PensionBee Group plc
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17 March 2022

PensionBee Group plc

Preliminary Results for the year ending 31 December 2021

Trading in line with Expectations and Guidance

Strong Growth continues across all Key Metrics

PensionBee Group plc ('PensionBee' or the 'Company'), a leading online pension provider, today announces its preliminary unaudited results for the year ending 31 December 2021.*

Highlights*

- Revenue increased by 103% to £12.8m (2020: £6.3m)
- Annual Run Rate Revenue increased by 85% to £16.3m (2020: £8.8m)**
- Adjusted EBITDA decreased to £(16.4)m (2020: £(10.4)m), reflecting continued investment in growth**
- Adjusted EBITDA Margin was (129)% (2020: (166)%), demonstrating operating leverage through scalable growth**
- Loss before Tax was £(25.0)m (2020: £(13.5)m)
- Basic Earnings per Share was (11.86)p (2020: (7.67)p)

- Assets under Administration ('AUA') increased by 91% year on year to £2.6bn (2020: £1.4bn), driven predominantly by strong net flows from new and existing customers and supported by market growth
- Registered Customer ('RC') base increased by 63% year on year to 658,000 (2020: 403,000)
- Invested Customer ('IC') base increased by 70% year on year to 117,000 (2020: 69,000)
- Continued improvement in same-year conversion of RC to IC to 18% (2020: 17%)
- 4.6★ Excellent Trustpilot rating and Customer Retention Rate of >95% maintained
- Strong cash position of £44m (December 2020: £6.7m)

Romi Savova, Chief Executive Officer of PensionBee, commented:

"It is a great pleasure to report strong results for our first year as a listed company. We are continuing to deliver against the targets set at the time of our IPO, with revenue growth exceeding guidance and all other metrics firmly on track. Our performance over the period reinforces the extent to which our offering continues to resonate with the UK population. The UK defined contribution pensions market opportunity remains significant, estimated to be in excess of £700 billion, and we are looking forward to continuing to grow and innovate, making pensions simple for all. At PensionBee, we are dedicated to making a positive impact on society and ensuring that everyone achieves a happy retirement."

Outlook

The Board remains confident in the continued growth opportunity for the Company and is pleased to re-iterate the medium-term financial guidance provided at the time of the IPO.

The Board is also pleased to re-iterate additional guidance for FY2022, as provided at the time of our January trading update. Revenue is expected to be in excess of £20m for FY2022 alongside further margin improvement, enabling the Company to reach Adjusted EBITDAM profitability by December 2022, assuming relative market stability across the year. The Company will continue to invest in marketing and customer acquisition through 2022. The Board anticipates that marketing spend will be weighted towards H1 2022, with Cost per Invested Customer rising in the early part of the year and declining strongly towards the end of the year.

The Company will continue to monitor the external market conditions and will continue to review its guidance should the external environment change materially.

As previously announced, the Company is actively working to transfer its entire issued share capital from the High Growth Segment of the Main Market of the London Stock Exchange plc (the 'LSE') to the Premium Segment of the Official List of the Financial Conduct Authority and to trading on the LSE's Main Market for listed securities. It expects to make a further announcement in April 2022.

Financial Highlights

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
Revenue (£m)	12.8	6.3	*103%*
Annual Run Rate Revenue (£m)**	16.3	8.8	*85%*
Adjusted EBITDA (£m)**	(16.4)	(10.4)	*-58%*
Adjusted EBITDA Margin (% of Revenue)**	(129)%	*(166)%*	*+37ppt*
Loss before Tax (£m)	(25.0)	(13.5)	*85%*
Basic Earnings per Share	(11.86)p	(7.67)p	*-55%*

Non-Financial Highlights

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
AUA (£m)	2,587	1,358	91%
AUA Retention Rate (% of AUA)	>95%	>95%	stable
Registered Customers (thousands)	658	403	63%
Active Customers (thousands)	172	119	44%
Invested Customers (thousands)	117	69	70%
Customer Retention Rate (% of IC)	>95%	>95%	stable
Cost per Invested Customer (£)	246	232	within threshold
Same Year RC:IC Conversion (% of RC)	18%	17%	+1ppt
Contractual Revenue Margin (% of AUA)	0.69%	0.69%	stable

* - Financial results for FY2021 are unaudited.

** - PensionBee's KPIs include alternative performance measures ('APMs') which are indicated with a double 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.

ppt - A ppt is a percentage point. A percentage point is the unit for the arithmetic difference of two percentages.

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.

Annual Run Rate ('ARR') Revenue is calculated using the Recurring Revenue for the relevant month multiplied by 12.

Loss before Tax ('PBT') is a measure that looks at PensionBee's losses before it has paid corporate income tax.

Adjusted EBITDA is the operating profit or loss for the year before taxation, finance costs, depreciation, share based compensation and transaction costs.

Adjusted EBITDA Margin means Adjusted EBITDA as a percentage of revenue for the relevant year.

Adjusted EBITDAM is the operating profit or loss for the period before taxation, finance costs, depreciation, share-based compensation, transaction costs and marketing.

Basic Earnings per Share ('EPS') is calculated by dividing the loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the period.

Assets under Administration ('AUA') is the total invested value of pension assets within PensionBee Invested Customers' pensions. 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 measures the percentage of retained PensionBee AUA after 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') 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') 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') means those customers who have transferred pension assets or made contributions into one of PensionBee's investment plans.

Customer Retention Rate measures the percentage of retained PensionBee Invested Customers over the average of the trailing twelve months. High customer retention provides more certainty of future Revenue. This measure can also be used to monitor customer satisfaction.

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's desired CPIC threshold is £200-£250.

Same Year RC:IC Conversion percentage is calculated by dividing the number of Invested Customers as at the end of the period by the number of Registered Customers at the end of the period. This measure monitors PensionBee's ability to convert customers through the acquisition funnel.

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 across the period.

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Analyst Presentation

There will be a presentation for analysts at 8:30am via webcast. Please contact pensionbee@tulchangroup.com if you would like to attend. Slides accompanying the analyst presentation will be available this morning at https://www.pensionbee.com/investor-relations/results-and-reports and an audio recording of the analyst presentation will be available by close of business on the day.

Investor Presentation

There will be a presentation for investors on Friday 18 March 2022 at 11.00am via webcast. Please contact either pensionbee@tulchangroup.com or info@equitydevelopment.co.uk if you would like to attend.

About PensionBee

PensionBee is a leading online pension provider, enabling customers to manage their savings through its unique combination of smart technology and dedicated customer service.

Since it was founded in 2014 by Romi Savova, PensionBee has been a challenger in an industry ripe for disruption. It has grown rapidly by helping consumers to solve the challenges they face when it comes to locating, combining and managing their pension savings. PensionBee counts 117,000 Invested Customers from 18-80 years of age with £2.6 billion in Assets under Administration as at 31 December 2021. Its range of pension plans are tailored to its customers and are managed by some of the world's largest money managers including BlackRock, HSBC, Legal & General and State Street Global Advisors.

PensionBee uses its proprietary technology and Open APIs to allow customers to manage their pension easily, view their live balance, and with the help of a smart calculator to plan their savings, make contributions and withdrawals online, all with transparency on fees. It continuously engages with customers through its dedicated customer account managers using jargon-free communication and listens to feedback to develop new tools which help customers to easily plan for their retirement. PensionBee has consistently maintained a Customer Retention Rate and an AUA Retention Rate of >95% and an Excellent Trustpilot rating.

