

**COMPANIES HOUSE  
EDINBURGH**

**31 DEC 2019**

**FRONT DESK**

**FreeAgent Central Ltd**

**Report and Financial Statements**

**Year Ended**

**31 March 2019**

**Company Number SC316774**

**TUESDAY**



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**COMPANIES HOUSE**

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## Directors' Report

The Directors present the annual report and financial statements of FreeAgent Central Ltd ("the Company") for the year ended 31 March 2019.

### Principal activities

The principal activity of the Company in the year was that of accounting software development.

### Business review

On 1 June 2018, the Company's parent company, FreeAgent Holdings plc, de-listed from the Alternative Investment Market, and was acquired by the Royal Bank of Scotland Group. This followed a successful partnership which we had formed in January 2017. Following the acquisition the Company has maintained its operational independence but successfully integrated those operational aspects where there is a mutual benefit.

Overall growth in the customer base has been strong in 2019. Our banking channel has performed particularly well but we have seen some headwinds in the practice channel, in relation to the IR35 changes (changes made by HMRC in relation to the way contractors are taxed). Revenue for the period was up 3% to £10.1m (Mar 2018: £9.8m), the majority of which relates to sales to practice partners (£4.7m, Mar 2018: £4.3m), direct subscribers (£4.2m, Mar 2018: £3.9m) and our banking channel (£0.6m, Mar 2018: £0.1m). The remainder of sales relates to 3<sup>rd</sup> party resellers (£0.5m, Mar 2018: £0.6m) and development income on project work (£0.1m, Mar 2018: £0.9m). Our forward-looking expectations, measured by our Annualised Committed Monthly Recurring Revenue (ACMRR), increased by 6% to £10.7m (Mar 2018: £10.1m).

Our focus on micro-businesses (those with fewer than 10 employees, which comprise 95% of all businesses in the UK) remains and we believe this gives us a competitive advantage over other providers of cloud-based accounting software who have stated aims of moving up to the larger business end of the market.

Customer satisfaction levels have remained high throughout the year. The widely-recognised Net Promoter Score (NPS) methodology delivers a rating ranging from -100 to +100, with +50 considered to be very good. During the period our NPS surveys of our direct subscribers averaged a score of +70 (Mar 2018: +70), practice accountants 47 (2018: 47) and RBS channel customers 75 (2018: 70).

Despite these levels of satisfaction we believe it is important to continue to invest in the product. In particular we have made progress in mobile and compliance capabilities during 2019. We continue to invest a lot of focus on developing the product, and have recognised £2.3m of internally generated intangible assets. HMRC's "Making Tax Digital" was launched for certain types of customers in April 2018 and we have seen a boost to our direct subscribers as a result of this.

The FreeAgent team is fundamental to the growth of the business and we work hard to maintain positive culture and values. The period saw growth in the business to 188 employees (Mar 18: 135)

During the year, an intercompany payable of £5,994k to the Company's parent company, FreeAgent Holdings Ltd, was converted to equity.

### Going concern

The directors, having made enquiries of the parent company, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis. The Directors have also considered the current and future funding needs of the Company and of its investments and having made enquiries to the parent company, have a reasonable

## **Directors' Report (continued)**

expectation that the Company will have or have access to adequate resources to continue in operational existence for the foreseeable future.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 to the financial statements.

### **Financial risk management**

The Company seeks to minimise its exposure to financial risks. For further details on the Company's objectives, policies and processes for managing those risks and the methods used to measure them, please see note 3. Further quantitative information in respect of these risks is presented throughout these financial statements.

### **Strategic report exemption**

The Company is exempt from the preparation of a Strategic Report.

### **Results and dividends**

The loss for the year ended 31 March 2019 of £3,339k (2018: £1,532k) has been deducted from reserves. The directors are unable to recommend the payment of a dividend.

### **Directors**

The directors who served during the period and to the date of this report were as follows:

E Molyneux  
K Tenner

### **Disclosure of information to the auditor**

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

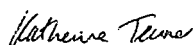
This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### **Independent auditor**

Ernst & Young LLP has expressed its willingness to continue in office as auditor, having been formally appointed after being approved by the Board on 19 June 2019.

### **Small Companies**

In preparing the report, the directors have taken advantage of the small company's exemption provided by section 415A of the Companies Act 2006. This exemption is relevant to any amount recommended by way of dividend, and the filing obligations of different descriptions of the company.



**Katherine Tenner**  
**Chief Financial Officer**

**30 December 2019**

## **Directors' Responsibilities Statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Website publication**

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

### **Opinion**

We have audited the financial statements of FreeAgent Central Ltd (the 'company') for the year ended 31 March 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **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.

