

Lifeworks (U.K.) Limited

(formerly Morneau Shepell (UK) Ltd)

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Lifeworks (U.K.) Limited

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Lifeworks (U.K.) Limited

Company Information

Directors	G Colter P Mullen A Andreou
Company secretary	Vistra Cossec Limited S Marsh
Registered office	Suite 1, 3rd Floor 11-12 St James's Square London SW1Y 4LB
Auditors	Thomas Alexander & Co Ltd 590 Green Lanes Palmers Green London N13 5RY

Lifeworks (U.K.) Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of Lifeworks (U.K.) Ltd ("the Company") is the provision of an employee assistance and wellness program.

Fair review of the business

The Company is focused on delivering an integrated employee experience for solutions that encompass the full continuum of care for achieving mental, physical, social and financial well-being. These solutions include a broad range of clinical services offered within employee and family assistance plans, along with corporate reward, recognition and perks programs focussing on driving engagement and productivity in the workplace. The Company continues to invest resources in building out its technology and services.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Turnover	£	31,005,161	14,164,396
Operating profit/(loss)	£	13,792,569	(1,063,529)

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the ultimate parent company LifeWorks Inc. Accordingly the principal risks of the group which include those of the Company, are discussed in the consolidated financial statements of LifeWorks Inc. which are available at <https://lifeworks.com/en/financial-reports-filings>.

Lifeworks (U.K.) Limited

Strategic Report for the Year Ended 31 December 2020

Financial risk management

The Company's financial instruments are exposed to certain financial risks, including credit risk, currency risk and liquidity risk. The Company's exposure to these risks and its approach for managing these remain consistent.

i) Credit risk:

The Company's exposure to credit risk is limited to the carrying amount of cash debtors receivable recognised at the reporting date. An allowance for estimated credit loss ("ECL") was required on debtors. The Company determines its allowance for ECLs for non-payment and delinquent accounts based on historic trends of the probability of default timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. If future collections differ from estimates, future profits could be adversely affected.

The Company believes that the credit risk of debtors is limited for the following reasons:

- a) Risk associated with concentration of credit risk is limited due to the credit rating of the Company's top 10 clients.
- b) Management regularly reviews and assesses customer accounts and credit risk. Historically, bad debt as a percentage of revenue has been minimal.

ii) Currency risk:

The Company realizes a portion of sales and related expenses in foreign currency including Euros and is exposed to fluctuations in the value of these currencies relative to British Pounds.

iii) Liquidity risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages liquidity risk through regular monitoring of financial results, actual cash flows and funding from the parent company.

Approved by the Board on 28 September 2021 and signed on its behalf by:

.....
G Colter
Director

Lifeworks (U.K.) Limited

Directors' Report for the Year Ended 31 December 2020

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

Directors of the company

The directors who held office during the year were as follows:

S Liptrap (resigned 16 September 2020)

S Milligan (resigned 16 September 2020)

S Marsh (resigned 16 September 2020)

G Colter (appointed 16 September 2020)

P Mullen (appointed 16 September 2020)

A Andreou (appointed 16 September 2020)

Impact of COVID-19

The future impact of uncertainties around the outbreak of the Covid-19 pandemic could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets and liabilities in the financial statements.

Disclosure of information to the auditors

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 auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors Thomas Alexander & Co Ltd are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 28 September 2021 and signed on its behalf by:

.....
G Colter
Director

Lifeworks (U.K.) Limited

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting Standards 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.

Lifeworks (U.K.) Limited

Independent Auditor's Report to the Members of Lifeworks (U.K.) Limited

Opinion

We have audited the financial statements of Lifeworks (U.K.) Limited (the 'company') for the year ended 31 December 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The 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.

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 this regard.

Lifeworks (U.K.) Limited

Independent Auditor's Report to the Members of Lifeworks (U.K.) Limited

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Lifeworks (U.K.) Limited

Independent Auditor's Report to the Members of Lifeworks (U.K.) Limited

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

.....
A Odysseos (Senior Statutory Auditor)

