

Annual Report and Financial Statements 2020



PensionBee

www.pensionbee.com

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PensionBee at a Glance

PensionBee is a leading online pension provider. Our mission is to make pensions simple, so that everyone can look forward to a happy retirement.

PensionBee is a leading online pension provider¹ in the UK, with approximately 119,000 Active Customers and £1.4bn of AUA, in each case as at 31 December 2020². PensionBee is a direct-to-consumer financial technology company, with a mission to make pensions simple, so that everyone can look forward to a happy retirement. It delivers a leading customer proposition to pension holders in the UK defined contribution pensions market, catering for the many people who have historically struggled to understand, prepare for and manage their retirement confidently.

PensionBee seeks to make its customers 'Pension Confident' by giving them control and clarity over their retirement savings. PensionBee's technology platform allows its customers to combine their pensions and invest in a range of online plans, forecast how much they are expected to have saved by the time they retire, and make withdrawals from the age of 55.

PensionBee elicits reviews from its customers through Trustpilot, a well-known website which hosts reviews of businesses worldwide. PensionBee's customers rate its service highly, and as at 31 December 2020 it had a Trustpilot score of 4.7 stars out of 5, based on 3,784 reviews.

For the year ended 31 December 2020, PensionBee's Revenue was £6.3m, compared to £3.5m for the year ended 31 December 2019, representing a 77% growth rate from 2019 to 2020. Net operating cash loss for 2020 was £10.4m, reflecting strong investment in PensionBee's future growth compared to £5.2m in 2019.

119k

2020 Active Customers²

+86% on 2019

69k

2020 Invested Customers²

+83% on 2019

>95%

2020 Customer Retention²

£1.4bn

2020 Assets under Administration²

+82% on 2019

£6.3m

2020 Revenue²

+77% on 2019



Excellent 4.7 out of 5 Rating

¹ Supported by PensionBee's Trustpilot TrustScores as at 31 December 2020 with 4.7/5.0 stars based on 3,784 reviews. This compares favorably to other key pension providers in the UK Defined Contribution pensions market and based on PensionBee's industry awards as set out on page 12 (Our Awards)

² See definitions of Active Customers, Invested Customers, Customer Retention, Assets under Administration and Revenue on page 17 (Operating and Financial Review)

Chairman's Statement

As PensionBee has grown over the years, we have stayed true to our core principle of putting our customers first. This year, with all of its disruptions and challenges, was no different and we continued our strong trajectory with more customers choosing to put their trust in us.

The World Health Organisation ("WHO") declared coronavirus, also known as Covid-19, a global public health emergency on 30 January 2020. The sudden constraints imposed on all our lives accelerated the application of technology to countless routines, and transformed our attitude to the use of technology in everyday life. This time last year, even after the WHO's pronouncement, few if any of us had a global pandemic on our list of worries. As the seriousness of the contagion became apparent, as so often in human history, we adapted and innovated. Scientists confounded sceptics with a panoply of vaccines. Technology became our primary enabler. Companies in every market invested to transform their practices and procedures.

As a digital-first company, PensionBee needed minimal investment to adapt, choosing to invest in our team and in our growth. Over the past twelve months we have seen the number of those with retirement savings invested through PensionBee once again double. The assets we administer on their behalf have climbed in value to £1.4bn, a market leading annual increase of 82%.

Although our technology is fundamental to our success, our progress through 2020 is a reflection of the energies, efforts and agility of our people. They seamlessly switched to remote working and adapted swiftly to the change in circumstances. I would like to thank each of them for their diligence and commitment to the business throughout the period. My thanks also to our independent directors, Mary Francis and Michelle Cracknell, and to Joe Suddaby, a director and early investor in PensionBee, for all he has contributed to the business.

Our formidable progress makes a public market listing of shares in PensionBee the natural next step. A key advantage of listing on the London Stock Exchange is the opportunity it gives our customers to share in our growth journey. We are delighted at the response from customers so far. The additional capital that we plan to raise will help to fund sustainable future growth and allow us to continue to create value for all our stakeholders.

Governance

The Board is committed to upholding high standards of corporate governance across the business, including maintaining the right balance of skills, experience and diversity. In November 2020, we were delighted to confirm the appointment of Mary Francis CBE as the Senior Independent Director of the Company. Mary has extensive and diverse board-level experience across a range of industries, including previous non-executive directorships at the Bank of England, Aviva and Swiss Re Group. Through her former senior executive positions with H M Treasury, the Prime Minister's Office and as Director General of the Association of British Insurers, Mary brings strong governance values to the board, a strong understanding of the interaction between public and private sectors and skills in strategic decision-making and reputation management. The Board continues to provide strong support and appropriate challenge to the management team to ensure that the strategy is sound, achievable and delivered.

Outlook

The Directors believe that growth in the UK pensions market will continue to be driven by favourable policy changes, the acceleration of the transition to digital technology and underlying trends in the employment market. New opportunities and developments in technology are expected to continue to accelerate change in the pensions industry in ways that will ultimately benefit all consumers. PensionBee has built a technology platform to capture this 'mass-market' opportunity, allowing individuals to manage all their pensions in one place, through an efficient and scalable platform. I am confident that 2021 will be another exciting year of growth and development for PensionBee.

Mark Wood CBE

Chairman
April 2021



Chief Executive Officer's Review



PensionBee has grown rapidly in recent years but 2020 has been our busiest year yet; the pandemic has brought about a cultural shift to "online" which has seen an increasing number of customers turning to us to help them manage their pensions online.

2020 saw PensionBee continuing on its impressive growth trajectory, delivering an annual rise in Assets under Administration of 82% from £745m at the end of 2019 to £1.4bn at the end of 2020 as compared to a rise in the value of the FTSE All-Share index of 11% over the same period. Our asset growth is attributable to healthy new business volume, with Active Customers increasing 86%, from 64.2k at the end of 2019 to 119.3k at the end of 2020.

Our customer-centric approach has been particularly important this year. The immense uncertainty and challenges that so many are facing has meant that the care we have for our customers has resonated with savers during this period. Our rapid transition to remote working enabled us to continue delivering the type of service our customers expect to receive and our Trustpilot score remained high at 4.7 stars out of 5.

Despite the challenges caused by coronavirus, we followed our customers and our marketing campaigns adapted with a sustained uptick in app-based advertising, national billboard sprints over the outdoor months and television advertising while people stayed home. Asset growth translated into a year-on-year increase of 77% in Revenue, which was £6.3m for 2020. By December 2020 we had achieved an Annual Run Rate Revenue of £8.8m³.

Contributing to our growth was the launch of our Fossil Fuel Free Plan, which was created to give consumers further opportunities to invest their pensions in line with their values. The voice of our customers continues to drive our product development roadmap. Following our research report Drawdown Doldrums, which showed that accessing a pension as a retiree is complex and burdensome, we were excited to commence building our innovative new withdrawal proposition, PensionBee Access. PensionBee Access will enable retirees to make on-demand withdrawals from their pensions using a current account and Mastercard®.

Our cost discipline remained throughout the year. While we continued to invest in our marketing activities, our scalable, modern technology enabled us to continue generating operating leverage. Therefore, despite the significant increase in marketing expenditure from £4.2m in 2019 to £8.2m in 2020, our Adjusted EBITDA margin⁴ remained flat at (166)% and indeed our Adjusted EBITDA before Marketing margin improved from (49)% in 2019 to (35)% in 2020.

Towards the end of the year we announced that we would be exploring a listing on the High Growth Segment of the London Stock Exchange. Designed exclusively for high growth companies, this segment of the London Stock Exchange offers a launchpad for the further growth of the Company. Crucially, our prospective IPO will enable our customers to participate in our growth. We published our Confirmation of Intention to Float (CITF) on 30 March 2021 and expect to publish our Prospectus in April 2021 at the time of signing the accounts.

None of these achievements would have been possible without our team, our commitment to our customers and to achieving our vision. Throughout the year I have been proud of our continued closeness and our ability to maintain our spirit even in the face of uncertainty. We owe much to our diversity and our desire to represent the society we live in.

Outlook

In the year ahead, we expect to accelerate progress on our mission of making pensions simple. We expect to acquire more customers, enabling them to become 'Pension Confident', while investing in the technology that has enabled us to serve them and to scale our Company. We expect to continue promoting good corporate behaviour that supports healthy long-term returns for our customers' pensions and promotes their health and the health of our environment. We will also stand up for the rights of pension consumers to have better, more transparent pension products that truly enable a happy retirement for all.

Romi Savova

Chief Executive Officer

April 2021

³ Annual Run Rate Revenue is calculated using the Recurring Revenue for the month of December 2020, multiplied by 12 to get a full year estimate

⁴ "Adjusted EBITDA" means the loss for the year before taxation, finance costs, depreciation, share based compensation and transaction costs. Please see note 62 in the Financial Statements

About us

A leading online pension provider



Our History

Since its inception, PensionBee has been a consumer champion in a highly complex industry, ripe for disruption

PensionBee was co-founded in 2014 by Romi Savova, its current Chief Executive Officer (CEO) and Jonathan Lister Parsons, its current Chief Technology Officer (CTO), to simplify pension savings in the UK, following a difficult pension transfer experience for Romi Savova using traditional platforms.

Since then, PensionBee has been challenging the status quo of an industry that has evolved without sufficient focus on consumer needs, characterised by poor communication, opaque fees and cumbersome processes. PensionBee is on a mission to change the industry for the better.

Our Vision

PensionBee strives to help its customers achieve a happy retirement in the form of financial freedom, good health and social inclusion.

PensionBee's vision acts as a blueprint for all its business activities, from outstanding customer service and intuitive product design, to investment solutions with some of the world's largest money managers and impactful corporate and social responsibility initiatives. As a pensions company with a long-term horizon for its customers, PensionBee seeks to look beyond short-term gains to help its customers achieve a sustainable retirement income.

Social Inclusion

The Directors believe that the Company's product must be built to help people from all backgrounds to save for retirement. The UK's statutory secondary school national curriculum contains little formal financial education, and over the course of their lives, individuals do not all have the same exposure to financial concepts. As a result, many struggle to navigate the pensions system as adults. By designing and building its product in recognition of these realities, PensionBee seeks to help its customers overcome these educational barriers.

In addition, PensionBee is an advocate for greater gender equality in UK companies. There is a large body of research suggesting that women have been held back by a lack of equal opportunities and systemic inequalities that prevent career progression. Research conducted by PensionBee suggests that these inequalities are perpetuated in later life with men having significantly larger pensions than women after the age of 45, despite having a shorter life expectancy. In recognition of these inequalities, PensionBee's first Charter pledge taken in 2019 was to maintain at least 50% gender diversity in its senior management team through to 2021. By 31 December 2020, PensionBee had achieved more than 50% female representation across the employee base and 57% across its senior management team, meaning it is on track to maintain this target going forwards. PensionBee's female representation on its Board is currently 60%.

PensionBee is also committed to encouraging other forms of equality in UK companies. Efforts to include, nurture and progress employees from all backgrounds and especially diverse ethnic backgrounds, can translate into higher engagement and lower attrition rates. The Directors therefore believe that there is a strong moral and economic case for increased diversity in UK companies. Greater equality can translate into improved company performance, which in turn supports the pension growth of PensionBee's customers.

Financial Freedom

PensionBee's customers have a large variety of retirement goals and ambitions, whether purchasing homes close to their children, travelling around the world or simply living without any financial worries. Each customer is unique, but to achieve their ideal retirement, they all need sufficient income to cover their living expenses for the rest of their lives. This, at its core, is the concept of financial freedom.

For too long consumers have struggled to manage their retirement savings. Pensions are often complicated and, combined with the added intricacies that can result from the accrual of multiple pension plans from different employers over the course of a career, present a significant obstacle for consumers wanting to take control of their savings.

PensionBee's technology platform is designed to make it easy for customers to both understand and consolidate their pensions, invest in a range of diversified plans and, from the age of 55, make on-demand and appropriate withdrawals. Through its access to pension calculators and retirement forecasting tools, PensionBee seeks to help its customers understand how much they need to save in order to achieve their desired income in retirement.

Good Health

The Directors believe that good physical and mental health can be a major determinant of happiness in later life. Whilst quality nutrition and safe living conditions are important contributors to good health, the Directors also believe that financial wellbeing can have a significant role to play.

PensionBee's platform has been designed in a user-friendly way so as to limit the stresses of engaging with one's pension and to help customers exercise greater control over their financial future.

Similarly, PensionBee also wants to give its customers greater peace of mind by offering more ethically and environmentally conscious investment alternatives. Not only is there quantitative evidence from industry experts suggesting that sustainable investments yield greater returns, but there are significant financial risks associated with investing in pollutants such as oil and tobacco producers. These financial risks can be aggravated by government action (whether through outright bans or taxes), civil lawsuits, and adverse media coverage. In facilitating sustainable investments, PensionBee seeks to enhance its customers' long-term pension wealth as well as their mental wellbeing.

Our Customer Proposition

We are revolutionising the pensions industry through innovative technology, product leadership and excellent customer service

Pensions are often complicated and difficult to understand, presenting an obstacle for consumers to engage with their savings. Against this backdrop, PensionBee has developed a simple and easy to use mass-market proposition that provides a solution to the consumer problem of saving for and managing their income throughout retirement.

PensionBee's customer proposition can be summarised as follows:

Combine

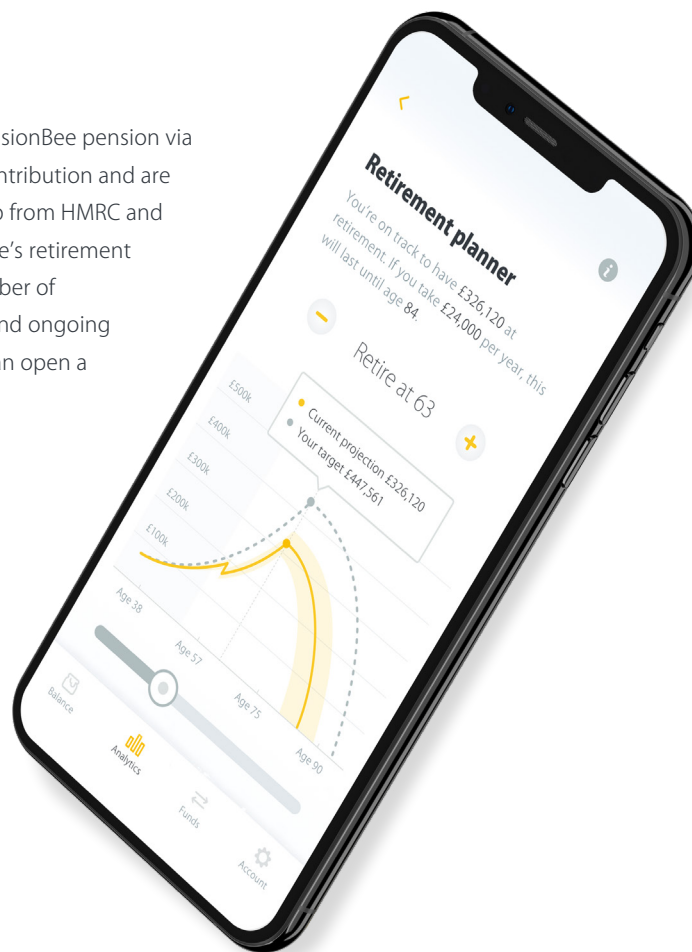
The average adult switches jobs approximately 11 times⁵ over the course of their career. In doing so, they may accrue a number of disparate pensions with differing providers and cost structures which, as a result of a variety of factors which could include infrequent reporting, limited online functionality, and cumbersome communications processes, can prove difficult to manage effectively. By signing up with PensionBee, either via PensionBee's website or by using PensionBee's app, PensionBee's customers are able to combine and transfer their existing pensions into the PensionBee Personal Pension with ease. Once their pensions have been transferred, customers are able to start managing their new pension online and can monitor their live balance via PensionBee's website or by using PensionBee's app.