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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

A handwritten signature in black ink, appearing to read 'Michael-John Albert', followed by a small, stylized mark that looks like 'up'.

*Michael-John Albert (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
30<sup>th</sup> December 2019*



**Statement of comprehensive income  
For the year ended 31 March 2019**

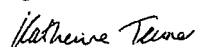
	Notes	2019 £'000	2018 £'000
Revenue	4	10,071	9,784
Cost of sales		(1,968)	(2,145)
<b>Gross profit</b>		<b>8,103</b>	<b>7,639</b>
Administrative expenses		(11,740)	(9,468)
<b>Loss from operations</b>	5	<b>(3,637)</b>	<b>(1,829)</b>
Finance expense	6	(93)	(93)
<b>Loss before tax</b>		<b>(3,730)</b>	<b>(1,922)</b>
Tax credit	8	391	390
<b>Total comprehensive loss for the year attributable to shareholders of the parent</b>		<b>(3,339)</b>	<b>(1,532)</b>

The notes on pages 13 to 33 form part of these financial statements.

**Statement of financial position  
As at 31 March 2019**

	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,099	1,131
Intangible assets	10	3,248	2,035
		<u>4,347</u>	<u>3,166</u>
<b>Current assets</b>			
Trade and other receivables	11	1,414	1,327
Current tax assets		829	421
Cash and cash equivalents		463	2,299
		<u>2,706</u>	<u>4,047</u>
<b>Total assets</b>		<u><b>7,053</b></u>	<u><b>7,213</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	4,852	9,944
Deferred tax liability	14	16	-
		<u>4,868</u>	<u>9,944</u>
<b>Non current liabilities</b>			
Long term provisions	13	178	177
		<u>178</u>	<u>177</u>
<b>Total liabilities</b>		<u><b>5,046</b></u>	<u><b>10,121</b></u>
<b>NET (LIABILITIES) / ASSETS</b>		<u><b>2,007</b></u>	<u><b>(2,908)</b></u>
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	15	307	307
Share premium		5,904	5,904
Capital contribution reserve		8,925	671
Share based payment reserve	16	-	-
Foreign exchange reserve		-	(10)
Retained earnings		(13,129)	(9,780)
<b>TOTAL EQUITY</b>		<u><b>2,007</b></u>	<u><b>(2,908)</b></u>

The financial statements were authorised for issue by the Board of Directors on 30 December 2019 and were signed on its behalf by:



Katherine Tenner  
Company Number SC316774

The notes on pages 13 to 33 form part of these financial statements.

**Statement of cash flows**  
**As at 31 March 2019**

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(3,339)	(1,532)
Adjustments for:			
Depreciation of property, plant and equipment	9	477	421
Amortisation of intangible fixed assets	10	957	676
Gain on disposal of property, plant and equipment		-	(4)
Foreign exchange		3	(2)
Share based payment expense	16	-	311
Finance costs	6	93	93
Income tax credit	8	(391)	(390)
		<u>(2,200)</u>	<u>(427)</u>
(Increase) in trade and other receivables		(88)	(185)
Increase/ in trade and other payables		902	80
Increase/ (decrease) in provisions	13	<u>1</u>	<u>16</u>
<b>Cash from operations</b>		<b>(1,385)</b>	<b>(517)</b>
R&D claim received		<u>-</u>	<u>175</u>
<b>Net cash flows from operating activities</b>		<b>(1,385)</b>	<b>(342)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	9	(445)	(472)
Proceeds from disposal of property, plant and equipment		-	4
Development of intangibles	10	<u>(2,170)</u>	<u>(1,073)</u>
<b>Net cash used in investing activities</b>		<b>(2,615)</b>	<b>(1,541)</b>
<b>Financing activities</b>			
Issue of ordinary shares, net of issue costs		-	10
Capital contribution from parent		8,254	
Write-off of loan		(5,994)	
Finance costs	6	<u>(96)</u>	<u>(91)</u>
<b>Net cash from financing activities</b>		<b>2,164</b>	<b>(81)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,836)</b>	<b>(1,964)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,299</b>	<b>4,263</b>
<b>Cash and cash equivalents at end of year</b>		<b>463</b>	<b>2,299</b>

The notes on pages 13 to 33 form part of these financial statements.