For and on behalf of Thomas Alexander & Co Ltd, Statutory Auditor

590 Green Lanes

Palmers Green

London

N13 5RY

28 September 2021

Lifeworks (U.K.) Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Turnover	<u>3</u>	31,005,161	14,164,396
Cost of sales		<u>(3,068,000)</u>	<u>(3,794,777)</u>
Gross profit		27,937,161	10,369,619
Administrative expenses		(14,615,810)	(11,860,350)
Other operating income	<u>4</u>	<u>471,218</u>	<u>427,202</u>
Operating profit/(loss)	<u>5</u>	<u>13,792,569</u>	<u>(1,063,529)</u>
Profit/(loss) before tax		13,792,569	(1,063,529)
Tax on profit/(loss)	<u>9</u>	<u>(849,233)</u>	<u>-</u>
Profit/(loss) for the financial year		<u><u>12,943,336</u></u>	<u><u>(1,063,529)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Lifeworks (U.K.) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	31 December 2020 £	31 December 2019 £
Profit/(loss) for the year	<u>12,943,336</u>	<u>(1,063,529)</u>
Total comprehensive income (loss) for the year	<u><u>12,943,336</u></u>	<u><u>(1,063,529)</u></u>

Lifeworks (U.K.) Limited

(Registration number: 08223675)

Balance Sheet as at 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Fixed assets			
Intangible assets	<u>10</u>	10,917,744	6,892,965
Tangible assets	<u>11</u>	205,715	59,722
		<u>11,123,459</u>	<u>6,952,687</u>
Current assets			
Debtors	<u>12</u>	4,918,393	3,648,324
Cash at bank and in hand		<u>1,032,325</u>	<u>1,971,534</u>
		5,950,718	5,619,858
Creditors: Amounts falling due within one year	<u>14</u>	<u>(7,791,319)</u>	<u>(16,233,023)</u>
Net current liabilities		<u>(1,840,601)</u>	<u>(10,613,165)</u>
Net assets/(liabilities)		<u>9,282,858</u>	<u>(3,660,478)</u>
Capital and reserves			
Called up share capital		100,637	100,637
Share premium reserve	<u>17</u>	7,293,504	7,293,504
Profit and loss account	<u>17</u>	<u>1,888,717</u>	<u>(11,054,619)</u>
Shareholders' funds/(deficit)		<u>9,282,858</u>	<u>(3,660,478)</u>

Approved and authorised by the Board on 28 September 2021 and signed on its behalf by:

.....

G Colter
Director

Lifeworks (U.K.) Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2020	100,637	7,293,504	(11,054,619)	(3,660,478)
Profit for the year	-	-	12,943,336	12,943,336
Total comprehensive income (loss)	-	-	12,943,336	12,943,336
At 31 December 2020	100,637	7,293,504	1,888,717	9,282,858

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2019	100,637	7,293,504	(9,991,090)	(2,596,949)
Loss for the year	-	-	(1,063,529)	(1,063,529)
Total comprehensive income (loss)	-	-	(1,063,529)	(1,063,529)
At 31 December 2019	100,637	7,293,504	(11,054,619)	(3,660,478)

Lifeworks (U.K.) Limited

Statement of Cash Flows for the Year Ended 31 December 2020

		31 December 2020	31 December 2019
	Note	£	£
Cash flows from operating activities			
Profit/(loss) for the year		12,943,336	(1,063,529)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	2,430,440	1,354,782
Income tax expense	<u>9</u>	849,233	-
		16,223,009	291,253
Working capital adjustments			
Increase in trade debtors	<u>12</u>	(1,824,602)	(2,210,452)
(Decrease)/increase in trade creditors	<u>14</u>	(8,611,220)	8,366,486
Cash generated from operations		5,787,187	6,447,287
Income taxes (paid)/received	<u>9</u>	(125,184)	116,673
Net cash flow from operating activities		5,662,003	6,563,960
Cash flows from investing activities			
Acquisitions of tangible assets		(6,601,212)	(4,775,382)
Net (decrease)/increase in cash at bank and cash in hand		(939,209)	1,788,578
Cash at bank and cash in hand at 1 January		1,971,534	182,956
Cash at bank and cash in hand at 31 December		1,032,325	1,971,534

Lifeworks (U.K.) Limited

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

1 General information

The company is a private company limited by share capital, incorporated in the UK.

The company was formerly known as Morneau Shepell (UK) Ltd.

The address of its registered office is:

Suite 1, 3rd Floor
11-12 St James's Square
London
SW1Y 4LB

These financial statements were authorised for issue by the Board on 28 September 2021.

2 Accounting policies

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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The financial statements have been prepared on a going concern basis despite the existence of net current liabilities at the year end, the validity of which is dependent upon the continuing support of the ultimate parent company LifeWorks Inc.