Contribute

PensionBee customers can make one-off or regular contributions to their PensionBee pension via bank transfer or direct debit. For customers who make a personal pension contribution and are eligible for tax relief, PensionBee will automatically claim their 25% tax top-up from HMRC and add this to their pension balance. Customers can also make use of PensionBee's retirement calculator, which provides an estimate of retirement income based on a number of assumptions including the size of the pension plan, chosen retirement age, and ongoing contributions, to plan ahead for their retirement. Self-employed customers can open a new pension plan without transferring any old pensions.

Withdraw

From the age of 55, PensionBee's customers can use the PensionBee website to withdraw a portion of their pension online in just a few clicks, bypassing a process which can in some cases involve many weeks filling out paperwork and jargon-filled forms, which are often sent only through the post. Customers may choose to take up to 25% of their pension free of tax, withdrawing their chosen amount either as a lump sum or in portions.



⁵ 'Meeting future workplace pension challenges: Improving transfers and dealing with small pension pots', DWP, December 2011.

Our Strategy

PensionBee's strategy is to be the best universal online pension provider

PensionBee's strategy starts with the consumer, putting them at the heart of everything it does. Consequently, the strategy focuses on further growth of the customer base, offering customers an excellent lifetime product and service experience, powered by industry-leading technology and world-class investing solutions.

PensionBee's strategy is to drive growth through a combination of factors, including continued: (i) efficient investment in customer acquisition and growing brand awareness; (ii) leadership in product innovation; (iii) investment in and development of its industry leading technology platform; (iv) focus on excellent customer service; and (v) focus on investment solutions designed for customers.



Efficient Investment in Customer Acquisition and Growing Brand Awareness

Continued investment in marketing will drive further growth in customers, AUA and revenues, by attracting more customers with pensions to consolidate, making ongoing contributions and further compounding growth in AUA. Due to PensionBee's broad customer appeal focusing on the mass market, the Company can adopt large, mass market advertising channels. PensionBee remains focused on continuing to build its mass market brand identity and becoming a UK household brand name.

Leadership in Production Innovation

Continued product innovation is central to PensionBee's strategy. The PensionBee customer proposition has been enabled by investment in continuous innovation and automation, allowing easy onboarding of customers and intuitive lifetime self-service. The Company has a proven track record in innovating and leading the pensions industry and will continue to develop products and features to cater for consumer demand.

Investment in and Development of its Industry Leading Technology Platform

PensionBee's proprietary technology is modern, scalable and secure. The cloud-based and API-driven platform provides the foundations on which to continue to build dynamic and innovative products, while maintaining full control over the experience delivered to customers in a cost-efficient manner. The security and compliance of the technology is a priority, and the Company maintains a robust information security assurance framework that is independently audited and certified under ISO27001. PensionBee has made, and will continue to make, investments in technology to drive further automation and improve the customer experience.

Focus on Excellent Customer Service

PensionBee is focused on making pensions easy to understand and accessible to everyone through simple, straightforward language and engaging visuals. Industry-leading ratings evidence the excellent customer service track record. PensionBee's scalable technology-led platform is supported by easily accessible human interaction with "BeeKeepers", providing customers with a dedicated account manager from the moment they are on the platform, assisting them through the on-boarding process and helping them understand the platform functionality.

Focus on Investment Solutions Designed for Customers

PensionBee has partnered with some of the world's largest money managers (BlackRock, HSBC, Legal & General and State Street Global Advisors) to manage its customers' pensions. PensionBee continuously uses the feedback it receives from its customers to tailor its investment plan offering to its customers' preferences. In 2020, PensionBee responded to customer demand to exclude oil producers from their pensions by partnering with Legal & General to create one of the UK's first mainstream fossil fuel free plans. PensionBee will continue to develop investment solutions that meet its customer needs.

Our Team

Our team has the breadth and depth of experience across all disciplines to deliver the best customer outcomes, drive growth and performance

Led by our founders **Romi Savova** and **Jonathan Lister Parsons**, we have a strong and established senior management team. Our diverse and inclusive workforce of 149 employees (as at 31 December 2020) is motivated and empowered to achieve great results across all areas of the business, including customer service, brand and marketing, product development, technology, finance and risk.

We develop and support our talent and strive to ensure our people are actively engaged. Our strong culture and values enable us to attract and retain people who passionately believe in our vision. All employees participate in our share option scheme which further helps to drive engagement and an ownership mentality. We have a deep and experienced board, led by our Chairman **Mark Wood** (former CEO of Prudential).



Our Values

PensionBee lives by its core values, focused on doing the right thing for our customers

We are dedicated to ensuring that our five core values remain as guiding principles behind everything we do so that everyone in the Company remains focused on always doing the right thing for our customers. As the Company continues on its growth path, there is a particular focus on protecting and maintaining the culture associated with these values—a strong focus on well-being, including regular ‘Happiness! Meetings’ between employees and managers, helps to embed this approach.

Honesty

We strive for total transparency around the pensions our customers get, what service they can expect and our fees.

Innovation

We are always seeking to “wow” our customers (and colleagues) through new and improved ways of doing things.

Love

From engaging with our customers to product delivery, we go above and beyond to create an exceptional customer experience.

Quality

We deliver top notch quality, on-time work, and we do what we say we’ll do. People trust us with their pension savings, and we need to show them that we deserve that trust.

Simplicity

Whether we are picking up the phone or building our product, we keep things simple, avoiding confusing jargon and complicated processes.

Our Awards

2020 has been an incredibly strong year for PensionBee and the industry has recognised its innovation, customer service and diverse workplace

PensionBee has received a high level of recognition from its customers and third parties for its differentiated customer offering and high standard of customer service. Since inception, PensionBee has received a total of 20 awards, including the following awards received in 2020 alone:



- ★ Winner: 'Employer of the Year' Diversity in Finance Awards 2020
- ★ Winner: 'Pensions Innovation' Finder Investing & Saving Innovation Awards 2020
- ★ Winner: 'FinTech of the Year' AltFi Awards 2020

Business Model

We drive value by growing our recurring revenues through growing our customer base supported by our scalable operational platform

PensionBee provides an easy-to-use technology platform for the mass-market, enabling customers to have control over their pensions. PensionBee adopts a simple, transparent fee structure based on the pension plan an individual chooses after their pensions have been consolidated on the platform. PensionBee does not provide financial advice and charges no fee for the initial consolidation of pensions, no additional platform fee and no one-off fees for switching investments. The ongoing annual management fee ranges from 0.50% to 0.95% of an individual's pension plan depending on the plan chosen, with no minimum pension size requirements. **PensionBee's business model is built around the following key tenets:**

Efficient Direct-to-Consumer Distribution

PensionBee has a direct-to-consumer acquisition model, reflecting the importance of managing the end-to-end relationship with its customers and having total control over the quality of experience, which is key to customer retention.

PensionBee's direct-to-consumer distribution model encompasses scalable marketing channels, including search, social media, television, out-of-home advertising and radio. The branding and digital proposition resonates with a mass-market audience, allowing PensionBee to advertise efficiently across most prevailing media.

PensionBee is disciplined and responsive in its approach to marketing, focusing on deploying spend across channels to solve for rapid payback, on average within the first few years of acquiring a customer.

Recurring Asset-Based Revenue

PensionBee offers a lifetime customer proposition, designed to enable individuals to fulfil their retirement savings goals and withdrawal needs. Invested Customers generate growing lifetime value, with PensionBee's straightforward charging structure driving predictable, recurring revenue growth that increases with Invested Customers' wealth.

PensionBee earns Revenue through the administration of its customers' retirement savings. PensionBee's Revenue is substantially recurring in nature as the annual charges are calculated daily as a percentage (basis points) of the value of Assets under Administration (AUA) and will continue to be earned on an ongoing basis whilst PensionBee administers those assets. The mix of investment plans has an impact on the levels of fees charged and therefore Revenue.

AUA and Revenue have historically displayed a very high degree of stability and predictability, testament to the strength of the customer proposition and PensionBee's leading market position. Revenue growth reflects customers' attitudes and behaviours with respect to contributions, consolidation of pensions and withdrawals over time. AUA and therefore Revenue grows through existing and new clients adding more investments into their accounts through pension consolidation and contributions. PensionBee aims to minimise asset outflows with a constant focus on excellent customer service and product innovation. The direct nature of the relationship between PensionBee and its customers has resulted in PensionBee achieving high levels of Customer and AUA Retention Rates (each in excess of 95% as at 31 December 2020) generating predictable lifetime revenues and cashflows.

AUA and Revenue are also importantly linked to growth in the underlying market value of the investments customers hold in their accounts. Stock markets give an indication of investment growth and the most relevant proxy measure tends to be the movement in the major global stock market indices, including in the United States and in the United Kingdom. Whilst short-term fluctuations may decrease the value of AUA, customers' exposure to the stock market has historically increased their retirement savings, and therefore our AUA and Revenue, over the longer run.

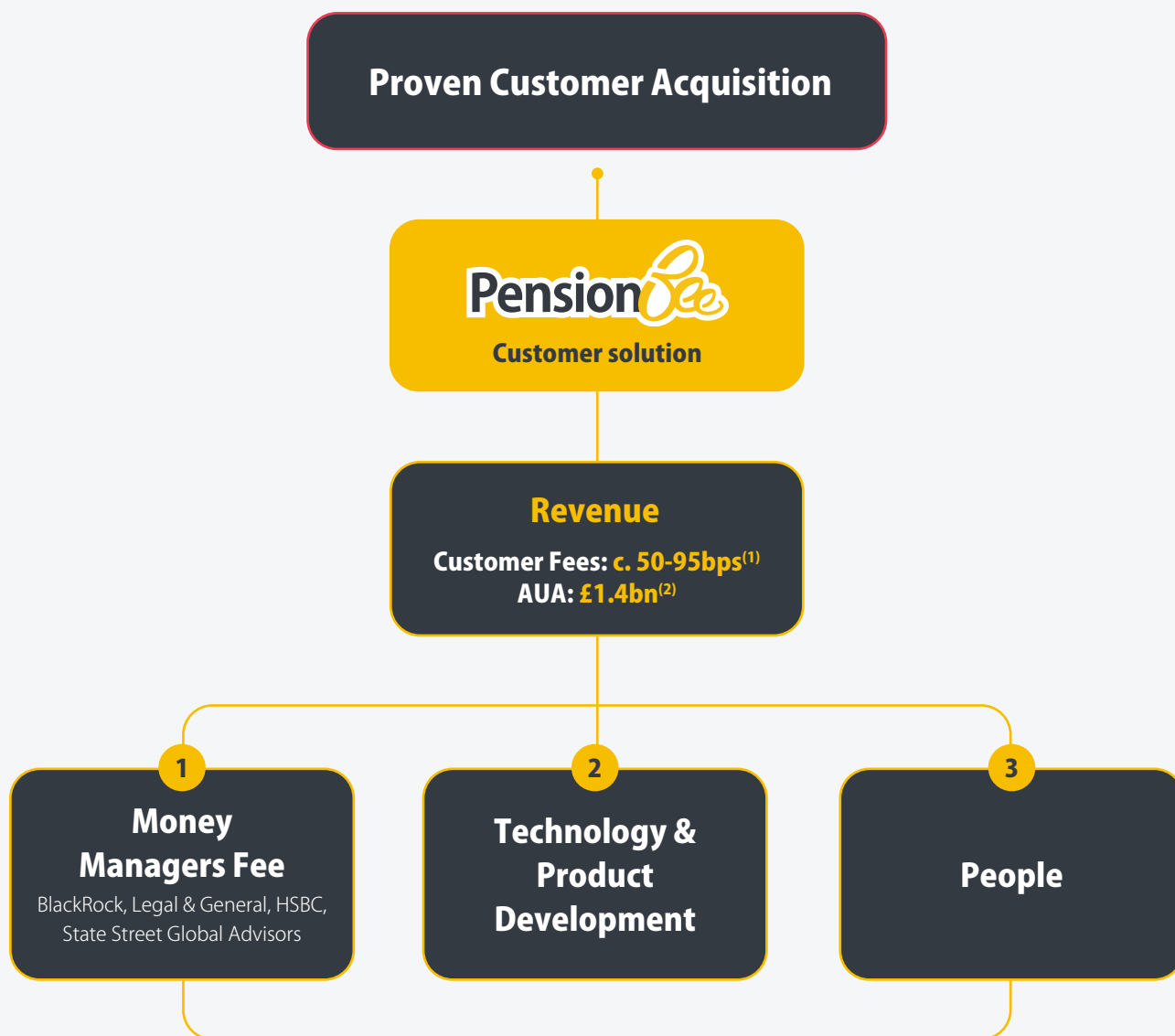
Scalability of Operations

PensionBee only offers its customers highly liquid, scalable investment management solutions from the world's largest asset managers. The investment solutions track prominent global indices and provide unrestricted capacity for inflows and the highest levels of liquidity. PensionBee continually invests in its technology, people and product development in an efficient and disciplined manner. PensionBee's operations are highly scalable and the Company expects to benefit from operating leverage and increasing cost efficiency as it grows.

The customer proposition is tech-enabled, allowing easy onboarding of customers and intuitive self-service throughout a customer's lifetime. PensionBee utilises technology to ensure its service is as efficient and automated as possible, such that adding new customers and assets has only a marginal cost impact. The technology is scalable and built on dynamic, world-class cloud-native platforms.

PensionBee prides itself on its excellent customer service, complementing its digital offering with dedicated customer account managers who offer lifetime customer support. The customer success team benefits from a single view of the customer, enabling efficient and personalised service.

PensionBee's Business Model



1 Customer fees paid based on the range of funds on offer

2 AUA as per Management Information as at 31 December 2020

Market Opportunity

We operate in the vast, growing pension landscape with a significant addressable market opportunity

UK Pensions & Retirement

A pension is typically a tax-efficient way to save money for later in life, providing an income for retirement. Whilst individuals in the UK may rely on a number of sources from which to draw income during retirement, pensions are the largest component of wealth in the UK, representing approximately 43% of total UK wealth⁶ (with other types including property, financial and other physical wealth). Total UK wealth was estimated by the ONS in 2016-2018 to be approximately £14.6 trillion⁷ and PensionBee estimates this to have risen to approximately £17 trillion⁸ today.

UK Private Pensions Market

The UK private pensions market is vast. The Office for National Statistics ("ONS") estimated the UK's total private pension wealth to be approximately £6.1 trillion⁹ in 2018 and PensionBee estimates that this has grown to approximately £7.3 trillion¹⁰ today.

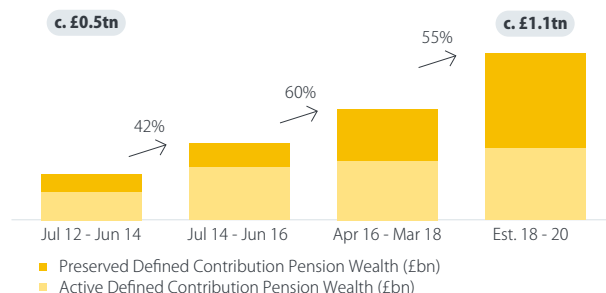
PensionBee's product proposition is focused on Defined Contribution schemes and customers. Defined contribution pensions build up a pension pot using personal and employer contributions (if applicable) plus investment returns and tax relief. The ONS estimated the UK's DC wealth at approximately £0.8 trillion¹¹ across the average of the 2016-2018 period and PensionBee estimates that this total pension wealth today has grown to approximately £1.1 trillion. The number of individuals in the DC market is also vast. In December 2020, the FCA estimated that there were 26.7 million individuals in contract-based workplace and non-workplace DC schemes¹² within its regulatory perimeter. The DC market can be further segmented into Active Pensions and Preserved Pensions:

Active Pensions - approximately £0.5 trillion of wealth held in pensions into which individuals or employers are regularly or actively contributing, usually during working life; and

Preserved Pensions - approximately £0.6 trillion of wealth held in personal and workplace pensions into which contributions are no longer being made, but which are not yet in payment, having accrued rights that will come into payment in the future.

