Annual Report and Financial Statements 2019

PensionBee

www.pensionbee.com

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PensionBee at a Glance

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

PensionBee is the UK's leading online provider for retirement savings[1] with over 64k Active Customers and £745m of Assets under Administration[2].

We are a direct-to-consumer business delivering a leading customer proposition that suits all pension owners in the defined contribution pensions market, catering for the vast majority of people who have historically struggled to understand, prepare for and manage their retirement confidently.

We seek to make our customers 'Pension Confident' by giving them complete control and clarity over their retirement savings. We help our 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.

All our pension plans are managed by some of the world's largest money managers and are protected by the Financial Services Compensation Scheme. We believe in offering good value pension plans, based on low investment costs and professionally managed, diversified investment portfolios.

Our success is driven by our absolute commitment to our customers, together with our product leadership (ease-of-use, full-transparency on fees and jargon-free communication), exceptional customer service, industry-leading technology and world-class investing solutions[3].

PensionBee has become the UK's most loved pension provider[1] with a consistent customer retention rate in excess of 95% and an Excellent Trustpilot score.

64k

2019 Active Customers[2]

+122% on 2018

38k

2019 Invested Customers[2]

+118% on 2018

>95%

2019 Customer Retention[2]

£745m

2019 Assets under Administration[2]

+127% on 2018

£3.5m

2019 Revenue[2]

+149% on 2018

Trustpilot

Excellent 4.6 out of 5 Rating

1 Supported by PensionBee's Trustpilot TrustScores as at 31 May 2020 as compared to other key pension providers in the UK Defined Contribution pensions market and based on PensionBee's industry awards as set out within 'Our Awards' in Section 04 About Us.

2 Refer to definitions of Active Customers, Invested Customers, Customer Retention, Assets under Administration and Revenue set out within 'Key Performance Indicators' in Section 07 Operating and Financial Review.

3 Refer to 'Our Strategy' in Section 04 About Us.

Chairman's Statement

As we celebrate five years since inception, I am delighted to introduce PensionBee's Annual Report for 2019. During this year we continued to drive momentum in the business across all fronts, enabling strong growth in our customer base and an impressive increase in Assets under Administration to £745m and Revenue to £3.5m. The Company has won multiple awards and we are very proud to be the UK's 'Most Loved Pension Company'. On behalf of our customers and our shareholders, I would like to thank each and every one of our people.

The origins of the concept of today's pension can be traced back to the Victorian era. Little has changed. Money has been entrusted to institutions for decades in the hope that an adequate income will fund retirement. As life has lengthened and investment returns have diminished, attitudes to saving for the future are changing. Individuals are seeking a greater understanding of and involvement in their financial future. PensionBee's success has come from its unwavering commitment to helping customers achieve exactly this, such that they become truly 'Pension Confident'.

Congratulations to our team at PensionBee on a further year of achievements, all of which are centred around ensuring that managing pensions, our most important financial asset, is made as immediate, simple and straightforward as possible. No more jargon, no more form-filling, no more delays, no more hanging on the phone. Everyone at PensionBee wants retirement savings to be as easy to manage as any other aspect of our lives. With diligence, energy and ingenuity, PensionBee has dragged the pensions industry into the 21st century.

Governance

The Board is committed to upholding high standards of corporate governance across the business, including maintaining the right balance of skills, experience and diversity. In November 2019, we were delighted to confirm the appointment of Michelle Cracknell CBE as an independent Non-Executive Director of the Company. She brings with her a wealth of pensions expertise, most recently serving as the Chief Executive of The Pensions Advisory Service. Her appointment highlights PensionBee's commitment to champion the rights of consumers and to drive industry change.

The Board continues to provide strong support and appropriate challenge to the management team to ensure that the strategy is sound, achievable and delivered.

Outlook

Fundamental prospects for the UK Defined Contribution pension market remain positive, with supportive industry and regulatory dynamics continuing to drive growth of this sizable market. We see the need for individuals' financial well being as being greater than ever, with the acceleration of digitisation helping to facilitate this.

We believe that PensionBee's leading online direct-to-consumer proposition, supported by its sustainable and scalable operating model will see it continue to thrive. We are excited to see the customer base, Assets under Administration and Revenue continue to grow, and the business continue to flourish.

At the time of writing, there is much uncertainty surrounding the ongoing global health pandemic and the associated economic impact. Whilst we expect to see further volatility, we believe that the business is well positioned to manage the challenges faced and seize the opportunities presented and indeed the business has continued to grow through this period. The Board remains excited and confident about the long-term prospects of PensionBee[4].

Mark Wood CBE
Chairman
June 2020

4 Refer to Note 24 of the Notes to the Financial Statements (Non adjusting events after the financial period).

Chief Executive Officer's Review

I am very pleased to present the Company's first set of audited financial statements following our many achievements of 2019 and the celebration of PensionBee's fifth anniversary of its founding in 2014. PensionBee was inspired by a very difficult pension transfer experience that left me convinced that savers in the United Kingdom deserve more from financial services. We have since sought to challenge the status quo of dull and ineffective pension services, and in doing so, have helped our customers look forward to a happy retirement.

With love for our customers accompanied by product simplicity, innovation and honesty, we deliver a quality service that has enabled us to become the UK's leading direct-to-consumer online pension provider, maintaining an Excellent Trustpilot rating from our customers, an achievement that I am particularly proud of. We have built a scalable operating platform with industry-leading technology, world-class investing solutions and product leadership, already capable of accomodating further growth of the business in the future. We believe that PensionBee will continue to benefit from accelerating positive market trends and that we are well-positioned to grow our customer base and Revenue.

This year saw PensionBee continuing on its positive growth trajectory, delivering an annual rise in Assets under Administration of 127% from £328m at the end of 2018 to £745m at the end of 2019 as compared to a rise in the value of the FTSE All-Share index of 14% over the same period. Our asset growth is attributable to healthy new customer growth, with Active Customers increasing 122%, from 28.9k at the end of 2018 to 64.2k at the end of 2019.

Our marketing campaigns, including national billboard promotions, television advertising and digital acquisition were well-received across the country. Asset growth translated into a year-on-year increase of 149% in Revenue, which was £3.5m for 2019. By December 2019 we had achieved an Annual Run Rate Revenue of £4.8m[5].

Our focus on controlled expenditure across the board, together with improvements to our working capital position, allowed us to achieve this Revenue growth with a comparatively smaller increase in our Net Operating Cash Loss of 49% to £5.2m across the same period[6]. We see the combination of successful financial performance and outstanding customer service as the key to sustainable growth, setting us apart from other pension and financial technology companies.

Our success is built on the foundation of making pensions simple for our customers and thereby making them 'Pension Confident'. 2019 saw us continue to execute and deliver the most ambitious digital pension strategy in the industry, with a particular focus on our mobile app. With easier transfers, sophisticated planning tools and new investment plans for our over-50's, high-growth segment, we delighted our customers. Our investment in proprietary automations to make pension management easier and reduce our incremental cost of operations was also instrumental in improving the efficiency and quality of our service. Our strategy is to continue listening to our customers, delivering on our values and consolidating our position as market leader.

Outlook

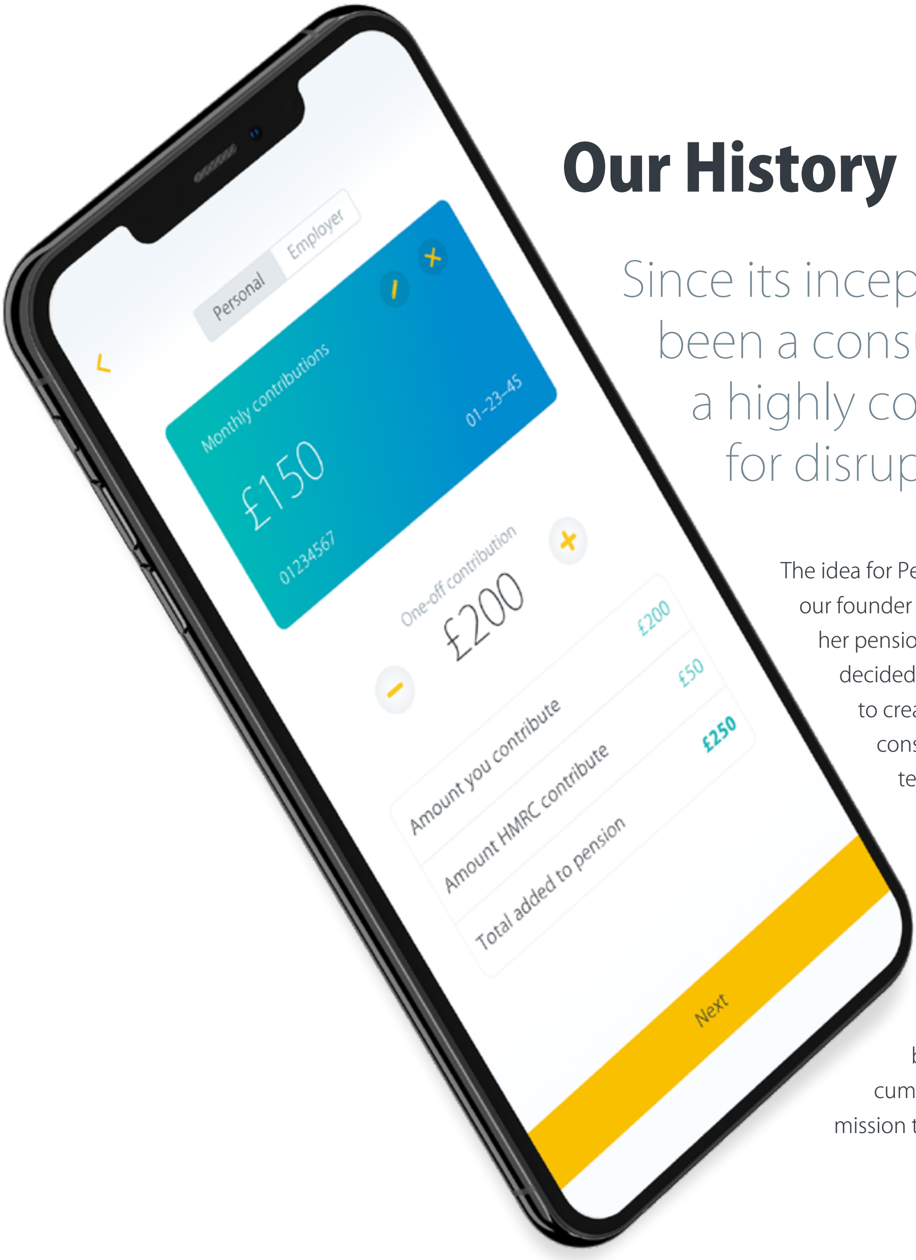
The first half of 2020 has been dominated by a global pandemic and as with any major structural shock, there are repercussions for the economy. The accelerated transition to digital and the ever greater need for financial well-being leave PensionBee well-positioned to emerge even stronger in the post-Coronavirus world order. We rapidly implemented remote working requirements and remained fully available to our customers in all of our usual ways. Our robust cash position has allowed us to operate on a 'business as usual' basis, growing our customer base and investing in our team[7]. Therefore we expect 2020 to be another positive year for PensionBee, as we continue to transform pensions for the good of consumers.

Romi Savova
Chief Executive Officer
June 2020

5 Annual Run Rate Revenue is calculated using the Revenue for the month of December 2019, multiplied by 12 to get a full year estimate.
6 Refer to definition of Net Operating Cash Loss set out within 'Key Performance Indicators' in Section 07 Operating and Financial Review.
7 Refer to Note 24 of the Notes to the Financial Statements (Non adjusting events after the financial period.