Forward Looking Statements

Statements that are not historical facts, including statements about PensionBee's or management's beliefs and expectations, are forward-looking statements. The preliminary results contain forward-looking statements, which by their nature involve substantial risks and uncertainties as they relate to events and depend on circumstances which will occur in the future and actual results and developments may differ materially from those expressly stated or otherwise implied by these statements.
These forward-looking statements are statements regarding PensionBee's intentions, beliefs or current expectations concerning, among other things, its results of operations, financial condition, prospects, growth, strategies and the industry and markets within which it operates.

These forward-looking statements relate to the date of these preliminary results and PensionBee does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of the preliminary results.

Chief Executive Officer's Review

As a fast-growing company, we are used to regularly breaking our own records and setting the standards and benchmarks that we hold ourselves up to. From the outstanding quality of our innovative technology platform and user experience to the rapid customer service we offer consumers seeking to take control of their pensions, PensionBee aims to lead the industry in everything we do.

I am often asked whether we can continue to meet and beat our own expectations even as we grow rapidly. I reflect on this question every year as I examine our results and reflect on our achievements.

By many measures, 2021 has been a milestone year for PensionBee. Our successful Initial Public Offering ('IPO') enabled us to welcome new shareholders who, like us, believe in our mission to make pensions simple so everyone can look forward to a happy retirement. We were particularly proud to facilitate a customer offer, giving our loyal and supportive customer base the opportunity to participate in the IPO. The £55m of primary proceeds that we raised from both institutions and customers enabled us to continue investing in our brand and technology, ultimately giving our 117,000 Invested Customers the 'pension confidence' to entrust us with approximately £2.6bn of their pension savings.

We delivered this growth in Assets under Administration, again reflecting an annual growth rate of more than 90% against a backdrop of consistently high customer satisfaction. We maintained our Excellent Trustpilot rating of 4.6★ and app store ratings of 4.8 and 4.7 on the Apple Store and Google Play Store respectively. Our internally measured Net Promoter Score was an industry-leading 63[1], reflecting the enormous importance we place on keeping our customers happy. We are delighted to see the positive impact of product innovations including our 60-second 'easy bank transfer' contribution feature, personalised tax codes for withdrawing customers, a highly detailed transfer tracker and transactional push notification to keep our customers informed of key transactions in their BeeHive.

We seek to lead our industry on product and service innovation, but are also committed to ensuring that our business delivers a positive impact on our society and our planet. In 2021, we strengthened our commitment to international corporate transparency frameworks such as the Sustainability Accounting Standards Board and Workforce Disclosure Initiative, further integrated ESG into our core investment range and continued to work with our asset managers to assert our customers' views on Living Wages, gender and ethnicity pay gaps.

Whilst our metrics shine a light on the health of the business operations and the competitive advantage of our proprietary technology, it is our culture that ultimately enables our Company to deliver top performance. The pandemic and rapid changes in working patterns have tested the resilience of every business in the world. Our values of love, quality, honesty, innovation and simplicity, and the ways in which we demonstrate them on a daily basis, have allowed us to thrive.

We celebrate our diversity regularly because we know that honouring the uniqueness of every individual is what makes PensionBee a special place to advance one's career. The commitment to our employees stems from the leadership team and this year we were proud to learn that 92% of our employees would recommend PensionBee to a friend as a great place to work.

Looking ahead to 2022, we will continue to implement our ambitious growth plan to acquire more customers and to use our unique technology and innovative product offering to help them manage their pensions throughout their lifetime. We are proud to serve our customers on this path of purpose to make a happy retirement possible for all.

Romi Savova
Chief Executive Officer

1. PensionBee's externally measured NPS is 75. Source: Boring Money, 2022.

Operating and Financial Review

Continued Growth across all Key Metrics in 2021

We have continued to deliver significant growth across all of our major Key Performance Indicators, building on the growth achieved in 2020. During 2021, the number of Invested Customers ('IC') increased by 70% to 117k and Assets under Administration ('AUA') increased by 91% to £2.6bn. Revenue increased by 103% to £12.8m with growth in Annual Run Rate ('ARR') Revenue of 85% to £16.3m. Over the last two years, we have grown our Invested Customer base by a multiple of 3.1x, our AUA by 3.5x, our Revenue by 3.6x and our ARR by 3.5x.

Marketing Investment to further establish the PensionBee Brand as a Household Name resulted in Strong Customer Growth

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
Marketing Costs			
Marketing Costs (£m)	**(12.9)**	**(8.2)**	***56%***
Cost per Invested Customer (£)	**246**	**232**	***within threshold***
Customers			
Registered Customers (thousands)	658	403	*63%*
Active Customers (thousands)	172	119	*44%*
Invested Customers (thousands)	**117**	**69**	***70%***
Same Year RC:IC Conversion (% of RC)	18%	17%	*+1ppt*

In line with our growth strategy, we continued to make a substantial investment in customer acquisition using our diversified marketing approach and demonstrating our ability to efficiently deploy a rapidly growing marketing budget, whilst retaining a tight focus on return on investment. The majority of the £55m primary capital raised at the time of our IPO in April 2021 was earmarked for marketing expenditure and Advertising and Marketing costs increased from £8.2m in 2020 to £12.9m in 2021 accordingly, as we sought to capture market share and rapidly expand our customer base.

During 2021 and as planned, the majority of the marketing spend was deployed across three primary channels, being TV, Out of Home and Paid Search. We increased our TV advertisements and ran extensive Out of Home advertising campaigns during opportune months. Our 'Feels so Good' brand campaign was rolled-out nationally across all channels, and we raised our profile by becoming the official pension partner sponsor of Brentford Football Club and through various other initiatives.

Our new proprietary in-house Data Platform delivered valuable insights across all of our core channels, and helped to drive decision-making through successive COVID-19 waves. It allowed us to optimise across channels to grow both rapidly and efficiently, keeping our Cost per Invested Customer in line with our desired threshold of £200-250, demonstrating our ability to continue to scale our marketing and distribution channels in a cost disciplined way.

Over the course of the year we were pleased to see the results of these initiatives translate into greater customer reach. Our Registered Customer ('RC') base grew by 63% on the previous year to 658k and our Active Customers increased by 44% to 172k. Similarly, we grew our Invested Customer base by 70% to 117k by the end of 2021. This delivered an improvement in Same Year RC:IC Conversion from 17% in 2020 to 18% in 2021.

Cost Disciplined Acquisition coupled with High Retention Rates delivered Strong Asset Growth

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
Customer Retention Rate (% of IC)	**>95%**	**>95%**	***stable***
AUA Retention Rate (% of AUA)	**>95%**	**>95%**	***stable***
Opening AUA (£m)	**1,358**	**745**	***82%***
Net Flows from New Customers (£m)	729	439	*66%*
Net Flows from Existing Customers (£m)	226	84	*169%*
Net Flows (£m)	**955**	**523**	***83%***
Market Growth and Other (£m)	275	90	*n/m*
Closing AUA (£m)	**2,587**	**1,358**	***91%***

We delivered a 91% year-on-year increase in AUA from £1,358m to £2,587m in 2021. This was driven by a combination of the cost-disciplined new customer acquisition, the high retention rate of existing customers who increased their savings with PensionBee, and market growth. Most of the asset growth (78% or £955m) was generated by Net Flows from New Customers and Net Flows from Existing Customers, with the balance (22% or £275m) being accounted for by market appreciation.

