

2021 Annual Report

Trusted leadership
in mental health
and wellbeing



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We are a new age digital health company

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LifeWorks highlights



36 million

of lives LifeWorks services



25 thousand

of clients around the world



\$1 billion

Record annual sales



>160

of countries LifeWorks serves



1 billion

of lives we plan to improve



Top quartile

Sustanalytics rating: Negligible Risk



100%

employee sign-off on the Code of Business Conduct and Ethics

President and CEO's message to shareholders

LifeWorks: Trusted leadership in mental health and wellbeing

LifeWorks delivered a solid 2021, built on record sales and platform adoption, during a challenging period in our world that included many lockdowns due to COVID-19. Our business today is strong, growing, profitable and well positioned for future success.

2021 marked an exciting shift for our Company with the rebrand from Morneau Shepell to LifeWorks, a name that better reflects our brand as the global leader in workplace mental health and employee wellbeing. Our new name has been well received by all our stakeholders since we formally completed the change at our Company's 2020 annual shareholder's meeting on May 14, 2021. Soon after, we began trading on the Toronto Stock Exchange under the symbol LWRK.

As LifeWorks, we're moving forward and continuing to bring our purpose of *improving lives, improving business* to life. Our purpose speaks to the idea that happy, healthy and engaged people are the heart of high-performing workforces and resilient organizations. At the end of the year, nearly 25,000 clients in more than 160 countries were providing our solutions to their people through our industry-leading personalized continuum of care that supports mental, physical, social and financial wellbeing.

- Today, LifeWorks is a trusted mental health and wellbeing provider for organizations and their people.
- We offer – bar none – the most comprehensive range of mental health and wellbeing services available to our clients and their people.
- We make a substantial positive impact on our clients and their people every day.

Building on our long track record of consistent profitable growth, we believe there are tremendous opportunities to further accelerate this growth and deliver more solutions to help organizations retain and attract the talent they need to succeed.

Solid performance in 2021 built on another year of record sales

We were pleased with many aspects of our 2021 business performance.

We delivered record annual sales that resulted in 6.1% constant currency organic growth and 4.1% reported revenue growth. Our focus over the last few years has been on products and solutions that drive recurring tech-enabled revenue, and we were pleased to see this grow by 9.2% in 2021.

Adjusted EBITDA margins were down to 19.1% for the year, mainly due to supply chain issues that started in the second quarter. This led to rising costs in our global network of mental health counsellors. We are now addressing this by hiring more staff counsellors and increasing pricing for our highly valued services. This was seen in the fourth quarter with margins increased to 18.5%, up from 18.2% in the previous quarter.



Stephen Liptrap
President and
Chief Executive Officer

During the year we saw the continued adoption of our LifeWorks platform by existing and new clients – a key part of our technology and innovation strategy. The number of lives on our platform grew to 6.7 million people, up by approximately 1.6 million from 2020. This increase in lives has set the stage for upselling additional technology modules. Organizations now paying for additional LifeWorks modules on our platform is up more than 50% over last year.

As part of our commitment to being a technology leader, in July 2021 we announced the integration of our award-winning LifeWorks application into the Microsoft Teams and Microsoft Viva ecosystems. This integration, now substantially completed, enables us to increase the reach of our wellbeing platform to help our clients provide support for their employees in the daily flow of their work and personal lives.

In 2021, the Company continued its global expansion with more than 40% of our revenue now coming from outside our traditional home market of Canada.

Acquisitions and strategic partnerships continued to supplement organic growth in 2021. In September, we deepened our commitment to supporting the European market with the purchase of Ascender, a leading psychological service provider in employee health and wellbeing headquartered in the Netherlands and servicing clients across the Benelux region. Subsequent to our year end, we announced the acquisition of Breaking Free, a leader in cloud solutions and digital treatment options for substance use disorders.

Another accomplishment last year, which we believe will drive future growth, was winning certification of our Knox-Keene license. This allows us to directly provide medium- to long-term counselling services to people in California, one of the largest regional U.S. markets for wellbeing solutions. Certification involved a rigorous, multi-year process, not easily undertaken or accomplished by anyone, least of all digital-only counselling providers. By year end, our Knox-Keene certification enabled us to win 24 new client mandates, extending services to some 17,000 covered lives in California, a figure we expect to grow for years to come.

Our results for the year included an \$11.6 million charge, primarily related to a restructuring to better service our customers and support our strategic plan. This includes merging our Health and Productivity and Integrated Health Solutions businesses in order to meet market demand for integrated services across our mental health continuum of care. Our goal is to provide a seamless, comprehensive service experience for our clients and their people, while improving our scalability and efficiency.

The global opportunity in mental health

From our monthly Mental Health Index™ report tracking mental health in the workplace, we know that COVID-19 worsened the psychological climate among employees and their families and that it will take years for society to fully recover. The effect on the workplace is being felt in many ways. Already we are seeing corporate leaders focus more on talent and retention, and supporting employee mental health is a crucial component of that goal. Our clients today almost all want best-in-class digital platforms that provide easy and practical access to a broad continuum of care to support the mental health and wellbeing of their people, retain key resources and attract new talent.

What's really resonating with our clients is the full spectrum of our capabilities in the personalized continuum of care we offer to improve the lives of their people. It's not just digital or in-person solutions; we offer everything our clients want for the care their people need and in the ways they want to receive it – digital, chat, video, telephonic or face-to-face. Everything is within easy reach and within the daily flow of their lives and work.

Strategic direction

Our goal is to build on our global reputation as a trusted leader for mental health and wellbeing solutions for the workplace. Our growth strategy is focused on three pillars:

1. *Strengthen our leadership in mental health and wellbeing markets.*
2. *Accelerate growth through U.S. and global expansion.*
3. *Drive world-class delivery through people and technology.*

To deliver on our strategy, we will leverage the deep market and competitive strengths we have today:

- We are the only organization that integrates solutions for the four key pillars of wellbeing: mental, physical, financial and social.
- We are the world's largest solutions provider in the converging markets for wellbeing and employee and family assistance programs.
- We are the largest administrator of benefit and retirement plans in Canada, and have a fast-growing U.S. business, which had almost 10 million plan participants under administration at the end of 2021.
- We are the largest provider of integrated absence management solutions in Canada and are continuing to grow this business internationally.

As a measure of the strength of our business, last year we again enjoyed strong client satisfaction levels from both our Top 100 clients (representing 50% of revenue) and our Top 400 clients (representing 75% of revenue). We are committed to ensuring that client satisfaction ranks high on our priorities in everything we do.

Earlier this year we opened our new corporate headquarters in downtown Toronto, consolidating three facilities into one. We're excited to bring our Toronto team together at one location in a leading international business centre while enhancing our ability to attract the talent we need to continue the execution of our strategic plan.

“What’s really resonating with our clients is the full spectrum of our capabilities in the personalized continuum of care we offer to improve the lives of their people.”

Our people – the ultimate success factor

While LifeWorks is evolving and growing our ability to innovate and provide value to our clients through technology, we recognize that the success of our business – like all businesses – rests on the quality and performance of our people.

Last year, as every year, our top priority was the health and wellbeing of our people. This was a contributing factor to our high levels of employee engagement. In 2021, our business performance owed much to the ability of our people to adapt to a changing work environment – remote work, hybrid work and return to the office, are all concepts we're still learning to live with.