**FREEAGENT CENTRAL LTD**

**Statement of changes in equity  
For the year ended 31 March 2019**

	Share capital	Share premium	Share based payment reserve	Foreign exchange reserve	Capital contribution reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>1 April 2017</b>	<b>307</b>	<b>5,904</b>	<b>-</b>	<b>(10)</b>	<b>360</b>	<b>(8,248)</b>	<b>(1,687)</b>
Loss for the year	-	-	-	-	-	(1,532)	(1,532)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,532)</b>	<b>(1,532)</b>
<b>comprehensive income for the year</b>							
Share based payment charge	-	-	311	-	-	-	311
Capital contribution	-	-	(311)	-	311	-	-
<b>31 March 2018</b>	<b>307</b>	<b>5,904</b>	<b>-</b>	<b>(10)</b>	<b>671</b>	<b>(9,780)</b>	<b>(2,908)</b>
Loss for the year	-	-	-	-	-	(3,339)	(3,339)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,339)</b>	<b>(3,339)</b>
<b>comprehensive income for the year</b>							
Capital contribution	-	-	-	-	8,254	-	8,254
Transfer to Retained Earnings	-	-	-	10	-	(10)	-
<b>31 March 2019</b>	<b>307</b>	<b>5,904</b>	<b>-</b>	<b>-</b>	<b>8,925</b>	<b>(13,129)</b>	<b>2,007</b>

The notes on pages 13 to 33 form part of these financial statements.

**Notes to the consolidated financial statements for the year ended 31 March 2019****1. Accounting policies****General information**

The Company is a private limited company, limited by shares, incorporated and registered in Scotland, UK. The Company's registered office and company number are disclosed on the company information page. The Company's principal activity is as described in the Directors' report. The functional currency used to prepare these financial statements is GBP and is rounded to the nearest thousand.

**Basis of preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out in this note. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 March 2019, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and are presented in Sterling rounded to the nearest thousand except where indicated otherwise.

**Standards or interpretations issued but not yet effective and relevant to the Company**

The International Accounting Standards Board has issued a standard which is not yet effective and which may have an impact on the Company's financial statements. These are detailed below. The Company has not applied these in preparing these financial statements and will apply each standard in the period in which it becomes mandatory:

IFRS 16 – Leases: This standard will be effective from 1 January 2019, but applicable for the Company for the year ended 31 March 2020 and is expected to have an impact on the amounts recognised in the Company's financial statements. On adoption of IFRS 16 the Company will recognise within the statement of financial position a right of use asset and lease liability for all applicable leases. Within the statement of comprehensive income, rent expense will be replaced by depreciation and interest expense. Had the standard been adopted for the year ended 31 March 2019, the Company estimates the impact of this change on the statement of financial position would be the addition of around £2,603k of assets and £3,152k of liabilities. Upon transition, the difference of £549k would be taken to reserves, net of tax. The Company intends to adopt the standard from 1 April 2019.

**Going concern**

The financial statements have been prepared on a going concern basis.

The directors, having made such enquiries as they considered appropriate and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

## Revenue

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

The Group has implemented IFRS 15 'Revenue from Contracts with Customers' in this financial year. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

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

Revenue in relation to development income is recognised when software engineer's time is incurred at a contracted daily rate in relation to the contracted development activity.

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

## Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off the cost of each asset to residual value over its estimated useful life:

Computer equipment	- 33.3% on a straight-line basis
Fixtures and fittings	- 20% on a straight-line basis

The Directors assess the property, plant and equipment for impairment on an ongoing basis. The majority of the assets are located in the office in Edinburgh where the Executive Directors are based. Any asset that is impaired is identified by staff members and the Chief Technical Officer is informed. No assets were impaired during the financial year.

## Taxation

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

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

Research and development tax credits are claimed in relation to time incurred in researching and developing the software product. Only those costs meeting the qualifying criteria as set out in the HMRC guidance are included in the claim. A provision is recorded using the tax rates as set out under the HMRC R&D SME scheme.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a

business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

The results of overseas subsidiaries are translated at the rate ruling at the date of the transaction and their financial positions at the rates ruling at the reporting date.

#### **Leasing commitments**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease incentives are recognised on a straight-line basis over the term of the lease.

#### **Provision for reinstatement of property under leasehold**

On termination of all lease commitments, the Company is required to reinstate leased property to its condition at the time the lease commenced. The cost of this is estimated, with assistance from our building surveyors, and a provision is recorded. The provision is discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The carrying value of the provision is increased in each period and the increase is recognised as an expense in the statement of comprehensive income.

#### **Pensions**

The Company operates a defined contribution pension scheme. Contributions payable for the period are charged to the statement of comprehensive income.

#### **Financial assets**

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

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

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment.