LifeWorks Inc. has provided the Company with an undertaking that it will continue to make available such funds as are needed by the Company for at least 12 months from the date of approval of the accounts and accordingly, after considering the ability of the parent company to provide such financial support as needed, the directors consider it appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

Lifeworks (U.K.) Limited

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

Revenue recognition

The Company records revenue from contracts with customers as follows:

- i) Identify the contract with a customer;
- ii) Identify the performance obligation in the contract;
- iii) Determine the transaction price, which is the total consideration provided by the customer;
- iv) Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- v) Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company offers counselling and educational services, and targeted health and wellness programs, to support employee and family work, financial, personal and family needs. Most agreements may be terminated by the client upon 30 to 60 days notice. It is typical, however, for these agreements to continue for multiple years and many automatically renew on an annual basis. Revenue is recognised through a combination of the minimum contracted amount and incremental usage above minimum thresholds. The minimum contracted amount is recognised on a basis consistent with the provision of well-being services. Incremental usage is accrued when the minimum usage threshold is exceeded and subsequently billed.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Fixtures, fittings & equipment	3 years straight line

Lifeworks (U.K.) Limited

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

Leasehold property

5 years

Goodwill

Goodwill represents the excess of the cost of the Company's business acquisitions over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment charges, and is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Intangible assets

Intangible assets consist of contractual customer relationships, other intangibles acquired through acquisitions or business combinations and internally-developed software.

Internally-developed software is recognised at the aggregate cost of all eligible development costs, when all of the following criteria are met:

- i) it is technically feasible to complete the software so that it will be available for use;
- ii) management intends to complete the software and use or sell it;
- iii) the Company is able to use or sell the software;
- iv) future benefits associated with the software can be demonstrated;
- v) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- vi) the expenditures attributable to the software during its development can be reliably measured.

Eligible expenditures capitalised as part of internally-developed software include external direct costs of materials and services consumed in development, as well as payroll and payroll-related costs for employees who are directly associated with and who devote time to the development of the software. All costs incurred in the preliminary research stage of the projects are expensed as incurred.

Other intangible assets acquired as part of business combinations are measured initially at fair value.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10 years
Customer lists	10 years
Other Intangibles	10 years
Internally-developed software	5 Years

Cash at bank and in hand

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Lifeworks (U.K.) Limited

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

Debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less allowance for ECLs. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

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

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2020 £	2019 £
Provision of services	10,827,726	8,242,318
Software licence fee - note 19	20,177,435	5,922,078
	<u>31,005,161</u>	<u>14,164,396</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Miscellaneous other operating income	<u>471,218</u>	<u>427,202</u>

Lifeworks (U.K.) Limited

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

5 Operating profit/(loss)

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	114,761	258,062
Amortisation expense	2,315,679	1,096,720

6 Staff costs

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

	2020 £	2019 £
Wages and salaries	4,908,293	4,446,250
Social security costs	1,215,009	1,250,905
Pension costs, defined contribution scheme	300,357	269,013
Recruitment fees	124,930	255,258
Other employee expense	254,046	184,386
Long-term incentive plan expense	56,050	91,106
	6,858,685	6,496,918

The average number of persons employed by the company (including directors) during the year was as follows:

	31 December 2020 No.	31 December 2019 No.
Average number of employees	200	184
	200	184

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	326,866	229,999
Contributions paid to money purchase schemes	11,101	5,709
	337,967	235,708

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	240,938	228,807
Company contributions to money purchase pension schemes	6,900	5,709

Lifeworks (U.K.) Limited

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

8 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	48,000	48,000

9 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	849,233	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	31 December 2020 £	31 December 2019 £
Profit/(loss) before tax	13,792,569	(1,063,529)
Corporation tax at standard rate	2,620,588	(202,071)
Effect of expense not deductible in determining taxable profit (tax loss)	11,247	22,801
Effect of tax losses	(1,799,232)	-
Tax increase from effect of capital allowances and depreciation	16,630	76,881
Tax increase from effect of unrelieved tax losses carried forward	-	102,389
Total tax charge	849,233	-

Lifeworks (U.K.) Limited

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

10 Intangible assets

	Goodwill £	Contractual customer relationships £	Internally generated software development costs £	Other intangible assets £	Total £
Cost or valuation					
At 1 January 2020	1,224,840	832,043	6,489,887	3,120	8,549,890
Additions internally developed	-	-	6,340,458	-	6,340,458
At 31 December 2020	1,224,840	832,043	12,830,345	3,120	14,890,348
Amortisation					
At 1 January 2020	455,572	309,473	890,720	1,160	1,656,925
Amortisation charge	122,484	83,204	2,109,679	312	2,315,679
At 31 December 2020	578,056	392,677	3,000,399	1,472	3,972,604
Carrying amount					
At 31 December 2020	646,784	439,366	9,829,946	1,648	10,917,744
At 31 December 2019	769,268	522,570	5,599,167	1,960	6,892,965