Growth from new customers represented most of the asset growth of 2021 with Net Flows from New Customers of £729m (2020: £439m), reflecting our strategy of cost-disciplined new customer acquisition.

We delivered net flows with improved efficiency. Each £ of marketing expenditure in 2021 generated approximately £74 of net flows as compared to £64 in 2020, indicating an efficiency improvement of close to 20%.

Over the period we acquired 48,000 (2020: 31,000) revenue-generating Invested Customers. A higher proportion of these new Invested Customers were older customers with a corresponding higher average pension size. As such, we have seen an increase in the average pension pot size from £19,700 in 2020 to £22,000 in 2021.

Our existing customers have continued to see their savings grow, with Net Flows from Existing Customers of £226m in 2021 (2020: £84m). Since inception, we have consistently enjoyed high Customer and AUA Retention Rates of >95% and this trend continued to remain stable in 2021. We saw existing customers consolidating additional pensions into their PensionBee online pension plan and customers contributing to their pensions while maintaining relatively low levels of withdrawals.

AUA growth also reflected an element of market growth of £275m in 2021 (2020: £90m). As is customary in the pensions industry, our customers' pensions are invested predominantly in global equity capital markets, which experienced strong performance during the year, and as such our asset base benefited from this market appreciation.

Resilient Revenue Margin drove an overwhelming majority of Recurring Revenue

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
Contractual Revenue Margin (% of AUA)	0.69%	0.69%	*stable*
Annual Run Rate Revenue (£m)	**16.3**	**8.8**	***85%***
Revenue (£m)	**12.8**	**6.3**	***103%***

We have translated strong year-on-year AUA growth of 91% over 2021 into 85% growth in Annual Run Rate Revenue from £8.8m to £16.3m, underpinned by the stable Contractual Revenue Margin. The Contractual Revenue Margin is the headline annual management fee paid by customers before applying discounts for incremental pension savings above £100,000. The Contractual Revenue Margin remained resilient at 0.69% (2020: 0.69%).

As the vast majority of our 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. Therefore, the Annual Run Rate Revenue for December 2021 enables better measurement of our progress and provides greater visibility and predictability with respect to future years' Revenue.

We Scaled our Business Efficiently by Investing in our People, Product Offering and Technology

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
Money Manager Costs (£m)	**(2.3)**	**(0.9)**	***145%***
Employee Benefits Expense (excluding Share-based Payment) (£m)	(7.4)	(4.5)	*66%*
Other Operating Expenses (£m)	(6.6)	(3.0)	*116%*
Technology Platform Costs & Other Operating Expenses (£m)	**(14.0)**	**(7.5)**	***86%***

During 2021, we made further investments in our technology platform to position PensionBee for future growth. Our 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.

Considerable resources were directed towards the Data Platform (in particular the development of its machine learning capabilities and importing of new data sources into the platform), which has been instrumental in helping us calibrate decision-making around marketing budget allocation and in achieving our marketing objectives. We recruited a dedicated Data Team, who sit within the technology department, to build capability and support the automation of data activities in other business areas. We dedicated resources towards making ongoing efficiency improvements in consolidation activity to drive productivity, and optimising our transfer processes, including more straight-through automation of light-touch pension transfers.

Continued product innovation is central to our 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.

During 2021, continuous product innovations helped to increase our customer base and enable customers to contribute more into their pensions. Our product developments reduced friction and enabled us to serve our customers with less and less human intervention, supporting efficiency improvements and operating leverage over time. For instance, we launched the 'Easy Bank

Transfer' feature, enhanced our in-app drawdown features, added additional features to allow the use of personalised tax codes for customers in drawdown, opened up our offering to the self-employed and launched a new 'Transfer Tracker', to name a few.

As a result of the technology platform investments, the Employee Benefits Expense increased to £7.4m, driven by developments to improve automation and an expansion of engineer headcount. Headcount increased from approximately 110 average full-time employees in 2020 to approximately 158 in 2021.

Other Operating Expenses increased to £6.6m reflecting increased headcount, acquisition volume and other fixed costs. The benefit from the investment in automation will position us well on our path to profitability by the end of 2023.

Money Manager Costs increased to £2.3m in 2021 at a slightly higher rate than Revenue, which was due to an increase in the number of customers selecting funds with incrementally higher money manager fees.

Profitability Metrics

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
Adjusted EBITDA before Marketing (£m)	(3.6)	(2.2)	*-62%*
Adjusted EBITDA Margin before Marketing (% of Revenue)	**(28)%**	**(35)%**	***+7ppt***
Adjusted EBITDA (£m)	(16.4)	(10.4)	*-58%*
Adjusted EBITDA Margin (% of Revenue)	**(129)%**	**(166)%**	***+37ppt***
Loss before Tax (£m)	(25.0)	(13.5)	*85%*

Over the course of 2021, we made further progress towards profitability as operating leverage increased, in large part due to the scalability of the technology platform.

One of the key profitability metrics that we measure is Adjusted EBITDA before Marketing. This measure includes Money Manager Costs, Technology Platform Costs and Other Operating Expenses but excludes Advertising and Marketing Expenses (which generate long-term returns through long-standing customer relationships), Share-based Payments and Transactions Costs.

A change in Adjusted EBITDA before Marketing is therefore an indicator of short-term operating leverage. Adjusted EBITDA Margin before Marketing improved from (35)% in 2020 to (28)% for 2021, underscoring the scalability of the technology platform and the effectiveness of new feature releases that improved the efficiency of customer operations.

The second profitability metric that we measure is Adjusted EBITDA, which captures Advertising and Marketing Expenses but excludes Share-based Payments and Transaction Costs. Adjusted EBITDA Margin improved from (166)% in 2020 to (129)% in 2021.

Other Costs

	As at Year End		
	Dec-2021	**Dec-2020**	***YoY***
Share-based Payment (£m)	(3.9)	(2.2)	81%
Transaction Costs (£m)	(2.9)	(0.6)	*363%*
Finance Costs (£m)	(1.4)	(0.0)	*n/m*
Loss before Tax (£m)	(25.0)	(13.5)	-85%
Taxation (£m)	0.3	0.2	*n/m*
Basic Earnings per Share ('EPS')	(11.86)p	(7.67)p	-55%

Loss before Tax increased to £(25.0)m for 2021, in line with our strategy of investing in growth. The increase can be explained by increased Adjusted EBITDA as outlined above, together with an increase in the non-cash Share-based Payment, non-recurring Transaction Costs and Finance Costs.

The increase in Share-based Payment costs is partly explained by the impact of the accelerated vesting of options granted at the end of 2020. Another contributor to the cost increase was the introduction of the new PensionBee post-IPO remuneration structure which included a Deferred Share Bonus Plan, for which an accrual was recorded.

Transaction Costs primarily consist of fees and expenses incurred in relation to the preparation for our IPO (for which preparation commenced at the end of 2020).

Finance Costs are fees associated with the now cancelled £10m Revolving Credit Facility ('RCF') that we entered into with National Westminster Bank Plc on 22 March 2021, as part of a prudent liquidity management strategy. The RCF was never drawn, but a cancellation fee was incurred.

Taxation includes enhanced tax credits in relation to routine Research and Development refunds. No deferred tax asset has been recognised for the carried forward losses.

Basic Earnings per Share ('EPS') was (11.86)p for 2021 (2020: (6,138.63)p). These two EPS figures are not directly comparable due to a change in share capital as part of the reorganisation ahead of the IPO, together with the issuance of new shares as part of the IPO itself in April 2021. Adjusting the 2020 EPS for the impact of the IPO gives a comparable EPS of (7.67)p.