Speaking of people, I want to thank Jill Denham who has decided to step down as our Board Chair after more than six years in that role, a change that becomes effective after our Annual General Shareholder's Meeting on May 3 this year. I'd like to thank Jill for her important contributions and inspiring leadership on the Board during her tenure. I very much appreciate her support for me and the Company's management team as we have grown and evolved into a global leader in mental health and wellbeing. While Jill will continue to serve on the Board as a Director, I am very pleased to welcome our new Chair, Robert (Bob) Courteau, a Director since October 19, 2020. Bob is a veteran technology executive who has held leadership positions in a number of successful companies during his distinguished career.

In closing, on behalf of our entire leadership team, I would like to thank our people and partners, and all our clients and stakeholders, for their support and resilience through another challenging year.



Stephen Liptrap
President and CEO

Chair's message to shareholders

On behalf of the Board of Directors, I want to extend my appreciation to all our employees for their contributions to a year of solid business performance by LifeWorks. We are grateful for the commitment and resilience of our people who continue helping our clients support the wellbeing of their employees during the exceptionally difficult and ongoing reality of COVID-19.

In 2021, we were pleased by the Company's progress in strengthening its growth prospects as a global leader in mental health and wellbeing. At our annual shareholders meeting on May 14, 2021, shareholders overwhelmingly approved our name change to LifeWorks. The Board believes that under the LifeWorks name, the Company is better positioned to grow at a time when global demand for trusted mental health and wellbeing support for employees and their families has never been greater.

The Board's view is that LifeWorks has a once-in-a-generation growth opportunity in mental health and employee wellbeing, leveraging the Company's strengths in combining in-person and digitally-enabled support. Specifically, we're confident that the Company's commitment to a next generation platform approach for mental health services will, we believe, deliver capabilities supporting a unique personalized continuum-of-care with the potential to transform our sector.

To that end, LifeWorks is focused today on delivering an industry-leading value proposition that supports our purpose of *improving lives, improving business*: truly providing a one-stop shop for mental health services in response to the fragmented, insufficient, and costly approach that currently defines how most people in the workplace are supported today.

Much like technology innovators in many industries have transformed their markets with a compelling user experience built on a next generation platform strategy, LifeWorks aims to do the same in mental health by offering everything our clients want for the care their people need in the way they want it – digital, chat, video, telephonic, in person. The strategy, put simply, is connecting people with the right mental health support at the right time, everything at their fingertips and within easy reach in the daily flow of life and work.

In 2021, LifeWorks continued to make progress on our environmental, social and governance (ESG) performance. Our business, by definition, makes a strong contribution to the "S" – the social dimension of ESG – because of our solutions and their effectiveness in improving mental health and wellbeing. Today, some 15 million people are covered by our employee assistance programs and have access to our leading-edge solutions, like internet-based cognitive behavioural therapy.

In 2021, our own solid progress on ESG performance was recognized in corporate rankings by reputable international experts who are particularly credible with investors.



Jill Denham
Chair

Our 2021 accomplishments in ESG included:

Environmental (E)

- We initiated an internal review of the recommendations by the Task Force on Climate-related Financial Disclosures and calculated our business's preliminary greenhouse gas emissions estimates.
- We reduced the Company's environmental footprint by transitioning to a new LEED Platinum certified corporate head office while also increasing the percentage of total occupancy in LEED-certified and BOMA facilities.
- We advanced our digital transformation initiatives to foster a paperless culture across the Company.

Social (S)

- We maintained programs to support the health and wellbeing of our employees during the second year of the pandemic, which included providing paid time off to receive COVID-19 vaccinations.
- We advanced the Company's Diversity, Equity, Inclusion and Belonging strategy through a heightened focus on anti-racism training and other activities involving our Global Leadership Team and our workforce as a whole.
- We launched our Workplace Strategy Index, an online self-assessment tool that determines how an organization's mental health and wellbeing and infrastructure policies align with recognized standards and practices.
- We benchmarked the health and wellbeing of the Company's workforce against our Mental Health Index™ and Total Wellbeing Index™.
- We renewed our long-standing relationship as the Official Mental Health Partner of Team Canada (Canada's Olympic team) for eight more years.
- We renewed our five-year commitment to UNHCR Canada, the UN Refugee Agency, to fund the Secondary School for Girls in the Kakuma Refugee Camp in Kenya.

Governance (G)

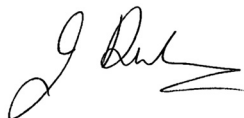
- From a diversity perspective, we are proud that LifeWorks has been a member of the 30% Club Canada since 2018 for maintaining at least 30% women and 30% men on our Board. At year end, three of our eight independent Directors (38%) and nine Directors (33%) were women. Currently, 11% of the Board are members of racial or ethnic minorities.
- Increasing the diversity of our leadership team has been a priority of the business for several years now. At year end, 30% of executive officer roles and 39% of Global Leadership Team roles were held by women.
- We continued to contribute our thought leadership in public forums on the topic of mental health. As such, we support the development of reporting standards that recognize the critical role of mental health in business performance.
- We launched a new Supplier Code of Conduct to reflect the Company's commitment to ethical and responsible procurement, and to support the Company's vendor risk management program. Beginning in 2022, suppliers to LifeWorks will be expected to meet a comprehensive set of ESG requirements.
- We delivered a strong ethical compliance performance, meeting the target of 100% employee sign-off on the Code of Business Conduct and Ethics and recording zero substantiated cases of corruption or bribery in 2021.

Above all, the Board is pleased by the commitment of the Company's leadership team in 2021 to ensuring the health, safety and wellbeing of our employees. It is the Board's view that the Company today, as a leader in its core businesses, is well prepared strategically and operationally to build on its long track record of sustainably profitable growth.

On a personal note, this is my final Message to Shareholders, as I am stepping down as Chair after the privilege of serving in this position for some seven years. While I will continue to serve on the Board as a Director, effective at our Annual General Shareholder meeting this year on May 3, 2022, Robert (Bob) Courteau, a Director since October 19, 2020, will succeed me as Chair. A highly regarded business executive and corporate director, and a valued colleague of mine, Bob brings a wealth of experience and expertise to the Chair's role, including his deep understanding of the technology sector. I very much look forward to supporting Bob on the Board as the Company moves into a new era of opportunity.

I have truly enjoyed my experience as Chair during an exciting period for the Company of strategic transformation and growth – but also the many challenges of navigating through COVID-19. It has been an honour working with my Board colleagues and the Company's leadership team over the years on major initiatives that include our corporate name change, the material acquisition of LifeWorks and, more generally, the growth strategy of the Company as a global leader in the workplace mental health and wellbeing field. I want to thank everyone who contributed to my work as Chair with their counsel and support.

In closing, on behalf of the Board, I'd like to thank our leadership team, our dedicated employees across the Company, and our shareholders, clients and partners, for their contributions to the Company's solid performance last year.



Gillian (Jill) Denham
Chair of the Board

Management's discussion and analysis

Years ended December 31, 2021 and 2020

Preface

This Management's discussion and analysis ("MD&A") covers the year ended December 31, 2021 and should be read in conjunction with the accompanying audited consolidated financial statements ("financial statements") of LifeWorks¹ (the "Company," "we," "us," and "our") and notes thereto for the years ended December 31, 2021 and 2020.

Unless otherwise noted, all financial information presented has been rounded to the nearest thousand, and all financial information is presented in Canadian dollars, in accordance with International Financial Reporting Standards ("IFRS"). Certain totals, subtotals and percentages may not reconcile due to rounding.

Unless otherwise noted, all comparative results for 2021 (three months and fiscal year ended December 31, 2021) are compared against 2020 (three months and fiscal year ended December 31, 2020).