PensionBee's core target market is the UK DC Preserved Pensions market. UK DC Preserved Pension wealth has grown significantly from the average across 2012-2014 to the estimated £0.6 trillion today (average across the 2018-2020 period) with a CAGR of approximately 23%.¹³

The growth in the UK Preserved Pensions market has been driven by a number of supportive trends such as: increased working life, individuals being more likely to move jobs more frequently (the average adult switches jobs approximately 11 times¹⁴), further job market fragmentation and the advent of auto-enrolment. The total number of individuals automatically enrolled in workplace pensions grew from approximately 1 million in 2013 to 10 million in 2019, with 87% of UK employees now saving into a workplace pension scheme¹⁵. According to the ONS Occupational Pension Scheme Survey, there were 17.5 million DC workplace pension accounts in the UK in 2018. Applying historical average growth rates, PensionBee estimates there could be 28.1 million¹⁶ workplace pension accounts today in addition to the 12.7 million¹⁷ non-workplace accounts, totalling 40.8 million DC schemes. PensionBee management data suggests that every DC saver has an average of two pension accounts, suggesting an estimated 20.4 million individuals with a DC scheme as part of its addressable market.



6 ONS: Pension Wealth: Wealth in Great Britain, April 2016 to March 2018

7 ONS: Pension Wealth: Wealth in Great Britain, April 2016 to March 2018

8 PensionBee estimate based on: ONS: Pension Wealth in Great Britain: April 2016 to March 2018. PensionBee estimate of £17 trillion for 2018-2020 calculated by applying a historical CAGR of 9% (achieved from the average of July 2012-June 2014 to the average of April 2016-March 2018) for 2 years

9 ONS: Pension Wealth: Wealth in Great Britain, April 2016 to March 2018

10 PensionBee estimate based on: ONS: Pension Wealth: Wealth in Great Britain: April 2016 to March 2018. PensionBee estimate of £7 trillion for 2018-2020 calculated by applying a historical CAGR of 9% to April 2016-March 2018 (achieved from the average of July 2012 - June 2014 to the average of April 2016-March 2018) for 2 years

11 ONS: Pension Wealth: Wealth in Great Britain: April 2016 to March 2018

12 FCA - Evaluation of the impact of the Retail Distribution Review and the Financial Advice Market Review - December 2020

13 PensionBee estimate based on: ONS: Pension Wealth in Great Britain: April 2016 to March 2018. PensionBee estimate of £0.6 trillion for 2018-2020 calculated by applying a historical CAGR of 9% (achieved from the average of July 2012- June 2014 to the average of April 2016-March 2018) for 2 years

14 'Meeting future workplace pension challenges: Improving transfers and dealing with small pension pots', DWP, December 2011

15 The Pensions Regulator - Automatic Enrolment: Commentary and Analysis April 2018 - March 2019

16 PensionBee estimate based on: ONS Occupational Pension Scheme Survey 2018, calculated by applying average of annual growth rates for 2017 and 2018 to the number of members of occupational pensions schemes in 2018, rolling forward to 2020

17 FCA - Effective Competition in non-workplace pensions - July 2019

Market Trends

Government and Regulatory

For at least the last two decades, successive UK Governments have focused on ensuring that individuals in the UK are saving appropriately for retirement, with a series of major regulatory and policy initiatives during this period. There is now broad consensus across the political spectrum that the state pension alone will not provide sufficient retirement income and there is a growing awareness of a related issue, the 'savings gap', whereby individuals are not saving enough to provide for the retirement they expect.

Digital Adoption of Financial Services

The development of technology has changed the financial services landscape significantly over recent years. The ability of financial technology focused firms to develop direct means of accessing consumers has allowed non-traditional firms to enter all areas of the financial services sector, competing with or working alongside more traditional financial services businesses. By harnessing the power of nascent technological developments in areas such as cloud computing and Big Data, many such firms have experienced significant growth in a short span of time.

Since the onset of the coronavirus pandemic and the associated restrictions on movement, digital adoption has taken a further leap forward, with many interactions which would previously have taken place face-to-face being no longer viable. This has forced both consumers and companies alike to adapt even faster to new technologies.

Employment Trends

In addition to living longer, embracing technology and taking greater ownership of financial decisions, individuals are increasingly moving jobs more frequently. The average person now moves jobs 11 times¹⁸ in their career and therefore stands to be auto-enrolled in a large number of pension plans, requiring a consolidation solution. In addition to growth in the number of employed individuals, there has been strong growth in the number of self-employed individuals from 3.3 million people (12.0% of the labour force) in 2001 to 4.8 million (15.1% of the labour force) in 2017¹⁹. In response, PensionBee has recently launched a dedicated self-employed pension product in January 2021 to support those individuals in saving for their retirement.



Market Outlook

The growth in the UK DC pension market, both in terms of number of individual savers and the aggregate wealth managed within schemes, is expected to continue. The broad shift from DB to DC pensions and the simultaneous increase in DC contributions supported by UK Government regulation through auto-enrolment, is expected to continue to support an increase in the number of active schemes, the number of individuals saving for retirement in this market and the total DC pension wealth.

Recent research by Nest Insight (which the Directors believe is an accurate barometer of the state of auto-enrolment in the UK since one in three employees have a pension with Nest) found that the DC contribution levels were consistent between April 2020 and September 2020 with mean pension pots increasing from £1,106 as at 31 March 2020 to £1,475 as at 30 September 2020.

In the first wave of the pandemic, the government paid minimum pension contributions of 3% for furloughed employees whilst from August onwards, auto-enrolment pension contributions were paid for by the employers of furloughed staff²⁰. In the medium to long-term, the restrictions in movement associated with the pandemic are expected to accelerate growth in the UK Preserved DC pensions market, given an increased level of job market dislocation and the associated proliferation of pension plans that may be suited to a consolidation solution.

¹⁸ 'Meeting future workplace pension challenges: Improving transfers and dealing with small pension pots', DWP, December 2011

¹⁹ ONS: Trends in self-employment in the UK: 7 February 2018

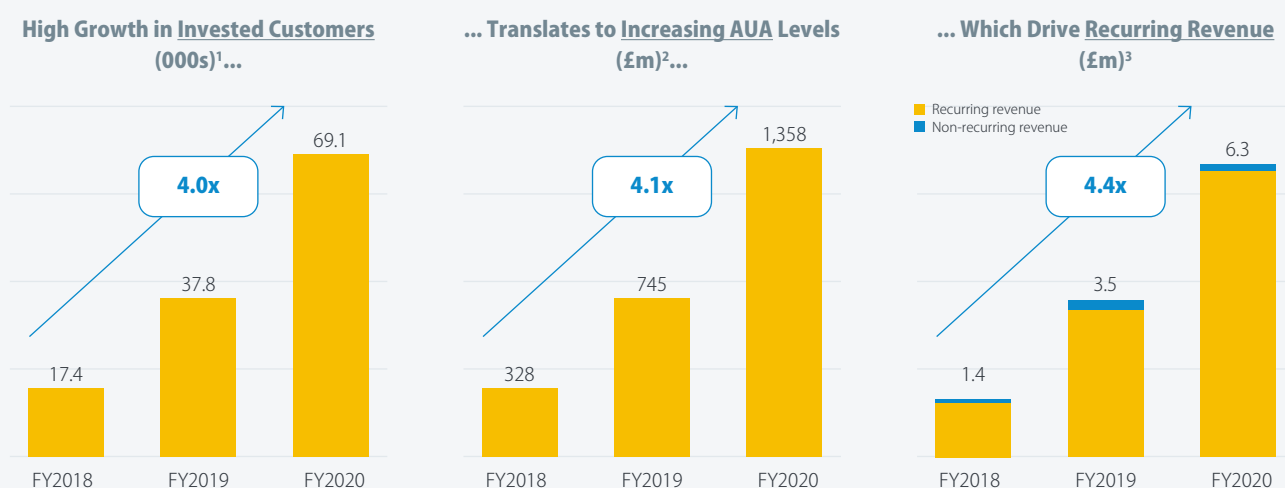
²⁰ Nest Insight – 'Retirement saving in the UK 2020', February 2021

Operating and Financial Review

2020 Performance

Continued growth across all metrics for another year in 2020

All of PensionBee's major KPIs have continued to grow significantly. Over the last two years, we have grown 4.0x our Invested Customer base, 4.1x our AUA and 4.4x our Revenue.



Even despite the coronavirus pandemic, we have grown strongly in 2020 compared to 2019 with Invested Customer growth of 83% to 69k, AUA growth of 82% to £1.4bn and Revenue growth of 77% to £6.3m.

- 1 Management Information as at 31 December 2020. "Invested Customers" ("IC") means those customers who have transferred pension assets or made contributions into one of PensionBee's investment plans
- 2 AUA as per Management Information at 31 December 2020
- 3 Revenue as at FY2018, FY2019, FY2020

Marketing initiatives to make PensionBee a household name resulted in strong top-line growth for the Company

In 2020, we continued to diversify our marketing channel mix by investing more in brand-led channels. We increased our TV and radio advertisements and ran extensive out-of-home advertising campaigns during the outdoor months. We continued scaling our marketing activities on our core digital channels, including search, social media and online partnerships. Advertising and marketing costs therefore increased from £4.2m in 2019 to £8.2m in 2020.

Over the course of the year we were delighted to see these initiatives bear fruit. Our Active Customer base grew by 86% on the previous year, to 119k. Similarly, we grew our number of Invested Customers by 83% to 69k by the end of 2020. This was achieved within our tolerance threshold of cumulative Cost per Invested Customer of £200-250, demonstrating our ability to scale our marketing and distribution channels effectively.

The increase in new customers resulted in an 82% increase in Assets under Administration to £1.4bn and a resulting 77% increase in our Revenue to £6.3m for 2020.

Continued high customer retention drove an overwhelming majority of recurring revenue

We continued to benefit from high customer retention rates that reflect our unique customer proposition. Building the best online pension product in the UK market allows us to grow the customer base, but also serve customers for longer. We are proud that >95% of our customers stay and build their wealth with PensionBee, benefitting from new product and technology innovations.

As the vast majority of Revenue is derived from annual management fees charged as a percentage of AUA, the high retention of customers and AUA makes the overwhelming majority of our Revenue recurring in nature, in fact as at 31 December 2020, almost two thirds of our AUA was derived from customer cohorts acquired in prior financial years. This in turn allows for greater visibility and predictability of future years' Revenue.

We grew our business by investing in our people, product offering and scalability

During the course of 2020, we made investments in our technology platform to position PensionBee for future growth.

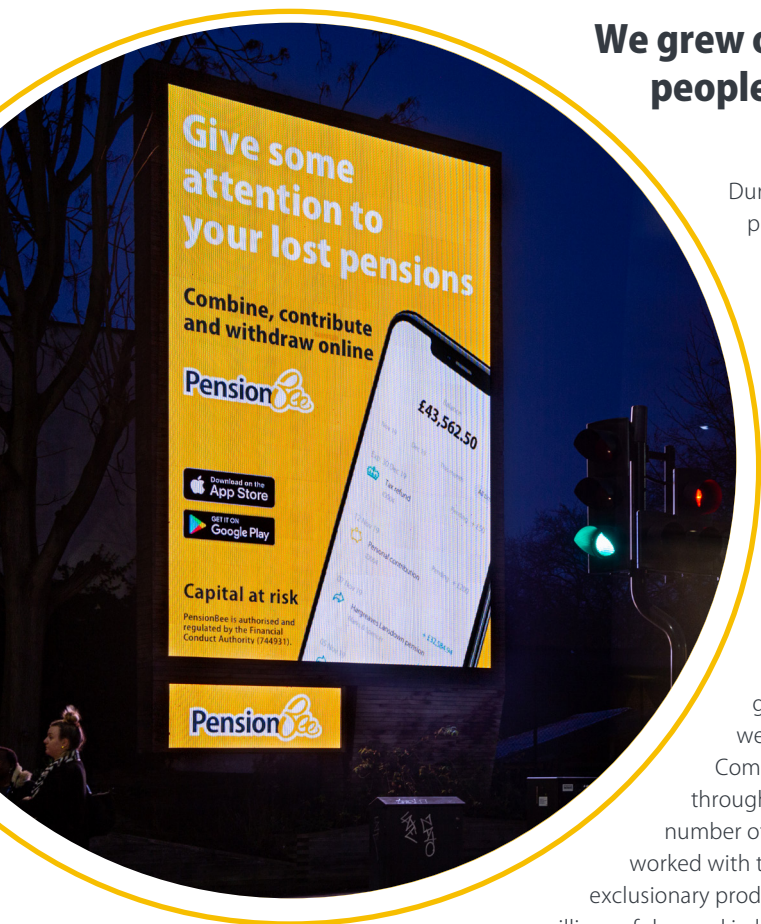
2020 saw an increase in our pace of innovation, with more than 4 product updates every working day throughout the year. We refreshed and simplified our journey for making pension contributions, including creating an online portal for employers to set up employees' contributions. We also refreshed our brand and improved the organisation of the website to make it easier to navigate and find content. Our mobile app received a number of updates to bring its functionality further in line with the website, with its ratings rising to 4+ on both the iOS and Android app stores.

In another industry first, 2020 saw us launch one of the UK's first mainstream fossil fuel free pension plans, which excludes all companies that own proven or probable reserves in coal, oil or gas, as well as tobacco companies, arms companies, controversial weapons manufacturers and persistent violators of the UN Global Compact. This plan arose as a direct result of customer feedback, gathered through survey data and interviews, which demonstrated that a growing number of customers no longer wanted to be invested in oil companies. We worked with the investment management industry to create this new type of exclusionary product and a customer campaign to seed the fund received tens of millions of demand in less than a week.

For our customers aged 55 and older who can withdraw from their pensions, we collated a range of plans that meet four clear retirement objectives. These are in line with the Financial Conduct Authority's Investment Pathways initiative to improve retirement outcomes for consumers who do not wish to seek financial advice before entering drawdown. In August, we also launched a partnership with Legal & General to help customers obtain a quote for an annuity if they want the guarantee of a lifelong income instead of drawing from their pension pot. Customers also benefit from increased security due to the introduction of a facial similarity (or "selfie") identity check when they make their first withdrawal.

Like so many businesses, we responded to the coronavirus pandemic by preparing the team to work from home. We facilitated a secure and productive work-at-home environment within 48 hours in March without any interruption to our customer service channels or operations.

Investments in internal automations continued through 2020, seeing improvements to our machine reading technology for processing incoming letters, automations in our core banking processes and pension payroll, and simplified communications and workflow management in our customer success team. Automation is a key pillar of our strategy that allows us to onboard a rapidly growing customer base while maintaining high standards of customer service.



Our financial performance continued to demonstrate growth and operating leverage

2020 saw PensionBee continuing on its growth trajectory, delivering an annual rise in Assets under Administration of 82% from £745m at the end of 2019 to £1.4bn at the end of 2020. Asset growth translated into a year-on-year increase of 77% in Revenue, which was £6.3m for 2020. By December 2020 we had achieved an Annual Run Rate Revenue of £8.8m²¹.

Technology Platform Costs and Other Operating Expenses consist of employee benefits expenses (excluding share-based payments) and other operating expenses including external technology costs (but excluding money manager costs). As mentioned above, we invested into our scalable technology platform and hired top talent in order to give customers an outstanding experience. Our Technology Platform Costs and Other Operating Expenses thus increased from £4.6m to £7.5m.

The largest component of Technology Platform Costs and Other Operating Expenses is employee benefits expense (excluding share-based payments) which comprises wages and salaries, social security costs and pension costs of PensionBee's employees. The vast majority of PensionBee's employee benefits expense is basic-salary as opposed to bonus related. The employee benefits expense (excluding share-based payments) increased from £2.6m for 2019 to £4.5m for 2020. This increase was due to the increase in the average headcount of PensionBee's employees which grew from 67 in 2019 to 110 in 2020, principally due to increases in PensionBee's customer service, operations and technology functions to support the growth in its business.