About us

The UK's most loved pension company



Our History

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

The idea for PensionBee was conceived in 2014, after our founder and CEO Romi Savova struggled to switch her pension provider using traditional platforms. She decided there had to be a better way and set out to create PensionBee, a provider that puts the consumer at its heart, built on industry-leading technology, product and customer service, that helps everyone prepare for and enjoy a better retirement.

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

Our Customers

PensionBee is for everyone

PensionBee has grown rapidly by helping consumers to solve the challenges they face when it comes to tracking down, combining and managing their pension savings. We now count over 64k Active Customers from 18-80 years of age, with £745m in Assets under Administration as at the end of 2019.

PensionBee is for everyone. We serve a host of different types of customers, from career-ladder climbers, working mums, job hoppers and millennials to the self-employed and retirees. Currently, approximately one third of PensionBee's Assets under Administration can be attributed to customers in the 50+ age category, a segment of great importance. Our online offering has special features available from the age of 55, allowing customers to plan ahead with a drawdown calculator and enabling customers to make withdrawals in a quick and efficient way.

Customers are at the heart of what we do and we are proud to be the UK's most loved pension provider

From the very start, the value of 'Love' was enshrined in PensionBee's approach to help customers in the UK look forward to a happy retirement. We have a strong culture of caring about customers, providing them with an excellent experience and always putting them first. Therefore, we place a very strong emphasis on our customer reviews, that we gather through Trustpilot, Google and the mobile app stores.

In May 2019, PensionBee achieved a very important milestone in its journey, cementing its Excellent average Trustpilot rating, based on over 1,000 customer reviews, making it the UK's most loved pension company. We continue to maintain an Excellent Trustpilot score (based on approximately 2,000 reviews today[8]) and a customer retention rate greater than 95%.

8 As at 31 May 2020.

Our Customer Proposition

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

PensionBee has transformed a complicated pension transfer process that previously took months to complete, into a simple online journey, helping thousands of people reconnect with their old pensions. Our customers can monitor their live balance within our product or connect it to one of the available personal financial applications. They can contribute as regularly as they like, forecasting the impact of their contributions on their retirement outcome. From the age of 55, customers can withdraw their pension online in just a few clicks, bypassing weeks of paperwork and jargon-filled forms sent through the post.

PensionBee does not offer advice (personal recommendations) and customers must make their own investment decisions. PensionBee offers a carefully selected range of differentiated investment plans that are targeted towards successful customer outcomes. Plans are managed by some of the world's largest money managers including BlackRock, HSBC, Legal & General and State Street Global Advisors. We maintain a transparent and fair pricing model, charging one annual fee ranging from 0.50%-0.95% of a pension, with any pension amount over £100,000 benefitting from a fee reduction of 50%

We maintain strong connections with our customers. We complement our digital offering with dedicated customer account managers (known as "BeeKeepers"), who offer lifetime support to our customers and aggregate feedback, helping us develop new tools that allow us to stay at the forefront of consumer needs. We also represent the voices of our customers in calling for switching guarantees, fee transparency and sustainable investing across the rest of the industry.

The key components of our customer proposition are:

A modern, mobile, paper-free pension

Our BeeHive is built to make saving simpler. On our website or within our app, customers can see their current pension pot size, their projected retirement income and set up regular or one-off contributions and make withdrawals with just a few clicks. All our communications are paper-free by default.

Human support, when only a human will do

Our designated customer account managers (BeeKeepers) are always on hand to provide ongoing support. They guide customers through signup, the process of tracking down pensions, the setting up of new plans and they offer support through the customer's lifetime with PensionBee.

Fair fees and total transparency

For pensions up to £100,000, customers pay one competitive annual fee of 0.5-0.95%. Once a pension grows larger than £100,000, the fee is halved on savings over this amount. Customers can switch between plans free of charge and there are no exit fees.

Pensions in expert hands

Customer savings are managed by the world's biggest money managers: BlackRock, HSBC, Legal & General and State Street Global Advisors. With around £8tr managed between them, we consider them best placed to manage our customers' money. We also frequently engage with our money managers on issues related to Environmental, Social and Governance considerations.

Forever fighting for the customer

When we are not building the UK's best pension product, we are pressing the industry for change. Not only are we fighting for total transfer transparency, but also consumer switching guarantees.

Our Strategy

PensionBee's strategy is to be the best direct-to-consumer online pension provider for everyone, consolidating our position as the market leader

PensionBee has developed an easily accessible customer proposition for everyone that provides the solution to the consumer problem of preparing for and managing their income through retirement.

PensionBee's strategy starts with the consumer, putting them at the heart of everything we do. Consequently, our strategy focuses on growing our customer base directly, offering them an exceptional lifetime product and service experience, powered by industry-leading technology and world-class investing solutions.

Our strategy consists of the following components and competencies:

Direct-to-consumer distribution

Our direct-to-consumer distribution model encompasses scalable marketing channels, including search, social media, partnerships, television and outdoor. Our challenger branding and digital proposition resonate with a mass market audience, allowing us to advertise efficiently across most prevailing media.

Product leadership

We are a leader in product innovation, driving change based on responsiveness to customers' needs in a way no-one else can replicate. Our customer proposition is enabled by a best-in-class product experience and technology, allowing easy onboarding of customers and a lifetime of intuitive self-service through our website and mobile app ('A pension in the palm of your hand'). Customers can manage their pensions, view their live balance, make contributions and withdrawals online and, with the help of smart calculators, plan their savings and retirement.

Exceptional customer service

We pride ourselves on excellent customer service, complementing our digital offering with dedicated customer account managers (BeeKeepers), who offer lifetime support to our customers. We aggregate feedback to develop new tools that allow us to stay at the forefront of customer needs.

Industry-leading propriety technology

PensionBee's proprietary technology is modern, scalable and secure. PensionBee's technology is cloud-based and API-driven. PensionBee builds on dynamic, world-class platforms, allowing us full control over the experience we deliver to customers and the ability to grow rapidly. The security and compliance of our technology is a priority and of paramount importance. We maintain a robust information security assurance framework that is independently audited.

World-class investing solutions

We are partnered with some of the world's largest and best money managers, BlackRock, HSBC, Legal & General and State Street Global Advisors, who manage our customers' savings. We offer a carefully selected range of seven differentiated plans that strikes the right balance: providing customers with choice and control, without overwhelming them. Our plans include our asset managers' flagship products, which serves to highlight their strength.

Our Team

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

Led by our founders **Romi Savova** (CEO) and **Jonathan Lister Parsons** (CTO), we have a strong and established senior management team. Our diverse and inclusive workforce of 102 employees (as at the end of 2019) reflects our customer base. Our team is motivated and empowered to achieve great results across all areas of the business, including customer service, brand and marketing, product development, technology, finance and risk. We develop and support our talent and strive to ensure our people are actively engaged. Our strong culture and values enable us to attract and retain people who passionately believe in our vision. All employees participate in our share option scheme which further helps to drive engagement and an ownership mentality.

We have a deep and experienced board, led by our Chairman **Mark Wood CBE** (former CEO of Prudential and founder of Paternoster). **Michelle Cracknell CBE** (former CEO of The Pensions Advisory Service) was recently appointed as an independent Non-Executive Director in 2019. We are pleased to welcome experienced investors into our boardroom–State Street Global Advisors, the world's third largest money manager[9], is the largest external shareholder in PensionBee and an observer on our Board.

9 Pensions & Investments Research Data, 2018

Our Values

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

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

Honesty

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

Innovation

As the most innovative company in the pensions industry, we are always seeking to "wow" our customers (and colleagues) through new and improved ways of doing things.

Love

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

Quality

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

Simplicity

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

Our Awards

2019 has been an incredibly strong year for PensionBee and the industry has recognised its innovation, customer service and diverse workplace

Set against the backdrop of a history of winning industry awards since its inception, 2019 saw PensionBee win a plethora of important awards and accumulate many nominations and commendations, a testimony to its determination, focus and achievements in helping consumers save for a happier retirement. PensionBee was recognised for its product innovation, dedication to customer service, and commitment to an inclusive and diverse workplace:

Winner:
- Online Business of the Year

Winner:
- Most Innovative Direct Consumer Proposition
- Open Innovation

Winner:
- Diversity and inclusion champion

Winner:
- Best Robo-Advice SIPP Provider

Winner:
- Pension Provider of the Year
- SIPP Provider of the Year

Highlighting her drive to change the industry, our CEO achieved great personal success:

★ Winner: 'Best High Growth Woman Founder' at the UK Business Angel Association Awards 2019

★ Winner: 'Entrepreneur of the Year' in the City AM Awards 2019

★ Highly commended: 'Change Excellence' at the Women in Pensions Awards 2019

Business Model

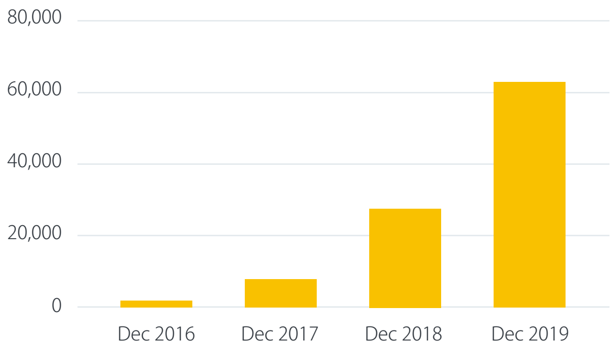
PensionBee has a track record of strong growth and has built a solid foundation to drive value in the future

Since its inception, PensionBee has focused on developing its unique customer value proposition and direct-to-consumer distribution model. We seek to revolutionise the pensions industry through innovative technology, product leadership and excellent customer service. We have built a solid foundation for the Company.

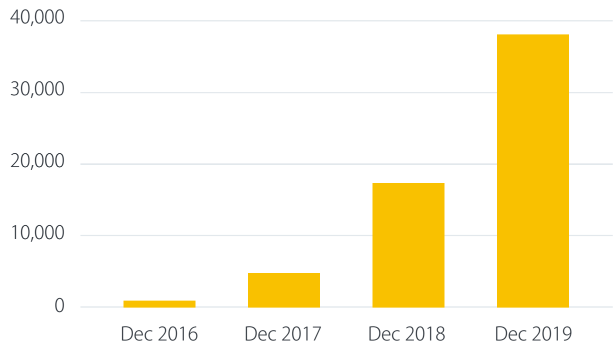
Operating in a vast addressable market, with regulatory and behaviour-driven dynamics driving strong growth in its core segments, the Company has achieved a positive track record across all its major key performance indicators, including growth in customer numbers, Assets under Administration and Revenue.

We have built a scalable operating platform with industry-leading technology, world-class investing solutions and product leadership, that is already capable of accommodating further growth of the business in the future. We believe that PensionBee will continue to benefit from accelerating positive market trends and that we are well-positioned to grow revenues across the market cycle[10], with the goal of achieving profitability in the medium-term.