Regulatory Capital and Financial Position

PensionBee Limited, a subsidiary of the Company, is authorised and regulated by the FCA and therefore adheres to capital requirements set by the FCA. As of December 2021, the capital resources stood at £31.7m as compared to a capital resource requirement of £0.9m (unaudited), resulting in a coverage of 33.7x.

As of December 2021, the cash and cash equivalents balance was £44m (December 2020: £6.7m).

Results for the Year

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	2021	2020
		£ 000	£ 000
Revenue	4	12,753	6,268
Employee Benefits Expense (excluding Share-based Payment)	5	(7,447)	(4,475)
Share-based Payment	5, 21	(3,939)	(2,174)
Depreciation Expense	12, 13	(256)	(240)
Advertising and Marketing		(12,865)	(8,223)
Other Expenses	7	(8,862)	(3,991)
Transaction Costs	25	(2,947)	(637)
Operating Loss		**(23,563)**	**(13,472)**
Finance Costs	8	(1,416)	(11)
Loss before Tax		**(24,979)**	**(13,483)**
Taxation	10	348	220
Loss for the year		**(24,631)**	**(13,263)**
Total Comprehensive Loss for the year wholly attributable to Equity Holders of the Parent Company		**(24,631)**	**(13,263)**
Loss per Share (pence per Share)			
Basic and Diluted	11	(11.86)	(7.67)

The above results were derived from continuing operations.

The notes form an integral part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2021

	Note	2021	2020
		£ 000	£ 000
Assets			
Non-current Assets			
Property, Plant and Equipment	12	127	195
Right of Use Assets	13	692	118
		819	**313**
Current Assets			
Trade and Other Receivables	14	3,171	1,506
Cash and Cash Equivalents		43,518	6,736
		46,689	**8,242**
Total Assets		**47,508**	**8,555**
Equity and Liabilities			
Equity			
Share Capital	15	221	-
Share Premium	16	53,218	30,322
Share-based Payment Reserve	16,21	8,317	4,378
Retained Earnings	16	(17,976)	(28,245)
Total Equity		**43,780**	**6,455**
Non-current Liabilities			
Lease Liability	17	560	-
Provisions	18	43	-
		603	**-**
Current Liabilities			
Lease Liability	17	97	109
Trade and Other Payables	19	3,028	1,991
		3,125	**2,100**
Total Liabilities		**3,728**	**2,100**
Total Equity and Liabilities		**47,508**	**8,555**

The notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

	Note	*Share Capital*	*Share Premium*	*Share-based Payment Reserve*	*Retained Earnings*	*Total*
		£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2020		-	23,111	2,204	(14,982)	10,333
Loss for the Year		-	-	-	(13,263)	(13,263)
Total Comprehensive Loss		-	-	-	(13,263)	(13,263)
Issue of Shares		-	7,211	-	-	7,211
Share-based Payment Transactions		-	-	2,174	-	2,174
At 31 December 2020		**-**	**30,322**	**4,378**	**(28,245)**	**6,455**

		Share Capital	*Share Premium*	*Share-based Payment Reserve*	*Retained Earnings*	*Total*
		£ 000	*£ 000*	*£ 000*	*£ 000*	*£ 000*
At 1 January 2021		-	30,322	4,378	(28,245)	6,455
Income/(Loss) for the Year		-	-	-	(24,631)	(24,631)
Total Comprehensive Loss		-	-		(24,631)	(24,631)
Share-based Payment Transactions		-	-	3,939	-	3,939
Issue of Share Capital in PensionBee Limited		-	4,765	-	-	4,765
Group Reorganisation	15	180	(35,088)	-	34,908	-
Issue of Share Capital in PensionBee Group plc	15	33	54,967	-	-	55,000
Transaction Costs on Issue of Shares	15	-	(1,748)	-	-	(1,748)
Exercise of Share Options	15	8	-	-	(8)	-
At 31 December 2021		**221**	**53,218**	**8,317**	**(17,976)**	**43,780**

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	Note	2021	2020
		£ 000	£ 000
Cash Flows used in Operating Activities			
Loss for the Year		(24,631)	(13,263)
Adjustments to Cash Flows from Non-cash Items			
Depreciation		256	240
Loss on Disposal of Equipment	7	10	7
Finance Costs	8	1,416	11
Share-based Payment Transactions		3,939	2,174
Taxation	10	(348)	(220)
Operating cash flows before movements in working capital		(19,358)	(11,051)
Working Capital Adjustments			
Increase in Trade and Other Receivables	14	(1,277)	(627)
Increase in Trade and Other Payables	19	997	831
Cash used in Operations		(19,638)	(10,847)
Income Taxes Received	10	-	406
Net Cash Flow used in Operating Activities		(19,638)	(10,441)
Cash Flows used in Investing Activities			
Acquisition of Equipment	12	(69)	(75)
Direct cost for acquiring Right of Use Asset		(6)	-
Net Cash Flow used in Investing Activities		(75)	(75)
Cash Flows from Financing Activities			
Revolving Credit Facility Fees		(1,409)	-
Proceeds from Issue of Ordinary Shares		59,765	7,211
Transaction Costs on Issue of Shares		(1,748)	-
Payment of Principal and Interest of Lease Liabilities	17	(113)	(150)
Net Cash Flows from Financing Activities		56,495	7,061
Net Increase/(Decrease) in Cash and Cash Equivalents		**36,782**	**(3,455)**
Cash and Cash Equivalents at 1 January		**6,736**	**10,191**
Cash and Cash Equivalents at 31 December		**43,518**	**6,736**

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

Notes to the Financial Statements
for the year ended 31 December 2021

1. General Information

PensionBee Group plc (the ‘Company’) is the parent company of PensionBee Limited (the “Subsidiary”) (together the ‘Group’). The Company is a public company, whose shares were traded on the High Growth Segment of the London Stock Exchange (‘LSE’) and is incorporated and domiciled in England and Wales.

The address of its registered office is:

209 Blackfriars Road
London
SE1 8NL
United Kingdom

Principal Activity

The principal activity of the Group is that of a direct-to-consumer online pension provider. The Group seeks to make its UK customers ‘Pension Confident’ by giving them complete control and clarity over their retirement savings. The Group 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board (‘IASB’) in conformity with the requirements of the Companies Act 2006. The financial statements are prepared on the historical cost basis and on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The financial statements are presented in GBP and all values are rounded to the nearest thousand (£’000), except when otherwise indicated. The functional currency of the Company is GBP because it is the primary currency in the economic environment in which the Company operates.

Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2021.

On 24 March 2021, PensionBee Group plc acquired all the issued shares of PensionBee Limited through a share for share transaction (‘Group reorganization’). For every issued share in PensionBee Limited, 800 shares of PensionBee Group plc were issued. PensionBee Group plc issued 180,054,400 ordinary shares of £0.001 each. As part of the Group reorganization, the Company reduced its share premium to create additional distributable reserves. From the acquisition date, PensionBee Limited became a subsidiary of PensionBee Group plc. On the same date, all the share options granted by PensionBee Limited to its employees were cancelled and replaced by share options granted by PensionBee Group plc.

The comparative amounts for the year ended 31 December 2020 and the statement of financial position as at 31 December 2020 represent PensionBee Limited prior to the formation of the Group. The amounts for the year ended 31 December 2021 and the statement of financial position as at 31 December 2021 represent the Group.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company reassesses whether it controls an entity if facts and circumstances indicate there are changes to one or more elements of control.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiary, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Summary of Significant Accounting Policies

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.