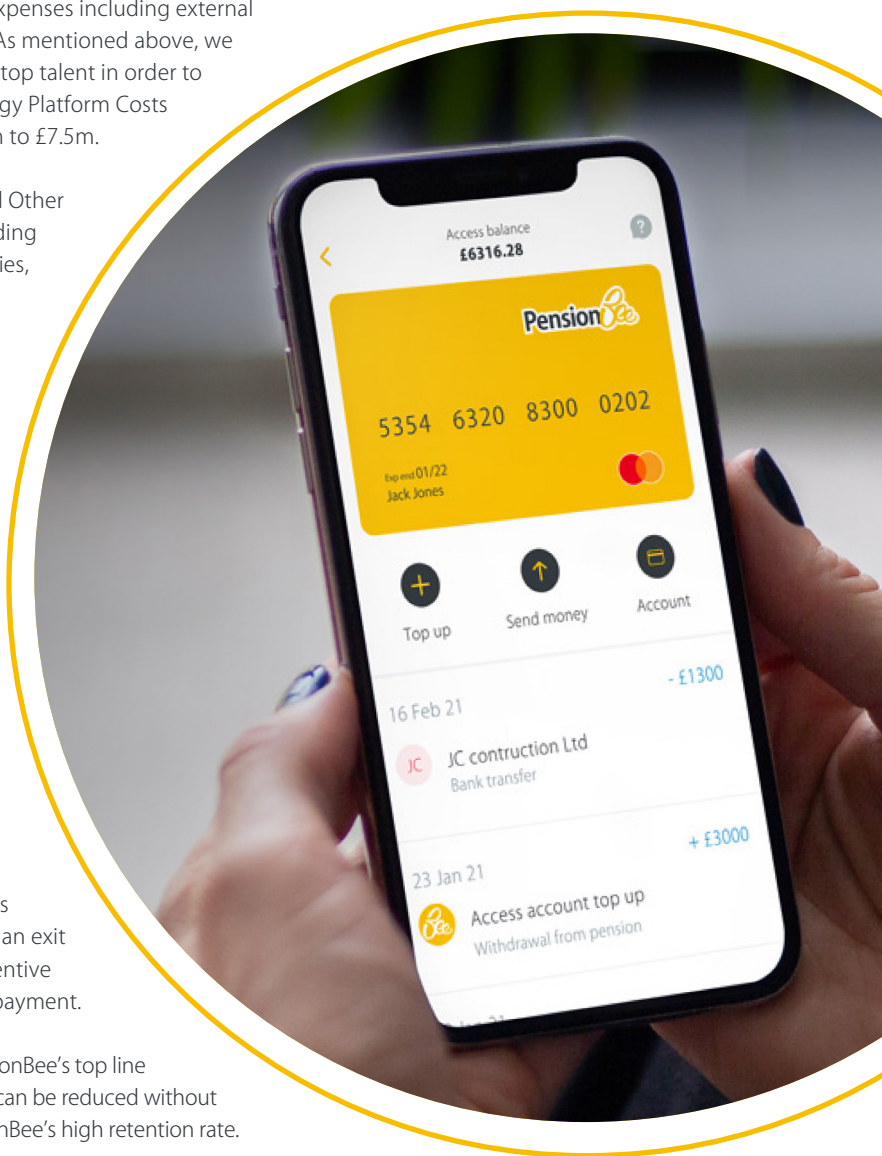
PensionBee's other expenses, which include money manager fees, in 2020 were £4.0m compared to £2.7m in 2019. These increases were principally as a result of the increase in PensionBee's other administrative expenses and money managers fee.

PensionBee's share-based payment for 2020 was £2.2m, an increase of £1.3m, compared to £0.9m in 2019. This was principally due to the change in the anticipated timing of an exit event under the terms of the Company's share-based incentive scheme which is an exercise condition for a share-based payment.

Advertising and marketing is key in our ability to grow PensionBee's top line over time, but is predominantly discretionary in nature and can be reduced without any significant adverse impact on Revenue owing to PensionBee's high retention rate.

PensionBee's Operating Loss was £13.5m in 2020 compared to £7.0m in 2019. This difference of £6.5m was predominantly driven by our investment into growth as advertising and marketing increased by c.£4m from £4.2m in 2019 to £8.2m in 2020. The decrease in Earnings per Share from £(33.38) to £(61.39) was mainly due to the increase in the loss for the year.

In conclusion, set against the backdrop of an increase in Revenue of 77% from £3.5m in 2019 to £6.3m in 2020, the Adjusted EBITDA Margin remained flat at (166)% due to significant marketing expenditure towards the end of the year which positioned PensionBee well into the 2021 financial year. Adjusted EBITDA before Marketing is a good approximation of operating scalability of the platform; the margin improved from (49)% in 2019 to (35)% in 2020.



²¹ Annual Run Rate Revenue is calculated using the Recurring Revenue for the month of December 2020, multiplied by 12 to get a full year estimate

We maintained a strong capital position

By the end of the year we had raised a total of £30.3m of capital over the history of the Company, closing 2020 with a cash position of £6.7m²². Our capital resources position of £6.5m represented c.10x cover of our statutory capital requirement of £659k. By December 2020 we had achieved an Annual Run Rate Revenue of £8.8m²³.

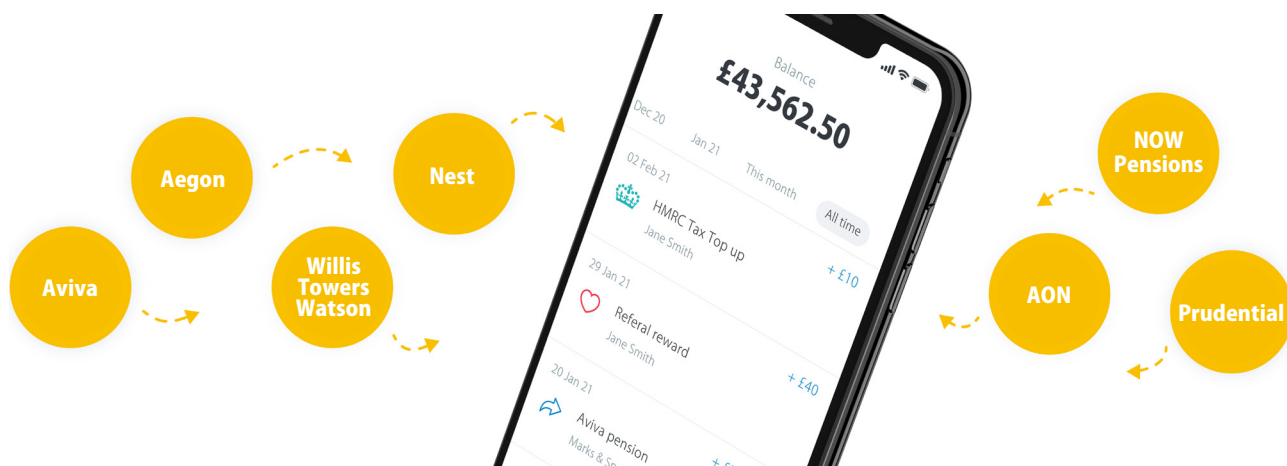
Financial Highlights

£ m, unless otherwise stated	2019	2020
Annual Run Rate Revenue for December²³	4.7	8.8
Recurring Revenue full year	3.3	6.2
Revenue	3.5	6.3
Employee benefit expense (ex. SBP)	(2.6)	(4.5)
Advertising and marketing	(4.2)	(8.2)
Other expenses	(2.7)	(4.0)
Adjusted EBITDA*	(5.9)	(10.4)
Adjusted EBITDA Margin ²⁴	(166)%	(166)%
Advertising and marketing	4.2	8.2
Adjusted EBITDA Before Marketing*	(1.7)	(2.2)
Adjusted EBITDA before Marketing Margin ²⁵	(49)%	(35)%

* PensionBee's KPIs include alternative performance measures (APMs), which are indicated with an asterisk. APMs are not defined by International Financial Reporting Standards (IFRS) and should be considered together with the Group's IFRS measurements of performance. PensionBee believes APMs assist in providing greater insight into the underlying performance of PensionBee and enhance comparability of information between reporting periods.

Outlook

Over 2021 we expect to continue investing in our marketing activities, product development and service, thereby providing our customers with the leading online pension proposition they expect. Our commitment to our strategy sustains our positive reviews and customer retention rates. We are emerging from the global pandemic in a position of strength, allowing us to maintain a sustained rate of growth across our key performance indicators.



²² Cash and Cash Equivalents as set out in the Statement of Cash Flows

²³ Annual Run Rate Revenue is calculated using the Recurring Revenue for the month of December 2020, multiplied by 12 to get a full year estimate

²⁴ Adjusted EBITDA Margin means Adjusted EBITDA as a percentage of Revenue for the relevant year

²⁵ Adjusted EBITDA Margin Before Marketing means Adjusted EBITDA as a percentage of Revenue for the relevant year excluding marketing cost

Key Performance Indicators

When looking at the overall performance of PensionBee, we use a range of key performance indicators (KPIs) to monitor and assess our progress against our strategy

Assets under Administration (AUA)	2020: £1.4bn 2019: £745m	+82%	AUA is the total invested value of pension assets within PensionBee Invested Customers' pensions at the year end. It measures the new inflows less the outflows and records a change in the market value of the assets. AUA is a measurement of the growth of the business and is the primary driver of Revenue.
AUA Retention Rate (% of AUA)	2020: >95% 2019: >95%	Stable	AUA Retention Rate measures the percentage of retained PensionBee AUA from Transfer Outs over the average of the year. High AUA retention provides more certainty of future Revenue. This measure can also be used to monitor customer satisfaction.
Registered Customers (RC)	2020: 403k 2019: 232k	+74%	Registered Customers measures customers who have started the sign-up process and have submitted at least a name and an email address and includes those customers who are classified as Active Customers.
Active Customers (AC)	2020: 119k 2019: 64k	+86%	Active Customers means all customers who have requested to become an Invested Customer by accepting PensionBee's terms of business but for whom the transfer or contribution process is not yet completed and all customers who are classified as Invested Customers.
Invested Customers (IC)	2020: 69k 2019: 38k	+83%	Invested Customers means those customers who have transferred pension assets or made contributions into one of PensionBee's investment plans.
Customer Retention Rate (% of IC)	2020: >95% 2019: >95%	Stable	Customer Retention Rate measures the percentage of retained PensionBee Invested Customers over the average of the year. High customer retention provides more certainty of future Revenue. This measure can also be used to monitor customer satisfaction.
Cost per IC (CPIC)	2020: £232 2019: £206	Within Threshold	Cost per Invested Customer ("CPIC") means the cumulative advertising and marketing costs incurred since PensionBee commenced trading up until the relevant point in time divided by the cumulative number of Invested Customers at that point in time. This measure monitors cost discipline of customer acquisition. PensionBee aspires to maintain its CPIC between £200 and £250.
Same-year RC:IC Conversion	2020: 17% 2019: 16%	+1ppt	Same-year RC:IC conversion percentage is calculated by dividing the number of Invested Customers as at the end of the year by the number of Registered Customers as at the end of the year in the same year. This measure monitors PensionBee's ability to convert customers through the acquisition funnel.
Contractual Revenue Margin (% of AUA)	2020: 0.69% 2019: 0.68%	+1bps	Contractual Revenue Margin means the weighted average contractual fee rate across PensionBee's investment plans (before applying any size discount) calculated by reference to the amount of AUA held in each plan as at 31 December of the relevant year. This measure monitors PensionBee's ability to maintain a stable top line margin.
Revenue	2020: £6.3m 2019: £3.5m	+77%	Revenue means the income generated from the asset base of PensionBee's customers, essentially annual management fees charged on the AUA, together with a minor revenue contribution from other services.
Net Operating Cash Loss	2020: £(10.4)m 2019: £(5.2)m	+100%	Net Operating Cash Loss is the 'Net cash flow used in operating activities' set out on the Statement of Cash Flows within the Financial Statements. The Net Operating Cash Loss reflects the amount of cash utilised by the Company to generate revenue.
Adjusted EBITDA*	2020: £(10.4)m 2019: £(5.9)m	+77%	Adjusted EBITDA is the loss for the year before taxation, finance costs, depreciation, share based compensation and transaction costs.
Adjusted EBITDA Margin*	2020: (166)% 2019: (166)%	Stable	Adjusted EBITDA Margin means Adjusted EBITDA as a percentage of Revenue for the relevant year.

* PensionBee's KPIs include alternative performance measures (APMs), which are indicated with an asterisk. APMs are not defined by International Financial Reporting Standards (IFRS) and should be considered together with the Group's IFRS measurements of performance. PensionBee believes APMs assist in providing greater insight into the underlying performance of PensionBee and enhance comparability of information between reporting periods

Managing our Risks

Overview of Risks

PensionBee has identified seven types of potential risks which could have a material impact on PensionBee's long term performance. These arise from internal or external events, acts or omissions. The risk factors mentioned below do not purport to be exhaustive as there may be additional risks that PensionBee has not yet identified or has deemed to be immaterial that could have a material adverse effect on the business.

Credit Risk

PensionBee is dependent on third-party financial services providers for the provision of investment management and banking services. PensionBee is reliant upon these third parties for the safekeeping of its own and its customers' assets. Any default by one of these third parties would have a material adverse effect on PensionBee's reputation and financial position.

Information Security Risk

PensionBee is subject to strict data protection and privacy laws in the UK including the General Data Protection Regulation (GDPR). If PensionBee's information security processes, policies and procedures relating to personal data are not fully implemented and followed by employees, or if any of its third party service providers has historically failed to manage data in a compliant manner or fails in the future, PensionBee could face financial sanctions and reputational damage.

Furthermore, PensionBee's operations are susceptible to cybercrime and loss or misuse of data. Failure to prevent such actions, or circumvention of our information security processes, policies and procedures could result in financial losses, business interruption and unauthorised access to personal data.

Market Risk

PensionBee's business may be adversely affected by negative sudden or prolonged fluctuations in the capital markets. PensionBee generates the vast majority of its Revenue in the form of fees charged on a recurring basis calculated by reference to the value of its AUA. PensionBee's Revenue and profitability is therefore directly influenced by global stock markets. A general deterioration in the global economy and a resulting capital market decline may have a negative impact on the value of PensionBee's customers' pensions and overall confidence to make new contributions to their PensionBee pensions.

Operational Risk

PensionBee's employees may make errors or omissions during the course of providing its services, resulting in misrepresentations and breaches of applicable laws or regulations. PensionBee's systems may not always detect or prevent such acts, which may only come to light in the future. Any current or historical errors, omissions, or misconduct by PensionBee or its employees in connection with the provision of our services, could have a material adverse effect on its business and financial condition.

PensionBee is dependent on third-party technology and financial services providers for the provision of investment management, banking and technology services. Any termination, interruption or reduced performance in the services provided by these third parties could negatively impact the provision of PensionBee's services and have a material adverse effect on its reputation and profitability.

PensionBee's operational infrastructure and business continuity may be affected by other failures or interruption from events, some of which are beyond its control. PensionBee's systems and the systems of our third-party providers may be vulnerable to fire, flood and other natural disasters; power loss or telecommunications or data network failures; improper or negligent operation by employees or service providers, or unauthorised physical or electronic access; and interruptions to network or wider system integrity generally. There can be no guarantee that PensionBee's preventative measures will protect it from all potential damage arising from any of the events described above.

Regulatory Risk

PensionBee's business is subject to risks relating to changes in UK government policy and applicable regulations. While PensionBee has historically benefitted from favourable regulatory changes, including through the introduction of Automatic Enrolment and Pension Freedoms, any regulatory changes which are negative for PensionBee's business could have a material adverse effect on our prospects.

PensionBee's operations are subject to authorisation and supervision from the Financial Conduct Authority, and supervision from HMRC and the Information Commissioner's Office. PensionBee may fail, or be held to have failed, to comply with regulations and such regulations and approvals may change, making compliance more onerous and costly. The Financial Conduct Authority, or other regulators, could conclude that PensionBee has breached applicable regulations, which could result in a public reprimand, fines, customer redress or other regulatory sanctions.

