivables falling within their due date include balances due to Freetrade from investment grade counterparties and are either due on the next business day or relate to interest payable to Freetrade upon maturity of a short term notice deposit. The Company is comfortable that these balances will be recovered in full. Trade receivables which are past their due date relate to uncollected subscription revenue and an expected credit loss provision is recognised against these amounts.

Freetrade LimitedNotes to the consolidated financial statements *(continued)**For the year ended 30 September 2022***10. Trade and other payables**

	2022	2021
	£000	£000
Trade payables	574	1,947
Accruals	2,341	2,966
Deferred revenue	232	183
Other taxation and social security	855	176
Other payables	20	109
Total	4,022	5,381

11. Lease liabilities

	2022	2021
	£000	£000
Gross lease liabilities - minimum lease payments		
No later than one year	3,179	2,329
Between one and three years	280	3,459
	3,459	5,788
Future finance charge on lease liabilities	(77)	(273)
Present value of lease liabilities	3,382	5,515
Current	3,102	2,127
Non-current	280	3,388

The total finance charge recorded in the consolidated statement of comprehensive income for the year ended 30 September 2022 was £197,000 (2021: £14,000) in respect of lease liabilities.

The lease liabilities relate to the fixed payments of contractual lease agreements for office space. Where lease agreements include extension options, and these options are reasonably certain to be exercised, they are included in the lease term. At 30 September 2022 no lease liability has an extension option included in the lease term.

12. Equity

	2022		2021	
	Number	£ Nominal	Number	£ Nominal
Shares classified as share capital - allotted and fully paid				
A Ordinary - £0.0000001 each	21,467,283	2.15	21,527,583	2.15
B Investment - £0.0000001 each	28,178,957	2.82	27,021,193	2.70
G1 - £0.0000001 each	2,548,786	0.25	-	-
Deferred - £0.0000001 each	116,933	0.01	-	-
Series A - £0.0000001 each	6,276,124	0.63	6,276,124	0.63
Series B - £0.0000001 each	11,137,331	1.11	9,281,111	0.93
Total number of shares	69,725,414	6.97	64,106,011	6.41

A Ordinary Shares

Each A Ordinary share has full rights in the Company with respect to voting, dividends and distributions. During the financial year 60,300 A Ordinary Shares with an aggregate nominal value of £0.01 were converted into B Investment Shares.

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022**B Investment Shares*

Each B Investment share has full rights in the Company with respect to dividends and distributions. This share class does not have the rights in the Company with respect to voting.

On 18 January 2022, 904,135 B Investment Shares with an aggregate nominal value of £0.02 were allotted for an aggregate total consideration of £8,363,158 following the seventh public crowdfunding round which launched on 24 November 2021. Transaction costs of £366,000 were deducted from the consideration received.

A further 253,629 shares with an aggregate nominal value of £0.03 were allotted for an aggregate total consideration of £3,959 across the financial year, which related to the exercise of employee share options. At the end of the financial year, 55,757 shares were due to be issued once the consideration for the exercise of employee share options had been received by the Company.

G1 and Deferred Shares

From 9 November 2021, 2,665,719 G1 Shares with an aggregate nominal value of £0.26 were allotted for an aggregate total consideration of £186,600. Capital rights are based on an equity value hurdle and participation of the G1 shares is on a pro rata basis for an amount in excess of the hurdle. During the financial year 116,933 G1 Shares automatically converted into Deferred Shares.

Series A Shares

Each Series A share has full rights in the Company with respect to voting, dividends and distributions. There were no movements in the financial year ended 30 September 2022.

Series B Shares

Each Series B share has full rights in the Company with respect to voting, dividends and distributions. On 24 June 2022, 1,856,220 Series B shares with an aggregate nominal value of £0.19 for a total aggregate consideration of £7,000,000. This related to the conversion of the convertible loan note as set out in other equity.

Share-based payment reserve

This represents the cumulative share-based payment charge based on the fair value of options granted to employees. The charge is recognised over the period that the employees become unconditionally entitled to the awards.

Other equity

In the financial year, the Company issued a convertible loan note. The Instrument is subscribed to for £29,325,000 in unsecured loan notes of £1.00 each and the Company received the full consideration for the Notes at issue from the subscribers.

The Instrument contains no contractual obligation from the Company to the Noteholders to deliver cash and has no interest or right to distributions. The instrument is a non-derivative that includes no contractual obligation for the Company to deliver a variable number of its own equity instruments.

