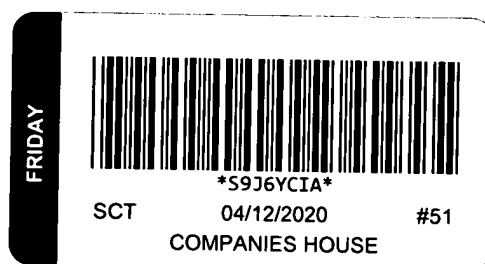


Company Registered No: SC316774

FreeAgent Central Ltd

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the period ended 31 December 2019



COMPANIES HOUSE

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EDINBURGH MAILBOX

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STRATEGIC REPORT

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**Ed Molyneux
Katherine Tenner
Nicholas Hepworth**

COMPANY SECRETARY:

Katherine Tenner

REGISTERED OFFICE:

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

INDEPENDENT AUDITOR:

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

Registered in Scotland

STRATEGIC REPORT**ACTIVITIES AND BUSINESS REVIEW****Activity**

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

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

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

The NatWest Group comprises NatWest Group plc and its subsidiaries.

Review of the period***Business review***

The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 18 to the financial statements.

Financial performance

The Company's financial performance is presented on pages 12 to 15.

The turnover for the nine month period to December 2019 was £9.5m (annualised £12.7m) and for the year to March 2019 it was £10.1m. The loss for the nine months to December 2019 was £3.9m (annualised £5.2m) and for the year to March 2019 it was a loss of £3.3m. The reason for the increase in losses generated is the continued strategy of investing in customer acquisition and product development.

No dividend is proposed for the period (March 2019: £nil)

At the end of the period, the balance sheet showed total assets of £16.2m (March 2019: £7.1m). Total shareholders' funds were £7.1m (March 2019: £2.0m). The net book value of capitalised software development costs was £4.6m compared with £3.2m at the end of the previous year.

STRATEGIC REPORT***Principal risks and uncertainties***

The principal risks associated with the Company are as follows:

Credit risk

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

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

Competitive risk

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

Directors' Duties

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

Directors are supported in the discharge of their duties by the Company Secretary. All directors receive guidance on their statutory duties, including Section 172(1), and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018 in advance of the effective date.

NatWest Group has introduced a new approach to board and committee papers with greater focus on ensuring relevant stakeholder interests are clearly articulated and guidance on documenting decisions has been refreshed to ensure these are recorded in a consistent manner across NatWest Group.

Going concern


These financial statements are prepared on a going concern basis, see note 1a on page 14.

STRATEGIC REPORT**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare a Strategic report, Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, [subject to any material departures disclosed and explained in the financial statements]; and
- make an assessment of the Company's ability to continue as a going concern.



Ed Molyneux
Director
Date: 27/11/2020

DIRECTORS' REPORT

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

CHANGE OF ACCOUNTING REFERENCE PERIOD

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

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year, are listed on page 3.

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

AUDITOR

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

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



Ed Molyneux
Director

Date: 27/11/2020

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

Opinion

We have audited the financial statements of FreeAgent Central for the nine month period ended 31st December 2019 which comprise the Statement of comprehensive income, Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st December and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Emphasis of matter – Effects of Covid-19

We draw attention to notes 1(a) and 18 of the financial statements, which describes the economic and social disruption the Company is facing as a result of Covid-19, which is impacting the current business operations and the company's profitability. Our opinion is not modified in respect of this matter.

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.

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

Other information

The other information comprises the information included in the annual report set out on pages 4 to 7, 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.



Michael-John Albert (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27/11/2020

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2019

		9 months to December 2019	12 months to March 2019
	Notes	£'000	£'000
Income from continuing operations			
Turnover	3	9,546	10,071
Cost of sales		(2,176)	(1,968)
Gross profit		7,370	8,103
Operating expenses	4	(11,880)	(11,740)
Operating loss		(4,510)	(3,637)
Finance expense		(151)	(93)
Loss before tax	5	(4,661)	(3,730)
Tax credit/(charge)	6	756	391
Loss for the period		(3,905)	(3,339)

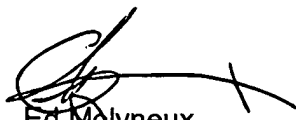
The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2019