Going Concern

The Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future and are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. The Group has strong cash reserves and forecasts growth that should see the financial results improve in the future years.

The COVID-19 pandemic has been considered in the Directors' assessment of going concern. The Group has been operationally resilient as proven by consistent operational efficiencies that have been maintained during remote working times. The Directors concluded that the COVID-19 pandemic will not impact the Group's ability to continue as a going concern. The impact of Russia's invasion of Ukraine on the markets and on the world more generally has also been considered in the Directors' assessment of going concern. While the Group's own exposure to Russia in terms of investments is minimal, rounding to 0%, broader market volatility could impact Assets under Administration and the Directors will continue to monitor the rapidly developing situation.

Stress testing was done by considering severe and unlikely but possible scenarios. The Group has adequate resources to survive macroeconomic downturns and the Directors concluded that the Group has sufficient financial resources to remain in operational existence. For these reasons, the Directors adopt the going concern basis of preparation for these financial statements.

Changes in Accounting Policy

None of the standards, interpretations, and amendments effective for the first time from 1 January 2021 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 IAS 16 – Proceeds before intended use	1 January 2022
Annual improvements 2018 - 2020 Cycle	1 January 2022
Amendments to IAS 37 - Costs of Fulfilling Contract (Onerous Lease Assessments)	1 January 2022
Amendments to IAS 1 - Classification	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Deciding which Accounting Policies to Disclose	1 January 2023
Amendments to IAS 8 - Distinguishing between Accounting Policies and Accounting Estimates	1 January 2023
Amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets	1 January 2023

The new standards which are not yet effective will not have a material impact on the financial statements.

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. The Group operates a service to combine and transfer customers' old pensions into new online plans, which are subsequently managed by third party money managers. The Group 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 the Group 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 the Group and the customer have approved the contract.

Identification of the performance obligations in the contract - The Group makes one promise to its customers, the administration of the customers' retirement savings through its third-party money managers. The Group 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. The Group does not consider these administrative tasks to be a separate performance obligation. As a result, it is considered that the Group has a single performance obligation, which is the administration of the customers' retirement savings.

Determination of the transaction price – The money managers invest customers' retirements savings in funds ("Group Plans") that match each customer's risk appetite. The Group 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 Group Plans; the fees range from 0.50% to 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 the Group's performance as the Group performs them. Revenue is calculated daily as a percentage (basis points) of the value of Assets under Administration ('AUA') as agreed by the customer.

Consideration Payable to Customers

The Group runs a number of incentive-linked marketing campaigns. Under these campaigns, a customer becomes entitled to either a pension contribution or cash back once they make their first live pension transfer. This consideration payable to the customer is not in exchange for a distinct good or service that the customer transfers to the Group therefore, it is accounted for as reduction to the transaction price. The full consideration is accounted for as revenue reduction in the year it is payable because the difference between spreading it over the contract life and recognising it in full in the year it is incurred is not material. Materiality assessment is done annually.

Recurring Revenue

The Group's revenue is recurring in nature as the annual charges are calculated daily as a percentage (basis points) of the value of AUA and will continue to be earned on an ongoing basis whilst the Group 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 the Group 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 the Group's presentation 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 presentation 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 loss for the year comprises research and development credit. There was no current or deferred tax charge for the year (2020 - £nil). 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 United Kingdom where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes liabilities where appropriate.

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.

The Group 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 fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Group assesses at each reporting date whether there are impairment indicators for tangible fixed assets.

Depreciation

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:

Asset Class	**Depreciation Method and Rate**
Computer Equipment	three years straight line
Furniture and Fittings	four years straight line
Leasehold Improvements	straight line over life of the lease
Right of Use Assets	straight line over life of the lease

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 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

The Group 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss is recognised in the statement of comprehensive income.

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 and other 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 payables 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material

Leases

Initial Recognition and Measurement

The Group 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, the group's initial direct costs (e.g., commissions) and an estimate of restoration, removal, and dismantling costs.

Subsequent Measurement

After the commencement date, the Group 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 statement of comprehensive income, 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.

Short Term and Low Value Leases

The Group 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).

The Group 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 statement of comprehensive income.

Share Capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined Contribution Pension Obligation

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

The contributions are recognised as an expense in the statement of 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 the Group

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 the Group (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 statement of comprehensive income, 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 (Share-based Payment reserve), with any excess over fair value expensed in the profit and loss account.

The Company has established a Share-based Payments reserve but does not transfer any amounts from this reserve on the exercise or lapse of options. On exercise, shares issued are recognised in share capital at their nominal value. Share premium is recognised to the extent the exercise price is above the nominal value. Where the Company is settling part of the exercise price, a transfer is made from retained earnings to share capital.

Research and Development

Research and development expenditure is recognised as an expense as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, how the asset will generate future economic benefits, the availability of resources to complete development of the asset and the ability to measure reliably the expenditure during development. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. No development expenditure has been capitalised during the years 2020 and 2021, 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 recognised as an expense as incurred.

Impairment of Financial Assets

Measurement of Expected Credit Losses

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 the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade and other receivables, the Group applies a simplified approach in calculating the ECLs. Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group'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 the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Critical judgement was made on the determination of the share-based payment charge for the year.

Share-based Payments

The Company provides share-based compensation benefits to employees via the EMI, Non-EMI Share Options Scheme, and the Deferred Share Bonus Plan ('DSBP').

EMI, Non-EMI Share Options Scheme

The Group 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.

The options vest in tranches over a service period of four years. At each reporting date, the Group revises its estimate of the number of options that are expected to vest based service conditions. At each reporting date, an estimate is made of the number of employees that will remain in service until their options vest. The impact of the revision to original estimates, if any, are recognised in the statement of comprehensive income, with a corresponding adjustment to equity.

A change of 5% in the number of employees that will remain in service until their options vest results in a 2% change in the Share-based Payment charge.

Deferred Share Bonus Plan

The fair value of DSBP awards granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the DSBP awards and is recognised in equity in the share-based payment reserve.

The number of DSBP awards expected to vest is estimated based on service conditions. All employees' awards vest in tranches over a service period of three years from grant date except for the two executive Directors that were in office at year end whose DSBP awards cliff vest on the third anniversary of the date of grant. At each reporting date, an estimate is made of the number of employees that will remain in service until their DSBP awards vest. The impact of the revision to original estimates, if any, are recognised in the statement of comprehensive income, with a corresponding adjustment to equity.

Where DSBP awards are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such DSBP awards are reversed effective from the date of the forfeiture.

A change of 5% in the number of employees that will remain in service until their DSBP awards vest results in a 9% change in the DSBP related Share-based Payment charge.

4. Revenue

The analysis of the Group's Revenue for the year from continuing operations is as follows

	2021	*2020*
	£ 000	*£ 000*
Recurring Revenue	12,592	6,155
Other Revenue	161	113
	12,753	**6,268**

Recurring Revenue relates to revenue from the annual management fee charged to customers. There are no individual revenues from customers which exceed 10% of PBL 's total Revenue for the year.

Segment Information

Operating segments and reporting segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). The Group considers that the role of CODM is performed by the Board of Directors. The CODM regularly reviews the Group's operating results to assess performance and to allocate resources. All earnings, balance sheet and cash flow information received and reviewed by the Board of Directors is prepared at a company level. The CODM considers that it has a single business unit comprising the provision of direct-to-consumer online pension consolidation and, therefore, recognises one operating and reporting segment with all revenue, losses before tax and net assets being attributable to this single reportable business segment.