There is no embedded liability which needs to be considered, or deducted, and the measurement of the equity instrument is the principal amount of £29,325,000, representing the Noteholders consideration for a fixed number of shares that is at the discretion of the Company.

On 24 June 2022 the Company converted a principal amount of £7,000,000 into Series B shares at a fixed conversion price of £3.7711. The outstanding principal amount at 30 September 2022 was £22,325,000.

13. Share based payments

Share options are granted to directors and employees, and are conditional on completion of a service condition ('vesting period'). Options vest each month throughout the vesting period, although in some cases the vesting schedule may include an initial 'cliff' period during which no options vest. Each month the amount of options which vest is treated as a separate share-based payment.

The Company measures the cost of equity-settled options based on the fair value of the awards granted. The fair value of options at grant date is recognised as an employee expense with a corresponding increase in other reserves over the period that the employees become unconditionally entitled to the awards.

Freertrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022*

The total share-based payment charge recorded for the financial year is £3,112,000 (2021: £818,000) as set out below for each scheme:

	2022	2021
	£000	£0
EMI Scheme (i)	456	818
Global Share Plan (ii)	1,717	-
Growth Shares (iii)	939	-
Total	3,112	818

i) EMI Scheme

No new grants were made under this scheme in the financial year and no future grants will be made. Details of the movements in the number of share options outstanding, and their related weighted average exercise price, are as follows:

	2022		2021	
	Average exercise price (£)	Options ('000)	Average exercise price (£)	Options ('000)
At 1 October	0.018	3,507	0.019	6,028
Granted	-	-	0.023	518
Exercised	0.025	(309)	0.023	(1,565)
Forfeited	0.018	(347)	0.018	(1,474)
At 30 September	0.019	2,851	0.018	3,507

Share options outstanding at 30 September have the following expiry date and exercise price:

	2022		2021	
Grant Date → Vesting Date	Exercise price (£)	Options ('000)	Exercise price (£)	Options ('000)
2017 → 2020	0.016	177	0.016	177
2018 → 2022	0.016	-	0.016	128
2018 → 2023	0.039	153	0.039	153
2019 → 2023	0.039	191	0.039	202
2020 → 2024	0.014	1,992	0.014	2,361
2021 → 2025	0.023	338	0.023	486
		2,851		3,507

ii) Global Share Plan

In the financial year the Company made the first grant of share options awarded under a Global Share Plan. Share options are over B Investment shares in the Company and will be equity settled. The share options have an exercise price of £0.0000001 and are only exercisable on an exit event and there are no performance conditions attached to the share options.

The Company measures the cost of equity-settled options under the Global Share Plan based on the fair value of the awards granted. The fair value is determined based on a Black-Scholes valuation model given the share options are not actively traded.

Movements in the number of share options outstanding, and their related weighted average exercise price, are as follows:

	2022	
	Average exercise price (£)	Options ('000)
At 1 October	0.0000001	-
Granted	0.0000001	1,403
Forfeited	0.0000001	(587)
At 30 September	0.0000001	816

The number of options outstanding under the Global Share Plan at 30 September 2022 had a weighted average remaining vesting period of 2.5 years.

The Company issued 116,502 warrants to employees of Freertrade Europa AB under the Global Share Plan which have an exercise price of £5.66. The number of warrants outstanding at 30 September 2022 was 57,402 and the weighted average remaining vesting period is 1.0 year.

Freetrade Limited**Notes to the consolidated financial statements (continued)***For the year ended 30 September 2022**iii) Growth Shares*

The Company issued 2,665,719 'Growth Shares' to senior management and directors. The shares were acquired at a price per share of £0.07. The shares carry dividend and voting rights and are detailed in Note 12. Capital rights are based on an equity value hurdle and participation of the G1 shares is on a pro rata basis for an amount in excess of the hurdle. The shares convert into deferred shares if a participant becomes a leaver during a four year vesting period. The fair value at grant date is determined using a Monte Carlo simulation model inputs for Growth Shares granted included:

	November 2022 Grant
Valuation method	Monte Carlo
Share price	£3.77
Expected volatility	60%
Expected life	4.09 years
Risk-free interest rate	0.65%
Fair value per share	£0.81

14. Related party transactions*Key management personnel*

	2022	2021
	£000	£000
Salary, benefits and bonus	822	377
Defined contribution pension cost	34	16
Share-based payments	1,336	411
Total	2,192	804

The key management personnel during the financial year ended 30 September 2022 comprise the Chief Executive Officer, the Chief Operating Officer (previously "Chief Marketing Officer"), the Chief Financial Officer and the Chief Strategy Officer (previously "Chief of Staff") and is consistent with the prior year.