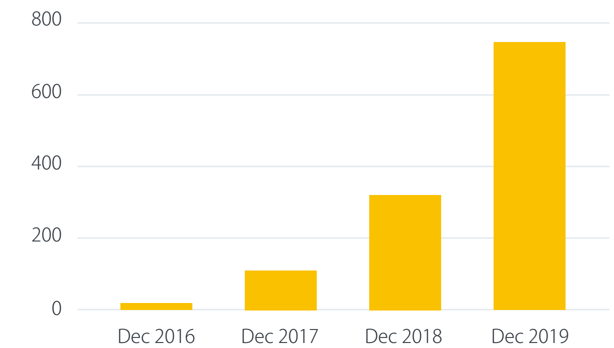
Active Customers (Cumulative)



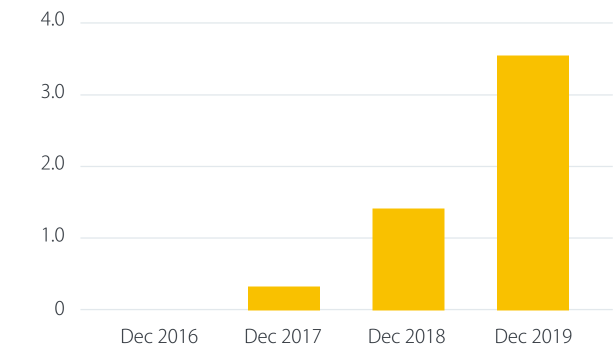
Invested Customers (Cumulative)



Assets under Administration (£ million)



Revenue (£ million)



10 Refer to 'Market Outlook' in Section 06 Market Opportunity.

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

PensionBee's business model is built around the following key tenets:

Efficient Direct-to-Consumer Distribution

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

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

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

Recurring Asset-Based Revenue

We focus on delivering a high quality service to our customers, fulfilling their retirement saving and withdrawal needs throughout their lifetime. We earn Revenue through the administration of our customers' retirement savings. Our Revenue is recurring in nature as our annual charges are calculated daily as a percentage (basis points) of the value of Assets under Administration (AUA) and will continue to be earned on an ongoing basis whilst we administer those assets. The mix of investment plans has an impact on the levels of fees charged and therefore Revenue.

AUA and Revenue display a very high degree of stability and predictability, testament to the strength of our customer proposition and PensionBee's leading market position. Customers can readily switch between different pension plans free of charge, without the need to leave. We consistently achieve high customer retention in excess of 95%.

Revenue growth reflects our customers' attitudes and behaviours with respect to contributions, consolidation of pensions and withdrawals over time. AUA and therefore Revenue grows through existing and new clients adding more investments into their accounts through pension consolidation and contributions. We aim to minimise the customers leaving us, with a constant focus on excellent customer service and product innovation.

AUA and Revenue are also importantly linked to growth in the underlying market value of the investments customers hold in their accounts. Stock markets give an indication of investment growth and the most relevant proxy measure tends to be the movement in the major stock market indices, such as the FTSE All-Share Index and the S&P 500. Whilst short-term fluctuations may decrease the value of AUA, our customers' exposure to the stock market has historically increased their retirement savings, and therefore our AUA and Revenue, over the longer run.

Scalability of Operations

We only offer our customers highly liquid, scalable investment management solutions from the world's largest asset managers. Our investment solutions track prominent global indices and provide unrestricted capacity for inflows and the highest levels of liquidity.

We continually invest in our technology, people and product development in an efficient and disciplined manner, to deliver the best customer proposition in the market. Our operations are highly scalable, so as we continue to grow, we expect to benefit from economies of scale and increasing cost efficiency. By way of illustration, the Revenue per Employee metric has increased by 26%, from £41.9k in 2018 to £52.9k in 2019[11]. We expect that the operating leverage in our business will facilitate rapid margin expansion.

Our customer proposition is tech-enabled, allowing easy onboarding of customers and intuitive self-service throughout a customer's lifetime. We utilise technology to ensure our service is as efficient and automated as possible, such that adding new customers and assets has only a marginal cost impact. Our technology is scalable. We build our technology on dynamic, world-class platforms and have in-house development knowledge and expertise, allowing us to be nimble, responsive and to scale rapidly.

We pride ourselves on excellent customer service, complementing our digital offering with dedicated customer account managers who offer lifetime customer support. During 2019 we grew our customer service team in anticipation of the future growth of the business. We also invested in the scalability of the team through tool enhancements that put the customer at the centre of our platform, thereby facilitating better and more efficient interactions.

11 Refer to definition of Revenue per Employee set out within 'Key Performance Indicators' in Section 07 Operating and Financial Review.

PensionBee's Business Model

Advertising & Marketing

PensionBee
Customer solution

\+

Revenue: £3.5m [1]

AUA: **£745m**
Active Customers: **64k**
Invested Customers: **38k**

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Money Managers Fee [2]
BlackRock, HSBC,
Legal & General
State Street Global Advisors

Technology & Product Development

People

=

Net Cash Operating Profit/Loss [3]

[1] Revenues based primarily on annual asset-based fees of 0.50–0.95%.

[2] Money Managers Fee paid to asset managers.

[3] Net Cash Operating Profit/Loss after othjer administrative expenses, improvements in working captial and R&D tax credit. Refer to definition of Net Cash Operating Loss set out within 'Key Performance Indicators' in section 07 Operating and Financial Review.

Market Opportunity

Industry Background

PensionBee is well-positioned to benefit from demographic trends and supportive regulatory dynamics in the UK Defined Contribution pensions industry

Attractive industry fundamentals and regulatory dynamics support growth in the Defined Contribution pensions market. We see significant trends that have been favourable to our business and the broader market continuing to propel growth forward.

As regards job market dynamics, trends such as longer working life and shortened duration of each individual period of employment will continue to drive demand for customer-centric pension provision. Longer working life, and therefore time to accumulate savings for retirement, serves to increase overall pension wealth. Shortened duration of employment with individuals being more likely to move jobs more frequently, will also drive demand for a consolidation solution.

From a regulatory perspective, the UK Government has displayed a focus on ensuring individuals are saving appropriately for retirement through important changes to legislation, as outlined below. Additionally, the UK Government's planned Pensions Dashboards initiative should further serve to increase awareness around retirement savings, and should favour the PensionBee proposition as consumers are expected to actively seek a provider to consolidate and manage their pensions.

Addressable Market Size

PensionBee has a vast and attractive addressable £1tr Defined Contribution market, with a core target market of >£500bn of Preserved Pensions within that

The UK pensions landscape is vast and complex in nature, and can be analysed in many different ways, drawing several distinctions in the pension scheme architecture and the regulatory framework that sits above it.

Pensions continue to be the largest savings vehicle in the UK, 10x greater than the value of share and cash ISAs combined[12]. Setting aside the State Pension, total UK private pension wealth was £6.1tr across an average of the 2016-2018 period, representing in excess of 40% of the total. We estimate that UK pension wealth is likely to be in excess of £7tr today, by applying a historic actual CAGR of 9%[14].

The average 2016-2018 UK private pension wealth can be split into the following key segments:

- 48% (£2.9tr) of 'Pensions in Payment', being wealth consisting of pensions from which individuals are receiving an income from their own or spouse's pensions;
- 39% (£2.4tr) of Defined Benefit (DB) Pension wealth; and
- 13% (£808bn) of Defined Contribution (DC) Pension wealth.

PensionBee's broader addressable market is the UK DC Market. Applying historic segmental growth rates to this base number yields an estimate for the value for the **UK DC Market in excess of £1tn today** [15].

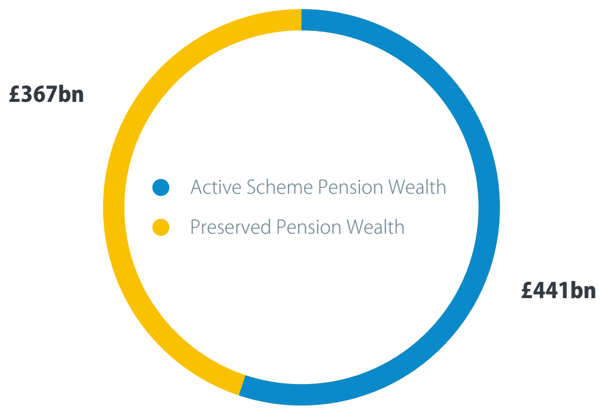
The DC market can be further segmented, drawing a distinction between:

- 'Active' Pensions relating to wealth held in pensions that are regularly contributed to and usually accumulated during working life; and
- 'Preserved' Pensions relating to wealth held in pensions to which contributions are no longer being made, are not yet in payment, but have accrued rights that will come into payment in the future.

PensionBee's core focus is the Preserved segment, but we also consider that our market encompasses the broader area of Active Pension plans held by individuals, which can be easily transferred. DC Preserved Pension wealth has grown significantly over the last few years with a long-term historical CAGR of 15%[16], driven by increased membership of and contributions to DC pensions across all age groups together with other trends such as shortened duration of employment. Whilst historical data estimates our core target market size to be at least £367bn[17], applying long-term historical segmental growth rates to this base number, yields an estimate for the value of **PensionBee's Core Preserved DC Market in excess of £500bn today**[18].

PensionBee's Addressable Market

Segmental Analysis of Average UK Pension Wealth over 2016-2018.



12 Individual Savings Account (ISA) statistics from Office for National Statistics (ONS), April 2019.

13 Pension Wealth in Great Britain: April 2016 to March 2018, ONS, 5 December 2019.

14 Historical CAGR measures yearly average growth in private pension wealth from the average over June 2012-June 2014 to the average over April 2016-March 2018. Based on ONS data.

15 PensionBee estimate as of 2019 based on historical ONS data. Calculated by applying historical CAGRs (from the average over June 2012-June 2014 to the average over April 2016-March 2018) by individual segment to the average April 2016-March 2018 data, for 2 years.

16 Pension Wealth in Great Britain: April 2016 to March 2018, ONS, 5 December 2019.

17 Includes £291m of Preserved DC Pension entitlements, £36m of Preserved Pension entitlements for drawdown and £40m of Preserved Pensions expected from a former spouse/partner.

18 PensionBee estimate as of 2019 based on historical ONS data. Calculated by applying historical CAGRs (from the average over June 2012-June 2014 to the average over April 2016-March 2018) by individual segment to the average April 2016-March 2018 data, for 2 years.

Market Trends

The drivers of historic DC market growth, including Auto Enrolment and Pension Freedoms, will continue to support future growth

Recent years have seen several regulatory and policy initiatives drive major structural changes in the UK pensions market. The effects of these changes will continue to drive growth, making the DC market the biggest opportunity for future growth.

The decline in DB plans in the UK is due to a complex web of political, social, economic and regulatory changes that have evolved the pension landscape in the UK over the past 30 years. As large employers have shut down underfunded DB schemes, there has been a big migration towards the adoption of DC plans.

Auto Enrolment (AE) has become one of the prevalent forms of saving and with provision for retirement having become an increasingly important component of individual financial planning across the UK. The 2008 Pensions Act mandated AE, requiring all private employers to enrol their qualifying staff into a workplace pension scheme by 2018 and to make contributions towards their employees' pensions. Membership has risen sharply over the last few years (more than 10.2m workers have been auto-enrolled in the UK since 2012)[19]. As a result of frequent job switching (on average 11x per person)[20] Preserved Pension pots have proliferated under AE, with the Department of Work and Pensions estimating there could be 50m dormant pots by 2050[21].

In 2017 The Pensions Regulator introduced its new master trust authorisation regime. Master trusts remain on course to be the main vehicle for mass-market DC workplace pensions with more than half of those who have been automatically enrolled into a workplace pension scheme by their employer saving into these types of schemes. In April 2019, the AE minimum contributions were raised further, which we expect will further fuel the sharp acceleration in DC asset growth.

There was a renewed interest in UK pension savings following the introduction of Pension Freedoms in 2015, as members of DC pension schemes were permitted to withdraw cash from their pensions directly, without the obligation to purchase an annuity. This plays to PensionBee's strength, given its easy-to-use solution around customer withdrawals.