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

#### **Financial liabilities and equity**

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

**Share-based payments**

Where equity settled share options are awarded to employees, including awards made under long term incentive plans, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Following the share-for-share exchange that occurred on 21 October 2016 the employees of the Company who held share options now hold share options in the parent company, FreeAgent Holdings plc. In accordance with IFRS 2:

- the fair value of the options is recognised in the parent company over whose shares the employees hold options
- the share based payment expense in relation to these options is recognised as a charge to the statement of comprehensive income with the corresponding movement in equity recognised as a capital contribution by the parent company

**Warrants**

Warrants are considered to be share based payments and are accounted for in accordance with IFRS 2. The fair value of issued warrants is credited to the share based payment reserve at the time of issue of the warrants. Upon the exercise of warrants, the fair value held in the share based payment reserve is transferred to the share premium reserve.

**Internally generated intangible assets (development costs)**

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

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

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

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

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



### **Intangible assets (domain name)**

The domain name is stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided at the following annual rate in order to write off the asset to zero over its estimated useful life:

Domain name	- 5% on a straight-line basis
-------------	-------------------------------

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

## **2. Significant accounting judgments and estimates**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### ***Share based payments***

Share options, including options issued under the LTIP, are recognised as an expense, based on their fair value at date of grant. The fair value of the options is estimated through the use of a valuation model – which requires inputs such as the risk-free interest rate, expected dividends, expected volatility and expected option life – and is expensed over the vesting period. Some of the inputs used to calculate the fair value are market observable and are based on estimates derived from available data. Following the share for share exchange on 21 October 2016 (see note 17), share capital and the value of any options are now held in FreeAgent Holdings plc, therefore the value of the share options in FreeAgent Central Ltd at the year-end was £Nil (2018: £Nil).

### ***Warrants***

The fair value of warrants is estimated through the use of a valuation model – which requires inputs such as the risk-free interest rate, expected dividends, expected volatility and expected option life. Some of the inputs used to calculate the fair value are market observable and are based on estimates derived from available data. Following the share for share exchange on 21 October 2016 (see note 17), warrants are now accounted for in FreeAgent Holdings plc, therefore the value of the warrants in FreeAgent Central Ltd at the year-end was £Nil (2018: £Nil).

### ***Capitalisation of development costs***

It is a requirement under IFRS that development costs that meet the criteria prescribed in the standard are capitalised. The assessment of each project requires that a judgement is made as to the commercial viability and the ability of the Company to bring the software to market. At 31 March 2019 the net book value of capitalised development costs was £3,414k (2018: £2,015k). The amortization rate used is 20% per annum on a straight-line basis, based on the time that businesses are required to retain financial records within our software and are comparable with competitors in the industry.

### ***Provision for reinstatement of property under leasehold***

A provision has been recognised for the reinstatement of the Company's leasehold property to the condition the property was in at the time the lease commenced. This provision requires a judgement to be made as to the likely dilapidations over the life of the lease. This has been estimated with advice from external surveyors. The cost of the dilapidations will not be known until the premises are vacated at the end of the lease. The lease is a ten year lease with a break at year five. The value of the provision at 31 March 2019 was £178k (2018: £177k).

### 3. Financial instruments – risk management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Company, from which the financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank borrowings

A summary of the financial instruments held by category is provided below.

#### Financial assets

	2019 £'000	2018 £'000
Current		
Trade receivables	163	517
Other receivables	537	514
	<u>700</u>	<u>1,031</u>
Cash and cash equivalents	463	2,299
Total financial assets	<u>1,163</u>	<u>3,330</u>

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

There is no difference between the carrying amount and the fair value of financial assets. The Company also has prepayments of £714k (note 11).

As at 31 March 2019 the largest customer owed £33k. This balance was settled by 10 May 2019.

**Financial liabilities**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Current		
Trade payables	526	883
Other payables	1,541	1,334
Deferred revenue	1,000	918
Payable to group company	1,785	6,809
Current financial liabilities	<u>4,852</u>	<u>9,994</u>
Total financial liabilities	<u>4,852</u>	<u>9,994</u>

	<b>Up to 3 months £'000</b>	<b>Between 3 and 12 months £'000</b>
<b>At 31 March 2019</b>		
Trade and other payables	4,651	102
<b>Total</b>	<u>4,651</u>	<u>102</u>

	<b>Up to 3 months £'000</b>	<b>Between 3 and 12 months £'000</b>
<b>At 31 March 2018</b>		
Trade and other payables	8,480	2
<b>Total</b>	<u>8,480</u>	<u>2</u>

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's Chief Executive Officer.

The overall objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

**General objectives, policies and processes (continued)**

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum "A" rating are accepted.

Further disclosures regarding trade and other receivables are provided in note 11.

*Cash at bank and borrowings*

All cash is held with Barclays Bank Plc and The Royal Bank of Scotland Group. The Company has an undrawn, committed overdraft facility of £10,000 with Barclays Bank Plc.

*Foreign exchange risk*

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than the functional currency. The Company receives less than 5% of sales income in USD.