During the financial year, the key management personnel did not exercise any share options (2021: 491,555). The share-based payments charge for options awarded under share incentive schemes are included in the table set out above.

Directors' emoluments for the year included in staff costs are as follows:

	2022	2021
	£000	£000
Salary, benefits and bonus	512	356
Defined contribution pension cost	23	16
Share-based payments	1,069	610
Total	1,604	982

In the financial year, two directors receive contributions to defined contribution pension schemes and three directors have been awarded options that vest over a period of up to five years. A share-based payment charge is recognised in respect of these awards.

In respect of the highest paid Director:

	2022	2021
	£000	£000
Salary, benefits and bonus	255	151
Defined contribution pension cost	12	7
Share-based payments	632	411
Total	899	569

Freetrade Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2022

Other Group companies

Details of transactions with subsidiaries are outlined in the Company's financial statements. Transactions with other consolidated entities have been eliminated on consolidation.

Other related parties

During the financial year the Company purchased consultancy services amounting to £37,056 (2021: £36,000) from Blacher Limited, a company controlled by Perry Blacher. As at 30 September 2022 £3,088 was due to Blacher Limited (2021: none).

There were no material transactions with any other related party in the financial year.

15. Ultimate controlling party

In the opinion of the Directors, no one party has a controlling interest. The Company is owned by a number of private shareholders and companies, none of which own more than 25% of the issued share capital of the Company.

16. Subsequent events

In September 2022 Freetrade launched its eighth public crowdfunding round, open to retail investors both in the UK and in Europe. Subsequent to the close of this fundraising, Freetrade received £2.1 million of investment on 28 November 2022.

On 28 October 2022 the Company converted a principal amount of £9,000,000 convertible loan notes into Series B shares at a fixed conversion price of £3.7711. At this date 2,386,567 Series B shares were issued to Noteholders.

On 18 January 2023 the Company completed legal documents on 18 January 2023 for an additional investment of up to £6.0 million in the form of a loan agreement and a convertible loan note instrument. At 24 January 2023 a total of £4.8 million of this additional investment had been legally committed from existing shareholders. This additional funding, together with the recent crowdfunding, has provided a sufficiency of capital and liquidity resources that are required to enable the successful execution of a further fundraising process. Refer to the Directors' report on Page 9 for their assessment of the Group as a going concern for more information on the liquidity position and funding.

Freetrade Limited**Company statement of financial position***As at 30 September 2022*

	<i>Notes</i>	2022	2021
		£000	£000
Assets			
Non-current assets			
Investments	4	5,011	544
Property, plant and equipment	5	3,185	5,580
Intangible assets	6	4,894	2,354
Trade and other receivables	7	731	731
		13,821	9,209
Current assets			
Trade and other receivables	7	4,151	8,150
Corporation tax receivables		2,755	1,021
Cash and cash equivalents		20,768	22,097
		27,674	31,268
Liabilities			
Current liabilities			
Trade and other payables	8	3,742	5,231
Lease liabilities	9	3,102	2,127
		6,844	7,358
Net current assets		20,830	23,910
Non-current liabilities			
Lease liabilities	9	280	3,388
		280	3,388
Net assets		34,371	29,731
Equity			
Share capital and share premium	10	73,052	57,837
Other equity	10	22,325	-
Other reserves	10	5,964	2,852
Retained earnings		(66,970)	(30,958)
Total Equity		34,371	29,731

The Company financial statements of Freetrade Limited were approved by the Board on 27 January 2023 and signed on behalf of the Board by:

DocuSigned by:

Adam Dodds

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Adam Dodds

Director

Freetrade Limited**Company statement of changes in equity***For the year ended 30 September 2022*

	<i>Notes</i>	Share capital and premium £000	Other equity £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance as at 1 October 2021		57,837	-	2,852	(30,958)	29,731
Loss for the year		-	-	-	(36,012)	(36,012)
Equity settled share-based payments	11	-	-	3,112	-	3,112
Issue of share capital	10	8,215	-	-	-	8,215
Issue of convertible notes	10	-	29,325	-	-	29,325
Conversion of notes and issuance of share capital	-10	7,000	(7,000)	-	-	-
Balance as at 30 September 2022		73,052	22,325	5,964	(66,970)	34,371