Market Outlook

PensionBee will continue to benefit from accelerating positive market trends

Future trends in growth will continue to be driven by regulatory and policy changes, by trends in employment and by conditions in the underlying economy. As 2020 continues to be dominated by the global pandemic and associated economic dislocation and repercussions, we envisage the need for PensionBee's customer proposition being greater than ever, led by trends such as the acceleration of the transition to digital, a greater need for financial well-being and a greater need to consolidate Preserved pension pots.

Many individuals will see an extension of their working life and time to retirement increase to cope with an extended economic downturn. We would expect people to save for the longer-term, driving higher customer lifetime value. We also expect the number of Preserved pension pots to structurally accelerate through a market downturn as unemployment and job uncertainty prevail, driving the need for customers to consolidate. For those approaching retirement, they will need to focus on the ability to spend their pensions in a considered manner, again driving demand for easy and efficient withdrawals as offered by PensionBee.

Despite the pandemic, PensionBee has continued to grow its customer base and its Revenue. We believe PensionBee should continue to enjoy its position as the UK's leading direct-to-consumer online pensions provider given the strength of our proposition and the pace of our innovation.

19 'Pensions: automatic enrolment - current issues', Commons Research Briefing, 21 April 2020.
20 'Meeting future workplace pension challenges: Improving transfers and dealing with small pension pots', DWP, December 2011.
21 Government response to the consultation: Improving transfers and dealing with small pension pots, July 2012.
22 Change in contributions from 5% to 8% of qualifying earnings, including an increase in employee contributions from 3% to 5% and of employer contributions from 2% to 3%.

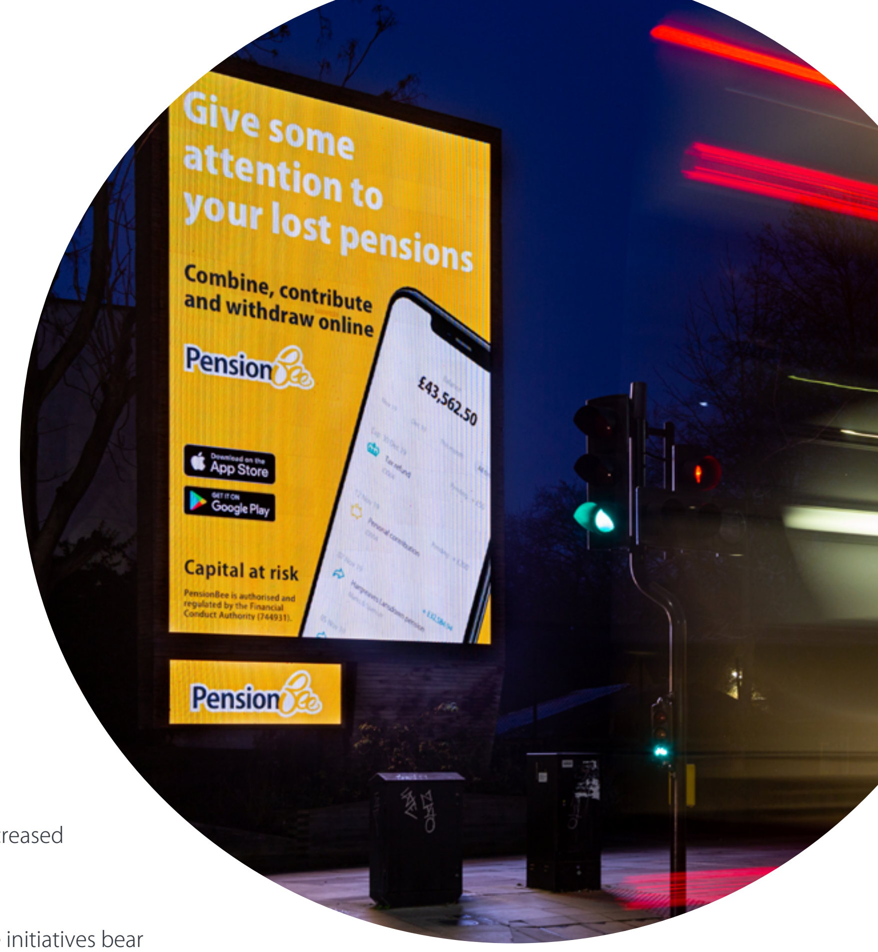
Operating and Financial Review

Key Performance Indicators

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

KPI	Value	Change	Description
Assets under Administration (AUA)	**2019: £745m** 2018: £328m	**+127%**	AUA is the total value of pension assets within PensionBee Invested Customers' pensions at the year end. It measures the new inflows less the outflows and records a change in the market value of the assets. AUA is the primary driver of Revenue and when viewed over time reflects the growth of the business.
Active Customers	**2019: 64.2k** 2018: 28.9k	**+122%**	Active Customers is the cumulative number of PensionBee customers at the year end who are either an Invested Customer or who are actively engaged on the path to becoming an Invested Customer. This measure can be used to determine the success of the PensionBee proposition, customer service and the effectiveness of the marketing.
Invested Customers	**2019: 37.8k** 2018: 17.4k	**+118%**	Invested Customers shows the number of PensionBee customers at the year end with an account that holds pension assets in PensionBee plans. This measure can be used to determine the success of the PensionBee proposition, customer service and the effectiveness of the marketing.
Customer Retention	**2019: >95%** 2018: >95%		Customer Retention measures the percentage of PensionBee's Invested Customers over the average of the year. High Customer Retention provides more certainty of future Revenue. This measure can also be used to monitor customer satisfaction.
Revenue	**2019: £3.5m** 2018: £1.4m	**+149%**	Revenue is primarily the income generated from the assets base of PensionBee's customers, essentially annual management fees on its AUA, together with a minor revenue contribution from one-off services. Revenue is a measure of the value consumers place on PensionBee's services. Over time, Revenue provides a measurement of the financial growth of the Company and its recurring nature demonstrates stability in line with the long-term nature of the PensionBee business model.
Recurring Revenue	**2019: >90%** 2018: >90%		Recurring Revenue is revenue generated from annual management fees on AUA. Recurring Revenue provides greater visibility and predictability of future Revenue generated by the Company.
Employees	**2019: 67** 2018: 34	**+97%**	Denotes the average number of full-time employees at PensionBee during the year when viewed over time. This measure provides an indication of the growth of the Company.
Revenue per Employee	**2019: £52.9k** 2018: £41.9k	**+26%**	Revenue per Employee is calculated as the annual Revenue divided by the average number of Employees during the year. This can be used as a broad measure of productivity and scalability.
Operating Loss before Exceptional Item	**2019: £6.9m** 2018: £3.4m	**+101%**	Operating Loss before Exceptional Item is set out on the Statement of Other Comprehensive Income within the Financial Statements. It includes certain non-cash items but excludes the Exceptional Share Based Payment in 2019, required as part of our transition to IFRS in this year.
Net Operating Cash Loss	**2019: £5.2m** 2018: £3.5m	**+49%**	Net Operating Cash Loss is the 'Net cash flow used in operating activities' set out on the Statement of Cash Flows within the Financial Statements. The Net Operating Cash Loss reflects the amount of cash utilised by the Company to generate Revenue. The growth in the Net Operating Cash Loss can be compared against the Revenue growth to demonstrate scalability.

2019 Performance



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

In 2019 we diversified our marketing strategy away from pure digital channels to more traditional brand-led channels. We aired our first television and radio advertisements and launched our first billboard campaign. Our campaigns introduced the PensionBee brand to a broader and more mature audience. We continued scaling our marketing activities on our core digital channels, including search, social media and online partnerships. Marketing and Advertising costs therefore increased from £2.1m in 2018 to £4.2m in 2019.

Over the course of the year we were delighted to see these initiatives bear fruit. Our Active Customer base more than doubled on the previous year, to 64.2k. Similarly, we more than doubled the number of Invested Customers to 37.8k by the end of 2019. This was achieved at similar marketing cost on a per Active Customer basis as historical levels, demonstrating our ability to scale our marketing and distribution channels effectively.

The increase in new customers resulted in a 127% increase in AUA to £745m and a resulting 149% increase in our Revenue to £3.5m for 2019.

Continued high customer retention drove an overwhelming majority of recurring revenue

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

As the vast majority of Revenue is derived from annual management fees charged as a percentage of AUA, the high retention of customers and AUA makes the overwhelming majority of our Revenue recurring in nature. This in turn allows for greater visibility and predictability of future years' Revenue.

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

Set against the backdrop of an increase in Revenue of 149% from £1.4m in 2018 to £3.5m in 2019, the Net Operating Cash Loss increased by 49% to £5.2m over the same period.

During the course of 2019, we made a strong investment in our people, products, technology and processes to position PensionBee for future growth.

The Employee Cash Benefits Expense increased from £1.4m to £2.6m as we hired more customer service and technology staff in order to give customers the best experience possible, online and when they contact us.

We introduced a series of improved online interfaces to give customers more clarity on consolidation, contributions, HMRC tax top-ups and withdrawal activities instantly, on our website and in our app. We also launched an improved Retirement Planner to give customers enhanced clarity around their savings targets and intuitive "what-if" scenario-building capabilities. In April 2019, PensionBee became the first pension provider in the market to voluntarily adopt the Simpler Annual Benefit Statement, designed to help customers understand their pension account more easily.

2019 also saw the launch of three new pension plans tailored to particular customer saving needs. Our 4-Plus and Preserve plans, delivered in partnership with State Street Global Advisors, were designed to meet the retirement planning objectives of our growing 50+ customer audience. Our Shariah Plan caters for customers wishing to invest their pensions responsibly and according to their faith.

We made significant investments in our internal automation capabilities to improve the speed of our communication with other pension providers and reduce our internal processing time. Automation remains a cornerstone of our strategy to accommodate our rapid customer growth profile while continuing to deliver the excellent experience our customers have come to expect from PensionBee. We effectively scaled our platform and increased revenue per employee by 26% over the year.

Income Statement	Unaudited 2018 (£ 000)	2019 (£ 000)	2018/19 Growth
Revenue	**1,424**	**3,545**	**149%**
Employee Cash Benefits Expense[23]	(1,417)	(2,603)	
Share Based Payment (non-cash)[24]	(26)	(774)	
Marketing and Advertising[25]	(2,142)	(4,172)	
Other Operating Expenses[26]	(1,247)	(2,852)	
Operating Loss before Exceptional Item	**(3,408)**	**(6,856)**	**101%**
Non-Cash Adjustments[27]	48	938	
Working Capital Adjustments[28]	(98)	588	
Income Taxes Received[29]	–	171	
Net Operating Cash Loss[30]	**(3,458)**	**(5,159)**	**49%**

23 Employee Cash Benefits Expense includes Wages and Salaries, Social Security Costs and Pension Costs as set out in Note 7 of the Notes to the Financial Statements.
24 Share Based Payment as set out in Note 7 of the Notes to the Financial Statements.
25 Marketing and Advertising as set out in Note 5 of the Notes to the Financial Statements.
26 Other Operating Expenses includes non-cash items (Depreciation Expense and Profit from Disposal of Right of Use Asset) and cash items (Auditors Remuneration, Money Managers Fees and Other Administrative Expenses which relate to technology and operations) as set out in the Statement of Other Comprehensive Income and in Note 5 and Note 7 of the Notes to the Financial Statements.
27 Non-Cash Adjustments includes add-back of non-cash items (Depreciation Expense, Profit from Disposal of Right of Use Asset and Share Based Payment) as set out in the Statement of Cash Flows.
28 Working Capital Adjustments include Increase in Trade and Other Receivables and Increase in Trade and Other Payables, as set out in the Statement of Cash Flows.
29 Income Taxes Received, as set out in the Statement of Cash Flows, refers to an R&D tax credit.
30 Net Operating Cash Flow describes the Net Cash Flow used in Operating Activities, as set out in the Statement of Cash Flows.