PensionBee may be subject to complaints or claims from customers and third parties in the normal course of business. If a large number of complaints, or complaints resulting in substantial customer and third party losses, were upheld against PensionBee, it could have a material adverse effect on PensionBee's business and financial condition.

Reputational Risk

PensionBee could be subject to adverse publicity, including if PensionBee or its customers become targets for actual and attempted financial crime and fraud arising from the actions of third parties, customers and staff. Criminals may attempt to use PensionBee's service to facilitate financial crimes. If PensionBee does not continue to develop and implement preventative financial crime and fraud measures, practices and strategies, its ability to combat financial crime and fraud could be adversely affected. There is no guarantee that PensionBee's proactive measures will be successful in the prevention or detection of financial crime and fraud and any failure to combat these matters effectively could adversely affect its profitability.

Strategic Risk

The pensions market is competitive and there is no guarantee that PensionBee will be able to continue to achieve the growth levels it has enjoyed to date or that it will be able to maintain its financial performance either at historical or anticipated future levels. PensionBee's competitors include a variety of financial services firms and its market is characterised by ongoing technological progression, including to the underlying infrastructure and user experience. There is no guarantee that PensionBee will continue to outpace its competitors. In addition, the pension market remains cost-sensitive and competitors could materially undercut PensionBee's fees, thereby generating pressure on its revenues. Any failure of PensionBee to maintain its competitive position could lead to a reduction in revenues and profitability as well as lower future growth.

PensionBee is dependent upon the experience, skills and knowledge of its directors and senior managers to implement its strategy. The loss of a significant number of directors, senior managers and/or other key employees, or the inability to recruit suitably experienced, qualified and trained staff, as needed, may cause significant disruption to its business and ability to grow.

The Risk Management Framework

PensionBee maintains a comprehensive risk management process designed to identify, monitor and mitigate risks that arise from its business activities and thereby assist PensionBee in meeting its obligations to key stakeholders, including customers, employees, shareholders, regulators and broader society.

The risk management framework adopts the standard first, second and third line of defence model in segregating risk management activities and reporting lines. The Board of Directors oversees the risk management process.

The **first line of defence** is directly embedded in the business activities and is managed by department heads or other sufficiently senior employees at PensionBee. Risks are brought to the attention of the first line by the second line and vice versa. The first line of defence is required to implement PensionBee's risk management policies.

The **second line of defence** is delivered by PensionBee's risk management team, which documents and maintains PensionBee's appetite and perceived exposure to risk through a risk register. PensionBee's risk appetite is generally low to medium. PensionBee has put in place mitigations to achieve a residual risk exposure that is in line with its risk appetite. As part of its mitigatory activities, PensionBee maintains a set of policies that document the steps it takes to help reduce the likelihood (and in some cases, the impact) of a risk occurring. Each policy is reviewed at least once annually.

As part of the **third line of defence**, PensionBee employs external parties to perform independent audits. In early 2021, PensionBee was subject to an audit by a third party of its information security practices resulting in PensionBee receiving ISO 27001 certification, following the receipt of a Gold Standard in the IASME Governance Framework in 2019.

Summary of Risks and Mitigations

Through the risk management process described above, PensionBee has implemented mitigations to reduce risk in accordance with its risk appetite. The summary of mitigations is presented below.

Risk Type	Risks	Mitigations
Credit	Default by a key financial partner could materially damage the capital position and ability to generate Revenue.	<ul style="list-style-type: none"> Only contract with the world's largest and most reputable asset managers. Only bank with large and reputable institutions.
Information security	Serious or prolonged breaches, errors or breakdowns in PensionBee's technology systems or exposure to an external attack could materially breach data protection laws, which could render it liable to governmental or regulatory disciplinary action, as well as to claims by customers.	<ul style="list-style-type: none"> ISO 27001 certification. Maintain a robust policy set and physical controls to keep information secure. Rely on global partners for data storage and encryption. Regular training for employees.
Market	Fluctuations in capital markets may adversely affect trading activity and/or the value of PensionBee's Assets under Administration, from which it derives Revenue.	<ul style="list-style-type: none"> Rely on recurring Revenue from long-duration assets. Maintain asset diversification through appropriate fund range.
Operational	Serious or recurrent breaches and errors in manual processes and systems, including those provided by third parties, could render PensionBee liable to governmental or regulatory disciplinary action, as well as claims by customers.	<ul style="list-style-type: none"> Extensive automation program in place to reduce manual procedures. Maintain a robust policy set of document procedures. Regular training for employees.
Regulatory	PensionBee may be materially adversely affected as a result of new or revised legislation or regulations, or by changes in the interpretation or enforcement of existing laws and regulations.	<ul style="list-style-type: none"> Strong culture of fair treatment of customers and purposeful business model. Maintain a robust risk management framework. Regular interactions with industry bodies to monitor trends.
Reputational	There is a risk of reputational damage including as a result of employee misconduct, failure to manage our risks, fraud or improper practice.	<ul style="list-style-type: none"> Strong culture of fair treatment of customers and purposeful business model. Maintain a robust risk management framework.
Strategic	PensionBee operates in a competitive environment and its continued growth depends on its ability to respond to external changes.	<ul style="list-style-type: none"> Embedded processes to gather and absorb customer feedback. Rapid implementation and product development cycles.

Our People

Talent Management and Retention

PensionBee is committed to managing and investing in its talent – a team of unique, diverse, and innovative individuals who want to make a real difference

PensionBee's diverse and inclusive workforce of 149 employees (at the end of 2020) reflects its customer base. PensionBee's team is motivated and empowered to achieve great results across all areas of the business. PensionBee's strong culture and values enable it to attract and retain people who passionately believe in PensionBee's vision. PensionBee's talent management strategy ensures that it nurtures staff and provides them with the appropriate training, development and support to ensure they can progress as the business continues to grow. All employees participate in the share option scheme which further helps to drive engagement and an ownership mentality.

Recruitment

The PensionBee Talent Program is a two year development program for employees who join the Customer Success Team. PensionBee encourages people to enter the pensions industry who might not usually do so, or who may not be able to join a traditional graduate scheme. PensionBee then supports those people to progress within PensionBee by providing continuous training across a range of skills and departments, enabling those on the program to follow their interests and grow their skillset.

Engagement

It is critical that PensionBee's people are engaged in the growth and development of its business and as such, PensionBee is committed to providing them with opportunities to learn, develop, gain new skills and to progress their careers. PensionBee hosts company-wide 'Stand Up' sessions every morning to provide daily business updates, weekly company 'Show 'n' Tell' sessions and a calendar of informal activities, including frequent 'Lunch & Learn' workshops that are widely attended. PensionBee provides training to keep staff informed of significant changes in regulation, legislation and updates within the business. PensionBee encourages an environment of regular communication within teams, feedback, surveys and social news to foster engagement from all.

Promotions

PensionBee is committed to nurturing internal talent, in line with the Company values of Love and Quality. PensionBee prioritises internal hiring and career development, allowing it to further boost engagement, increase retention and encourage high performance at all levels of the Company. PensionBee's employees understand its expectations and culture, and already know its customers, product and processes in detail, so providing training in discipline-specific skills allows for a very flexible career path that builds value within the business.

Well-being

PensionBee is keen to invest in the health and well-being of our staff, providing a wide range of benefits and increasing activities and levels of support to ensure that everyone is catered for. PensionBee's comprehensive policies are reviewed annually. Initiatives currently in place include regular 'Happiness! Meetings', the presence of Mental Health First Aiders and free counselling sessions.

Remuneration

PensionBee's goal is to ensure fair, competitive and appropriate compensation for all its employees. PensionBee has made a commitment to be an accredited Living Wage Employer, believing employees should earn the financial resources needed to maintain health, well-being and a good quality of life. Key to attracting and retaining the best talent is to ensure the correct approach to compensation and alignment within the team. As such, in addition to a base salary, full-time employees participate in a year-end bonus scheme linked to the success of PensionBee and their individual performance and behaviours in line with the values. Options form an important part of the long-term compensation at PensionBee in recognition of the contribution each individual makes, encouraging individuals to think and behave like owners and enabling all employees to share in the success of PensionBee as it reaches its goals.

Diversity and Inclusion

PensionBee is a champion of diversity and believes the financial services industry should reflect broader society for the benefit of consumers

The Directors believe that the make-up of PensionBee's employees should reflect the diversity of PensionBee's customer base. PensionBee is committed to promoting equality, diversity and inclusion, preventing unlawful discrimination and ensuring that our colleagues all feel respected and safe at work. PensionBee's aim is for its team to be representative of all areas of society, across all levels of the business, to better reflect and represent its diverse customer base. PensionBee welcomes everyone regardless of gender, race, origin, religion, size, age, sexuality or disability.

PensionBee is committed to The Women in Finance Charter, and as well as achieving more than 50% female representation across its employee base, PensionBee is proud that approximately 40% of its employees are from ethnic minorities. In addition to diversity data, PensionBee uses regular confidential surveys to measure workplace inclusivity across its employee base. In PensionBee's 2020 Diversity and Inclusion Survey, 97% of employees stated that they feel aligned with PensionBee's vision, mission and values.

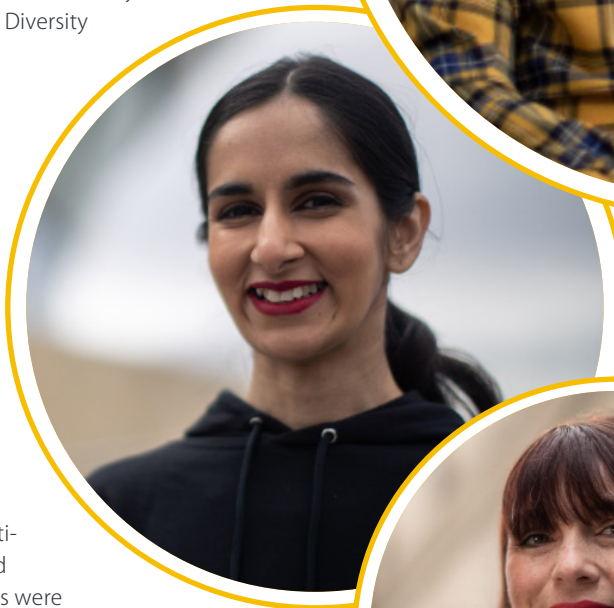
PensionBee is committed to promoting diversity and inclusion across the business, both through formal unconscious bias training and anonymised promotion cycles but also informally through its five diversity and inclusion 'champions', who lead a range of different activities to promote the inclusion of all people in PensionBee. In 2020, following the Black Lives Matter campaigns across the world, PensionBee began an internal series of talks led by, and for, employees on the history of anti-racism, to serve as a platform for education and as a focus for uniting against racism. Employees were encouraged to come forward to talk about experiences of racism in their own communities to increase awareness, encourage debate and foster a deeper sense of belonging and well-being in the PensionBee workplace.

Over the course of 2021/ 2022, PensionBee has set itself the following broad goals:

- To maintain at least 50% women and minority gender balance at all levels
- To increase representation of all minority ethnicities to at least match the UK population across all levels of the business

In recognition of PensionBee's promotion of diversity and inclusion in the workplace, PensionBee was named Employer of the Year at the Financial Adviser 'Diversity in Finance' Awards 2020.

PensionBee reports internally on its progress at least annually and expects to issue an external report once its employee base exceeds the 250 individual mark.





As a female Chief Executive, I am extremely proud to commit our organisation to promoting gender equality in the UK. For far too long, pension products and services have not been representative of our diverse society. Excluding women from financial services is a social and economic failure that every organisation should strive to change!



–Romi Savova

Environmental, Social and Governance Considerations

We want to ensure that we have a positive impact on society, leading by example

PensionBee looks to ensure that it has a positive impact on the pensions industry, its local community, society and the planet through a number of different initiatives which it has started or in which it is otherwise involved.

Environmental Responsibility

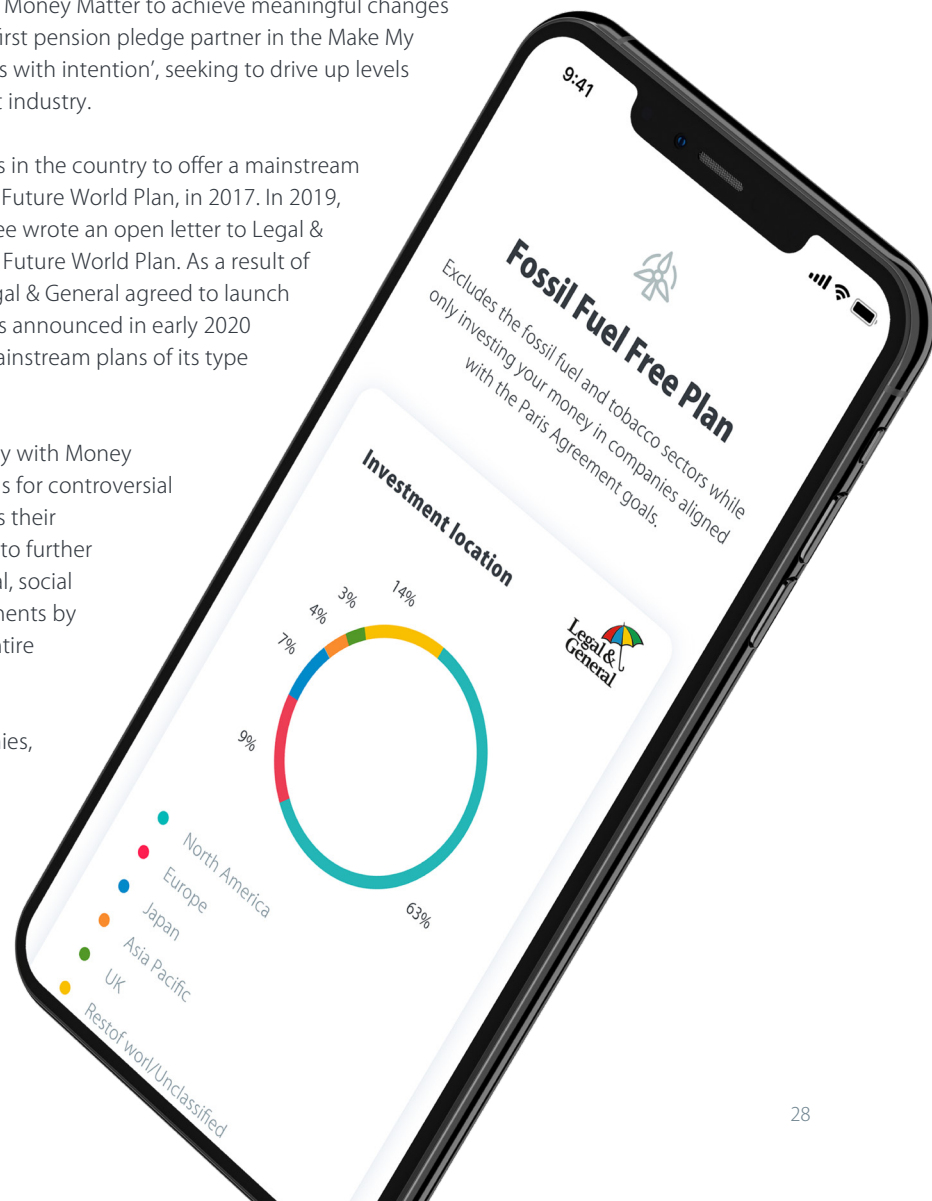
The Directors believe that pension providers have a key role to play in the transition from the carbon economy to one based on renewable energy sources. The Directors also believe that companies which focus on their contribution to society and the planet have a better long-term chance of being financially sustainable and bringing stronger returns to their members.

PensionBee is a key supporter of reforms to make pension investments more sustainable, working with organisations like ShareAction and Make My Money Matter to achieve meaningful changes for consumers. In 2020, PensionBee became the first pension pledge partner in the Make My Money Matter campaign, which calls for 'pensions with intention', seeking to drive up levels of understanding of and power in the investment industry.