*Liquidity risk*

Liquidity risk arises from the management of working capital. The Company manages the risk that it will encounter difficulty in meeting its financial obligations as they fall due by forecasting its short term cash position on a regular basis. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet all liabilities with a cash buffer sufficient to meet the monthly payroll.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. With cash reserves of £463k at the period end and expected investment from the parent company, the Company will have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

In the management of liquidity risk, the Company monitors and tries to maintain a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows.

**4. Segmental reporting**

All revenue is generated from the sale or use of our online accounting software.

The majority of our customers are based in the UK. In the year to 31 March 2019, revenue of £264k (2018: £284k) was generated from customers based outside of the UK.

5. Loss from operations

Loss from operations is stated after taking account of the following items:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	477	421
Amortisation of intangibles	957	676
Operating lease expense	498	477
Research and development costs expensed	215	165
Share based payment expense – employee options	-	34
Share based payment expense - LTIP	-	277
Foreign exchange (gain)/loss	3	(2)
Gain on disposal of property, plant & equipment	-	(4)
Fees payable to the Company's auditor for the audit of the Company financial statements	41	34
Fees payable to the Company's auditor for tax compliance	4	3

The fee for audit services of £41k includes £31k in relation to the audit of FreeAgent Central Ltd and £10k paid on behalf of the parent company, FreeAgent Holdings Ltd. The audit fee is to be borne by the Royal Bank of Scotland Group.

6. Finance expense

	2019 £'000	2018 £'000
Bank charges	93	93
	<u>93</u>	<u>93</u>

7. Employee benefit expenses

	2019 £'000	2018 £'000
<b>Staff costs (including Directors) comprise:</b>		
Wages and salaries	7,242	6,164
Social security contributions and similar taxes	868	705
Defined contribution pension costs	267	184
Share based payment expense	-	311
Transfer to capitalised development	(1,502)	(888)
	<u>6,875</u>	<u>6,476</u>

As at 31 March 2019, there was a pension creditor of £50k (2018: £34k).

**Key management compensation**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Salary, fees, benefits in kind	1,185	995
Social security contributions and similar taxes	154	129
Defined contribution pension cost	51	42
Share based payment expense	-	231
	<u>1,390</u>	<u>1,397</u>

Key management compensation comprises the 10 (2018: 9) members of the executive management team.

**Directors' compensation**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Salary, fees, benefits in kind	315	320
Social security contributions and similar taxes	41	41
Defined contribution pension cost	15	12
Share based payment expense	-	31
	<u>371</u>	<u>404</u>

**8. Tax**

<b>Current tax</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Charge/(credit) for the year	(477)	(224)
(Over)/under provision in respect of prior periods	69	(166)
	<u>(408)</u>	<u>(390)</u>
<b>Deferred tax</b>		
Charge/(credit) for the year	16	-
(Over)/under provision in respect of prior periods	-	-
	<u>16</u>	<u>-</u>
<b>Total tax charge/(credit) for the year</b>	<u><u>(391)</u></u>	<u><u>(390)</u></u>

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 19% (2018: 19%) as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year	(3,730)	(1,922)
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19% (2018: 19%)	(709)	(365)
Non-deductible items	53	26
Effect of recognition of deferred tax	16	-
Movements in deferred tax not recognised	180	211
Adjustment to tax in respect of prior periods	69	(166)
R&D tax relief	-	(96)
	<hr/>	<hr/>
Actual tax credit for the year	<u>(391)</u>	<u>(390)</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted as the balance sheet date standing at 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax asset, and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

9. Property, plant and equipment

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2018	738	1,605	2,343
Additions	188	257	445
<b>Balance at 31 March 2019</b>	<b>926</b>	<b>1,862</b>	<b>2,788</b>
<b>Accumulated depreciation and impairment</b>			
Balance at 1 April 2018	475	737	1,212
Depreciation charge for the year	182	295	477
<b>Balance at 31 March 2019</b>	<b>657</b>	<b>1,032</b>	<b>1,689</b>
<b>Net Book value</b>			
At 31 March 2019	269	830	1,099

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2017	601	1,291	1,892
Additions	159	314	473
Disposals	(22)	-	(22)
<b>Balance at 31 March 2018</b>	<b>738</b>	<b>1,605</b>	<b>2,343</b>
<b>Accumulated depreciation and impairment</b>			
Balance at 1 April 2017	324	489	813
Depreciation charge for the year	173	248	459
Disposals	(22)	-	(22)
<b>Balance at 31 March 2018</b>	<b>475</b>	<b>737</b>	<b>1,212</b>
<b>Net Book value</b>			
At 31 March 2018	263	868	1,131