Balance as at 1 October 2020		22,801	-	2,034	(14,249)	10,586
Loss for the year		-	-	-	(16,709)	(16,709)
Equity settled share-based payments	11	-	-	818	-	818
Issue of share capital	10	35,036	-	-	-	35,036
Balance as at 30 September 2021		57,837	-	2,852	(30,958)	29,731

Freetrade Limited**Company statement of cash flows***For the year ended 30 September 2022*

	<i>Notes</i>	2022	2021
		£'000	£'000
Operating activities			
Loss before tax		(38,817)	(17,845)
Adjustments for:			
Depreciation of property, plant and equipment	5	2,952	331
Loss of disposal of property, plant and equipment	5	66	
Amortisation of intangible assets	6	2,131	1,143
Share-based payment expenses	11	2,653	818
Finance income		(59)	
Finance costs	9	197	-16
Operating cash flows before movements in working capital		(30,877)	(15,537)
(Increase) / decrease in trade and other receivables	7	4,011	(6,120)
Increase / (decrease) in trade and other payables	8	(1,489)	3,770
Cash used in operations		(28,355)	(17,887)
Income taxes received		1,071	672
Net cash flows used in operating activities		(27,284)	(17,215)
Investing activities			
Investment in subsidiaries	4	(4,008)	(544)
Purchase of property, plant and equipment	5	(623)	(318)
Purchase and development of intangible assets	6	(4,671)	(1,592)
Interest received		47	-
Net cash flows used in investing activities		(9,255)	(2,454)
Financing activities			
Proceeds from issue of shares and other equity securities		37,906	35,036
Share issue transaction costs		(366)	-
Principal elements of lease payments		(2,330)	-
Net cash flows from financing activities		35,210	35,036
Cash and cash equivalents at beginning of the year		22,097	6,730
Net increase in cash and cash equivalents		(1,329)	15,367
Cash and cash equivalents at end of year		20,768	22,097

Freetrade Limited**Notes to the Company financial statements***For the year ended 30 September 2022***1. Accounting policies and basis of accounting**

The Directors have applied International Financial Reporting Standards (IFRS) for the preparation of the financial statements for Freetrade Limited ("the Company").

The accounting policies applied are consistent with those of the consolidated Group as set out in the Notes 1 to 16 of the consolidated financial statements. The Company's approach to financial risk management policies are consistent with those of the consolidated Group as set out in the Directors' report on Page 6.

Statement of comprehensive income

The Company has taken advantage of the exemption available under s408 of the Companies Act 2006 and has not presented a statement of comprehensive income. The loss for the year was £36,012,000 (2021: £16,709,000). The results for the financial year are detailed in the Strategic report on Page 1.

2. Auditors remuneration

Details of the services from external auditors in the financial year is set out in Note 3 of the consolidated financial statements. Total remuneration paid to the Company's auditor was £262,000 for the financial year (2021: £207,000).

3. Employee costs

	2022	2021
	£000	£000
Staff costs (including Directors) comprise:		
Wages and salaries	18,085	8,672
Social security costs	2,351	1,011
Pension costs	768	355
Share-based payments (Note 11)	2,653	818
Total	23,857	10,856

The number of permanent employees (excluding Directors) was:

	2022	2021
	Number	Number
As at 30 September	159	187
Monthly average for the financial year	236	114

4. Investments

Details of the Company's investment in subsidiaries is as below:

	2022	2021
	£000	£000
At 1 October	544	-
Investment in Freetrade Europa AB	3,027	544
Investment in Freetrade Canada Limited	1,150	-
Investment in Freetrade Core Limited	290	-
At 30 September	5,011	544

Investments in subsidiaries are valued at cost less any provision for impairment. Further information on the Company's subsidiaries can be found in Note 8 of the consolidated financial statements.