Further, the Group operates in a single geographical location only, being the United Kingdom.

5. Employee Benefits Expense

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

	2021	*2020*
	£ 000	*000*
Wages and Salaries	6,477	3,957
Social Security Costs	767	385
Pension Costs, Defined Contribution Scheme	203	133
	7,447	4,475
Share-based Payment Expense	3,939	2,174
	11,386	**6,649**

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

	2021	*2020*
	No.	*No.*
Executive Management	9	5
Technology and Product	33	23

Marketing	9	6
Customer Service	85	60
Legal, Compliance and Risk	7	5
Administration and Other	15	11
	158	**110**

6. Directors' Remuneration

The Directors' remuneration for the year was as follows:

	2021	*2020*
	£ 000	*£ 000*
Remuneration	569	288
Group Contributions paid to Defined Contribution Pension Schemes	6	5
	575	**293**

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

	2021	*2020*
	No.	*No.*
Members of Defined Contribution Pension Schemes	3	3

In respect of the highest paid Director:

	2021	*2020*
	£ 000	*£ 000*
Remuneration	168	98
Group Contributions to Defined Contribution Pension Schemes	2	2

Exercise of Share Options

	2021	*2020*
	£ 000	*£ 000*
Amount of gains made on the exercise of share options	198	-

7. Other Expenses

Arrived at after charging:

	2021	*2020*
	£ 000	*£ 000*
Loss on Disposal of Equipment	10	7
Auditor's Remuneration	187	70
Management Fees	2,300	940
Other Expenses	6,365	2,974
	8,862	**3,991**

Included in Other Expenses is technology and platform costs, professional services fees, irrecoverable VAT, and general and administrative costs.

8. Finance costs

	2021 £ 000	2020 £ 000
Interest Expense on Lease Liabilities	7	11
Revolving Credit Facility Fees	1,409	-
Total Finance Costs	**1,416**	**11**

9. Auditor's Remuneration

	£ 000	£ 0000
Audit of the Financial Statements	187	70
Tax Advisory Services	200	38
Fees Payable for Reporting Accountant and Audit Related Services	829	315
	1,216	**423**

Fees payable for reporting accountant services, audit related services and tax advisory services are recorded in transaction costs. Audit related services comprise net asset testing fees which amounted £68,000 (2020 - £Nil). These services were received in preparation for admission to the London Stock Exchange.

10. Tax

Tax charged/(credited) in the statement of comprehensive income:

	2021 £ 000	2020 £ 000
Current Taxation		
UK Corporation Tax	(348)	(194)
Deferred Taxation		
Arising from Origination and Reversal of Temporary Differences	-	(29)
Arising from Tax Rate Changes	-	3
Total Deferred Taxation	-	(26)
Tax Credit in the Statement of Comprehensive Income	**(348)**	**(220)**

The tax on loss for the year was computed at the standard rate of corporation tax in the UK (2020 – at the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Loss before Tax	(24,979)	(13,483)
Corporation Tax at Standard Rate	(4,746)	(2,562)
Increase from effect of different UK Tax Rates on some Earnings	-	3
Increase from effect of expenses not deductable in determining Taxable Profit (Tax Loss)	1,464	636
Deferred tax expense (credit) from unrecognised Tax Loss or Credit	3,282	1,897
Decrease from effect of adjustments in Research Development Tax Credit	(348)	(194)
Total Tax Credit	**(348)**	**(220)**

	2021	2020
	£ 000	£ 000
Fixed Assets	(13)	(24)
Temporary Difference Trading	-	6
Total Deferred Tax Liability	(13)	(18)
Losses available for offsetting against Future Taxable Income	13	18
Total Deferred Tax Asset	**13**	**18**
Net deferred tax	**-**	**-**

The Group has £38,629,000 of non-expiring carried forward tax losses at 31 December 2021 (2020: £21,419,000) 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.

11. Earnings per Share

Basic earnings per share is calculated by dividing the loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated by dividing the loss attributable to ordinary equity holders of the Group adjusted for the effect that would result from the weighted average number of ordinary shares plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares under option. At each balance sheet date reported below, the following potential ordinary shares under option are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	2021	2020
Number of Potential Ordinary Shares	3,911,235	15,293
Loss Attributable to Equity Holders of PensionBee Group plc (£)	(24,631,000)	(13,263,000)
Weighted Average Number of Shares Outstanding during the Year	207,743,435	216,058
Basic and Diluted Earnings/(Loss) per Share (pence per Share)	(11.86)	(6,138.63)

Basic Earnings per Share was (11.86)p for 2021 (2020: (6,138.63)p). These two EPS figures are not directly comparable due to a change in share capital as part of the reorganisation ahead of the IPO, together with the issuance of new shares as part of the IPO itself in April 2021. Adjusting the 2020 EPS for the impact of the IPO gives a comparable EPS of (7.67)p.

Determination of the Comparable EPS

	2021	2020
Number of Potential Ordinary Shares*	3,911,235	12,234,400
Loss Attributable to Equity Holders of PensionBee Group plc (£)	(24,631,000)	(13,263,000)
Weighted Average Number of Shares Outstanding during the year*	207,743,435	172,846,400
Basic and Diluted Earnings/(Loss) per Share (pence per Share)	(11.86)	(7.67)

*Through Group reorganisation, every issued share in PensionBee Limited was exchanged for 800 shares in PensionBee Group plc. Every share option was cancelled and replaced by 800 share options.

12. Property, Plant and Equipment

	Fixtures and Fittings	*Leasehold Improvements*	*Computer Equipment*	*Total*
	£ 000	*£ 000*	*£ 000*	*£ 000*
Cost				
At 1 January 2020	69	128	133	330
Additions	-	8	67	75
Disposals	-	(8)	(2)	(10)
Transfers	2	(2)	-	-
At 31 December 2020	71	126	198	395
At 1 January 2021	71	126	198	395
Additions	-	-	69	69
Disposals	(6)	-	(7)	(13)
Transfers	(5)	-	5	-
At 31 December 2021	60	126	265	451
Depreciation				
At 1 January 2020	28	10	43	81
Charge for year	15	63	44	122
Eliminated on Disposal	-	(2)	(1)	(3)
At 31 December 2020	43	71	86	200
At 1 January 2021	43	71	86	200
Charge for the year	12	55	60	127
Eliminated on Disposal	-	-	(3)	(3)
Transfers	(4)	-	4	-
At 31 December 2021	51	126	147	324
Carrying amount				
At 31 December 2021	**9**	**-**	**118**	**127**
At 31 December 2020	**28**	**55**	**112**	**195**
At 1 January 2020	**41**	**118**	**90**	**249**

13. Right of Use Asset

	£ 000
At 1 January 2020	295
At 31 December 2020	295
At 1 January 2021	295
Additions	703
Disposals	(295)
At 31 December 2021	703

Depreciation

At 1 January 2020	59
Charge for year	118
At 31 December 2020	177
At 1 January 2021	177
Charge for the year	129
Eliminated on Disposal	(295)
At 31 December 2021	11
Carrying Amount	
At 31 December 2021	**692**
At 31 December 2020	**118**
At 1 January 2020	**236**

14. Trade and Other Receivables

	2021 *£ 000*	*2020* *£ 000*
Trade Receivables	1,335	708
Prepayments	887	360
Accrued Income	-	11
Other Receivables	949	427
	3,171	1,506

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.