10. Intangible assets

	Domain name	Development costs	Total
Cost	£'000	£'000	£'000
Balance at 1 April 2018	32	5,147	5,179
Additions	-	2,170	2,170
Balance at 31 March 2019	32	7,317	7,349
Accumulated depreciation and impairment			
Balance at 1 April 2018	12	3,132	3,144
Depreciation charge for the year	2	955	957
Balance at 31 March 2019	14	4,087	4,101
Net Book value			
At 31 March 2019	18	3,230	3,248

	Domain name	Development costs	Total
Cost	£'000	£'000	£'000
Balance at 1 April 2017	32	4,074	4,106
Additions	-	1,073	1,073
Balance at 31 March 2018	32	5,147	5,179
Accumulated depreciation and impairment			
Balance at 1 April 2017	11	2,457	2,468
Depreciation charge for the year	1	675	676
Balance at 31 March 2018	12	3,132	3,144
Net Book value			
At 31 March 2018	20	2,015	2,035

**11. Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	163	517
Prepayments	714	296
Accrued income	235	214
Other receivables	302	300
	<u>1,414</u>	<u>1,327</u>

Invoices for services rendered are due immediately upon rendering of the invoice. The ageing analysis of the trade receivables is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Up to 3 months	137	517
3 to 6 months	26	-
	<u>163</u>	<u>517</u>

Invoices are payable on receipt and therefore all of the trade receivable balance is past due. As at 31 March 2019 trade receivables of £26k (2018: £44k) were considered bad or doubtful and are provided against, with no material change in the period. All of the receivables balance which is greater than 3 months old has either been provided against or has been received post year end.

**12. Trade and other payables**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	526	883
Accrued expenses	880	777
Deferred income	1,000	918
Tax and social security payable	572	486
Other creditors	89	71
Payable to group company	1,785	6,809
	<u>4,852</u>	<u>9,944</u>

During the year, an intercompany payable of £5,994k to the Company's parent company, FreeAgent Holdings Ltd, was converted to equity.

**13. Provisions**

This provision of £178k (2018:£177k) relates to the estimated cost of returning leasehold properties to their original state at the end of the lease in accordance with the lease terms.

**14. Deferred tax**

The following table sets out the movements in the deferred tax assets and liabilities recognised by the Company and the movements thereon:

	Fixed asset temporary differences	Short term temporary differences	Intangibles	Total
	£'000	£'000	£'000	£'000
<b>At 1 April 2017</b>	-	-	-	-
Charge to income statement	-	-	-	-
<b>At 31 March 2018</b>	-	-	-	-
Charge to income statement	19	(22)	19	16
<b>At 31 March 2019</b>	<b>19</b>	<b>(22)</b>	<b>19</b>	<b>16</b>

	2019 £'000	2018 £'000
Deferred tax liability	16	-

The company had unused trading losses of approximately £7,671k at 31 March 2019 (March 2018: £5,948k). No deferred tax asset has been recognised on these losses as there is insufficient evidence as to their recoverability.

The total unrecognised deferred tax asset in the current and prior period was comprised as follows:

	2019 £'000	2018 £'000
Losses	1,304	1,007
Share based payments	-	222
Other temporary differences	-	(172)
	<b>1,304</b>	<b>1,057</b>

**15. Share capital**

Authorised, allocated, called up and fully paid

	2019 Number	2019 £'000	2018 Number	2018 £'000
<i>Ordinary shares of £0.01</i>				
At 1 April	30,740,470	307	30,740,470	307
At 31 March	30,740,470	307	30,740,470	307

16. Share based payment

Information in this note is presented for the purposes of the prior period only. No share options or warrants are outstanding at the 2019 year-end.

The Company operated an EMI scheme for employees, a LTIP for senior management and a Sharesave scheme ("SAYE") for employees. There are also some outstanding warrants which were issued in prior years as part of debt financing arrangements. All options were exercised as a result of the takeover by the Royal Bank of Scotland Group in June 2018.

EMI Options

The Company operated an EMI share option plan for employees. The options were valid for 10 years from the date of grant. Following the IPO in November 2016, all options currently outstanding were exercisable at any time up until the 10 year anniversary of the grant date.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the prior year are as follows:

	2019 WAEP		2018 WAEP	
	Number	Price (pence)	Number	Price (pence)
Outstanding at the beginning of the year	-	-	1,813,300	64
Granted during the year	-	-	-	-
Exercised during the year	-	-	(28,800)	35
Expired during the year	-	-	-	-
Outstanding at the year end	-	-	1,784,500	65
Exercisable at the year end	-	-	1,784,500	65

The options outstanding at the year-end are set out below:

Date of grant	Expiry date	Exercise price (p)	2019		2018	
			Share options	Remaining life	Share options	Remaining life
01/04/2011	31/03/2021	18.89	-	-	454,200	3 years
12/03/2012	11/03/2022	36.67	-	-	180,000	4 years
15/03/2013	14/03/2023	45.00	-	-	184,800	5 years
31/01/2014	30/01/2024	85.76	-	-	78,000	6 years
31/05/2016	30/05/2026	100.00	-	-	675,000	8 years
07/11/2016	06/11/2026	84.00	-	-	212,500	9 years
			-	-	1,784,500	

The Company uses a Black Scholes model to estimate the cost of EMI share options.