Freetrade Limited**Notes to the Company financial statements (continued)***For the year ended 30 September 2022***5. Property, plant and equipment**

	Computer equipment £000	Office equipment £000	Right-of-use assets £000	Total £000
Cost				
At 1 October 2021	432	127	5,499	6,058
Additions	533	90	-	623
Disposals	(108)	-	-	(108)
At 30 September 2022	857	217	5,499	6,573
At 1 October 2020	203	38	-	241
Additions	229	89	5,499	5,817
At 30 September 2021	432	127	5,499	6,058
Accumulated depreciation				
At 1 October 2021	226	37	215	478
Charge for the year	357	61	2,534	2,952
Disposals	(42)	-	-	(42)
At 30 September 2022	541	98	2,749	3,388
At 1 October 2020	121	26	-	147
Charge for the year	105	11	215	331
At 30 September 2021	226	37	215	478
Net book value				
At 30 September 2022	316	119	2,750	3,185
At 30 September 2021	206	90	5,284	5,580

In the prior year, Freetrade entered into lease agreements for office space which were recognised as an addition to right-of-use assets. The corresponding lease liabilities are detailed in Note 11 of the consolidated financial statements.

In the financial year, computer equipment with an original cost of £108,000 was disposed of by the Company. A loss on disposal of £66,000 has been recognised in the statement of comprehensive income in the financial year.

6. Intangible assets

The Company's intangible assets are consistent with those set out in Note 7 of the consolidated financial statements.

7. Trade and other receivables

	2022 £000	2021 £000
Trade receivables	318	397
Less: provision for impairment of trade receivables	(145)	(309)
Prepayments and accrued income	1,869	5,476
Amounts due from subsidiary undertakings	214	300
Other receivables	2,626	3,017
Total	4,882	8,881
Current	4,151	8,150
Non-current	731	731

Details of the Company's claims and the expected credit losses for trade receivables are consistent with those set out in Note 9 of the consolidated financial statements. Amounts due from subsidiary undertakings are repayable on demand.

Freetrade Limited**Notes to the Company financial statements (continued)***For the year ended 30 September 2022***8. Trade and other payables**

	2022	2021
	£000	£000
Trade payables	560	1,880
Accruals	2,254	2,960
Deferred revenue	232	183
Other taxation and social security	693	99
Other payables	3	109
Total	3,742	5,231

9. Leases

The Company's lease liabilities are consistent with those set out in Note 11 of the consolidated financial statements.

10. Equity

Details of the Company's share capital and other reserves are consistent with those set out in Note 12 of the consolidated financial statements.

11. Share-based payments

The total share-based payment charge recorded for the financial year is £2,653,000 (2021: £818,000) as set out below for each scheme:

	2022	2021
	£000	£0
EMI Scheme	456	818
Global Share Plan	1,258	-
Growth Shares	939	-
Total	2,653	818

The number of share options outstanding and their related weighted average exercise price at 30 September 2022 related to the Company are consistent with those set out in Note 13 of the consolidated financial statements.

12. Related parties*Key management personnel*

Details of remuneration for Key Management Personnel of the Company are consistent with those of the Group as detailed in Note 14 of the consolidated financial statements, including the exercise of any share options during the financial year.

Transactions with subsidiaries and year end balances

During the financial year the Company injected capital into its subsidiaries in return for either an issuance of shares from the subsidiary undertaking and as unconditional shareholder contributions to the subsidiary undertaking. At 30 September the Company has a carrying investment value of £5,011,000 (2021: £544,000) as detailed in Note 4 of the company financial statements.

The Company issues share options to employees of its subsidiaries as part of the Group's share-based payment schemes as detailed in Note 13 of the consolidated financial statements.

At 30 September 2022 a trading balance of £15,000 is due from Freetrade Europa AB (2021: £300,000). No interest is receivable on the balance.

At 30 September 2022 a trading balance of £199,000 is due from Freetrade Core Limited (2021: £nil). No interest is receivable on the balance.

Other related parties

During the financial year the Company purchased consultancy services amounting to £37,056 (2021: £36,000) from Blacher Limited, a company controlled by Perry Blacher. As at 30 September 2022 £3,088 was due to Blacher Limited (2021: none).

There were no material transactions with any other related party in the financial year.

Freetrade Limited

Notes to the Company financial statements (*continued*)

For the year ended 30 September 2022

13. Ultimate controlling party

In the opinion of the Directors, no one party has a controlling interest. The Company is owned by a number of private shareholders and companies, none of which own more than 25% of the issued share capital of the Company.

14. Subsequent events

Details of events subsequent to the 30 September 2022 related to the Company are consistent with those set out in Note 16 of the consolidated financial statements.