15. Share Capital

Allotted, Called Up and Fully Paid Shares

	2021		*2020*	
	No. 000	*£ 000*	*No. 000*	*£ 000*
Ordinary of £0.001 each	221,526	221	221	-
	221,526	221	221	-

Shares at 31 December 2020 represents that of PensionBee Limited, shares at 31 December 2021 represent that of PensionBee Group plc.

On 24 March 2021, PensionBee Group plc acquired all the issued shares of PensionBee Limited through a share for share transaction. Every issued share in PensionBee Limited was exchanged for 800 shares in PensionBee Group plc. Every share option was cancelled and replaced by 800 share options. Through the Group reorganisation, PensionBee Group plc issued 180,054,400 ordinary shares of £0.001 each and reduced its share premium to create additional distributable reserves. On 26 April 2021, PensionBee Group plc issued 33,333,333 ordinary shares of £0.001 each for Initial Public Offering (‘IPO’). Each share was issued at £1.65. Transaction costs incurred and directly attributable to the issuance of shares for the IPO amounted to £1,748,000. These costs were recognised as a reduction to the share premium. During the year, PensionBee Group plc issued further ordinary shares from share options exercised totaling 8,138,194 ordinary shares of £0.001 each. The exercise price for each exercised share options was £0.001.

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 Payment 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 distributable reserves of the Group.

17. Leases

At 31 December 2020, the Group had a single property lease which was exited during 2021 on exercise of the break option. On inception, the lease liability was determined using a discount rate linked to London office rental yields, adjusted for risk premium for certain company specific factors. The discount rate was 7%.

In December 2021, the Group entered into a new property lease with a 5-year lease term ending in December 2026 with an option to terminate the lease after three years. The Group is reasonably certain that this option will not be exercised therefore the lease term was determined to be five years. On inception, the lease liability was determined using a discount rate linked to London office rental yields, adjusted for risk premium for certain company specific factors as well as taking into consideration the interest rate associated with the revolving credit facility entered in March 2021 and cancelled in September 2021.

The carrying amounts of right-of-use assets recognised and the movements during each year are set out in Note 13. Set out below are the carrying amounts of lease liabilities and the movements during the year

	2021 *£ 000*	*2020* *£ 000*
As at 1 January	109	248
Additions	654	-
Accretion of interest	7	11
Payments	(113)	(150)
As at 31 December	**657**	**109**

Lease Liabilities included in the Statement of Financial Position:

	2021 *£ 000*	*2020* *£ 000*
Non-current	560	-
Current	97	109
	657	**109**

The following are the amounts recognised in the Statement of Comprehensive Income:

	2021 *£ 000*	*2020* *£ 000*
Depreciation on Right of Use Asset	129	118
Interest on Lease Liability	7	11
Low Value Leases	-	6
	136	**135**

18. Provisions

	Dilapidations *£ 000*	*Total* *£ 000*
At 1 January 2021	-	-
Additional Provisions	43	43
At 31 December 2021	43	43
Non-current Liabilities	**43**	**43**

The Group is required to restore the leased premises of its offices to their original condition at the end of the lease term. The lease term ends on 2 December 2026. A provision has been recognised at the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the Right of Use Asset and are amortised over the useful life of the asset.

19. Trade and Other Payables

	2021	*2020*
	£ 000	*£ 000*
Trade Payables	356	749
Accrued Expenses	1,873	1,200
Social Security and Other Taxes	83	-
Other Payables	716	42
	3,028	**1,991**

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.

20. Pension and Other Schemes

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £203,000 (2020 - £133,000).

Contributions totaling £Nil (2020 - £34,000) were payable to the scheme at the end of the year and are included in trade payables.

21. Share-based Payments

PensionBee 2015 EMI Share Option Scheme

Scheme Details and Movements

Under the PensionBee 2015 EMI Share Option Scheme share options were granted to the senior management of theGroup. 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 had been fully exercised and there is no intention to issue any further optionsunder this scheme.

PensionBee EMI and Non-EMI Share Option Scheme

Scheme Details and Movements

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

The share options normally vest on the later of the following tranches, 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.

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 prevailing share price.Before the Company was listed, the market value was determined by reference to the price paid by external investorsas part of periodic funding rounds.

The weighted average fair value of share options during the year of grant was £1.65 in 2021 (2020 - £1,081). These two values are not directly comparable due to a change in share capital as part of the reorganisation ahead of the IPO. Adjusting the 2020 fair value for the impact of the IPO gives a comparable fair value of £1.35.

Prior to the Company being listed, share options could only be exercised upon the occurrence of an exit event, a takeover, reconstruction, liquidation and sale of the business, to the extent they had vested. In the event that there was no exit event before the tenth anniversary of the date of grant, the Directors could 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.

Following the listing of the Company during the year, share options can be exercised upon satisfying the service condition.

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

	2021 Number	*2020 Number*
Outstanding, start of the year	15,293	11,059
Outstanding after Reorganisation*	12,234,400	-
Granted during the year	312,000	4,394
Exercised during the year	(8,463,383)	-
Expired during the year	(171,782)	(160)
Outstanding, end of the year	**3,911,235**	**15,293**

The weighted average share price at date of exercise of share options exercised during the year was £1.64 (2020 -£Nil) and the weighted average remaining contractual life is two years and five months (2020 - one year and nine months)

*Following reorganisation ahead of IPO, each share option was split into eight hundred share options.

Deferred Share Bonus Plan

Scheme Details and Movements

Under the PensionBee Deferred Share Bonus Plan awards are granted to eligible employees who are or were an employee (including an executive Director) of the Group and have been granted a bonus. DSBP awards are granted at the end of the financial year once the annual bonus outturn has been determined. The exercise price of all DSBP awards is £nil per award.

For the two executive Directors that were in office at year end their DSBP awards cliff vest on the third anniversary of the date of grant. For the rest of the employees their DSBP awards vest in three equal installments over a service period of three years from grant date. DSBP awards vest upon satisfying the service condition.

The fair value of the DSBP awards is the share price on grant date. DSBP awards can be exercised to the extent theyhave vested.

No DSBP awards were granted during the year (2020 - Nil).

Charge/Credit arising from Share-based Payments

The total charge for the year for share-based payments was £3,939,000 (2020 - £2,174,000), all of which related to equity-settled share-based payment transactions.

22. Financial Risks Review

This note presents information about the Group's exposure to financial risks and the Group's management of capital. The Group is exposed to market risk, credit risk and liquidity risk. Financial risk exposure results from the operations of the subsidiary. The Company is not trading and therefore is structured to avoid, in so far as possible, all forms of financial risk

The Group's senior management oversees the management of these risks.

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. The Group considers interest rate risk to be insignificant due to low debt and no interest-bearing assets.

On 22 March 2021, the Group 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. On 20 September 2021, management decided to close the facility on the basis that the additional liquidity resources were no longer required. No amounts were drawn from the facility during the period in which the credit was available. Amounts charged to the income statement in respect of the cost of this facility totaled

£1,409,000 for the year. However, impact on interest rate in future years is not expected to be significant due to the cancellation of the facility.

Price Risk

As the 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), The Group has an indirect exposure to price risk on investments held on behalf of clients. These assets are not on the Group's statement of financial position. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of the Group are aligned to those of its clients.

A 10% change in equity markets would have an approximate 7.5% impact on revenue. The 10% change in equity markets is a reasonable approximation of possible change.