Lifeworks (U.K.) Limited

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

11 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Total £
Cost or valuation			
At 1 January 2020	55,550	682,838	738,388
Additions	-	260,754	260,754
At 31 December 2020	55,550	943,592	999,142
Depreciation			
At 1 January 2020	44,637	634,029	678,666
Charge for the year	10,913	103,848	114,761
At 31 December 2020	55,550	737,877	793,427
Carrying amount			
At 31 December 2020	-	205,715	205,715
At 31 December 2019	10,913	48,809	59,722

Included within the net book value of land and buildings above is £Nil (2019 - £10,913) in respect of short leasehold land and buildings.

12 Debtors

	Note	2020 £	2019 £
Trade debtors		4,436,656	2,212,534
Prepayments		481,737	881,257
Corporation tax asset	9	-	554,533
Total current trade and other debtors		4,918,393	3,648,324

13 Cash at bank and in hand

	2020 £	2019 £
Cash at bank	1,032,325	1,971,534

Lifeworks (U.K.) Limited

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

14 Creditors

	Note	2020 £	2019 £
Due within one year			
Trade creditors		337,218	414,262
Amounts due to related parties	<u>19</u>	2,815,818	13,944,514
Social security and other taxes		1,350,793	672,169
Other payables		46,129	71,513
Accruals & deferred income		3,071,845	1,130,565
Corporation tax liability	<u>9</u>	169,516	-
		<u>7,791,319</u>	<u>16,233,023</u>

15 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £300,357 (2019 - £269,013).

16 Share capital

Allotted, called up and fully paid shares

	31 December 2020		31 December 2019	
	No.	£	No.	£
Ordinary shares of £0.01 each	10,063,749	100,637.49	10,063,749	100,637.49

17 Reserves

Share capital

Represents the nominal value of the issued share capital.

Share premium

Represents the movements attributable to share premium which is in excess of the fair value consideration received for shares over the nominal value.

Profit & loss account

Represents the accumulated profits/(losses).

Lifeworks (U.K.) Limited

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

18 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	31 December 2020 £	31 December 2019 £
Later than one year and not later than five years	40,597	284,180
Later than five years	369,298	394,018
	<u>409,895</u>	<u>678,198</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £469,672 (2019 - £463,939).

19 Related party transactions

Included in Creditors is an amount of £2,147,144 (2019: £2,147,144) owed by the Company to LifeWorks Corporation Ltd, the immediate parent company.

Also included in Creditors is an amount of £22,720,452 (2019: £14,696,664) owed by the Company to LifeWorks (Canada) Ltd (formerly Morneau Shepell Ltd), the ultimate parent company. During the year Company charged a fee of £17,592,599 for use of the Company's software and other shared head office costs.

Included in Creditors is an amount of -£3,761,966 (2019: -£2,122,459) owed to the Company from LifeWorks (US) Inc (amalgamated with LifeWorks (US) Ltd. formerly Morneau Shepell Limited), a company under common control. During the year the Company charged a fee of £634,001 (2019: £530,973) to LifeWorks (US) Ltd for use of the Company's software.

Included in Creditors is an amount of -£1,239,782 owed to the Company from LifeWorks (US) Ltd (formerly Morneau Shepell Limited), a company under common control. During the year the Company charged a fee of £1,239,782 to LifeWorks (US) Ltd for use of the Company's software.

Also included in Creditors is an amount of -£17,050,030 (2019: -£776,835) owed to the Company from LifeWorks Canada Ltd. (amalgamated with LifeWorks (Canada) Ltd. formerly Morneau Shepell Ltd), a company under common control. During the year the Company charged a fee of £711,052 to LifeWorks Canada Ltd for use of the Company's software.

20 Parent and ultimate parent undertaking

The immediate parent company is LifeWorks Corporation Ltd, a company incorporated in the UK. The ultimate parent company and controlling party is LifeWorks Inc., a company incorporated in Canada. LifeWorks Inc. is the parent undertaking of the whole group to consolidate these financial statements. The consolidated financial statements of LifeWorks Inc. are available to the public and may be at <https://lifeworks.com/en/financial-reports-filings>.

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