PensionBee was one of the first pension providers in the country to offer a mainstream responsible investment option, Legal & General's Future World Plan, in 2017. In 2019, following feedback from its customers, PensionBee wrote an open letter to Legal & General, to challenge the inclusion of Shell in the Future World Plan. As a result of widespread media attention, PensionBee and Legal & General agreed to launch an entirely fossil fuel free pension plan, which was announced in early 2020 and which is now live. This was one of the first mainstream plans of its type on the UK market.

Throughout 2020, PensionBee worked very closely with Money Managers to introduce a range of baseline screens for controversial weapons and UN Global Compact violators across their investments. Going forward, PensionBee expects to further advance its strategy on integrating environmental, social and governance considerations within its investments by increasing exclusionary screens throughout its entire investment range, where appropriate.

Whilst exclusions work for some types of companies, the Directors believe in the engagement and active ownership approach. PensionBee's role is to be a responsible and vigilant asset owner, to help challenge undesirable corporate behaviour and seek to take money away from companies that will not engage or propose timelines for appropriate change.



Social Responsibility

Pensions industry

PensionBee is a supporter of consumer rights and actively campaigns for greater levels of transparency, easier switching and fairer charging across all pension products. In 2019, PensionBee was the first UK pension provider to voluntarily adopt the government endorsed two-page Simpler Annual Benefit Statement, designed to help consumers understand and compare their pension plans with different providers more easily. In 2020, PensionBee became the first UK provider to publish individualised member pounds and pence costs and charges information on the Simpler Annual Benefit Statement. Furthermore, throughout 2020 Romi Savova served on the UK government's Pensions Dashboards Steering Group contributing to the debate and progression of the government's Pensions Dashboards Programme. Pension dashboards, once established, will help consumers find their lost pensions and PensionBee expects digital services such as its own to thrive in an environment of increased transparency.

In 2019, PensionBee organised and led a pension scams 'Hackathon' for the pensions industry, where it gathered together representatives from government, pension scams groups, subject matter experts and the press to create a tool that would raise public awareness of pension scams. In 2020, PensionBee developed and launched the winning idea into an interactive game, 'Scam Man & Robbin', to help educate and protect consumers from scams.

Local community

PensionBee strives for social equality, in the workplace and wider society. PensionBee is dedicated to creating a more diverse pensions industry, one that reflects the UK's diverse society. As such PensionBee supports a number of initiatives aimed at improving both social mobility and financial literacy.

For example, in 2020, PensionBee began a partnership with a state secondary school in Poplar, East London to offer ongoing career support and opportunities that enable students to develop professional skills and increase levels of financial literacy. PensionBee's aim is to address the lack of diversity in the pensions industry (and financial services more generally) by increasing understanding of and familiarity with the sector amongst students, who traditionally may not have considered this career route open to them or who may have come from disadvantaged backgrounds.

PensionBee seeks to inspire and support local students in their future career journeys by broadening their exposure to different employees and areas of the business. Volunteering opportunities are open to all PensionBee employees, who can use a set number of working hours each quarter to participate.

In 2020, PensionBee also partnered with The Careers & Enterprise Company, an organisation whose mission is to facilitate a world class careers education. All of PensionBee's employees are encouraged to participate in this endeavour by volunteering at schools across the UK. The Company also participates in the 'Give An Hour' campaign, which aims to change the lives of young people through skill sharing and mentoring.

PensionBee also encourages its employees to give generously, facilitating fundraising to support national causes such as 'Shelter', 'Save the Children' and the Trussell Trust Food Bank network in 2019 and 2020.

In 2020, PensionBee became an accredited Living Wage employer to formalise its existing commitment to paying a Living Wage. PensionBee is also proud to pay its employees a London Living Wage and campaigns for all UK companies to pay their staff a fair wage. PensionBee does this as part of ShareAction's Good Work Coalition, a small group of institutional investors who collectively call for the UK's biggest companies to pay their staff a wage based on the real cost of living.

Corporate Governance

The Board is committed to the highest standards of corporate governance. The board executes standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

PensionBee has an experienced board, led by our Chairman Mark Wood CBE (former CEO of Prudential). As at 31 December 2020, PensionBee's Board of Directors consisted of six directors in total, including Mark Wood CBE, Mary Francis CBE, Michelle Cracknell CBE, Joseph Suddaby (Investor Director)*, Romi Savova (CEO) and Jonathan Lister Parsons (CTO).

The Board has established Audit and Risk, Remuneration, Nomination and Investment Committees, each with formally delegated duties and responsibilities with written terms of references.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in, amongst other matters, discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing PensionBee's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment, reappointment, removal and independence of external auditors, and reviewing the effectiveness of PensionBee's internal audit activities, internal controls and risk management systems.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board. The Nomination Committee is responsible for, amongst other matters, evaluating the balance of skills, experience, independence and knowledge on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, and will make appropriate recommendations to the Board on such matters. The Nomination Committee also considers succession planning, taking into account the skills and expertise that will be needed on the board in the future.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including, amongst other matters, making recommendations to the Board on the Company's policy on executive remuneration and determining the individual remuneration and benefits package of each of the executive directors.

Investment Committee

The Investment Committee assists the Board in discharging its oversight of PensionBee's investment proposition. The Investment Committee is responsible for reviewing the Company's product offering. This includes the range of options available to customers, the selection or change of asset managers, the pricing of the plans, as well as the performance and the risk profile of each plan. It also reviews the performance of fund managers. The Investment Committee also assists the Board by overseeing the relationship with the governance advisory arrangement.

The Strategic Report was approved by the Board and signed on its behalf by:

R Savova

Director

April 2021

26 Joseph Suddaby resigned as a Director on 19 March 2021

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the Company

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

M A Cracknell CBE

J R Lister Parsons

R Savova

J P H Suddaby (resigned 19 March 2021)

G M Wood CBE

M E Francis (appointed 2 November 2020)

Dividends

No dividends have been paid or proposed during the year ended 31 December 2020 (2019: £nil).

Going concern

PensionBee's financial statements have been prepared on a going concern basis on the grounds that current sources of funding will be more than adequate for PensionBee's ongoing cash requirements. The Directors have reviewed PensionBee's trading budget and cash flow forecasts and considered PensionBee's principal risks, and following this review, have a reasonable expectation that PensionBee will be able to meet its minimum capital requirements and all its obligations as they fall due for a minimum of 12 months from the date of approval of these financial statements.

On 22 March 2021, PensionBee entered into a revolving credit facility of up to £10 million with National Westminster Bank Plc, which has a term of 3 years. Under the terms of the facility, an aggregate amount of £10 million is available. This amount reduces over time, with availability in excess of £8 million across the going concern period. The facility includes financial covenants in relation to minimum consolidated revenues, a minimum cash balance of £3 million, and a number of operational covenants. The Directors have considered covenant compliance in their assessment of the going concern assumption.

The COVID-19 pandemic has been considered in the Directors'; assessment of going concern. The impact of COVID-19 on PensionBee's revenue has mainly been translated through the volatility of the equity markets and the value of Assets Under Administration ("AUA"). Given that growth in customer numbers has continued throughout the COVID-19 pandemic and that customer retention has remained high, coupled with the recurring nature of PensionBee's revenue, the pandemic is not considered to have a material effect on PensionBee's ability to generate revenue.

In considering the above, based on the continuing demand for PensionBee's customer proposition, PensionBee's ability to exercise further discipline around expenditure and PensionBee's current cash reserves alongside available liquidity from the revolving credit facility, the Directors reasonably expect that PensionBee will generate sufficient cash to meet its ongoing requirements for at least the next 12 months, and accordingly, the going concern basis of preparation has been adopted.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that PensionBee's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Directors' Report

Appointment of auditors

Deloitte LLP have expressed their willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Audit and Risk Committee

Matters covered in the strategic report

PensionBee's future developments, research and development activities and use of financial instruments are all disclosed within the Strategic Report.

Impact of Brexit

PensionBee has carefully evaluated the potential impact of the UK's withdrawal from the EU ("Brexit") on its ability to continue as a going concern. Uncertainty and unpredictability arising as a result of Brexit could adversely affect the UK's equity markets and result in a decline in the value of AUA. As PensionBee's AUA are diversified across global markets, Brexit is not expected to have a significant impact on PensionBee's revenues. PensionBee's operating costs are incurred in Pounds Sterling and Brexit could result in adverse currency fluctuations and devaluation of Pounds Sterling. As PensionBee's AUA is mainly denominated in foreign currencies, any devaluation of Pounds Sterling is not expected to have a material adverse impact on PensionBee's revenues.

Approved by the Board on April.2021... and signed on its behalf by:

R Savova
Director

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of PensionBee Limited

In our opinion the financial statements of PensionBee Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent Auditor's Report to the Members of PensionBee Limited

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Independent Auditor's Report to the Members of PensionBee Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and pensions legislation, and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT, share based reward and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

- Revenue accuracy of fee percentages that are charged to customers:
- We have tested the design and implementation of relevant controls
- We have tested that fee percentages have been calculated and applied consistently in the period.

PensionBee Limited

Independent Auditor's Report to the Members of PensionBee Limited

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

Use of our report

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

David Rozier (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

5 Callaghan Square
Cardiff
CF10 5BT

Date: April 2021

PensionBee Limited

Statement of Other Comprehensive Income for the year ended 31 December 2020

		2020	<i>Restated</i> 2019
	<i>Note</i>	£ 000	£ 000
Revenue	4	6,268	3,545
Employee benefits expense (excluding share-based payment)	6	(4,475)	(2,603)
Share based payment	6, 20	(2,174)	(923)
Depreciation expense	11, 12	(240)	(182)
Advertising and marketing		(8,223)	(4,172)
Other expenses	5	(3,991)	(2,670)
Transaction costs		<u>(637)</u>	<u>-</u>
Operating loss		(13,472)	(7,005)
Finance costs	7	<u>(11)</u>	<u>(21)</u>
Loss before tax		(13,483)	(7,026)
Taxation	10	<u>220</u>	<u>265</u>
Loss for the year		<u>(13,263)</u>	<u>(6,761)</u>
Total comprehensive loss for the year		<u>(13,263)</u>	<u>(6,761)</u>

The above results were derived from continuing operations.

PensionBee Limited

Statement of Financial Position

at 31 December 2020

	<i>Note</i>	<i>2020</i> £ 000	<i>Restated</i> <i>2019</i> £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	195	249
Right of use assets	12	118	236
		<u>313</u>	<u>485</u>
Current assets			
Trade and other receivables	13	1,506	1,092
Cash and cash equivalents	14	6,736	10,191
		<u>8,242</u>	<u>11,283</u>
Total assets		<u><u>8,555</u></u>	<u><u>11,768</u></u>
Equity and liabilities			
Equity			
Share capital	15	-	-
Share premium	16	30,322	23,111
Share based payment reserve	16	4,378	2,204
Retained earnings	16	(28,245)	(14,982)
Total equity		<u>6,455</u>	<u>10,333</u>
Non-current liabilities			
Lease liability	17	-	139
Deferred tax liabilities	10	-	26
		<u>-</u>	<u>165</u>
Current liabilities			
Trade and other payables	18	1,991	1,161
Lease liability	17	109	109
		<u>2,100</u>	<u>1,270</u>
Total liabilities		<u>2,100</u>	<u>1,435</u>
Total equity and liabilities		<u><u>8,555</u></u>	<u><u>11,768</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on...^{April 2021}... they were signed on its behalf by:

R Savova
Director

PensionBee Limited

Statement of Changes in Equity

for the Year Ended 31 December 2020

	<i>Share capital</i>	<i>Share premium</i>	<i>Share based</i>	<i>Retained</i>	<i>Total</i>
<i>Note</i>	<i>£ 000</i>	<i>£ 000</i>	<i>payment reserve</i>	<i>earnings</i>	<i>£ 000</i>
			<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
At 1 January 2019	-	17,122	1,281	(8,221)	10,182
Loss for the year (As restated)	-	-	-	(6,761)	(6,761)
Total comprehensive loss (As restated)	-	-	-	(6,761)	(6,761)
Issued share capital	-	5,989	-	-	5,989
Share based payment transactions (As restated)	20	-	923	-	923
At 31 December 2019 (As restated)	-	23,111	2,204	(14,982)	10,333
			<i>Share based</i>	<i>Retained</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>payment reserve</i>	<i>earnings</i>	<i>Total</i>
<i>Note</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
At 1 January 2020 (As restated)	-	23,111	2,204	(14,982)	10,333
Loss for the year	-	-	-	(13,263)	(13,263)
Total comprehensive loss	-	-	-	(13,263)	(13,263)
Issued share capital	-	7,211	-	-	7,211
Share based payment transactions	20	-	2,174	-	2,174
At 31 December 2020	-	30,322	4,378	(28,245)	6,455

PensionBee Limited

Statement of Cash Flows for the Year Ended 31 December 2020

	<i>Note</i>	<i>2020</i> £ 000	<i>Restated</i> <i>2019</i> £ 000
<i>Cash flows used in operating activities</i>			
Loss for the year		(13,263)	(6,761)
Adjustments to cash flows from non-cash items			
Depreciation	11, 12	240	182
Loss/(profit) on disposal		7	(18)
Finance costs	7	11	21
Share based payment transactions		2,174	923
Taxation		(220)	(265)
		<u>(11,051)</u>	<u>(5,918)</u>
Working capital adjustments			
Increase in trade and other receivables		(627)	(316)
Increase in trade and other payables		831	904
Cash used in operations		(10,847)	(5,330)
Income taxes received		406	171
Net cash flow used in operating activities		<u>(10,441)</u>	<u>(5,159)</u>
<i>Cash flows used in investing activities</i>			
Purchase of property, plant and equipment	11	(75)	(236)
Net cash flows used in investing activities		<u>(75)</u>	<u>(236)</u>
<i>Cash flows from financing activities</i>			
Proceeds from issue of ordinary shares		7,211	5,989
Repayment of lease liabilities	17	(150)	(99)
Net cash flows from financing activities		<u>7,061</u>	<u>5,890</u>
<i>Net (decrease)/increase in cash and cash equivalents</i>		(3,455)	495
<i>Cash and cash equivalents at 1 January</i>		10,191	9,696
<i>Cash and cash equivalents at 31 December</i>	14	<u>6,736</u>	<u>10,191</u>

Income taxes received relates solely to Research and Development tax credits.

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

PensionBee is a private company limited by shares, incorporated and domiciled in England and Wales.

The address of its registered office is:

City Place House
55 Basinghall Street
London
EC2V 5DX

Principal activity

The principal activity of PensionBee is that of a direct to consumer online pension provider. PensionBee seeks to make its UK customers 'Pension Confident' by giving them complete control and clarity over their retirement savings. PensionBee helps its customers to combine their pensions into one new online plan where they can contribute, forecast outcomes, invest effectively and withdraw their pensions (from the age of 55), all from the palm of their hand.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis. All accounting policies have been applied consistently, unless otherwise stated.

The financial statements are presented in GBP and all values are rounded to the nearest pound (£), except when otherwise indicated.

The functional currency of the entity is GBP because it is the primary currency in the economic environment in which the entity operates.

Summary of significant accounting policies and key accounting estimates

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

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Going concern

PensionBee's financial statements have been prepared on a going concern basis on the grounds that current sources of funding will be more than adequate for PensionBee's ongoing cash requirements. The Directors have reviewed PensionBee's trading budget and cash flow forecasts and considered PensionBee's principal risks, and following this review, have a reasonable expectation that PensionBee will be able to meet its minimum capital requirements and all its obligations as they fall due for a minimum of 12 months from the date of approval of these financial statements.

On 22 March 2021, PensionBee entered into a revolving credit facility of up to £10 million with National Westminster Bank Plc, which has a term of 3 years. Under the terms of the facility, an aggregate amount of £10 million is available. This amount reduces over time, with availability in excess of £8 million across the going concern period. The facility includes financial covenants in relation to minimum consolidated revenues, a minimum cash balance of £3 million, and a number of operational covenants. The Directors have considered covenant compliance in their assessment of the going concern assumption.