To assist investors in assessing the Company's financial performance, this MD&A makes reference to certain key performance indicators ("KPIs") and non-IFRS metrics, which Management believes are useful in assessing the performance of the Company. Readers are cautioned that these measures do not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. KPIs and non-IFRS metrics are described and reconciled to IFRS metrics in the "Key performance indicators and non-IFRS financial metrics" section of this MD&A.

Forward-looking information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Specific statements used in this MD&A that may contain "forward-looking information" include but are not limited to statements with respect to: the discussion of our business and operating segments, focuses and strategies; our expectations of future performance for our various operating segments and our consolidated financial results; the conversion of long-term incentive plan units into common shares; considerations in determining when to declare dividends and the amount of such dividends; the Company's management and monitoring of commitments and contractual obligations to ensure that they can be met with funding provided by operations and capital resources available; the ability to

fund commitments and contractual obligations with funding provided by operations and capital resources available; future lease and credit facility commitments; and future consideration related to acquisitions. They are based on certain factors and assumptions, including expected growth, results of operations, business prospects and opportunities. The use of words such as "may," "will," "expect," "believe," "could," "would," "intend," or other words of similar effect may indicate "forward-looking information." Forward-looking information is not a guarantee of future performance and is subject to numerous risks and uncertainties, including those described in our publicly filed documents (available on SEDAR at sedar.com) and in this MD&A under the heading "Risks and Uncertainties."

Those risks and uncertainties include, among other things, the ability to maintain profitability and manage growth, competition, reliance on information systems and technology, reputational risk, satisfactory performance of client obligations, general economic conditions, pandemics, natural disasters or other unanticipated events (including the novel coronavirus and variants thereof ("COVID-19") pandemic), dependence on key clients and key channel partners, risk of future legal proceedings, protection of intellectual property, foreign exchange risk, insurance, indebtedness and interest rates, credit risk, dividends, market price and dilution of common shares. Many of these risks and uncertainties can affect the Company's actual results and could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information or statement made by the Company or on the Company's behalf. Given these risks and uncertainties, investors should not place undue reliance on forward-looking information as a prediction of actual results.

All forward-looking information in this MD&A is qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise. Additionally, the Company undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.

¹ LifeWorks Inc. ("LifeWorks") was incorporated pursuant to the laws of the Province of Ontario on October 19, 2010 under the name Morneau Shepell Inc. and completed a name change to LifeWorks Inc. on May 17, 2021.

Business overview

LifeWorks is a world leader in providing digital and in-person solutions that support the total wellbeing of individuals – mental, financial, social and physical. We deliver a personalized continuum of care that helps our clients improve the lives of their people and by doing so, improve their business. It's the idea that by improving a person's life, we improve how they perform at work.

Client organizations that use our services in Canada, the United States and around the globe

25 thousand

Number of lives LifeWorks services cover

36 million

The Company's Purpose, Vision and Values are the pillars by which the Company operates.



Our purpose

Improving lives. Improving business.

By helping our clients improve the wellbeing of their people, we help them improve workforce engagement and productivity, thereby improving the performance of our clients' organizations.



Our vision

To optimize the health and productivity of people – the heart of every successful organization.



Our values

- We value long-term relationships
- We treat others the way we want to be treated
- We are innovative and entrepreneurial

About LifeWorks

Our approach spans services in employee and family assistance, health and wellness, recognition, pension and benefits administration, retirement consulting, and actuarial and investment services.

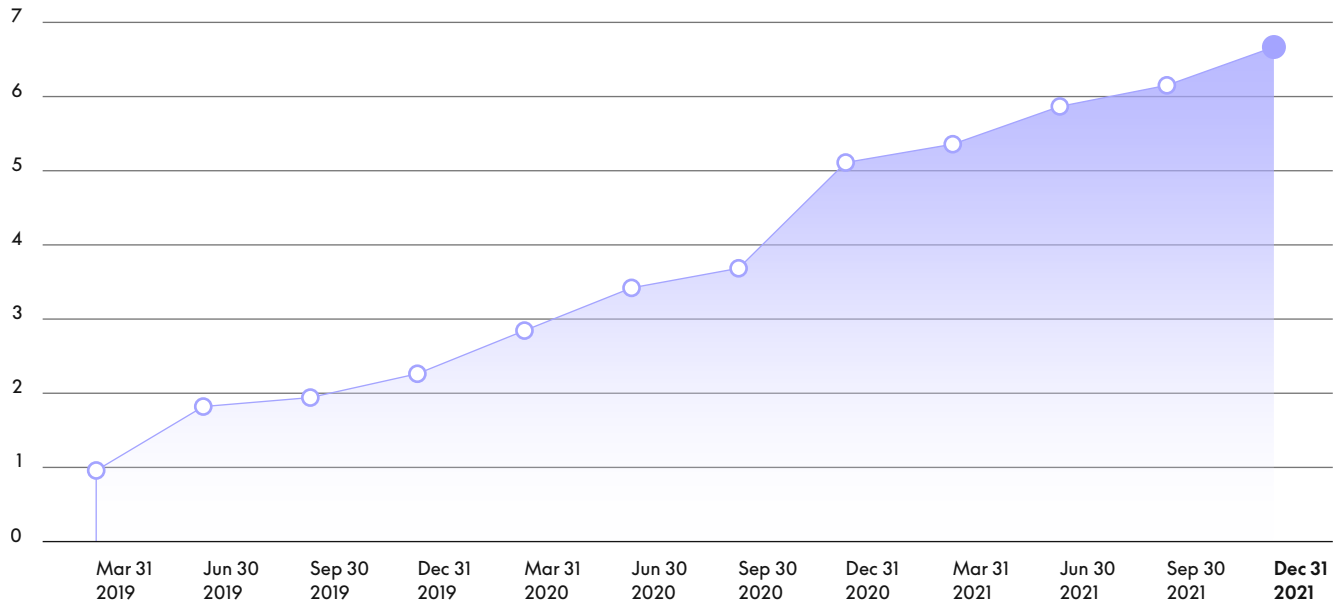
Total number of lives covered by EAP – Direct

15.0 million

Number of lives covered by enhanced modules

1.4 million

People with access to mobile integrated platform (millions)



● Total number of lives with access to the platform **6.7 million**

LifeWorks delivers a unified continuum of care that supports the whole person. We provide personalized solutions that feature diverse levels of support across the four pillars of total wellbeing:

- **Mental health** – Helping individuals realize their full potential, cope with daily stressors and be productive.
- **Financial health** – Knowledge, behaviour, strategies and insights that support financial security.
- **Social health** – Healthy social relationships that give people a sense of connection and belonging.
- **Physical health** – Lifestyle choices that support current and long-term health and physical ability.

We combine technology and deep expertise to deliver results. Our solutions combine the global depth of our in-person expertise and technologies that make complex solutions simple, accessible and intuitive for people and HR leaders. When people need support, we can intervene proactively; when someone is at risk, we can help with recovery and avoid problems in the first place.

Every individual has different wellbeing needs and expectations. We always start where people are and work toward their goals by understanding their needs, then providing options for the support they need. We deliver a guided journey for positive total wellbeing, all toward maximizing organizational productivity.

We empower people by supporting their wellbeing. We're there for people at the most critical moments in their lives: when a child arrives, when buying a house, on starting a pension plan, when a partner gets ill, during a crisis, and at retirement. We are there when it matters.