	Notes	December 2019 £'000	March 2019 £'000
Non-current assets			
Property, plant and equipment	7	977	1,099
Right-of-use asset	8	3,057	-
Intangible assets	9	4,592	3,248
Deferred tax assets	6	49	-
		<hr/> 8,675	<hr/> 4,347
Current assets			
Trade and other receivables	10	1,706	465
Current tax assets		1,403	829
Prepayments, accrued income and other assets	11	693	949
Cash at bank		3,710	463
Total assets		<hr/> <hr/> 16,187	<hr/> <hr/> 7,053
Current liabilities			
Trade and other payables	12	1,781	1,187
Lease liability	8	120	-
Deferred tax liability	6	-	16
Amounts due to group companies	13	1,830	1,785
Accruals, deferred income and other liabilities	14	1,685	1,880
		<hr/> 5,416	<hr/> 4,868
Non-current liabilities			
Provisions for liabilities	15	204	178
Lease liability	8	3,516	-
Total liabilities		<hr/> 9,136	<hr/> 5,046
Equity			
Called up share capital	16	307	307
Share premium account		5,904	5,904
Capital contribution reserve		17,925	8,925
Profit and loss account		(17,085)	(13,129)
Total equity		<hr/> 7,051	<hr/> 2,007
Total liabilities and equity		<hr/> <hr/> 16,187	<hr/> <hr/> 7,053

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

The financial statements were approved by the Board of Directors on 27/11/2020:



Ed Molyneux
Director

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2019

	Share capital £'000	Share premium account £'000	Foreign exchange reserve £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2018	307	5,904	(10)	671	(9,780)	(2,908)
Loss for the financial year	-	-	-	-	(3,339)	(3,339)
Other comprehensive income for year	-	-	-	-	-	-
Total comprehensive loss for year	-	-	-	-	(3,339)	(3,339)
Capital contribution	-	-	-	8,254	-	8,254
Transfer to profit and loss account	-	-	10	-	(10)	-
At 31 March 2019	307	5,904	-	8,925	(13,129)	2,007
Implementation of IFRS16 on 1 April 2019					(51)	(51)
Adjusted balances at 31 March 2019	307	5,904	-	8,925	(13,180)	1,956
Loss for the financial period	-	-	-	-	(3,905)	(3,905)
Other comprehensive income for period	-	-	-	-	-	-
Total comprehensive income for period	-	-	-	-	(3,905)	(3,905)
Capital contribution	-	-	-	9,000	-	9,000
At 31 December 2019	307	5,904	-	17,925	(17,085)	(7,051)

Total comprehensive income for the period of (£3,905k) (March 2019: (£3,339)) was wholly attributable to the owners of the Company.

The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
Share capital	Nominal value of issued shares
Share premium	Amount subscribed for share capital in excess of nominal value less associated costs
Foreign exchange reserve	The difference arising on the translation of the assets and liabilities of the overseas subsidiary company into the functional currency of the Company.
Capital contribution reserve	Investment received from parent company
Retained earnings	All other net gains and losses not recognised elsewhere

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

1. Accounting policies

a) Preparation and presentation of accounts

These financial statements are prepared:

- on a going concern basis;
- under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework* in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis except that the following assets and liabilities are stated at their fair value: fair value through other comprehensive income.

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

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

There remains significant uncertainty regarding the developments of the pandemic and the future economic recovery. The most likely expected financial impact is in respect of the Company's profitability and operations, which management continues to monitor.

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

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

Accordingly, in the period ended 31 December 2019 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council in order to align with other NatWest Group subsidiaries. This transition is not considered to have had a material effect on the financial statements.

1. Accounting policies (continued)

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

- in accordance with the Companies Act 2006;
- in sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - comparative information in respect of certain assets;
 - cash-flow statement;
 - standards not yet effective; and
 - related party transactions;

Where required, equivalent disclosures are given in the group accounts of NatWest Group plc, these accounts are available to the public and can be obtained as set out in note 17.

IFRS 16 Leases became effective from 1 January 2019, with the impact shown in Note 8.

b) Foreign currencies

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

c) Revenue recognition

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

The Company has implemented IFRS 15 'Revenue from Contracts with Customers' in this financial period. To determine whether to recognise revenue, the Company 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.

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.

1. Accounting policies (continued)**d) Taxation**

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

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

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

e) Property, plant and equipment

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

The depreciable amount is the cost of an asset less its residual value. Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives:

Computer equipment	– 3 years
Fixtures and fittings	– 5 years

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

f) Impairment of property, plant and equipment

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

g) Provisions

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

1. Accounting policies (continued)**h) Financial instruments**

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

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

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

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

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

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

i) Internally generated assets (development costs)

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

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

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

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

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

1. Accounting policies (continued)**j) Intangible assets (domain name)**

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

Domain name - 20 years

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

k) Leases

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

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

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

The impact on the balance sheet at 1 April 2019 is as follows:

	£'000
Retained earnings at 1 April 2019	2,007
Loans to customers - Finance leases	
Other assets - Net right of use assets	3,101
- Recognition of lease liabilities	(3,609)
- Provision for onerous leases	
Other liabilities	445
Deferred tax recognised	12
Net impact on retained earnings	(51)
Retained earnings at 1 April 2019	1,956

On adoption of IFRS 16, the Company recognised right of use assets and lease liabilities in relation to leases which has been previously classified as operating leases subject to certain practical expedites as allowed by the standard (see below).