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's exposure to credit risk arises principally from its cash balances held with banks and trade receivables. The Group'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 high credit rated financial institutions whose assets they hold on behalf of the Group are a small percentage of their net assets and on this basis credit risk is considered to be low. Utilising the Simplified Approach the Group 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, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group 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 the Group's financial assets primarily being trade receivables which all have an expected lifetime of less than 12 months, the Group has elected to measure the expected credit losses at 12 months only.

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

			Days Past Due			
	Current	*< 30 days*	*30-60 days*	*61-90 days*	*>91 days*	*Total*
31-Dec-21	*£ 000*	*£ 000*	*£ 000*	*£ 000*	*£ 000*	*£ 000*
Gross Trade Receivables	1,335	-	-	-	-	1,335

			Days Past Due			
	Current	*< 30 days*	*30-60 days*	*61-90 days*	*>91 days*	*Total*
31-Dec-20	*£ 000*	*£ 000*	*£ 000*	*£ 000*	*£ 000*	*£ 000*
Gross Trade Receivables	708	-	-	-	-	708

The Group's trade receivables are concentrated in the three money managers

	2021	*2020*
	%	*%*
BlackRock	71%	68%
State Street Corporation	16%	21%
Legal & General	13%	11%
Total	**100%**	**100%**

The credit risk on liquid funds financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The principal banks currently used by the Group are Barclays plc and Silicon Valley Bank, both currently have long-term credit ratings of at least BBB (Standard & Poor's). The Group's liquid funds are concentrated in Barclays plc which holds 93% of the total balance as at year end (2020 - 93%).

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations to settle its liabilities. This is managed through cash flow forecasting.

Maturity Analysis

The following table sets out the remaining contractual maturities of the group's financial liabilities by type.

	Within 1 year	*Between 1 and 5 years*	*After more than 5 years*	*Total*
2021	*£ 000*	*£ 000*	*£ 000*	*£ 000*
Trade and Other Payables	3,028	-	-	3,028
Lease Liabilities	140	636	-	776
	3,168	636	-	3,804

	Within 1 year	*Between 1 and 5 years*	*After more than 5 years*	*Total*
2020	*£ 000*	*£ 000*	*£ 000*	*£ 000*
Trade and Other Payables	1,991	-	-	1,991
Lease Liabilities	109	-	-	109
	2,100	-	-	2,100

Capital Risk Management

For the purpose of the Group'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 the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments considering changes in economic conditions. To maintain or adjust the capital structure, the Group may 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. The Group conducts a capital adequacy assessment process, as required by the Financial Conduct Authority ('FCA') to assess and maintain the appropriate levels.

23. Related Party Transactions

Key Management Compensation	*2021* *£ 000*	*2020* *£ 000*
Salaries and Other Short-term Employee Benefits	1,428	643
Other Long-term Benefits	21	16
Share-based Payments	2,489	863
	3,938	**1,522**

Related Party - PensionBee Trustees

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

(i) Payment of the PensionBee Trustees Limited bank fees on a quarterly basis. During the year bank fees amounted to £15,000 (2020: £20,000). There was no outstanding balance at year end (2020: £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 £16,000 (2020: £45,000). There was no outstanding balance at year end (2020: £nil).

(iii) Other payments to customers (e.g., referral rewards) Payments are made from the Company and invested into the customer's fund from the PensionBee Trustees account. These payments can be found in 'Other Expenses' and 'Advertising and Marketing'. During these costs amounted to £314,000 (2020: £141,000). There was no outstanding balance at year end (2020: £nil).

Transactions with Directors

During the year ended 31 Dec 2021, the Group made a payment to HMRC on behalf of Mark Wood for £105,279. Mark will reimburse the subsidiary.

24. Events After the Reporting Period

There were no events occurring after the reporting date.

25. Alternative Performance Measures

The Company uses a variety of alternative performance measures (‘APMs’) which are not defined or specified by IFRS, in particular Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("Adjusted EBITDA"). The Directors use a combination of APMs and IFRS measures when reviewing the performance and position of the Company and believe that each of these measures provides useful information with respect to the Company’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 the Company.

The APMs used by the Company 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.

Adjusted EBITDAM

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

	2021	*2020*
	£ 000	*£ 000*
Operating Loss	(23,563)	(13,472)
Depreciation Expense	256	240
Share-based Payment (1)	3,939	2,174
Transaction Costs (2)	2,947	637
Adjusted EBITDA	**(16,421)**	**(10,421)**
Marketing Costs	12,865	8,223
Adjusted EBITDA before Marketing	**(3,556)**	**(2,198)**

(1) Relates to total annual charge in relation to share-based payment expense as detailed in note 21.

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

Principal Risks and Uncertainties

Overview of Risks

We have identified seven types of potential risks which could have a material impact on the Company'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 the Company has not yet identified, or has deemed to be immaterial, that could have a material adverse effect on the business.

Regulatory Risk

PensionBee's business is subject to risks relating to changes in UK government policy and applicable regulations. Whilst we have historically been beneficiaries of 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.

Information Security Risk

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

Furthermore, our 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.

Operational Risk

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 our services and have a material adverse effect on our reputation and profitability.

Our operational infrastructure and business continuity may be affected by other failures or interruption from events, some of which are beyond its control. Our 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 our preventative measures will protect us from all potential damage arising from any of the events described above.

Market Risk

PensionBee's business may be adversely affected by negative sudden or prolonged fluctuations in the capital markets. We generate the vast majority of its Revenue in the form of fees charged on a recurring basis calculated by reference to the value of our AUA. Our Revenue and profitability are 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 our customers' pensions and their overall confidence to make new contributions to their PensionBee pensions.

Credit Risk

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

Reputational Risk

PensionBee could be subject to adverse publicity, including if we or our 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 we do not continue to develop and implement preventative financial crime and fraud measures, practices and strategies, our ability to combat financial crime and fraud could be adversely affected. There is no guarantee that our 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 our profitability.

Strategic Risk

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

We are dependent upon the experience, skills and knowledge of our Directors and senior managers to implement our 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 our business and ability to grow.

Summary of Risks and Mitigations

Through the risk management process described above, we have taken the appropriate steps to reduce risk in accordance with our risk appetite. The summary of these steps are presented below.

Risk Type	Risks	Mitigations
Regulatory	We 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.	• 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.
Information Security	Serious or prolonged breaches, errors or breakdowns of our technology systems or exposure to an external attack could materially breach data protection laws, which could render us liable to governmental or regulatory disciplinary action, as well as to claims by customers.	• 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. .
Operational	Serious or recurrent breaches and errors in manual processes and systems, including those provided by third parties, could render us liable to governmental or regulatory disciplinary action, as well as claims by customers.	• Extensive automation program in place to reduce manual procedures. • Maintain a robust policy set of document procedures. • Regular training for employees.
Market	Fluctuations in capital markets may adversely affect trading activity and/or the value of the Company's Assets under Administration, from which we derive Revenue.	• Rely on recurring Revenue from long-duration assets. • Maintain asset diversification through appropriate fund range.
Credit	Default by a key financial partner could materially damage the capital position and our ability to generate Revenue.	• Only contract with the world's largest and most reputable asset managers. • Only bank with large and reputable institutions.
Reputational	There is a risk of reputational damage including as a result of employee misconduct, failure to manage our risks, fraud or improper practice.	• Strong culture of fair treatment of customers and purposeful business model. • Maintain a robust risk management framework.
Strategic	We operate in a competitive environment and our continued growth depends on our ability to respond to external changes.	• Embedded processes to gather and absorb customer feedback. • Rapid implementation and product development cycles.