LifeWorks helps deliver results in the workplace in areas such as engagement, talent retention and productivity. We help to manage health care, absence and disability costs. We help organizations adapt to a changing and challenging world.

As a global enterprise, we have the reach to support organizations around the world. We take equal pride in having the agility of a start-up, with game-changing solutions for today's digitally connected organizations.

Our teams have capabilities for delivering quality and innovation in employee and family assistance, health and wellness, recognition, pension and benefits administration, retirement consulting, actuarial and investment services.



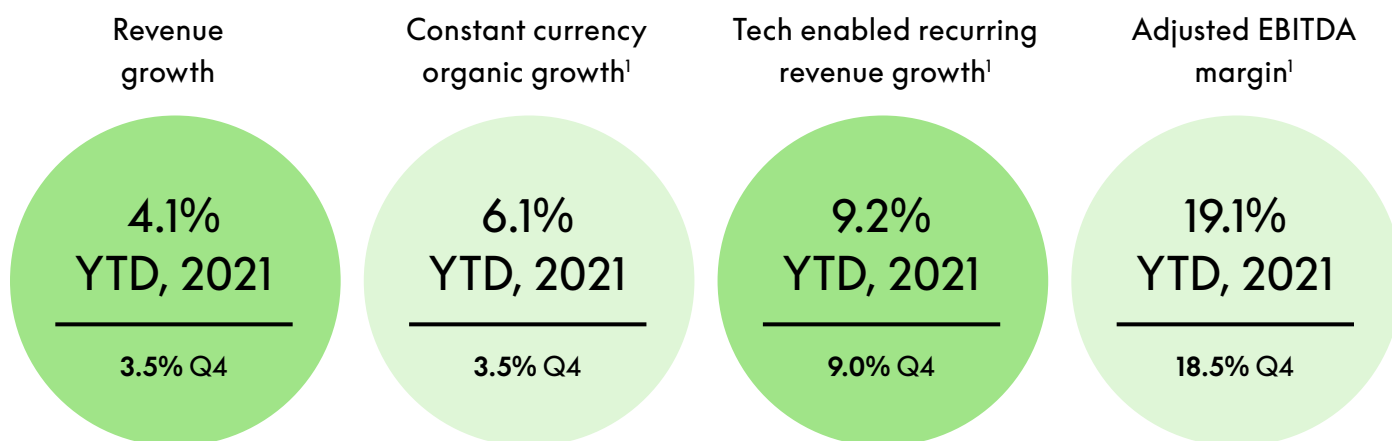
2021 full year and fourth quarter summary

Key performance indicators do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Constant currency organic growth, adjusted EBITDA, adjusted EBITDA margin and adjusted EBITDA per share (basic) are all considered non-IFRS measures that are not standardized measures under the financial reporting framework used to prepare LifeWorks' financial statements and may not be comparable to similar financial measures reported by other companies. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

<i>(In thousands of Canadian dollars except where noted)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Revenue	\$ 258,379	\$ 249,644	3.5%	\$ 1,019,349	\$ 979,162	4.1%
Tech enabled recurring revenue ⁽¹⁾	100,166	91,870	9.0%	378,626	346,751	9.2%
Organic growth ⁽¹⁾	2.3%	4.4%		3.6%	3.1%	
Constant currency organic growth ⁽¹⁾	3.5%	4.8%		6.1%	2.6%	
(Loss) profit for the period	\$ (1,433)	\$ 10,828	(113.2%)	\$ (24,085)	\$ 55,924	(143.1%)
(Loss) earnings per share (basic)	(0.02)	0.15	(0.17)	(0.34)	0.80	(1.14)
Adjusted EBITDA ⁽¹⁾	\$ 47,833	\$ 50,998	(6.2%)	\$ 194,828	\$ 200,025	(2.6%)
Adjusted EBITDA margin ⁽¹⁾	18.5%	20.4%	(1.9%)	19.1%	20.4%	(1.3%)
Adjusted EBITDA per share (basic) ⁽¹⁾	0.68	0.73	(0.05)	2.78	2.87	(0.09)

⁽¹⁾ These items are non-IFRS metrics. They are key performance indicators and should not be considered substitutes or alternatives for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

Full year and fourth quarter highlights:



- Constant currency organic growth was 6.1% year-to-date and 3.5% for the quarter. Overall, revenue growth was 4.1% year-to-date and 3.5% for the quarter compared to the same periods in the prior year. Year-to-date growth was primarily due to organic growth in the business.
- Year-to-date tech enabled recurring revenue growth of 9.2% and quarter-to-date growth of 9.0% as compared to the same periods in the prior year were driven by Integrated Health Services ("IHS") and Administrative Solutions ("AS") services provided.
- Year-to-date and quarter-to-date adjusted EBITDA decreased by \$5.2 million and \$3.2 million, respectively, compared to the same periods in 2020. These decreases are primarily due to an increase in salaries, benefits and contractor expenses driven by general inflation as well as increased demand for mental health support as a result of the COVID-19 pandemic, partially offset by revenue growth. Adjusted EBITDA margin declined year-to-date by 130 basis points from 20.4% to 19.1% in the current period primarily due to the decreases in adjusted EBITDA.
- Year-to-date profit decreased by \$80.0 million versus the comparative period, primarily driven by the after-tax impact of accelerated amortization recognized in relation to the Shepell trade name of \$51.4 million and an after-tax gain of \$33.4 million from the divestiture of the benefits consulting business recognized in the first quarter of 2020. Profit for the quarter decreased by \$12.2 million versus the comparative period in 2020 due to the recognition of \$11.6 million in restructuring and other expenses within the current period, an increase of \$2.5 million in expenditures related to the implementation of the Company's new ERP system and an increase in salaries, benefits and contractor expense partially offset by revenue growth of \$8.8 million in the current quarter.
- Year-to-date basic (loss) earnings per share decreased by \$1.14 versus the comparative period due to the accelerated amortization of the Shepell trade name in the current year and the divestiture of the benefits consulting business in the prior year, as noted above. Basic (loss) earnings per share for the quarter decreased by \$0.17 versus the comparative period.
- During 2021, the Company continued to execute on its growth strategy through the acquisitions of SMG Health Pty Ltd. in the first quarter and Ascender B.V. during the third quarter, which allow the Company to bring together an unmatched range of services for achieving complete mental, physical, social and financial wellbeing for people in Australia and the Netherlands. On January 24, 2022, the Company completed the acquisition of Breaking Free Group, a global business based in the United Kingdom and a leading provider of behavioural health Software as a Service ("SaaS") solutions for evidence-based substance use intervention.