We maintained a strong cash position

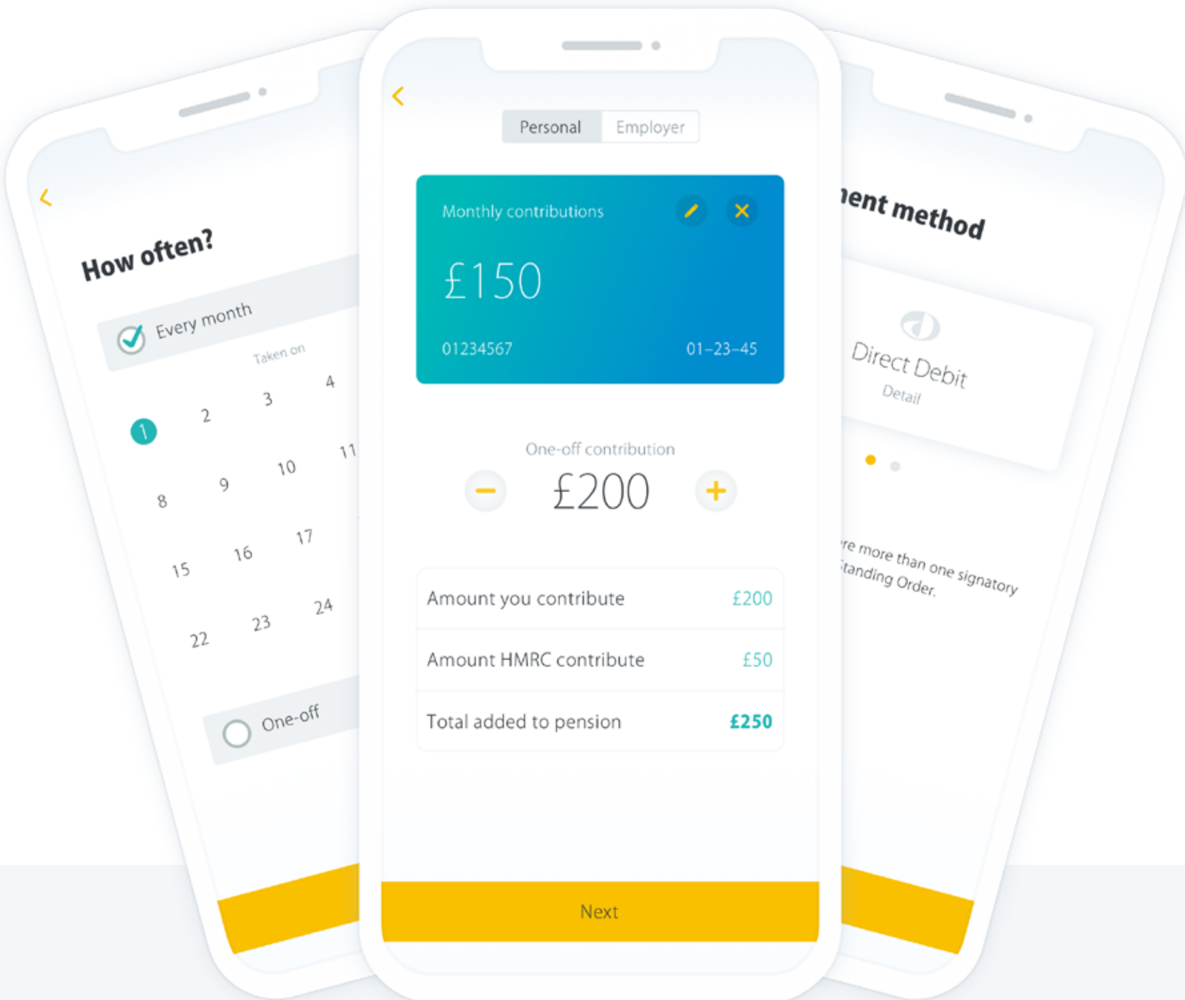
Our focus on cash allowed us to increase our Revenue by 149% while only increasing our cash investment, the Net Operating Cash Loss, by 49%. Consequently, by December 2019 we had achieved an Annual Run Rate Revenue of £4.8m[31] as compared to our Net Operating Cash Loss of £5.2m.

We were able to achieve these results by remaining disciplined with our marketing expenditure and payback criteria, increasing automation and scalability and improving our working capital position.

Over the course of the year we also bolstered our cash reserves to £10.2m[32], reflecting a total of £23m of capital raised over the history of the company.

Outlook

Over 2020, we expect to continue investing in our marketing activities, product development and service, thereby providing our customers with the leading online pension proposition they expect. Our commitment to our strategy should sustain our positive reviews and ability to retain our customers. While coronavirus has heightened our attention on prudent capital expenditure, we entered the global pandemic from a position of strength, allowing us to maintain an impressive rate of growth across our key performance indicators.



31 Annual Run Rate Revenue is calculated using the Revenue for the month of December 2019, multiplied by 12 to get a full year estimate.
32 Cash and Cash Equivalents as set out in the Statement of Cash Flows.

Managing our Risks

Review of Key Risks

The Company has 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.

Credit Risk

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

Information Security Risk

PensionBee is subject to strict data protection and privacy laws in the UK including the General Data Protection Regulation (GDPR). If 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, PensionBee could face financial sanctions and reputational damage.

Furthermore, our operations could be the target of cybercrime or suffer from loss or misuse of data. Failure to prevent such actions, or circumvention of our information security processes, policies and procedures could result in financial losses, business interruption and unauthorised access to personal data.

Market Risk

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

Operational Risk

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

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

PensionBee's operational infrastructure and business continuity may be affected by other failures or interruption from events, some of which are beyond our 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.

Regulatory Risk

PensionBee's business is subject to risks relating to changes in UK government policy and applicable regulations. While PensionBee has historically benefitted from favourable regulatory changes, including through the introduction of Automatic Enrolment and Pension Freedoms, any regulatory changes which are negative for our 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, the Pensions Regulator 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 we have breached applicable regulations, which could result in a public reprimand, fines, customer redress or other regulatory sanctions.

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

Reputational Risk

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

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

The Risk Management Framework

PensionBee maintains an effective risk management process to identify, monitor and mitigate risks that arise from its business activities, allowing the Company to meet its obligations to key stakeholders, including customers, employees, shareholders, regulators and broader society.

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

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

The **second line of defence** is delivered by the Company's Risk Management team, who has documented and maintains the Company's appetite and perceived exposure to risk through a risk register. The Company's risk appetite is generally low to medium. The Company has put in place mitigations to achieve a residual risk exposure that is in line with its risk appetite. As part of its mitigatory activities, the Company maintains a set of policies that document how it actively reduces the likelihood (and occasionally the impact) of a risk occurring. Each policy is reviewed at least once annually.

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

Summary of Risks and Mitigations

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

Risk Type	Risks	Mitigations
Credit	Default by one of our key financial partners could materially damage our 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.
Information security	Serious or prolonged breaches, errors or breakdowns in the company's 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 our customers.	• 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. • External review and assurance of controls.
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.

Operational	Serious or recurrent breaches and errors in our 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 our customers.	• Extensive automation program in place to reduce manual procedures. • Maintain a robust policy set of document procedures. • Regular training for employees.
Regulatory	The Company 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.
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	The Company operates 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.

Our People

Talent Management and Retention

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

Our diverse and inclusive workforce of 102 employees (at the end of 2019) reflects our customer base. Our team is motivated and empowered to achieve great results across all areas of the business. Our strong culture and values enable us to attract and retain people who passionately believe in our vision. Our talent management strategy ensures that we nurture our staff and provide them with the appropriate training, development and support to ensure they can progress as our business continues to grow. All employees participate in our share option scheme which further helps to drive engagement and an ownership mentality.

Recruitment

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

Engagement

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

Promotions

We are committed to nurturing internal talent, in line with our Company values of Love and Quality. We prioritise internal hiring and career development over external hiring wherever possible, allowing us to further boost engagement, increase retention and encourage high performance at all levels of the Company. Our current employees understand our expectations and culture, and already know our customers, product and processes in detail, so providing training in discipline-specific skills allows for a very flexible career path that builds value within the business.

Well-being

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

Remuneration

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

Diversity and Inclusion

PensionBee is a champion of diversity and is working hard to change the industry, having made a pledge for gender balance across financial services and pensions

At PensionBee we value diversity and believe that our workforce should be truly representative of all sections of society. The diversity we strive for is key to helping us make pensions engaging and accessible to a broader range of people across the UK and drives new approaches and innovative new solutions to a problem we all face.

We do not make decisions or discriminate based on characteristics such as age, disability, gender, marital status, pregnancy/maternity, race, religion/beliefs, sexual orientation or body size. We are proud to have won the award for 'Diversity and Inclusion Champion' at the Computing Tech Marketing & Innovation Awards 2019.

PensionBee believes that gender balance across senior management teams will not only lead to better results for customers, but also to the development of pension products and services that truly meet the needs of wider society. PensionBee is committed to The Women in Finance Charter. Our first Charter pledge taken in 2019 is to maintain at least 50% gender diversity in our senior management team through to 2021.

By the end of 2019, we had achieved 50% female representation across the employee base and on the senior management team, meaning we are on track to safely maintain this target going forwards. During 2019, our female representation on the Board rose from 25% to 40% with the appointment of Michelle Cracknell, former CEO of The Pensions Advisory Service.

Gender Diversity

To achieve our targets, we have continued to recruit women who have the potential to reach senior management, to continue to support career development and progression of women at mid-tier level to senior roles, to actively recruit females into roles that traditionally do not have gender diversity (such as developers and other tech roles) and in 2019, we launched our inclusive parental leave policy (offering six months full pay and childcare credits for all employees who become parents), that supports parents through returning to work.

Women in Finance Charter • Women in Finance Charter • Women in Finance Charter •

"

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

"

–Romi Savova

Environmental, Social and Governance Considerations

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

Society and Consumers

PensionBee is a consumer champion and actively campaigns for greater levels of transparency, easier switching and fairer charging across all pensions.

Pension switching

Following years of lobbying by PensionBee for more transparency and as part of our 'Pension Switch Guarantee' campaign, the industry utility Origo began publishing industry pension switching times on a quarterly basis. To supplement this data, PensionBee has continued publishing its own switching times, which include providers that have yet to adopt electronic switching.

Simpler annual statements

PensionBee was the first UK provider to voluntarily adopt the government endorsed two-page Simpler Annual Benefit Statement, designed to help consumers understand and compare their pension pots with different providers more easily.

> **For too long savers have had to try to make sense of wordy, jargon-filled, confusing pension statements. This confuses people. People either don't read them, can't understand them or lose interest in what is one of the most important investments anybody will make... I am 110% committed to simpler statements and am pleased to see PensionBee adopting the Simpler Annual Statement. I look forward to the rest of the industry doing the same thing in 2019.**
>
> **–Guy Opperman, Pensions Minister**

Pension dashboards and open finance

Our CEO joined the government's Pensions Dashboards Steering Group contributing to the debate and progression of the government's Pensions Dashboards Programme. Pension dashboards, once established, will help consumers find their lost pensions and we expect digital services like ours to thrive in an environment of increased transparency. Romi also advised on the FCA's Open Finance working group on Pensions and Investments.