The following information is relevant in the determination of the fair value of EMI options outstanding during the year. The assumptions inherent in the use of this model are as follows:

- The option life is the estimated average period over which the options will be exercised. The options may be exercised at any time up until the 10 year anniversary of the date of grant.
- There are no vesting conditions remaining which apply to the share options.
- No variables change during the life of the option (eg dividend yield remains zero).
- Volatility has been calculated over the 5 year period prior to the grant date by reference to the daily share price of comparable listed companies. The volatility rate used was 70%.
- Risk free interest rates of 3.7%, 2.3%, 1.9%, 2.9%, 1.6% and 1.4% have been used for each issue in chronological order from 2011 to 2016.

The total expense recognised during the year by the Company was £nil (2018: £nil).

The weighted average remaining life of the options outstanding at the end of the year was nil (2018: 6 years).

All EMI options were exercised during the period (2018: none).

#### LTIP Options

The Group operated a LTIP for senior management. The options were valid for 10 years from the date of grant. The awards vested in 2019 upon achievement of certain performance targets.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the prior year are as follows:

	2019 WAEP		2018 WAEP	
	Number	Number	Number	Price (pence)
Outstanding at the beginning of the year	-	-	532,998	85
Granted during the year	-	-	270,122	102
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the year end	-	-	803,120	90
Exercisable at the year end**	-	-	803,120	90

The options outstanding at the year-end are set out below:

Date of grant	Expiry date	Exercise price (p)	2019	2018	Share options	Share options	Remaining life
			Share options	Share options			
16/11/2016	15/11/2026	84.00	-	-	214,285^	9	
21/12/2016	18/12/2026	85.50	-	-	318,713*	9	
01/06/2017	01/06/2027	101.5	-	-	270,122	10	
			-	-	803,120		

The Company uses a Black Scholes model to estimate the cost of LTIP share options.

The following information is relevant in the determination of the fair value of LTIP options outstanding during the year. The assumptions inherent in the use of this model are as follows:

- The option life is the estimated average period over which the options will be exercised.
- ^The options are fully vested but subject to a one year lock-in.
- \*The options will vest in FY 2020 following achievement of certain performance targets.
- No variables change during the life of the option (eg dividend yield remains zero).
- Volatility has been calculated over the 5 year period prior to the grant date by reference to the daily share price of comparable listed companies. The volatility rate used was 50%.
- Risk free interest rates of 1.4%, 1.4% and 1.0% have been used for each issue in chronological order.
- \*\*All LTIP options were exercised on 1 June 2018 as a result of the RBS transaction. For more details please refer to note 20

The total expense recognised during the year by the Company in respect of the LTIP was £nil (2018: £277k).

The weighted average remaining life of the options outstanding at the end of the year was nil (2018: 9 years).

All LTIP options were exercised during the period (2018: none).

## SAYE

The Company operated a Sharesave Scheme ("SAYE") for employees. The scheme was open to all employees of the Group at the launch date. Under the scheme, members saved a fixed amount each month for three years. At the end of the three-year period they were entitled to use these savings to buy shares in the Company at 80% of the market value (94.5p) at launch date.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the prior year are as follows:

	2019 WAEP		2018 WAEP	
	Number	Number	Number	Price (pence)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	570,804	120
Expired during the year*	-	-	(44,760)	(120)
No longer vesting^	-	-	(279,116)	(120)
Outstanding at the year end	-	-	246,928	120
Exercisable at the year end**	-	-	246,928	120

The options outstanding at the year-end are set out below:

Date of grant	Expiry date	Exercise price (p)	2019		2018	
			Share options	Remaining life	Share options	Remaining life
01/07/2017	01/06/2027	120.0	-	-	570,804	9
			-		570,804	

The Group uses a Black Scholes model to estimate the cost of SAYE share options.

The following information is relevant in the determination of the fair value of SAYE options outstanding during the year. The assumptions inherent in the use of this model are as follows:

- The option life is the estimated average period over which the options will be exercised.