¹ These items are non-IFRS metrics. They are key performance indicators and should not be considered substitutes or alternatives for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

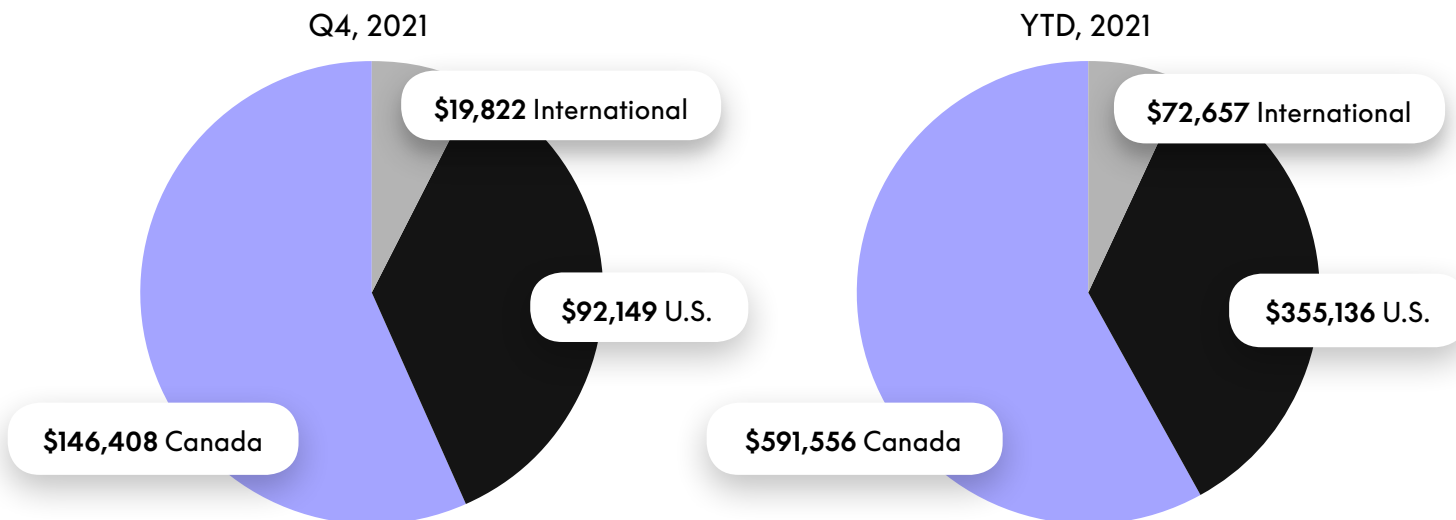
Analysis of 2021 full year and fourth quarter operating results

Revenue

Year-to-date revenue increased by \$40.1 million, or 4.1%, to \$1,019.3 million compared to \$979.2 million in 2020. The increase was primarily due to organic growth of 3.6% driven by the growth within IHS, Health and Productivity ("HPS"), and AS, partially offset by unfavourable foreign exchange movement.

Revenue for the fourth quarter increased by \$8.8 million, or 3.5%, to \$258.4 million compared to \$249.6 million in 2020. The increase was primarily due to growth within the IHS and AS lines of business, partially offset by HPS and Retirement and Financial Solutions ("RFS") declines, as well as unfavourable foreign exchange movement in the quarter.

Revenue by region



Revenue by line of business

The Company has four operating segments, consistent with its four core lines of business, that have been aggregated under IFRS 8 *Operating Segments* to determine that the Company has only one reportable segment.

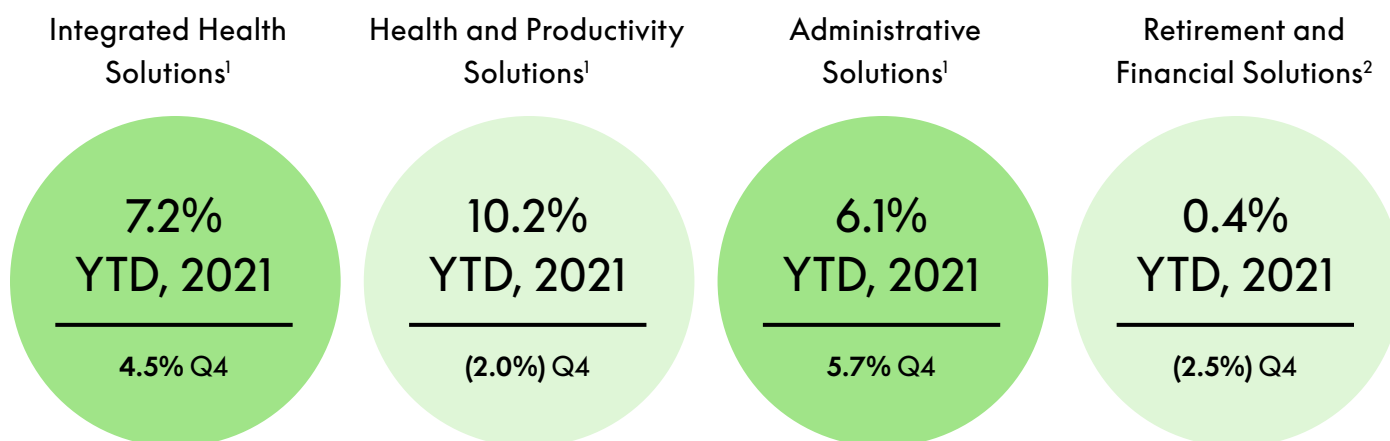
Revenue results for each of the lines of business are provided below:

<i>(In thousands of Canadian dollars except where noted)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Integrated Health Solutions ⁽¹⁾	\$104,403	\$ 97,451	7.1%	\$ 404,441	\$ 372,742	8.5%
Health and Productivity Solutions	24,706	25,272	(2.2%)	96,942	92,429	4.9%
Administrative Solutions	102,766	99,423	3.4%	401,584	395,492	1.5%
Retirement and Financial Solutions ⁽¹⁾	26,237	27,198	(3.5%)	115,715	116,272	(0.5%)
Other ⁽²⁾	267	300	(11.0%)	667	2,227	(70.0%)
Total	\$258,379	\$ 249,644	3.5%	\$1,019,349	\$ 979,162	4.1%

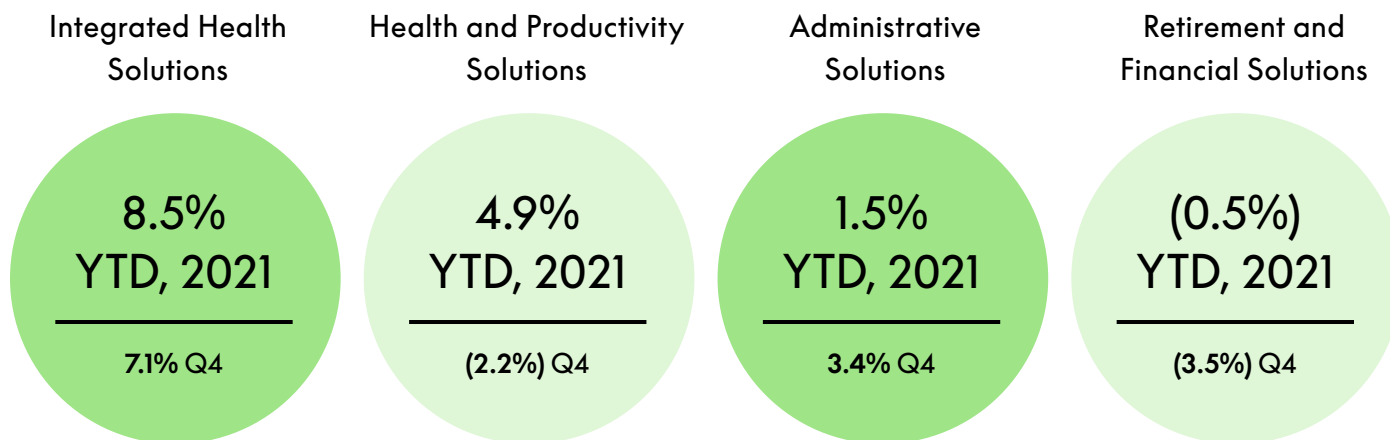
⁽¹⁾ The Company updated the names of two of its existing lines of business, Integrated Health Solutions, formerly Wellbeing Solutions, and Retirement and Financial Solutions, formerly Retirement Solutions, to better align with the nature of the services provided.

⁽²⁾ Other revenue is included with Retirement and Financial Solutions revenue in note 24 of the financial statements.