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the lease start date. The incremental borrowing rates applied to the lease liabilities on 1 April 2019 were 2.75% and 2.5%.

	£'000
Operating lease commitments as disclosed as at 31 March 2019	3,462
Discounted using the incremental borrowing rate	147
Lease liability recognised as at 1 April 2019 on adoption of IFRS 16	3,609

2. Critical accounting policies and key sources of estimation uncertainty

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

Capitalisation of development costs

It is a requirement under IFRS that development costs that meet the criteria prescribed in the standard are capitalised. The assessment of each project requires that a judgement is made as to the commercial viability and the ability of the Company to bring the software to market. At 31 December 2019 the net book value of capitalised development costs was £4,592k (March 2019: £3,414k). The amortization rate used is 20% per annum on a straight-line basis, based on the time that businesses are required to retain financial records within our software and are comparable with competitors in the industry.

Provision for reinstatement of property under leasehold

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

Going Concern

See note 1a on page 14

3. Turnover

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

The majority of our customers are based in the UK.

4. Operating expenses

	9 months to December 2019 £'000	12 months to March 2019 £'000
Staff costs	6,396	6,875
Premises and equipment	356	532
Other administrative expenses	3,761	3,459
Depreciation of tangible fixed assets	475	477
Amortisation of intangible fixed assets	892	957
	<u>11,880</u>	<u>12,300</u>

The Company occupies certain properties under commercial rental agreements.

5. Profit/(loss) before tax**Profit/(loss) before tax is stated after charging:**

	9 months to December 2019 £'000	12 months to March 2019 £'000
Auditor's remuneration – audit services	36	41
Auditor's remuneration – non-audit services *	4	4
	<hr/>	<hr/>
	<hr/>	<hr/>

Directors' emoluments

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

6. Tax

	9 months to December 2019 £'000	12 months to March 2019 £'000
Current taxation:		
UK corporation tax charge/(credit) for the period	(762)	(477)
Under provision in respect of prior periods	60	69
	<u>(702)</u>	<u>408</u>
Deferred taxation:		
Charge/(credit) for the period	(55)	16
Under provision in respect of prior periods	1	-
	<u>(54)</u>	<u>16</u>
 Tax charge/(credit) for the period	 <u><u>(756)</u></u>	 <u><u>(391)</u></u>

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

	9 months to December 2019 £'000	12 months to March 2019 £'000
Expected tax charge/(credit)	(885)	(709)
Non-deductible items	31	53
Adjustments in respect of prior periods	61	69
Transfer pricing adjustment	33	-
Effect of changes in tax rate	4	-
Effect of recognition of deferred tax	-	16
Movements in deferred tax not recognised	-	180
Actual tax charge/(credit) for the period	<u><u>(756)</u></u>	<u><u>(391)</u></u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the rates substantively enacted at the balance sheet date standing at 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account these rates, as these were substantively enacted at the balance sheet date.

Since the balance sheet date, it was announced in the UK Government's Budget on 11 March 2020 that the reduction in the UK Corporation rate to 17% from 1 April 2020 will not proceed. Instead, the UK Corporation tax rate will remain at 19%. This change was substantively enacted on 17 March 2020 and is therefore a non adjusting post balance sheet event.

As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 19% rate. The impact of the post balance sheet date change in tax rate is not expected to be material.

Deferred tax

Net deferred tax liability/ asset comprised:

	Fixed asset temporary differences £'000	Short term temporary differences £'000	Intangibles £'000	Total £'000
At 1 April 2019				
Charge/(credit) to profit and loss	19	(22)	19	16
At 31 March 2019	19	(22)	19	16
Implementation of IFRS16 on 1 April 2019		(12)		(12)
Adjusted balances at 31 March 2019	19	(34)	19	4
Charge/(credit) to profit and loss	(44)	4	(13)	(53)
At 31 December 2019	(25)	(30)	6	(49)

	31 December 2019 £'000	31 March 2019 £'000
Deferred tax assets	54	-
Deferred tax liabilities	(5)	(16)
	<u>49</u>	<u>(16)</u>

The company had unused tax losses of £7,809k at 31 December 2019 (31 March 2019: £7,671k). A deferred tax asset of £1,328k (31 March 2019: £1,304k) has not been recognised on these losses as there is insufficient evidence as to their recoverability.