Pension scams

Pension scams are a formidable challenge for UK society, and we need to come together as a united pensions community to tackle them. In 2019 we organised and led a pension scams 'Hackathon' for the pensions industry, where we gathered together representatives from government, pension scams groups, subject matter experts and the press to create a tool that would raise public awareness of pension scams. In 2020 we developed and launched the winning idea into an interactive game, Scam Man & Robbin', to help educate and protect consumers from scams. Scam Man & Robbin' is available as a standalone product at www.scam-man.com.

Local community

With regard to our community, in 2019, we chose to support 'Better Bankside' whose focus is to increase the aspirations and opportunities for people in our local London community of Bankside and Borough. Specifically, we participated in their collaboration with the 'Red Box Project' in Southwark, aimed at raising awareness and ending period poverty, by collecting sanitary products to be donated to local schools. We encourage our employees to give generously, facilitating fundraising to support more national causes such as 'Shelter' and 'Save the Children'. We also delivered an educational lunch called 'Pensions 101' to workers living in the local area who wanted to find out more about how pensions worked.

Environmental Responsibility

At PensionBee we believe pension providers have a key role to play in the transition from the carbon economy to one based on renewable energy sources. PensionBee is a key supporter of reforms to make pension investments more sustainable, working with organisations like ShareAction to achieve meaningful changes for consumers.

PensionBee was one of the first pension providers in the country to offer a mainstream responsible investment option, Legal & General's Future World Plan, in 2017. In 2019, following feedback from our customers, PensionBee openly wrote to Legal & General, the money manager, to challenge the inclusion of Shell in the Future World Plan. As a result of widespread media attention, PensionBee and Legal & General agreed to launch an entirely fossil fuel free pension plan, which was announced in early 2020.

Over 2020, the Company will be further advancing its strategy on integrating environmental, social and governance considerations within its investments.

Governance

PensionBee is authorised and regulated by the Financial Conduct Authority and we strive to maintain our excellent reputation. Our corporate culture is centred around our customers and always 'doing the right thing' by them and we aim to achieve transparency and fairness. Our information security is also of paramount importance, and as such we regularly audit our policies and procedures to ensure that we maintain the highest possible standards.

Our Board is committed to upholding high standards of corporate governance across the business, including maintaining the right balance of skills, experience and diversity. We have a deep and experienced Board, led by our Chairman Mark Wood CBE (former CEO of Prudential and founder of Paternoster). Michelle Cracknell CBE (former CEO of The Pensions Advisory Service) was recently appointed as an independent Non-Executive Director in 2019.

Our Board of Directors now consists of five directors in total, including Mark Wood CBE and Joseph Suddaby (Non-Executive Director), who are both invested in the business, Michelle Cracknell CBE who is independent and executive management, Romi Savova (CEO) and Jonathan Lister Parsons (CTO). We also have experienced investors in our boardroom, including State Street Global Advisors (the largest external shareholder in PensionBee) who hold an observer position.

The Board delegates day-to-day management of the business to Romi Savova, who leads the Management Team. The Audit & Risk Committee is chaired by Michelle Cracknell and an Investment Committee is chaired by Joseph Suddaby.

Our Board meets regularly to review performance, strategy, risk and governance and to oversee the work of the various Board Committees. The Board continues to provide strong support and appropriate challenge to the Management Team to ensure that the strategy is sound, achievable and delivered and to ensure that the company's culture and values are being upheld. The Board also considers the risks outlined in the section titled 'Managing our Risks' as part of its oversight activities.

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

R Savova
Director
30 June 2020

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the Company

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

M A Cracknell CBE (appointed 20 November 2019)

J R Lister Parsons

R Savova

J P H Suddaby

G M Wood CBE

Dividends

No dividends have been paid or proposed during the year ended 31 December 2019 (2018: £nil).

Going concern

The Company's financial statements have been prepared on a going concern basis on the grounds that the directors have assessed that current and future sources of funding or support will be more than adequate for the Company's needs. In assessing going concern, the directors have a reasonable expectation that the Company will continue as a going concern and will be able to meet all of its obligations as they fall due for a minimum of 12 months from the date of approval of these financial statements.

Subsequent to the year end, the outbreak of COVID-19 was declared a pandemic and has impacted the global economy. As noted in the Strategic Report, PensionBee has been able to rapidly implement remote working solutions to operate on a 'business as usual' basis, remaining fully available to serve our customers. The Company has also been able to quickly adjust its discretionary expenditure to further strengthen its cash buffer.

The pandemic has been considered in the directors' assessment of going concern. The impact of COVID-19 on PensionBee's Revenue has mainly been translated through the volatility of the equity markets and therefore assets under administration. Given that growth in customer numbers has continued and that customer retention has continued to remain high, coupled with the recurring nature of PensionBee's Revenue, we do not see any material structural implications on PensionBee's ability to generate Revenue.

The Directors have considered the financial projections under various scenarios of stress, which included more severe downward volatility on equity market projections, together with mitigating actions that can be taken to maintain a positive cash position throughout the forecast period to the end of June 2021. Available mitigating actions include, but are not limited to, reduced marketing investment, limiting hiring to critical roles, limited salary increases and reduction of other costs.

In conclusion, based on the continuing demand for PensionBee's customer proposition, our ability to continue to be disciplined around expenditure and the Company's current cash reserves, the Directors reasonably expect that negative consequences of COVID-19 arising from the uncertainty of market conditions are unlikely to have an impact on the going concern status of the Company

Disclosure of information to the auditor

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

Directors' Report

Appointment of auditors
Deloitte LLP have been appointed as auditor and expressed their willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Audit and Risk Committee.

Matters covered in the strategic report
The Company's future developments, research & development activities and use of financial instruments are all disclosed within the Strategic Report.

Impact of Brexit
PensionBee has carefully evaluated the potential impact of Brexit and has concluded that it has a limited impact on our performance. Brexit does not currently pose a threat to the business model and future growth projected by PensionBee. PensionBee's customers are overwhelmingly UK resident and the pension plans provided by PensionBee are diversified across global markets and are not dependent solely on the UK market and therefore the impact is limited.

Approved by the Board on 30/06/2020 and signed on its behalf by:

R Savova
Director

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent Auditor's Report to the Members of PensionBee Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of PensionBee Limited (the ‘Company’):
• give a true and fair view of the state of the Company’s affairs as at 31 December 2019 and of its loss for the year then ended;
• have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
• the statement of comprehensive income;
• the statement of financial position;
• the statement of changes in equity;
• the statement of cash flows; and
• the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

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

Emphasis of matter - Effects of Covid-19
We draw attention to note 2 and note 24 of the financial statements, which describes the economic and operational disruption the Company is facing as a result of Covid-19 which is affecting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:
• the directors’ use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Independent Auditor's Report to the Members of PensionBee Limited

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

We have nothing to report in respect of these matters.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or

Independent Auditor's Report to the Members of PensionBee Limited

• we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Other matter
As the Company was exempt from audit under section 477 of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year.

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

David Rozier (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

30/06/2020

Statement of Other Comprehensive Income
for the year ended 31 December 2019

	Note	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000
Revenue	4	3,545	1,424
Employee benefits expense	7	(3,377)	(1,443)
Depreciation expense	12, 13	(182)	(22)
Other expenses	5	(6,842)	(3,367)
Operating loss before exceptional item		(6,856)	(3,408)
Exceptional Share Based Payment	7	(980)	-
Operating loss after exceptional item		(7,836)	(3,408)
Finance costs	8	(21)	-
Loss before tax		(7,857)	(3,408)
Taxation	11	265	288
Loss for the year		(7,592)	(3,120)
Total comprehensive loss for the year		(7,592)	(3,120)

The above results were derived from continuing operations.

Statement of Financial Position
at 31 December 2019

	Note	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000	Unaudited 1 January 2018 £ 000
Assets				
Non-current assets				
Property, plant and equipment	12	249	65	18
Right of use assets	13	236	-	-
		485	65	18
Current assets				
Trade and other receivables	14	1,092	678	183
Cash and cash equivalents	15	10,191	9,696	4,234
		11,283	10,374	4,417
Total assets		11,768	10,439	4,435
Equity and liabilities				
Equity				
Share premium	17	23,111	17,122	8,134
Share based payment reserve		3,035	1,281	-
Retained earnings	17	(15,813)	(8,221)	(3,846)
Total equity		10,333	10,182	4,288
Non-current liabilities				
Finance lease liability	18	139	-	-
Deferred tax liabilities	11	26	-	-
		165	-	-
Current liabilities				
Trade and other payables	19	1,161	257	147
Finance lease liability	18	109	-	-
		1,270	257	147
Total liabilities		1,435	257	147
Total equity and liabilities		11,768	10,439	4,435

Approved by the Board on 30/06/2020 and signed on its behalf by:

R Savova
Director

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Note	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018 (unaudited)		-	8,134	1,255	(5,101)	4,288
Loss for the year		-	-	-	(3,120)	(3,120)
Total comprehensive loss		-	-	-	(3,120)	(3,120)
Issued share capital		-	8,988	-	-	8,988
Share based payment transactions	21	-	-	26	-	26
At 31 December 2018		-	17,122	1,281	(8,221)	10,182

	Note	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019		-	17,122	1,281	(8,221)	10,182
Loss for the year		-	-	-	(7,592)	(7,592)
Total comprehensive loss		-	-	-	(7,592)	(7,592)
Issued share capital		-	5,989	-	-	5,989
Share based payment transactions	21	-	-	1,754	-	1,754
At 31 December 2019		-	23,111	3,035	(15,813)	10,333

Statement of Cash Flows
for the Year Ended 31 December 2019

	Note	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000
Cash flows from operating activities			
Loss for the year		(7,592)	(3,120)
Adjustments to cash flows from non-cash items			
Depreciation		182	22
Profit on disposal of right of use asset		(18)	-
Finance costs	8	21	-
Share based payment transactions		1,754	26
Taxation	11	(265)	(288)
		(5,918)	(3,360)
Working capital adjustments			
Increase in trade and other receivables	14	(316)	(208)
Increase in trade and other payables	19	904	110
Cash generated from operations		(5,330)	(3,458)
Income taxes received		171	-
Net cash flow used in operating activities		(5,159)	(3,458)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(236)	(68)
Net cash flows used in investing activities		(236)	(68)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		5,989	8,988
Payment of principal portion of lease liabilities	18	(99)	-
Net cash flows from financing activities		5,890	8,988
Net increase in cash and cash equivalents		495	5,462
Cash and cash equivalents at 1 January		9,696	4,234
Cash and cash equivalents at 31 December	15	10,191	9,696

Income taxes received relates to Research and Development tax credits in its entirety.

Notes to the Financial Statements
for the Year Ended 31 December 2019

1 General information

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

The address of its registered office is:
City Place House
55 Basinghall Street
London
EC2V 5DX

Principal activity

The principal activity of the Company is that of a direct to consumer online pension provider. We seek to make our UK customers 'Pension Confident' by giving them complete control and clarity over their retirement savings. We help our 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

Statement of compliance

The Company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

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

Transition to IFRS

PensionBee Limited has applied IFRS from the current fiscal year ended 31 December 2019 (from 1 January 2019 to 31 December 2019), with the date of transition to IFRS being 1 January 2018. In connection with the transition to IFRS, the Company has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards. Please see Note 25 "Transition to IFRS" for details regarding the impact of the transition to IFRS on the Company's financial position. PensionBee's accounting policies conform to IFRS as in effect as of 31 December 2019, except for IFRS provisions that have not been early adopted and exemptions allowed under IFRS 1.