Constant Currency Organic Growth



Revenue Growth



¹ Represents constant currency organic growth, a non-IFRS metric; refer to "Key performance indicators and non-IFRS financial metrics" for further information.

² As RFS is a Canadian business, constant currency organic growth, a non-IFRS metric, is not applicable to this business and therefore this represents organic growth, a non-IFRS metric; refer to "Key performance indicators and non-IFRS financial metrics" for further information.

Integrated Health Solutions

The IHS business delivers an integrated employee experience by utilizing the LifeWorks cloud-based platform to provide the full continuum of care for achieving mental, physical, social and financial wellbeing. Solutions include an extensive range of wellbeing and clinical services offered within employee and family assistance plans, along with corporate reward, recognition and perks programs focusing on employee engagement and workforce productivity.

2021 revenue performance for the IHS business is summarized below:

<i>(In thousands of Canadian dollars except where noted)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Canada	\$ 62,027	\$ 61,912	0.2%	\$245,879	\$233,564	5.3%
U.S.	22,554	21,363	5.6%	85,905	88,072	(2.5%)
International	19,822	14,176	39.8%	72,657	51,106	42.2%
Total Integrated Health Services	\$ 104,403	\$ 97,451	7.1%	\$404,441	\$ 372,742	8.5%
Organic growth⁽¹⁾	3.7%	4.1%		5.5%	2.8%	
Constant currency organic growth⁽¹⁾	4.5%	4.5%		7.2%	2.5%	

Strong year-to-date total IHS revenue performance was due to growth of core employee assistance programs, LifeWorks platform growth and a successful transition of employer training offerings to digital delivery. Year-to-date revenue in the U.S. declined mainly due to negative foreign exchange rate variances versus 2020 (2021 average FX rate of 1.25 vs 2020 average FX rate of 1.34). Year-to-date international revenue growth was due to strong performance in the United Kingdom, the first quarter acquisition of Australia-based SMG Health Pty Ltd. and the third quarter acquisition of Netherlands-based Ascender B.V.

Health and Productivity Solutions

The HPS business delivers best-in-class workplace health and absence management programs and digital mental health solutions to help organizations achieve better disability and return to work outcomes, and support individuals with their mental health challenges. The business leverages its proprietary Abiliti platform for both its organizational programs and its market-leading iCBT solution, AbilitiCBT. The business supports the complex end of the continuum of care through AbilitiCBT and non-occupational absence management solutions.

2021 revenue performance for the HPS business is summarized below:

<i>(in thousands of dollars, except where noted)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
iCBT	\$ 3,899	\$ 5,033	(22.5%)	\$ 16,039	\$ 9,608	66.9%
Absence management	9,780	9,964	(1.8%)	38,832	39,054	(0.6%)
Safety group, workers compensation & other	11,027	10,275	7.3%	42,071	39,746	5.9%
Benefits consulting	-	-	NM ⁽²⁾	-	4,021	NM ⁽²⁾
Total Health and Productivity Solutions	\$ 24,706	\$ 25,272	(2.2%)	\$ 96,942	\$ 92,429	4.9%
Organic growth⁽¹⁾	(2.2%)	22.0%		9.7%	14.2%	
Constant currency organic growth⁽¹⁾	(2.0%)	22.1%		10.2%	14.1%	

⁽¹⁾ These items are non-IFRS metrics. They are key performance indicators and should not be considered substitutes or alternatives for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

⁽²⁾ Not meaningful

Year-to-date organic revenue growth of 9.7% was driven by an increase in case volumes in both iCBT and workers' compensation practices.

Administrative Solutions

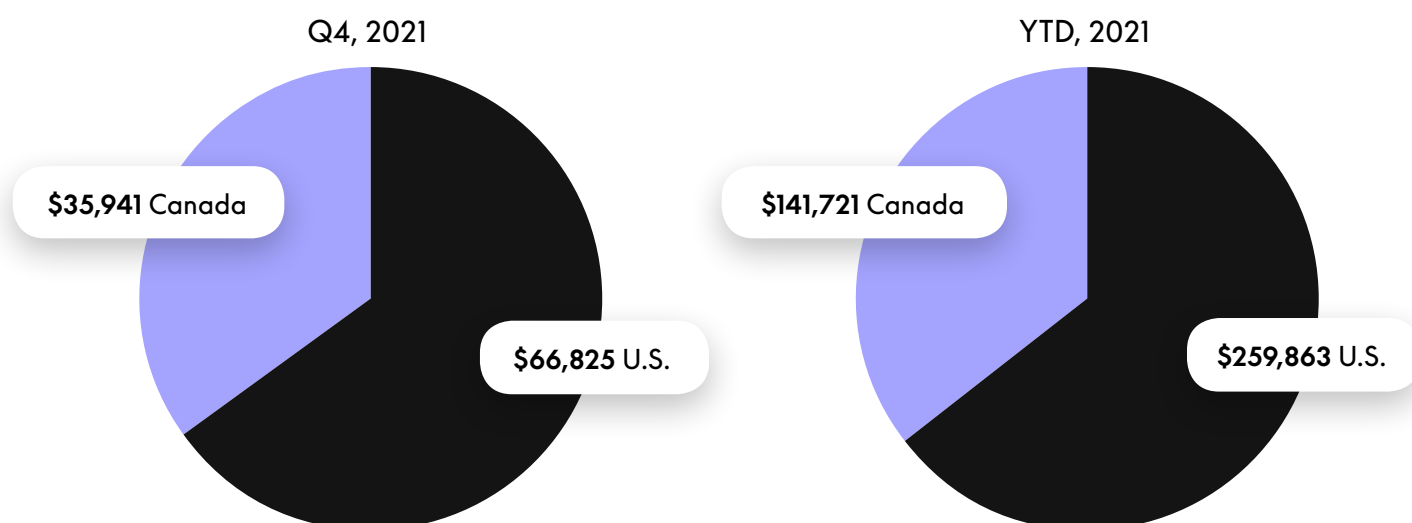
The Administrative Solutions business provides employees and their organizations with access to a comprehensive range of user-friendly, technology-intensive solutions and strategies for pension and benefit administration programs covering enterprises of all sizes across multiple sectors and diverse workforce populations. Leveraging the industry-leading Ariel software platform, the solutions offered to clients span complete software installations, full outsourcing and hybrid configurations.

2021 revenue for the AS business is summarized below:

<i>(in thousands of dollars, except where noted)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Pension administration	\$ 61,297	\$ 60,569	1.2%	\$244,599	\$244,023	0.2%
Health and welfare	41,469	38,854	6.7%	156,985	151,469	3.6%
Total Administrative Solutions revenue	\$ 102,766	\$ 99,423	3.4%	\$401,584	\$ 395,492	1.5%
Organic growth⁽¹⁾	3.4%	0.7%		1.5%	0.4%	
Constant currency organic growth⁽¹⁾	5.7%	1.5%		6.1%	(0.5%)	

⁽¹⁾ These items are non-IFRS metrics. They are key performance indicators and should not be considered substitutes or alternatives for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

2021 revenue performance by region for the AS business is summarized below:



Strong constant currency organic growth of 5.7% in Q4 and 6.1% year-to-date were driven by contract growth secured early in the year in pension and benefits administration and new mandates and change orders from existing health and welfare clients that occurred throughout the year.

Retirement and Financial Solutions

RFS is a Canadian business that leverages the deep financial, pension, actuarial, regulatory and investment expertise of the Company. Its principal focus is helping organizations design, build and operate sustainable retirement, savings and financial programs that improve the financial wellbeing of their people while managing costs and risks and improving organizational resiliency.