PensionBee has carefully evaluated the potential impact of the UK's withdrawal from the EU ("Brexit") on its ability to continue as a going concern. Uncertainty and unpredictability arising as a result of Brexit could adversely affect the UK's equity markets and result in a decline in the value of Assets Under Administration ("AUA"). As PensionBee's AUA are diversified across global markets, Brexit is not expected to have a significant impact on PensionBee's revenues. PensionBee's operating costs are incurred in Pounds Sterling and Brexit could result in adverse currency fluctuations and devaluation of Pounds Sterling. As PensionBee's AUA is mainly denominated in foreign currencies, any devaluation of Pounds Sterling is not expected to have a material adverse impact on PensionBee's revenues.

The COVID-19 pandemic has been considered in the Directors'; assessment of going concern. The impact of COVID-19 on PensionBee's revenue has mainly been translated through the volatility of the equity markets and the value of AUA. Given that growth in customer numbers has continued throughout the COVID-19 pandemic and that customer retention has remained high, coupled with the recurring nature of PensionBee's revenue, the pandemic is not considered to have a material effect on PensionBee's ability to generate revenue.

In considering the above, based on the continuing demand for PensionBee's customer proposition, PensionBee's ability to exercise further discipline around expenditure and PensionBee's current cash reserves alongside available liquidity from the revolving credit facility, the Directors reasonably expect that PensionBee will generate sufficient cash to meet its ongoing requirements for at least the next 12 months, and accordingly, the going concern basis of preparation has been adopted.

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

Standard	Effective date, annual period beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark reform - Phase 2	1 January 2021
Amendments to IFRS 4 Insurance contracts - deferral of IFRS 9	1 January 2021
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 - Presentation of Financial Statements	1 January 2023
Amendments to IFRS 3 Business Combinations	1 January 2023
Amendments to IAS 16 Property, Plant and Equipment	1 January 2023
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2023
Annual improvements 2018 - 2020	1 January 2023

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2021 and which have not been adopted early, are expected to have a material effect on the financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Revenue recognition

Revenue represents amounts receivable for services net of VAT. Revenue is derived from administration of our customers' retirement savings and the provision of one-off ancillary services to customers'. PensionBee operates a service to combine and transfer customers' old pensions into new online plans, which are subsequently managed by third party money managers. PensionBee has applied the 5-step model outlined in IFRS 15 Revenue from contracts with customers as is set out below:

Identification of the contract with a customer - during account opening, the customer is made aware of the promises PensionBee is making. Rights and obligations of each party are outlined. The point at which the customer agrees to the terms and conditions is the point at which both PensionBee and the customer have approved the contract.

Identification of the performance obligations in the contract - PensionBee makes one promise to its customers, the administration of the customers' retirement savings through its third-party money managers. PensionBee performs administrative tasks during the process of on-boarding its customers to its technology platform which are necessary for the fulfilment of administration of the customers' retirement savings. PensionBee does not consider these administrative tasks to be a separate performance obligation. As a result, it is considered that PensionBee has a single performance obligation which is, the administration of the customers' retirement savings.

Determination of the transaction price - PensionBee charges an annual management fee that is charged daily against the units held by each customer. The annual management fee is based on a fixed percentage (%) which varies for each of the PensionBee Plans, the fees start from 0.50%-0.95%. There is a further fixed discount of 50% provided to customers who have over £100,000 in their pension pots. The discount is applied to the incremental amount over and above £100,000.

Allocation of the transaction price - as there is only one performance obligation, the whole transaction price is allocated to this performance obligation.

Recognition of revenue when a performance obligation is satisfied - the administration of customers' retirement savings is continuous until the customer draws down their pension pot or transfers it to another UK registered provider. Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by PensionBee's performance as PensionBee performs them. Revenue is calculated daily as a percentage (basis points) of the value of Assets under Administration (AUA) as agreed by the customer.

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Recurring revenue

PensionBee's revenue is recurring in nature as the annual charges are calculated daily as a percentage (basis points) of the value of Assets under Administration (AUA) and will continue to be earned on an ongoing basis whilst PensionBee administers those assets. Recurring revenue is derived from management fees and is recognised based on daily accruals of customers' pension balances as the performance obligation, being the provision of pension scheme administration services to customers, is met. These management fees are charged daily and collected by PensionBee on a monthly basis.

Other revenue

Other revenue relates to one-off ancillary and ad-hoc services including pension splitting on divorce, early withdrawals owing to ill-health, and full draw-down within one year of becoming an invested customer. For this revenue stream, the performance obligation is the execution of the requested task. There are fee structures in place which are used to determine the transaction price. Revenue is recognised at a point in time when the requested task is executed (when the service is provided to the customer).

Foreign currency transactions and balances

Transactions in foreign currencies are translated to PensionBee's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. There are no material foreign exchange transactions in the financial statements.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where PensionBee operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

PensionBee offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

PensionBee assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Computer equipment	3 years straight line
Fixtures & fittings	4 years straight line
Leasehold improvements	over life of the lease
Right of use asset	over life of the lease

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment of non-financial assets

PensionBee assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated based on future cashflows with a suitable range of discount rates and the expectations of future performance.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short term highly liquid deposits with a maturity of less than 3 months.

Trade receivables

Trade and other receivables are recognised initially at the transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables.

Trade payables

Trade and other payables are recognised initially at transaction price plus attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Leases

Initial recognition and measurement

PensionBee initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, PensionBee's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, PensionBee measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises. Repayment of lease liabilities within financing activities in the cashflow statement include both the principal and interest.

The related right-of-use asset is accounted for using the cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment of non-financial assets.

Short term and low value leases

PensionBee has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

PensionBee has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is worth £5,000 or less (i.e., low value leases).

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Defined contribution pension obligation

PensionBee operates a defined contribution plan for its employees, under which PensionBee pays fixed contributions into the PensionBee Personal Pension. Once the contributions have been paid PensionBee has no further payment obligations.

The contributions are recognised as an expense in the statement of other comprehensive income when they fall due. Amounts not paid are shown in creditors as a liability in the statement of financial position. The assets of the plan are held separately from PensionBee.

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using the market price of the shares at a point in time adjacent to the issue of the award. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of PensionBee (market conditions) and non-vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other vesting conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset when PensionBee can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. No development expenditure has been capitalised during the years 2019 and 2020, on the basis that the specified criteria for capitalisation has not been met, as costs spent on the development phase of projects cannot be reliably estimated. All research and development costs are therefore expensed as incurred.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Financial instruments

Impairment of financial assets

Expected credit losses (ECLs) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that PensionBee expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, PensionBee applies a simplified approach in calculating the ECLs. Therefore, PensionBee does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date.

Prior year restatement

In 2019, the share based payment charge was spread over the service vesting condition, being four years. This methodology did not consider the expected date of a liquidity event, which has now been identified as a vesting condition and should therefore also have been factored into the vesting period. For certain options issued, the expected timing of a liquidity event was later than the four year service vesting condition period. Therefore, this has had the impact of spreading the share based payment charge over a longer period than previously recognised.

The error has been corrected by restating each of the financial statement line items for the prior period as follows:

Impact on reserves

There was no impact on reported total equity, however, the impact on individual reserves is shown below.

	<i>Share based payment £ 000</i>	<i>Retained earnings £ 000</i>
As previously stated	3,035	(15,813)
Prior year restatement	<u>(831)</u>	<u>831</u>
As restated	<u>2,204</u>	<u>(14,982)</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

Impact on Statement of Other Comprehensive Income

	<i>As previously restated</i> £ 000	<i>Reclassification</i> £ 000	<i>Prior year adjustment</i> £ 000	<i>As restated</i> £ 000
Revenue	3,545	-	-	3,545
Employee benefits expense	(3,377)	774	-	(2,603)
Share based payment	(980)	(774)	831	(923)
Depreciation expense	(182)	-	-	(182)
Advertising and marketing	-	(4,172)	-	(4,172)
Other expenses	(6,842)	4,172	-	(2,670)
Finance costs	(21)	-	-	(21)
	<u>(7,857)</u>	<u>-</u>	<u>831</u>	<u>(7,026)</u>

Advertising and marketing costs and the share based payment expense have been reclassified to their own individual cost classification to give greater detail and clarity on the nature of annual costs. This is a presentational change only and does not impact PensionBee's profit.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of PensionBee's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following are the key sources of estimation uncertainty that the directors have made in the process of applying PensionBee's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2020

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Share based payments

PensionBee recognises an expense based on the likelihood of options vesting under the EMI and non-EMI Share Options Scheme. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, estimates are revised to determine the charge for the year. The impact of the revision to original estimates, if any, are recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

The options vest in tranches over a service period of four years, or if later, upon the occurrence of an exit event such as, a takeover, IPO, reconstruction, liquidation, and sale of the business. The exercise period is up to ten years from the grant date. In the event that there has been no exit event before the tenth anniversary of the date of grant, the Directors may determine that an option holder may exercise their option in the 30-day period before such anniversary.

At each reporting date, an estimate is made of:

- the number of employees that will remain in service until their options vest;
- the probability of an exit event occurring and when it would occur; and
- the number of options that will be approved for exercise by the Directors in the event that management estimate the probability of an exit event was below 50% (not probable) before the tenth anniversary of the date of grant.

If the probability of an exit event occurring and approval of exercise by the Directors in the absence of an exit event was below 50% (not probable), no charge would be recorded in the current year and the full cumulative amount to date would be reversed. In the years ended 31 December 2020 and 2019, the likelihood of an exit event occurring before the tenth anniversary of the date of the grants was deemed to be probable and share-based payment charges of £2,174,000 and £923,000 were recognised in the Statement of Comprehensive Income in the years ended 31 December 2020 and 2019, respectively.

4 Revenue

The analysis of PensionBee's revenue for the year from continuing operations is as follows:

	2020	2019
	£ 000	£ 000
Recurring revenue	6,155	3,313
Other revenue	113	232
	<u>6,268</u>	<u>3,545</u>

The revenue was wholly derived from the United Kingdom.

The Directors have reclassified recurring revenue to only include revenue from the annual management fee charged to customers.

PensionBee Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Other expenses

	2020 £ 000	2019 £ 000
Loss / (profit) on disposal	7	(18)
Auditor's remuneration	70	40
Money managers fee	940	666
Other administrative expenses	2,974	1,982
Total other expenses	<u>3,991</u>	<u>2,670</u>

6 Employee benefits expense

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	3,957	2,335
Social security costs	385	225
Pension costs, defined contribution scheme	133	43
	<u>4,475</u>	<u>2,603</u>
Share Based Payment	2,174	923
	<u>6,649</u>	<u>3,526</u>

The average number of persons employed by PensionBee (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Customer service	54	30
Operations	18	11
Technology	14	10
Marketing	13	8
Management	7	6
Administration and other	4	2
	<u>110</u>	<u>67</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

7 Finance costs

	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
Interest expense on lease liabilities	<u>11</u>	<u>21</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
Remuneration	288	259
Company contributions to defined contribution pension schemes	<u>5</u>	<u>2</u>
	<u>293</u>	<u>261</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	<i>2020</i>	<i>2019</i>
	<i>No.</i>	<i>No.</i>
Exercised share options	-	1
Members of defined contribution pension schemes	<u>3</u>	<u>3</u>

Notes to the Financial Statements
for the Year Ended 31 December 2020

8 Directors' remuneration (continued)

In respect of the highest paid director:

	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
Remuneration	98	98
Company contributions to defined contribution pension schemes	2	1
	<u>100</u>	<u>99</u>

During the year the highest paid director did not exercise any share options.

9 Auditor's remuneration

	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
Audit of the financial statements	70	40
Tax advisory services	38	-
Fees payable for audit related services	315	-
	<u>423</u>	<u>40</u>

The 2020 audit related services relate to reporting accountant fees payable to Deloitte of £275,000, fees related to the 2018 audit (which was conducted in 2020) of £40,000. All fees payable for audit related services and tax advisory services are recorded in transaction costs.

Notes to the Financial Statements

for the Year Ended 31 December 2020

10 Tax

Tax credited in the Statement of Comprehensive Income

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	(194)	(231)
UK corporation tax adjustment to prior periods	-	(60)
	<u>(194)</u>	<u>(291)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(29)	17
Arising from changes in tax rates and laws	-	(3)
Adjustment in respect of previous periods	3	12
	<u>(26)</u>	<u>26</u>
Total deferred taxation	<u>(26)</u>	<u>26</u>
Tax credit in the Statement of Comprehensive Income	<u>(220)</u>	<u>(265)</u>

The tax on loss before tax for the year is different to the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	<u>(13,483)</u>	<u>(7,026)</u>
Corporation tax at standard rate	(2,562)	(1,335)
Adjustments in respect of prior periods	-	(48)
Tax rate changes	3	(3)
Increase from effect of expenses not deductible in determining taxable profit	636	308
Tax losses on which no deferred tax asset is recognised	1,897	1,044
Decrease from effect of adjustment in research development tax credit	<u>(194)</u>	<u>(231)</u>
Total tax credit	<u>(220)</u>	<u>(265)</u>

Notes to the Financial Statements
for the Year Ended 31 December 2020

10 Tax (continued)

Deferred tax

Deferred tax movement during the year:

	<i>At 1 January</i> 2020 £ 000	<i>Recognised in statement of comprehensive income</i> £ 000	<i>At 31 December</i> 2020 £ 000
Deferred tax	<u>(26)</u>	<u>26</u>	<u>-</u>
		2020 £ 000	2019 £ 000
Fixed assets		(24)	(30)
Temporary difference trading		<u>6</u>	<u>4</u>
Total deferred tax liability		<u>(18)</u>	<u>(26)</u>
Losses available for offsetting against future taxable income		<u>18</u>	<u>-</u>
Total deferred tax asset		<u>18</u>	<u>-</u>
Total deferred tax		<u>-</u>	<u>(26)</u>

PensionBee has £21,419,000 of carried forward tax losses at 31 December 2020 (2019: £11,352,000) against which no deferred tax has been recognised. A deferred tax asset has not been recognised on the basis that there is insufficient certainty over the recovery of these tax losses in the near future.

Notes to the Financial Statements
for the Year Ended 31 December 2020

11 Property, plant and equipment

	<i>Fixtures and fittings</i> £ 000	<i>Leasehold Improvements</i> £	<i>Computer equipment</i> £ 000	<i>Total</i> £ 000
Cost				
At 1 January 2019	49	-	45	94
Additions	20	128	88	236
At 31 December 2019	69	128	133	330
Additions		8	67	75
Disposals	-	(8)	(2)	(10)
Transfers	2	(2)	-	-
At 31 December 2020	71	126	198	395
Depreciation				
At 1 January 2019	11	-	18	29
Charge for year	17	10	25	52
At 31 December 2019	28	10	43	81
Charge for the year	15	63	44	122
Eliminated on disposal	-	(2)	(1)	(3)
At 31 December 2020	43	71	86	200
Carrying amount				
At 31 December 2020	28	55	112	195
At 31 December 2019	41	118	90	249
At 1 January 2019	38	-	27	65

Notes to the Financial Statements
for the Year Ended 31 December 2020

12 Right of use assets

	<i>Property</i> <i>£ 000</i>	<i>Total</i> <i>£ 000</i>
Cost		
At 1 January 2019	312	312
Additions	295	295
Disposals	(312)	(312)
At 31 December 2019 and 31 December 2020	<u>295</u>	<u>295</u>
Depreciation		
At 1 January 2019	-	-
Charge for year	130	130
Eliminated on disposal	(71)	(71)
At 31 December 2019	<u>59</u>	<u>59</u>
Charge for the year	118	118
At 31 December 2020	<u>177</u>	<u>177</u>
Carrying amount		
At 31 December 2020	<u>118</u>	<u>118</u>
At 31 December 2019	<u>236</u>	<u>236</u>

13 Trade and other receivables

	<i>2020</i> <i>£ 000</i>	<i>2019</i> <i>£ 000</i>
Trade receivables	708	388
Prepayments and accrued income	371	200
Other receivables	427	504
	<u>1,506</u>	<u>1,092</u>

Trade and other receivables are measured at amortised cost and management assessed that the carrying value is approximately their fair value due to the short term maturities of these balances.