7. Property, plant and equipment

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
2019			
Cost or valuation			
At 1 April 2019	926	1,862	2,788
Additions	141	210	351
Disposals	(16)	-	(16)
At 31 December 2019	1,051	2,072	3,123
Accumulated depreciation			
At 1 April 2019	657	1,032	1,689
Charge for the period	151	322	473
Disposals	(16)	-	(16)
At 31 December 2019	792	1,354	2,146
Net book value			
At 31 December 2019	259	718	977
At 31 March 2019	269	830	1,099

8. Leases

The Company has leases for two floors of an office and office equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

The Company agreed a variation to the lease on December 31st, which aligned the lease end dates. The difference between the carrying amount of the modified lease liability and the carrying amount of the lease liability immediately before modification was recognised as an adjustment to the right of use asset, as per the standard

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

Right-of-use asset	Lease end date	Remaining term
Office lease 1	January 2027	7 years, 1 month
Office lease 2	January 2027	7 years, 1 month

8. Leases (cont.)*Right-of-use assets*

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

	Office building lease 1 £'000	Office building lease 2 £'000	Total £'000
2019			
Cost or valuation			
At 1 April 2019	-	-	-
Implementation of IFRS16 on 1 April 2019	2,193	2,162	4,355
Restatement for variation of lease	280	2	282
At 31 December 2019	<u>2,473</u>	<u>2,164</u>	<u>4,637</u>
Accumulated depreciation			
At 1 April 2019	-	-	-
Implementation of IFRS16 on 1 April 2019	786	468	1,254
Charge for the period	164	163	327
At 31 December 2019	<u>950</u>	<u>631</u>	<u>1,582</u>
Net book value			
At 31 December 2019	<u>1,523</u>	<u>1,534</u>	<u>3,057</u>

Lease liabilities

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

	December 2019 £'000	March 2019 £'000
Current – Lease 1	-	-
Current – Lease 2	120	-
	<u>120</u>	-
Non-current – Lease 1	1,788	-
Non-current – Lease 2	1,729	-
	<u>3,517</u>	-

9. Intangible assets

	Domain name £'000	Development costs £'000	Total £'000
2019			
Cost or valuation			
At 1 April 2019	32	7,317	7,349
Additions	-	2,236	2,236
At 31 December 2019	32	9,553	9,585
Accumulated depreciation			
At 1 April 2019	14	4,087	4,101
Charge for the period	1	891	892
At 31 December 2019	15	4,978	4,993
Net book value			
At 31 December 2019	17	4,575	4,592
At 31 March 2019	18	3,230	3,248

10. Trade and other receivables

	Due within one year		Due after more than one year	
	December 2019 £'000	March 2019 £'000	December 2019 £'000	March 2019 £'000
Trade receivables	1,393	163	-	-
Other receivables	27	16	286	286
	1,420	179	286	286

11. Prepayments, accrued income and other assets

	December 2019 £'000	March 2019 £'000
Prepayments	668	714
Accrued income	25	235
	693	949

12. Trade and other payables

	Due within one year	
	December	March
	2019	2019
	£'000	£'000
Trade creditors	817	526
Other payables	964	661
	<u>1,781</u>	<u>1,187</u>

13. Amounts due to group companies

	December	March
	2019	2019
	£'000	£'000
Parent (FreeAgent Holdings Ltd)	1,830	1,785
	<u>1,830</u>	<u>1,785</u>

All amounts are due within one year.

14. Accruals, deferred income and other liabilities

	December	March
	2019	2019
	£'000	£'000
Accruals	672	880
Deferred income	1,013	1,000
	<u>1,685</u>	<u>1,880</u>

15. Provisions for liabilities

	Total
	£'000
At 1 April	178
Charge to income	26
Provisions utilised in period	-
At 31 December	<u>204</u>

The provision relates to the estimated cost of returning leasehold properties to their original state at the end of the lease in accordance with the lease terms, expected to crystallise and be settled by January 2027.

16. Share capital**Authorised, allocated, called up and fully paid**

	December 2019 £'000	March 2019 £'000
Equity shares		
30,740,470 ordinary shares of £0.01 each	<u>307</u>	<u>307</u>

17. Related parties**UK Government**

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

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

Group Companies

At 31 December 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:	NatWest Group plc

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

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

18. Post balance sheet events

During July 2020 the directors of FreeAgent Holdings Limited approved a capital contribution of £3,500k from National Westminster Bank plc. This sum was subsequently forwarded to FreeAgent Central Limited, the ultimate recipient of the capital contribution.

The directors consider Covid-19 to be a non-adjusting post balance sheet event and as such no adjustments have been made to the measurement of assets and liabilities as at 31 December 2019. Refer to note 1a for the director's assessment of the impact on the Company. While there remains significant uncertainty regarding the developments of Covid-19 and the future economic recovery, a precise estimate of its financial effect, cannot be made at the date of issue of the financial statements. There could be an impact on profitability and operations and the directors continue to monitor this, however, at this stage do not consider there to be any material issues for the Company.