2021 revenue performance for the RFS business is summarized below:

<i>(in thousands of dollars, except where noted)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Total Retirement and Financial Solutions revenue	\$ 26,237	\$ 27,198	(3.5%)	\$ 115,715	\$ 116,272	(0.5%)
Organic growth^{(1), (2)}	(2.5%)	5.9%		0.4%	3.0%	

⁽¹⁾ This item is a non-IFRS metric. It is a key performance indicator and should not be considered a substitute or alternative for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

⁽²⁾ As RFS is a Canadian business, constant currency organic growth, a non-IFRS metric, is not applicable to this business; refer to "Key performance indicators and non-IFRS financial metrics" for further information.

Year-to-date organic growth of 0.4% was driven by growth in the defined contribution solutions and compensation practices, partially offset by a decline in defined benefit consulting due to the cyclical nature of valuations.

Operating expenses, (loss) profit, EBITDA and adjusted EBITDA

<i>(In thousands of Canadian dollars)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Salaries, benefits and contractor expenses	\$ 177,638	\$ 172,147	3.2%	\$ 709,926	\$ 668,260	6.2%
Other operating expenses	37,565	31,029	21.1%	138,659	135,404	2.4%
Finance costs	5,475	5,934	(7.7%)	22,252	26,896	(17.3%)
Depreciation amortization and impairment	26,711	27,322	(2.2%)	175,207	108,714	61.2%
Restructuring and other expenses	11,569	-	NM ⁽²⁾	11,569	-	NM ⁽²⁾
Sublease loss provision	-	-	-	-	10,300	NM ⁽²⁾
Share of income of joint ventures	(395)	(478)	(17.4%)	(2,655)	(947)	180.4%
Gain on business divestiture	-	-	-	-	(39,843)	NM ⁽²⁾
Income taxes expense (recovery)	1,249	2,862	(56.4%)	(11,524)	14,454	NM ⁽²⁾
(Loss) profit for the period	\$ (1,433)	\$ 10,828	(113.2%)	\$ (24,085)	\$ 55,924	(143.1%)
EBITDA ⁽¹⁾	\$ 30,558	\$ 47,122	(35.2%)	\$ 160,892	\$ 206,673	(22.2%)
Adjusted EBITDA ⁽¹⁾	47,833	50,998	(6.2%)	194,828	200,025	(2.6%)

⁽¹⁾ These items are non-IFRS metrics. They are considered key performance indicators and should not be considered substitutes or alternatives for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

⁽²⁾ Not meaningful

Salaries, benefits and contractor expenses

Salaries, benefits and contractor expenses increased by \$41.6 million, or 6.2%, year-to-date, and \$5.5 million, or 3.2%, in the quarter compared to 2020. The year-to-date increase was primarily due to revenue growth, general merit increases, acquisitions and continued counsellor cost pressures. Cost pressures include general inflation as well as increased demand for mental health support which resulted in a higher proportion of counselling cases being fulfilled by the Company's higher cost affiliate network. The Company is executing a plan to hire additional staff counsellors, which is expected to generate cost efficiencies and improve overall quality of service.

Other operating expenses

Other operating expenses increased by \$3.3 million, or 2.4%, year-to-date and \$6.6 million, or 21.1%, in the quarter compared to 2020. The year-to-date increase is largely due to higher costs of \$13.8 million for the new Enterprise Resource Planning ("ERP") system, and contingency reserves recognized during the period of \$4.3 million, partially offset by \$14.3 million of lower operating and integration costs incurred in the prior year related to acquisitions. The increase in the quarter is due to additional costs for the ERP system of \$2.5 million, as well as contingency provisions recognized during the period.

Finance costs

Finance costs decreased by \$4.6 million, or 17.3%, year-to-date and by \$0.4 million, or 7.7% for the quarter compared to 2020. This decrease was primarily due to lower interest rates.

Depreciation amortization and impairment

Depreciation amortization and impairment increased by \$66.5 million year-to-date and decreased by \$0.6 million for the quarter compared to 2020. As a result of the Company changing its legal entity name and rebranding from Morneau Shepell Inc. to LifeWorks Inc. on May 17, 2021, the estimated useful life of the Shepell trade name was reassessed and accelerated amortization of \$70.0 million (before tax) was recorded during the second quarter of 2021 to reduce the carrying value of the intangible asset to \$nil.

Restructuring and other expenses

During the fourth quarter of 2021 the Company incurred \$11.6 million of expense related to restructuring the organization to better serve its customers and support its strategic plan. This cost primarily comprises employee termination benefits and professional services fees and is based on a detailed plan agreed upon between management and employee representatives.

Gain on business divestiture

On March 1, 2020, the Company sold its benefits consulting business to HUB International Limited for a purchase price of \$70.0 million subject to working capital adjustments, which were finalized during the third quarter of 2020. The gain recognized on the sale for the year ended December 31, 2020 was \$39.8 million before tax. Refer to note 4 of the financial statements for further details.

Income taxes

Year-to-date income tax expense decreased by \$26.0 million and fourth quarter income tax expense has decreased by \$1.6 million compared to the same periods in 2020, primarily due to favourable deferred tax movement.

(Loss) profit, EBITDA, adjusted EBITDA and adjusted EBITDA margin

Profit (loss)	\$ (2,583) Q4, 2021	\$ (25,235) YTD, 2021
	\$ 10,828 Q4, 2020	\$ 55,924 YTD, 2020
Adjusted EBITDA margin ¹	18.5% Q4, 2021	19.1% YTD, 2021
	20.4% Q4, 2020	20.4% YTD, 2020

(Loss) profit for the period

As a result of the changes noted above, profit for the year ended December 31, 2021 decreased by \$80.0 million to a loss of \$24.1 million compared to a profit of \$55.9 million in the prior year. This decrease in profit was primarily driven by the after-tax impact of accelerated amortization recognized in relation to the Shepell trade name of \$51.4 million in the current year and an after-tax gain of \$33.4 million from the divestiture of the benefits consulting business in the first quarter of 2020. Profit for the quarter decreased by \$12.2 million due to the recognition of \$11.6 million in restructuring and other expenses within the current period, an increase of \$2.5 million in expenditures related to the implementation of the Company's new ERP system and an increase in salaries, benefits and contractor expense partially offset by revenue growth of \$8.8 million in the current quarter.

¹ This item is a non-IFRS metric and should not be considered a substitute or alternative for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

EBITDA, adjusted EBITDA and adjusted EBITDA margin¹

Year-to-date EBITDA decreased by \$45.8 million year-to-date and by \$16.5 million for the quarter compared to the same periods in 2020. This decrease was primarily due to the recognition of \$11.6 million of restructuring and other expenses in the fourth quarter of 2021, expenses related to the implementation of the new ERP system of \$22.4 million year-to-date and \$5.7 million quarter-to-date (2020 – \$8.6 million year-to-date and \$3.2 million quarter-to-date), as well as increased salaries, benefits and contractor costs in both the year-to-date and current quarter periods and a \$39.8 million pre-tax gain on divestiture of the benefits consulting business included in the comparative period, partially offset by higher revenue versus the comparative periods.