14 Cash and cash equivalents

	<i>2020</i> <i>£ 000</i>	<i>2019</i> <i>£ 000</i>
Cash at bank	<u>6,736</u>	<u>10,191</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

15 Share capital

Allotted, called up and fully paid shares

	2020		2019		2018	
	No. 000	£ 000	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.001 each	<u>221</u>	<u>-</u>	<u>214</u>	<u>-</u>	<u>198</u>	<u>-</u>

During the year PensionBee made the following issues of shares:

On 7 September 2020 PensionBee issued 4,778 new ordinary shares of £0.001 each for £1,055.02.

On 5 October 2020 PensionBee issued 66 new ordinary shares of £0.001 each for £1,055.02.

On 18 November 2020 PensionBee issued 1,828 new ordinary shares of £0.001 each for £1,148.80.

Each ordinary share carries one vote per share and ranks pari passu with respect to dividends and capital.

16 Reserves

Share premium

The share premium account represents the excess of the issue price over the par value on shares issued, less transaction costs arising on the issue.

Share based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Retained Earnings

The balance in the retained earnings account represents the total reserves of PensionBee.

Notes to the Financial Statements for the Year Ended 31 December 2020

17 Leases

On 1 January 2019 PensionBee transitioned to IFRS 16. During 2019 PensionBee exited from one property lease and entered into a separate lease with regards to its office building following a premises relocation.

On adoption of IFRS 16, the right of use asset was adjusted for rental prepayments of £22,077 that existed at 1 January 2019. At 31 December 2020, PensionBee has a single property lease which expires in December 2023. The lease term has been determined to end in December 2021 as a break option is expected to be exercised. On inception, the lease liability was determined using a discount rate linked to London office rental yields, adjusted for a small premium for certain company specific factors.

The carrying amounts of right-of-use assets recognised and the movements during each year are set out in Note 12.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 £ 000	2019 £ 000
As at 1 January	248	290
Additions	-	295
Accretion of interest	11	22
Disposal	-	(260)
Payments	<u>(150)</u>	<u>(99)</u>
As at 31 December	<u><u>109</u></u>	<u><u>248</u></u>
Lease liabilities included in the statement of financial position		
Current	109	109
Non-current	<u>-</u>	<u>139</u>
	<u><u>109</u></u>	<u><u>248</u></u>

The above £150,000 (2019: £99,000) cash outflow represents the only cash flow in respect of liabilities from financing activities.

The maturity analysis of lease liability is shown in note 21.

Notes to the Financial Statements for the Year Ended 31 December 2020

17 Leases (continued)

The following are the amounts recognised in profit or loss:

	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
Depreciation expense of right-of-use assets	118	130
Interest expense on lease liabilities	11	22
Low value leases	6	1
	<u>135</u>	<u>153</u>
Total amount recognised in profit or loss	<u>135</u>	<u>153</u>

18 Trade and other payables

	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
Trade payables	749	72
Accrued expenses	1,200	906
Social security and other taxes	-	162
Other payables	42	21
	<u>1,991</u>	<u>1,161</u>

Trade and other payables are measured at amortised cost and management assessed that the carrying value is approximately their fair value due to the short term maturities of these balances.

19 Defined contribution pension scheme

PensionBee operates a defined contributions pension scheme. The assets of the scheme are held separately from those of PensionBee. The pension cost charge for the year represents contributions payable by PensionBee to the scheme and amounted to £133,000 (2019 - £43,000).

Contributions totalling £34,000 (2019 - £21,000) were payable to the scheme at the end of the year and are included in creditors.

Notes to the Financial Statements for the Year Ended 31 December 2020

20 Share-based payments

PensionBee 2015 EMI Share Option Scheme

Under the PensionBee 2015 EMI Share Option Scheme share options were granted to the senior management of PensionBee. The exercise price of the share options was £0.001 on the date of grant.

The share options vested as follows:

- (a) 33% of the shares on the first anniversary of the vesting commencement date; and
- (b) the remaining 67% of the shares monthly in equal instalments over the following two years, so the options were fully vested on the third anniversary of the vesting commencement date.

At 31 December 2020 all options have been fully exercised and there is no intention to issue any further options under this scheme.

The fair value of equity-settled share options granted is estimated as at the date of grant, considering the terms and conditions upon which the options were granted.

The fair value of the share options granted is estimated at the date of grant by reference to the market value of the share. This market value is determined by that set by periodic funding valuations.

The exercise period is up to ten years from the grant date. There are no cash settlement alternatives.

The movements in the number of share options during the year were as follows:

	<i>2020</i>	<i>2019</i>
	<i>Number</i>	<i>Number</i>
Outstanding, start of period	-	3,417
Exercised during the period	-	(3,417)

The weighted average share option exercise price at date of exercise was £0.001. No shares were exercised in 2020.

Notes to the Financial Statements for the Year Ended 31 December 2020

20 Share-based payments (continued)

PensionBee EMI and Non EMI Share Option Scheme

Under the PensionBee EMI and Non-EMI Share Option Scheme share options were granted to eligible employees who have passed their probation period at PensionBee. The exercise price of all share options is £0.001 per share.

The share options normally vest on the later of the following:

- (a) 25% of the shares vest on the first anniversary of the vesting commencement date with the remaining 75% of the shares vesting quarterly in equal instalments over the following three years; and
- (b) the occurrence of an exit event, such as a takeover, IPO, reconstruction, liquidation, and sale of the business.

The fair value of equity-settled share options granted are estimated as at the date of grant, considering the terms and conditions upon which the options were granted.

The fair value of the share options granted is estimated at the date of grant by reference to the market value of a share. This market value is determined by reference to the price paid by external investors as part of periodic funding rounds.

The weighted average fair value of share options during the year of grant was £1,081.36 in 2020 (2019 - £620.19)

Share options can be exercised upon the occurrence of an exit event, a takeover, reconstruction, liquidation and sale of the business, to the extent they have vested. In the event that there has been no exit event before the tenth anniversary of the date of grant, the Directors may determine that an option holder may exercise their option in the 30 day period before such anniversary. The exercise period is up to ten years from the grant date.

Prior to 2019, PensionBee's management assessed the likelihood of the options vesting under these schemes as being less than 50% and, on this basis, no share-based payment expense was recognised in 2018 in relation to these schemes. In the year ended 31 December 2019, given the continuous strong performance of PensionBee, management deemed the likelihood of a liquidity event to be probable and because of this change in assumption, the 2019 share based payment charge included an amount for the share-based payment charges relating to accounting periods prior to 2019 since the date of grant of the share options.

The movements in the number of share options during the year were as follows:

	<i>2020</i>	<i>2019</i>
	<i>Number</i>	<i>Number</i>
Outstanding, start of period	11,059	8,891
Granted during the period	4,394	2,708
Exercised during the period (1)	-	(200)
Expired during the period	(160)	(340)
Outstanding, end of period	<u>15,293</u>	<u>11,059</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

20 Share-based payments (continued)

(1) The 200 options exercised in 2019 relate to a single grant made in July 2018, which vested in November 2019 and were exercised in December 2019, for which the only vesting condition was that the holder holds the options across the vesting period.

No share options were exercisable at the end of each period

The expected weighted average remaining life of the share options was 7.36 years (2019 - 7.42 years).

The total charge for the year for share-based payments was £2,174,000 (2019 - £923,000).

21 Financial risk management and impairment of financial assets

PensionBee is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. PensionBee considers interest rate risk to be insignificant due to low debt and no interest bearing assets.

Price risk

As a main source of revenue is based on the value of assets under administration (Assets under administration (AUA) is a measure of the total assets for which a financial institution provides administrative services), PensionBee has an indirect exposure to price risk on investments held on behalf of clients. These assets are not on PensionBee's statement of financial position. The risk of lower revenues is partially mitigated by asset class diversification. PensionBee does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of PensionBee are aligned to those of its clients.

A 1% change in equity markets would have an approximate 0.7% impact on revenue.

The 1% change in equity markets is a reasonable approximation of possible change.

Notes to the Financial Statements

for the Year Ended 31 December 2020

21 Financial risk management and impairment of financial assets (continued)

Credit risk

Credit risk is defined as the risk exposure to financial losses if a counterparty fails to perform their financial contractual obligation. PensionBee's trade receivables are the contractual cashflow obligations that the payors must meet. The payors are BlackRock, Legal & General, and State Street Corporation which are highly credit rated financial institutions whose assets they hold on behalf of PensionBee are a small percentage of their net assets and on this basis credit risk is considered to be low. Utilising the Simplified Approach PensionBee has shown there is no expected credit loss due to no historic credit losses, and no material need for a lifetime loss allowance.

At the end of the reporting period no assets were determined to be impaired and there was no balance past due.

In certain cases, PensionBee may also consider a financial asset to be in default when internal or external information indicates that PensionBee is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Due to PensionBee's financial assets primarily being trade receivables which all have an expected lifetime of less than 12 months, PensionBee has elected to measure the expected credit losses at 12 months only.

Set out below is the information about the credit risk exposure on PensionBee's trade receivables:

	<i>Days past due</i>					<i>Total</i>
	<i>Current</i>	<i>< 30 days</i>	<i>30-60 days</i>	<i>61-90 days</i>	<i>>91 days</i>	
31 December 2020	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Gross trade receivables	708	-	-	-	-	708

	<i>Days past due</i>					<i>Total</i>
	<i>Current</i>	<i>< 30 days</i>	<i>30-60 days</i>	<i>61-90 days</i>	<i>>91 days</i>	
31 December 2019	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Gross trade receivables	386	1	-	-	1	388

Liquidity risk

Liquidity risk is the risk that PensionBee will encounter difficulty in meeting obligations to settle its liabilities.

This is managed through cash flow forecasting.

Notes to the Financial Statements

for the Year Ended 31 December 2020

21 Financial risk management and impairment of financial assets (continued)

Maturity analysis

The maturity profile of PensionBee's financial liabilities based on contractual and undiscounted payments is as follows:

	<i>Within 1 year</i>	<i>Between 1 and</i>	<i>After more than</i>	<i>Total</i>
	<i>£ 000</i>	<i>5 years</i>	<i>5 years</i>	<i>£ 000</i>
<i>2020</i>		<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Trade and other payables	1,991	-	-	1,991
Lease liabilities	112	-	-	112
	<u>2,103</u>	<u>-</u>	<u>-</u>	<u>2,103</u>
		<i>Between 1 and</i>	<i>After more than</i>	<i>Total</i>
	<i>Within 1 year</i>	<i>5 years</i>	<i>5 years</i>	<i>£ 000</i>
<i>2019</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Trade and other payables	1,161	-	-	1,161
Lease liabilities	149	112	-	261
	<u>1,310</u>	<u>112</u>	<u>-</u>	<u>1,422</u>

Capital risk management

For the purpose of PensionBee's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of PensionBee's capital management is to maximise the shareholder value.

PensionBee manages its capital structure and makes adjustments considering changes in economic conditions. To maintain or adjust the capital structure, PensionBee may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Externally imposed capital requirements

The capital adequacy of the business is monitored on a quarterly basis as part of general business planning by the finance team. PensionBee conducts a capital adequacy assessment process, as required by the Financial Conduct Authority ('FCA') to assess and maintain the appropriate levels.

Notes to the Financial Statements

for the Year Ended 31 December 2020

22 Related party transactions

Compensation of key management personnel

	<i>2020</i>	<i>Restated</i>
	<i>£ 000</i>	<i>£ 000</i>
Salaries and other short term employee benefits	643	492
Pension contributions	16	9
Share-based payments	863	391
	<u>1,522</u>	<u>892</u>

Related party - Trustee's

The following related party transactions occur between PensionBee and PensionBee Trustees Limited:

- (i) Payment of the PensionBee Trustees Limited bank fees on a quarterly basis. During the year bank fees amounted to £20,000 (2019: £12,000). There was no outstanding balance at year end (2019: £nil).
- (ii) Compensation payments as a gesture of goodwill to customers that prefer to be compensated via a pension contribution or the purchasing additional units. During the year, these costs amounted to £45,000 (2019: £20,000). There was no outstanding balance at year end (2019: £nil).
- (iii) Other payments to customers (e.g., referral rewards) Payments are made from PensionBee and invested into the customers fund from the PensionBee Trustees account. These payments can be found in 'Other Expenses' and 'Advertising and Marketing'. During these costs amounted to £141,000 (2019: £104,000). There was no outstanding balance at year end (2019: £nil).

Transactions with Directors

During the year ended 31 December 2020, PensionBee was repaid in full an outstanding balance of £200 from R Savova. R Savova is a director and shareholder in PensionBee. The loan was interest free and repayable upon demand. This amount is included in other debtors in the year ended 31 December 2019.

Notes to the Financial Statements for the Year Ended 31 December 2020

23 Non adjusting events after the financial period

Ex-gratia payment to PensionBee Trustees Limited

Over the period 18 November 2020 to 5 February 2021 FTSE Russell incorrectly excluded certain eligible constituents from an index (FTSE All Share ex Controversies, ex CW) widely used by State Street Global Advisors across several of its funds. This incorrect exclusion resulted in an adverse effect on the returns of consumers invested in the affected funds. The incorrect exclusion affected PensionBee customers who were invested in the PensionBee Tracker Plan. The error is estimated to have reduced the performance of the affected plan by 0.3% which equates to approximately £664,000 for c.8,500 customers (c.£78 per customer).

Recognising that this was an exceptional event and wishing to ensure that its customers were not adversely affected, PensionBee paid for, on an ex-gratia basis, the balances of its affected customers to be restored to the position they would have been in had FTSE Russell included all eligible constituents. This payment was not out of obligation but PensionBee's desire to protect its customers and reputation. PensionBee is seeking redress from the responsible parties.

Issue of ordinary shares

In January and February 2021, PensionBee issued shares totalling, 3,762 ordinary shares of £0.001 each, which resulted in an increase in share premium of £4.8 million.

Revolving Credit Facility

On 22 March 2021, PensionBee entered into a revolving credit facility for up to £10 million with National Westminster Bank Plc as part of prudent capital management to provide it with further liquidity resources going forward.

Acquisition of PensionBee by PensionBee Group Limited

On 24 March 2021, PensionBee Group Limited acquired all the issued shares of PensionBee through a share for share transaction. From the acquisition date, PensionBee became a subsidiary of PensionBee Group Limited. On the same date, all the share options granted by PensionBee to its employees were cancelled and replaced by share options granted by PensionBee Group Limited.

24 Controlling party

In the opinion of the Directors, there is no controlling party.

Notes to the Financial Statements for the Year Ended 31 December 2020

25 Alternative performance measures

PensionBee uses a variety of alternative performance measures ('APM's') which are not defined or specified by IFRS, in particular Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA"). The Directors use a combination of APMs and IFRS measures when reviewing the performance and position of PensionBee and believe that each of these measures provides useful information with respect to PensionBee's business and operations. The Directors consider that these APMs illustrate the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations of PensionBee.

The APMs used by PensionBee are defined below and reconciled to the related IFRS financial measures:

Adjusted EBITDA

Adjusted EBITDA represents loss for the year before taxation, finance costs, depreciation, share based compensation and transaction costs.

	2020	2019
	£ 000	£ 000
Operating loss	(13,472)	(7,005)
Depreciation expense	240	182
Share based payment (1)	2,174	923
Transaction costs (2)	<u>637</u>	<u>-</u>
Adjusted EBITDA	<u>(10,421)</u>	<u>(5,900)</u>

(1) Relates to total annual charge in relation to share based payment expense as detailed in note 20 to the Annual Report.

(2) Relates to expenses incurred in relation to preparation for admission to the London Stock Exchange.



PensionBee Limited

Directors:

M A Cracknell CBE

J R Lister Parsons

R Savova

J P H Suddaby (resigned 19 March 2021)

G M Wood CBE

M E Francis CBE (appointed 2 November 2020)

Registered number: 09354862

Registered office: City Place House, 55 Basinghall Street, London, EC2V 5DX

Auditor: Deloitte LLP, 5 Callaghan Square, Cardiff, CF10 5BT