- \*The options are fully vested but subject to the employee remaining with the Group. All leavers forfeit their rights to any options.
- \*\*All SAYE options were exercised on 1 June 2018 as a result of the RBS transaction. For more details please refer to note 20.
- ^The transaction discussed in the strategic report has reduced amount of SAYE options vesting. For more details please refer to note 20.
- No variables change during the life of the option (eg dividend yield remains zero).
- Volatility has been calculated over the 5 year period prior to the grant date by reference to the daily share price of comparable listed companies. The volatility rate used was 70%.
- A risk free interest rate of 0.39% has been used for the issue.

The total expense recognised during the year by the Company in respect of the SAYE was £34k.

The weighted average remaining life of the options outstanding at the end of the year was 9 years.

All SAYE options were exercised during the period (2018: none)

## Warrants

The Company has issued warrants to debt providers as part of the finance cost of providing the loan facility. The warrants are exercisable at any time.

Details of the number of warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2019 WAEP		2018 WAEP	
	Number	Price (pence)	Number	Price (pence)
Outstanding at beginning of the year	-	-	270,000	89
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at the year end	-	-	270,000	89
Exercisable at the year end	-	-	270,000	89

The warrants outstanding at the year end are set out below:

Date of grant	Expiry date	Exercise price (p)	2019		2018	
			Warrants	Remaining life	Warrants	Remaining life
27/02/2015	26/02/2025	89	-	-	270,000	7 years
			-		270,000	

The Company uses a Black Scholes model to estimate the cost of the warrants.

The following information is relevant in the determination of the fair value of warrants outstanding during the year. The assumptions inherent in the use of this model are as follows:

- The warrant life is the estimated average period over which the warrants will be exercised.
- There are no vesting conditions remaining which apply to the warrants.
- No variables change during the life of the warrant (eg dividend yield remains zero).
- Volatility has been calculated over the 5 year period prior to the grant date by reference to the daily share price of comparable listed companies. The volatility rate used was 70%.
- A risk-free interest rate of 1.86% has been used.

There were no warrants granted during the current or prior year.

The total expense recognised during the year by the Company was £nil (2018: £nil).

The weighted average remaining life of the warrants outstanding at the end of the year was nil (2018: 7 years).

## 17. Leases

### *Operating leases – lessee*

The total future value of minimum lease payments is due as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	485	485
Later than one year and not later than five years	1,924	1,937
Later than five years	1,053	1,545
	<u>3,462</u>	<u>3,967</u>

The Company entered into a 10-year lease (with a break at year 5) in September 2015 for the premises on the 4<sup>th</sup> Floor at Edinburgh Quay. A further 10-year lease (with a break at year 5) was entered into in January 2017 for the 5<sup>th</sup> Floor at Edinburgh Quay. The break period for the 4<sup>th</sup> floor was aligned to the same date as the break period for the 5<sup>th</sup> Floor (23<sup>rd</sup> January 2022).

## 18. Related party transactions

At the year end, there is a balance of £1,785k owed to the ultimate parent company, The Royal Bank of Scotland Group plc. Income of £754k was received from the ultimate parent company, the Royal Bank of Scotland Group plc, for license fees and development income. Also during the year, professional fees and administrative expenses were made on behalf FreeAgent Holdings Limited of £816k. These were part of the intercompany loan which has now been accounted for as a capital contribution (note 12).

In addition, there is a share based payment expense of £nil (2018 - £156k) in respect of share options granted in FreeAgent Holdings plc to employees of FreeAgent Central Ltd.

## 19. Events after the statement of financial position date

During August 2019 the directors of FreeAgent Holdings Limited approved a capital contribution of £9,000k from National Westminster Bank plc. This sum was subsequently forwarded to FreeAgent Central Limited, the ultimate recipient of the capital contribution.

## 20. Capital commitments



At 31 March 2019, the Company had capital commitments of £28k relating to work commenced on the office auditorium (2018: £nil).

## **21. Controlling Party**

### **UK Government**

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

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of UK corporation tax and Value Added Tax.

### **Group companies**

At 31 March 2019

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

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Legal Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

## **Company information**

### **Country of incorporation**

United Kingdom

### **Company number**

SC316774

### **Directors**

Ed Molyneux

Katherine Tenner

### **Registered Office**

One Edinburgh Quay

133 Fountainbridge

Edinburgh

EH3 9QG

### **Auditor**

Ernst & Young LLP

25 Churchill Place

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E14 5EY

### **Bankers**

The Royal Bank of Scotland Group

1 St Andrews Square

Edinburgh

EH2 2BD

### **Lawyers**

Dentons LLP

Quartermile One

15 Lauriston Place

Edinburgh

EH3 9EP