Notes to the Financial Statements
for the Year Ended 31 December 2019

2 Accounting policies (continued)

Going concern

The Company's financial statements have been prepared on a going concern basis on the grounds that the directors have assessed that current and future sources of funding or support will be more than adequate for the Company's needs. In assessing going concern, the directors have a reasonable expectation that the Company will continue as a going concern and will be able to meet all of its obligations as they fall due for a minimum of 12 months from the date of approval of these financial statements.

Subsequent to the year end, the outbreak of COVID-19 was declared a pandemic and has impacted the global economy. As noted in the Strategic Report, PensionBee has been able to rapidly implement remote working solutions to operate on a ‘business as usual’ basis, remaining fully available to serve our customers. The Company has also been able to quickly adjust its discretionary expenditure to further strengthen its cash buffer.

The pandemic has been considered in the directors’ assessment of going concern. The impact of COVID-19 on PensionBee's Revenue has mainly been translated through the volatility of the equity markets and therefore assets under administration. Given that growth in customer numbers has continued and that customer retention has continued to remain high, coupled with the recurring nature of PensionBee's Revenue, we do not see any material structural implications on PensionBee’s ability to generate Revenue.

The Directors have considered the financial projections under various scenarios of stress, which included more severe downward volatility on equity market projections, together with mitigating actions that can be taken to maintain a positive cash position throughout the forecast period to the end of June 2021. Available mitigating actions include, but are not limited to, reduced marketing investment, limiting hiring to critical roles, limited salary increases and reduction of other costs.

In conclusion, based on the continuing demand for PensionBee’s customer proposition, our ability to continue to be disciplined around expenditure and the Company’s current cash reserves, the Directors reasonably expect that negative consequences of COVID-19 arising from the uncertainty of market conditions are unlikely to have an impact on the going concern status of the Company

Notes to the Financial Statements
for the Year Ended 31 December 2019

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 January 2019.

IFRS 16
The application of IFRS 16 has led to the variances to the prior year in the Financial Statements:

Rent expenses have decreased by £9,000 in comparison to the prior year expense of £89,000. Both years include an element of service charge.

Depreciation expense in relation to right of use assets has increased to £130,000 in comparison to the prior year expense of £nil.

Interest expense in relation to lease liability has increased to £22,000 in comparison to the prior year expense of £nil.

Cash outflows from operating activities decreased by £99,000 and cash outflows from financing activities increased by the same amount, relating to decrease in operating lease payments and increases in principal payments of lease liabilities.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company has applied IFRS 16 on 1 January 2019, using the modified retrospective approach. The right of use asset has been recognised at 1 January 2019 at an amount equal to the present value of the lease liability adjusted for any prepaid or accrued lease prepayments at 31 December 2018, which results in no impact in retained earnings and no restatement of comparative information.

The Company has applied the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

Notes to the Financial Statements
for the Year Ended 31 December 2019

2 Accounting policies (continued)

New standards, interpretations and amendments not yet effective

Standard	**Effective date, annual period beginning on or after**
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 Business Combinations	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS17 Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements.

Revenue recognition

Revenue represents amounts receivable for services net of VAT. The total revenue of the Company for the year has been derived from its principal activities. Revenue from management fees are recognised monthly, based on daily accruals of customers' in force pension balances. Revenue from one-off services include withdrawals, ill-health benefits and other such ad-hoc services. Revenue from other one-off services are recognised in the period in which the service is provided to the customer.

The performance obligation is the provision of pension scheme administration services to customers. The revenue is generated through a management fee which is charged daily and collected on a monthly basis. PensionBee does engage in other activities that are deemed to be input/administrative tasks and these tasks do not form part of the performance obligation. Smaller secondary streams of revenue are generated through other ancillary services PensionBee provides. The revenue for these activities is recognised at the point of provision of the ancillary service which is at a particular point in time.

Foreign currency transactions and balances

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

2 Accounting policies (continued)

Tax

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

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

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

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 liabilities are recognised for all taxable temporary differences, except:

• When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

• In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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, except:

• When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

• In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

Notes to the Financial Statements
for the Year Ended 31 December 2019

2 Accounting policies (continued)

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

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

Property, plant and equipment
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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

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

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

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 profit or loss 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.

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.

2 Accounting policies (continued)

Exceptional Items

The Company presents as exceptional items on the face of the profit and loss, those material items of income and expense that, because of the nature and expected frequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, to facilitate comparison with prior periods and to assess better trends in financial performance.

Trade payables

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

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

Leases

Initial recognition and measurement

The Company 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 Company’s initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

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

(a) Increasing the carrying amount to reflect interest on the lease liability;

(b) Reducing the carrying amount to reflect the lease payments made; and

(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

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

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

2 Accounting policies (continued)

Short term and low value leases

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

Defined contribution pension obligation

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

The contributions are recognised as an expense in the profit and loss when they fall due. Amounts not paid are shown in creditors as a liability in the balance sheet. The assets of the plan are held separately from the Company.

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 Company (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 or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management’s best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

Notes to the Financial Statements
for the Year Ended 31 December 2019

2 Accounting policies (continued)

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Financial instruments

Impairment of financial assets

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

ECLs are recognised on a 12 month or lifetime basis. For credit exposure for which there has not been a significant increase in credit risk since initial recognition, ELCs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

Notes to the Financial Statements
for the Year Ended 31 December 2019

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Share based payments

PensionBee management have previously assessed the likelihood of options vesting under their EMI scheme as being less than 50% and on this basis, no share based payment expense has been recognised in previous accounting periods. In the year ended 31 December 2019, given the continuous strong performance of the Company, management have deemed the likelihood of a liquidity event, which would trigger the vesting of the share options, to be probable and as a result of this change in assumption a share based payment charge is included. Management will continue to review the likelihood of the Company share options vesting on a periodic basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Recognition of deferred tax asset

The Company has £11,352,000 (2018: £5,878,000) of carried forward tax losses, which are available indefinitely, 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 evidence of their recovery of these tax losses in the near future.

Notes to the Financial Statements
for the Year Ended 31 December 2019

4 Revenue

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

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
Recurring revenue	3,350	1,367
Other revenue	195	57
	3,545	1,424

The revenue was wholly derived from the United Kingdom.

5 Other expenses

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
Profit on disposal of right of use asset	(18)	-
Auditor's remuneration	40	-
Money managers fee	666	362
Advertising and Marketing	4,172	2,142
Other administrative expenses	1,982	863
Total other expenses	6,842	3,367

6 Exceptional Items

During the year, a share-based payment charge of £980,000 is included as an exceptional item. The share options to which this charge relates vest on an exit event, which was previously considered to be less than probable. During the year, there has been a change in assumptions around the likelihood of an exit event which has resulted in a current year share based payment expense which therefore includes a catch up charge such that the directors consider this item to be of material significance and as such have presented it as an exceptional. Please see note 3 'Critical accounting judgements and key sources of estimation uncertainty' for further details.

Notes to the Financial Statements
for the Year Ended 31 December 2019

7 Employee benefits expense

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

	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000
Employee benefits expense		
Wages and salaries	2,335	1,273
Social security costs	225	127
Pension costs, defined contribution scheme	43	17
Share Based Payment	774	26
	3,377	1,443
Exceptional Share Based Payment	980	-
	4,357	1,443

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

	31 December 2019 No.	Unaudited 31 December 2018 No.
Customer service	30	13
Operations	11	3
Technology	10	6
Marketing	8	5
Management	6	5
Administration and other	2	2
	67	34

Notes to the Financial Statements
for the Year Ended 31 December 2019

8 Finance costs

	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000
Finance costs		
Interest expense on lease liabilities	21	-

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000
Remuneration	259	233
Company contributions to defined contribution pension schemes	2	1
	261	234

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

	31 December 2019 No.	Unaudited 31 December 2018 No.
Exercised share options	1	1
Members of defined contribution pension schemes	3	2

Notes to the Financial Statements
for the Year Ended 31 December 2019

9 Directors' remuneration (continued)

In respect of the highest paid director:

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
Remuneration	98	92
Company contributions to defined contribution pension schemes	1	1
	99	93

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

10 Auditor's remuneration

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
Audit of the financial statements	40	-

Notes to the Financial Statements
for the Year Ended 31 December 2019

11 Tax

Tax credited in the Statement of Comprehensive Income

	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000
Current taxation		
UK corporation tax	(231)	(288)
UK corporation tax adjustment to prior periods	(60)	-
	(291)	(288)
Deferred taxation		
Arising from origination and reversal of temporary differences	17	-
Arising from changes in tax rates and laws	(3)	-
Adjustment in respect of previous periods	12	-
Total deferred taxation	26	-
Tax credit in the Statement of Comprehensive Income	(265)	(288)

The tax on loss before tax for the year is different to the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	31 December 2019 £ 000	Unaudited 31 December 2018 £ 000
Loss before tax	(7,857)	(3,408)
Corporation tax at standard rate	(1,493)	(647)
Adjustments in respect of prior periods	(48)	-
Tax rate changes	(3)	-
Increase from effect of expenses not deductible in determining taxable profit	466	-
Tax losses on which no deferred tax asset is recognised	1,044	647
Decrease from effect of adjustment in research development tax credit	(231)	(288)
Total tax credit	(265)	(288)

Notes to the Financial Statements
for the Year Ended 31 December 2019

11 Tax (continued)

Factors affecting future tax changes

On 17 March 2020, a budget announcement made by the UK government was substantively enacted to reverse the planned reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020, as per The Finance Act 2016. This is a non-adjusting post balance sheet event.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2019 £ 000	*Recognised in statement of comprehensive income £ 000*	*At 31 December 2019 £ 000*
Deferred tax	-	26	26

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
Fixed assets	30	-
Temporary difference trading	(4)	-
Total deferred tax liability	26	-

The Company has £11,352,000 (2018: £5,878,000) of carried forward tax losses 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 evidence of their recovery of these tax losses in the near future.

Notes to the Financial Statements
for the Year Ended 31 December 2019

12 Property, plant and equipment

	Fixtures and fittings £ 000	*Leasehold Improvements £*	*Computer equipment £ 000*	*Total £ 000*
Cost				
At 1 January 2018	7	-	19	26
Additions	42	-	26	68
At 31 December 2018	49	-	45	94
Additions	20	128	88	236
Disposals	-	-	-	-
At 31 December 2019	69	128	133	330
Depreciation				
At 1 January 2018	1	-	7	8
Charge for year	10	-	11	21
At 31 December 2018	11	-	18	29
Charge for the year	17	10	25	52
At 31 December 2019	28	10	43	81
Carrying amount				
At 31 December 2019	41	118	90	249
At 31 December 2018	38	-	27	65
At 1 January 2018	6	-	12	18

Notes to the Financial Statements
for the Year Ended 31 December 2019

13 Right of use assets

	Property £ 000	*Total £ 000*
Cost		
At 1 January 2019, on adoption of IFRS 16	312	312
Additions	295	295
Disposals	(312)	(312)
At 31 December 2019	295	295
Depreciation		
At 1 January 2019	-	-
Charge for the year	130	130
Eliminated on disposal	(71)	(71)
At 31 December 2019	59	59
Carrying amount		
At 31 December 2019	236	236

14 Trade and other receivables

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*	*Unaudited 1 January 2018 £ 000*
Trade receivables	388	143	38
Prepayments	200	166	81
Other receivables	504	369	64
	1,092	678	183

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 Cash and cash equivalents

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*	*Unaudited 1 January 2018 £ 000*
Cash at bank	10,191	9,696	4,234

Notes to the Financial Statements
for the Year Ended 31 December 2019

16 Share capital

Allotted, called up and fully paid shares

	31 December 2019 No. 000	31 December 2019 £	Unaudited 31 December 2018 No. 000	Unaudited 31 December 2018 £ 000	Unaudited 1 January 2018 No. 000	Unaudited 1 January 2018 £ 000
Ordinary shares of £0.001 each	214	-	198	-	180	-

During the year the Company made the following issues of shares:

On 21 January 2019 the Company issued 1,393 new ordinary shares of £0.001 each for £513.14.

On 3 April 2019 the Company issued 324 new ordinary shares of £0.001 each for £513.14.

On 30 May 2019 the Company issued 3,417 new ordinary shares of £0.001 each for the exercise price of £0.001.

On 2 October 2019 the Company issued 1,200 new ordinary shares of £0.001 each for £513.14.

On 2 December 2019 the Company issued 9,540 new ordinary shares of £0.001 each for £513.14.

On 2 December 2019 the Company issued 200 new ordinary shares of £0.001 each for the exercise price of £0.001.

Each ordinary share carries one vote per share and ranks pari passu as respects dividends and capital.

Notes to the Financial Statements
for the Year Ended 31 December 2019

17 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.

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

18 Leases

The Company has entered into a lease on its office building. This lease has terms of 3 years covering the period from 12 July 2019 to 24 December 2021.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Property *£ 000*	*Total* *£ 000*
Cost		
At 1 January 2019, on adoption of IFRS 16	312	312
Additions	295	295
Disposals	(312)	(312)
At 31 December 2019	295	295
Depreciation		
At 1 January 2019	-	-
Charge for the year	130	130
Eliminated on disposal	(71)	(71)
At 31 December 2019	59	59
Carrying amount		
At 31 December 2019	236	236

Notes to the Financial Statements
for the Year Ended 31 December 2019

18 Leases (continued)

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

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
As at 1 January, on adoption of IFRS 16	(290)	-
Additions	(295)	-
Accretion of interest	(22)	-
Disposal	260	-
Payments	99	-
As at 31 December	(248)	-
Lease liabilities included in the statement of financial position		
Current	(109)	-
Non current	(139)	-
	(248)	-

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

The maturity analysis of lease liability is shown in note 22.

Notes to the Financial Statements
for the Year Ended 31 December 2019

18 Leases (continued)

The following are the amounts recognised in profit or loss:

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
Depreciation expense of right-of-use assets	130	-
Interest expense on lease liabilities	22	-
Low value leases	1	-
Total amount recognised in profit or loss	153	-
Amounts recognised in the statement of cash flows		
Cash outflow for leases	(99)	-
Total Cash outflow for leases	(99)	-

IFRS 16 was introduced in the year end 2019, therefore no charge was included in year end 2018.

19 Trade and other payables

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*	*Unaudited 1 January 2018 £ 000*
Trade payables	72	167	47
Accrued expenses	906	25	5
Social security and other taxes	162	62	61
Other payables	21	3	34
	1,161	257	147

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

Defined contribution pension scheme

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company . The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £43,000 (2018 - £17,000).

Contributions totalling £21,000 (2018 - £-) were payable to the scheme at the end of the year and are included in creditors.

Notes to the Financial Statements
for the Year Ended 31 December 2019

21 Share-based payments

PensionBee 2015 EMI Share Option Scheme

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

The share options shall vest as follows:
a. 33% of the shares shall vest on the first anniversary of the vesting commencement date; and
b. the remaining 67% of the shares shall vest monthly in equal instalments over the following two years, so the options shall be fully vested on the third anniversary of the vesting commencement date.

No options were granted during the year, and no options were outstanding at the year-end.

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 contractual terms of each option grant is ten years. There are no cash settlement alternatives.

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

	31 December 2019 Number	*Unaudited 31 December 2018 Number*
Outstanding, start of period	3,417	4,846
Exercised during the period	(3,417)	(1,429)
Outstanding, end of period	-	3,417
Exercisable, end of period	-	3,417

The weighted average share option exercise price at date of exercise during the year was £0.001 (2018 - £0.001).

The total charge for the year for share-based payments was £Nil (2018 - £26,000).

Notes to the Financial Statements
for the Year Ended 31 December 2019

21 Share-based payments (continued)

PensionBee EMI and Non EMI Share Option Scheme

Under the PensionBee EMI and Non EMI Share Option Scheme share options are granted to eligible employees who have passed their probation period at PensionBee Limited. The exercise price of the share options is £0.001 on the date of grant.

The share options shall vest as follows:
a. 25% of the shares shall vest on the first anniversary of the vesting commencement date; and
b. the remaining 75% of the shares shall vest quarterly in equal instalments over the following three years, so the options shall be fully vested on the fourth anniversary of the vesting commencement date.

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 share options can be exercised upon the occurrence of an exit event, a takeover, reconstruction, liquidation and sale of the business, after the four-year vesting period has ended. The contractual terms of each option grant is ten years. There are no cash settlement alternatives.

PensionBee management have previously assessed the likelihood of the options vesting under these schemes as being less than 50% and on this basis, no share based payment expense has been recognised in previous accounting periods. In the year ended 31 December 2019, given the continuous strong performance of the Company, management have deemed the likelihood of a liquidity event to be probable and as a result of this change in assumption, the 2019 share based payment charge includes an amount for the share based payment charges relating to accounting periods prior to 2019 since the date of grant of the share options.

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

	31 December 2019 Number	*Unaudited 31 December 2018 Number*
Outstanding, start of period	8,891	8,267
Granted during the period	2,708	1,573
Exercised during the period	(200)	-
Expired during the period	(340)	(949)
Outstanding, end of period	11,059	8,891

No share options were exercisable at the end of the period.

The expected weighted average remaining life of the shares during the year was 7.42 years (2018 - 7.60 years).

The total charge for the year for share-based payments was £1,754,000 (2018 - £Nil) of which £980,000 was treated as exceptional.

Notes to the Financial Statements
for the Year Ended 31 December 2019

22 Financial risk management and impairment of financial assets

The Company is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument 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 Company considers interest rate risk to be insignificant due to low debt and no interest bearing assets.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cashflows of an exposure will fluctuate because of changes in foreign exchange rates. The Company does not engage in any overseas activities and therefore foreign currency risk is minimal.

Price risk

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

A 1.0% change in average AUA would have a 0.7% in revenue.

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

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

Credit risk

Credit risk is defined as the risk exposure to financial losses if a counterparty fails to perform their financial contractual obligation. PensionBee's trade receivables are the contractual cashflow obligations that the payors must meet. The payors are Blackrock, Legal & General, and State Street Corporation which are highly credit rated financial institutions whose assets they hold on behalf of PensionBee are a small percentage of their net assets. This leads to no material difficulty meeting their obligations; therefore, rendering no material credit risk exposure. Utilising the Simplified Approach PensionBee has shown there is no expected credit loss due to no historic credit losses, and no material need for a lifetime loss allowance.
At the end of the reporting period no assets were determined to be impaired and there was no balance past due.

In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company 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 Company's financial assets primarily being trade receivables which all have an expected lifetime of less than 12 months, the Company have elected to measure the expected credit losses at 12 months only.

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

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

	Days past due					
	Current	*< 30 days*	*30-60 days*	*61-90 days*	*>91 days*	*Total*
31 December 2018	*£ 000*	*£ 000*	*£ 000*	*£ 000*	*£ 000*	*£ 000*
Gross trade receivables	142	10	-	-	-	143

Liquidity risk

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

This is managed through cash flow forecasting.

Maturity analysis

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

2019	*Within 1 year £ 000*	*Between 1 and 5 years £ 000*	*After more than 5 years £ 000*	*Total £ 000*
Trade and other payables	1,161	-	-	1,161
Lease liabilities	149	112	-	261
	1,310	112	-	1,422

Notes to the Financial Statements
for the Year Ended 31 December 2019

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

2018	*Within 1 year £ 000*	*Between 1 and 5 years £ 000*	*After more than 5 years £ 000*	*Total £ 000*
Trade and other payables	257	-	-	257
Lease liabilities	-	-	-	-
	257	-	-	257

Capital risk management
For the purpose of the Company'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 Company 's capital management is to maximise the shareholder value.

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

Externally imposed capital requirements

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

23 Related party transactions

Compensation of key management personnel

	31 December 2019 £ 000	*Unaudited 31 December 2018 £ 000*
Salaries and other short term employee benefits	543	468
Pension contributions	9	4
Share-based payments	212	207
	764	679

Notes to the Financial Statements
for the Year Ended 31 December 2019

23 Related party transactions (continued)

Related party - Trustee's

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

i. Payment of the PensionBee Trustees Limited bank fees on a quarterly basis.
ii. Compensation payments as a gesture of goodwill to customers that prefer to be compensated via a pension contribution or the purchasing additional units
iii. Other payments to customers (e.g. referral rewards) Payments are made from PensionBee Limited and invested into the customers fund from the PensionBee trustees account. These payments can be found in ‘Other Expenses’ and ‘Advertising and Marketing’.

Transactions with directors

Other transactions with directors

As at 31 December 2019, the Company was owed £200 (2018: £200) from R Savova. R Savova is a director and shareholder in the Company. The loan is interest free and repayable upon demand. This amount is included in other debtors.

24 Non adjusting events after the financial period

Subsequent to the year end, the outbreak of COVID-19 was declared a pandemic and has impacted the global economy. As detailed in the Strategic Report. PensionBee has been able to rapidly implement remote working solutions to operate on a ‘business as usual’ basis, remaining fully available to serve our customers. The Company has also been able to quickly adjust its discretionary expenditure to further strengthen its cash buffer. The directors have concluded that this is a non-adjusting material event that does not require restatement of any estimates and provisions already applied to the financial statements.

PensionBee has carefully evaluated the potential impact of Brexit and has concluded that it has a limited impact on our performance. Brexit does not currently pose a threat to the business model and future growth projected by PensionBee. PensionBee's customers are overwhelmingly UK resident and the pension plans provided by PensionBee are diversified across global markets and are not dependent solely on the UK market and therefore the impact is limited.

Notes to the Financial Statements
for the Year Ended 31 December 2019

25 Transition to IFRS

For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with FRS 102 Section 1A. These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with IFRS. Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2018 and the significant accounting policies meeting those requirements are described in the relevant notes. In preparing these financial statements, the Company has started from an opening balance sheet position as at 1 January 2018, the Company's date of transition to IFRS, and made those changes in accounting policies and other restatements required for first-time adoption of IFRS. The impact from the adoption of FRS 102 is as follows:

Reconciliation of profit and loss for the year ended 31 December 2018

	£ 000
Loss for the year ended 31 December 2018 under FRS 102	(3,094)
Share based payment expense	(26)
Loss for the year ended 31 December 2018 under IFRS	(3,120)

Under FRS 102 1A, no share based payment expense was included due to exemptions available where certain share options were granted prior to the transition date to FRS 102. However, transition to IFRS has required a share based payment expense as these share options have not vested prior to the transition date to IFRS. There is no impact on total equity at 1 January 2018, the transition balance sheet date, however, the cumulative share based payment charge in respect of these options to the end of 31 December 2017 of £1,255,000 has been recognised in the share based payment reserve, with an equal and opposite adjustment to the retained earnings at the same date.

26 Controlling party

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

Directors: M A Cracknell CBE, J R Lister Parsons, R Savova, J P H Suddaby, G M Wood CBE

PensionBee Limited
Registered number: 09354862
General enquiries: 020 3457 8444 . contact@pensionbee.com
Registered office: City Place House, 55 Basinghall Street, London, EC2V 5DX
Auditor: Deloitte LLP, 5 Callaghan Square, Cardiff, CF10 5BT

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