Adjustments to reconcile EBITDA to adjusted EBITDA

<i>(In thousands of Canadian dollars)</i>	Q4, 2021	Q4, 2020	YTD, 2021	YTD, 2020
Restructuring and other expenses	\$ 11,569	\$ –	\$ 11,569	\$ –
ERP implementation costs	5,706	3,225	22,367	8,605
Gain on business divestiture	–	–	–	(39,843)
Sublease loss provision	–	–	–	10,300
Mercer integration	–	651	–	11,782
LifeWorks integration	–	–	–	2,508
Total adjustments	\$ 17,275	\$ 3,876	\$ 33,936	\$ (6,648)

Below is a description of the adjustments included in the 2021 and 2020 fourth quarter and year-to-date:

- Restructuring and other expenses represents costs related to restructuring the organization and primarily comprises employee termination benefits and professional services fees (refer to discussion above).
- ERP implementation costs are recognized within other operating expenses on the consolidated statements of (loss) income and represent costs incurred by the Company to implement a new comprehensive cloud-based software system for enterprise planning, finance, human capital management, analytics and business management processes. The new solution will help with the Company's growth, realize efficiencies, streamline the integration of acquisitions and eliminate redundancies.
- Gain on business divestiture related to the sale of the benefits consulting business to HUB International Limited (refer to discussion above).
- In Q3, 2020 the Company signed a lease agreement for a new Toronto head office location. As a result, the Company incurred a penalty to terminate one lease early and will exit the other leases prior to the end of their respective lease terms. A loss provision, net of estimated sublease income, of \$10.3 million was established for leases of excess office space and other related lease exit costs associated with the relocation.
- Mercer and LifeWorks integration costs recognized within other operating expenses on the consolidated statements of (loss) income represent the costs incurred to integrate the acquired clients, employees and operations with existing businesses. These initiatives were completed in the year ended December 31, 2020.

Year-to-date adjusted EBITDA decreased by \$5.2 million and decreased by \$3.2 million in the fourth quarter compared to the prior periods in 2020. The decreases were primarily due to contingency provisions recorded in the period along with higher salaries, benefits and contractor costs, partially offset by increased revenues. Year-to-date adjusted EBITDA was also negatively impacted by costs incurred in connection with renaming the Company to LifeWorks, offset by organic growth. As a result, quarter-to-date adjusted EBITDA margin decreased by 190 basis points from 20.4% to 18.5% and year-to-date adjusted EBITDA margin decreased by 130 basis points from 20.4% to 19.1%.

¹ Refer to "Selected unaudited consolidated financial information" for a reconciliation of (Loss) profit for the period to EBITDA, adjusted EBITDA and adjusted EBITDA margin.

Liquidity and capital resources

Cash flows

The following table provides an overview of selected consolidated cash flow information for the periods indicated:

<i>(in thousands of Canadian dollars)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Cash provided by (used in):						
Operating activities	\$ 40,544	\$ 57,194	(29.1%)	\$ 141,023	\$ 153,925	(8.4%)
Financing activities	(11,756)	(30,640)	61.6%	(31,543)	(134,993)	76.6%
Investing activities	(16,925)	(35,875)	52.8%	(89,179)	(26,631)	(234.9%)
Increase (decrease) in cash	\$ 11,863	\$ (9,321)	227.3%	\$ 20,301	\$ (7,699)	363.7%
Free cash flow ⁽¹⁾	22,771	34,102	(33.2%)	63,304	80,239	(21.1%)
Normalized free cash flow ⁽¹⁾	29,992	22,964	30.6%	107,881	101,154	6.7%

⁽¹⁾ These items are non-IFRS metrics. They are considered key performance indicators and should not be considered substitutes or alternatives for IFRS metrics. Refer to "Key performance indicators and non-IFRS financial metrics" for further details.

Cash provided by operating activities for the year ended December 31, 2021 decreased by \$12.9 million to \$141.0 million compared to \$153.9 million in 2020. Cash provided by operating activities for the three months ended December 31, 2021 decreased by \$16.7 million to \$40.5 million compared to \$57.2 million in 2020. These decreases were primarily driven by lower cash from operations due to increased expenditures, including restructuring expenses and ERP implementation costs outlined above, and unfavourable changes in working capital of \$10.4 million for the quarter and \$17.6 million year-to-date due to increases in trade and other receivables. The year-to-date decrease was partially offset by lower tax and finance payments versus 2020.

Cash used in financing activities for the three months and year ended December 31, 2021 decreased by \$18.8 million and by \$103.5 million respectively, compared to 2020. The year-to-date decrease was mainly due to proceeds from the divestiture of the benefits consulting business in 2020 that were utilized to pay down debt obligations in the comparative period.

Cash used in investing activities increased by \$62.6 million year-to-date and decreased by \$19.0 million during the quarter compared to the same periods in 2020. The year-to-date increase in cash used was primarily due to proceeds of \$68.8 million from the divestiture of the benefits consulting business included in the comparative period.

The decrease in the quarter is predominantly driven by a reduction in expenditures related to business acquisitions of \$13.2 million and intangible assets of \$4.8 million.

Free cash flow activities for the year ended December 31, 2021 decreased by \$16.9 million year-to-date and by \$11.3 million during the quarter compared to 2020. These decreases were primarily due to lower cash from operations driven by increased expenditures outlined above and unfavourable changes in working capital due to increases in trade and other receivables. Investments in capital and intangible assets were \$4.0 million higher than 2020 on a year-to-date basis.

The year-to-date normalized free cash flow increase of \$6.7 million is primarily due to lower income tax and finance cost payments versus the prior year. Normalized free cash flow increased by \$7.0 million during the quarter compared to the fourth quarter of 2020 primarily due to lower capital expenditures in the current period.

Equity and capital

Outstanding share data

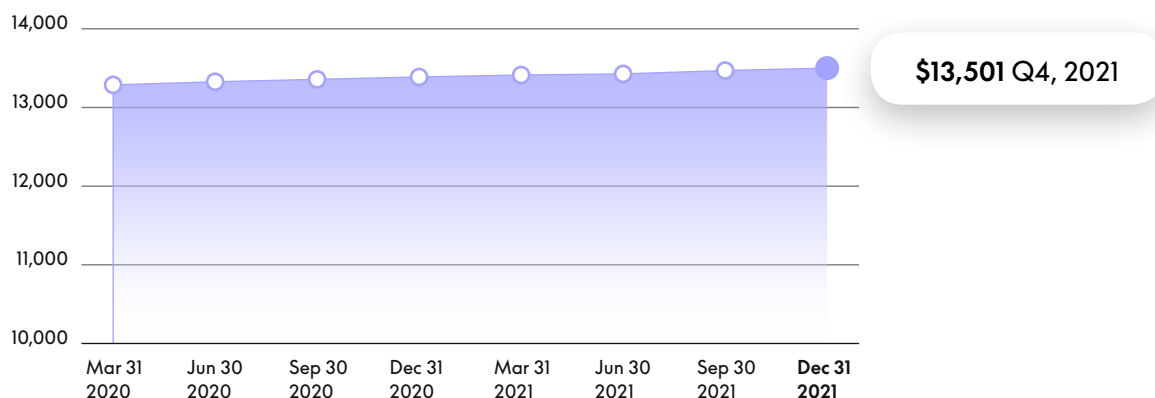
The Company is authorized to issue an unlimited number of common shares and 10 million preferred shares. Each common share entitles the holder to one vote at all meetings of shareholders, to receive dividends if, as and when declared by the Board of Directors, and to receive *pro rata* the remaining property and assets of the Company upon its dissolution or winding-up, subject to the rights of shares having priority over the common shares. As at March 9, 2022, LifeWorks had 69,315,348 common shares and nil preferred shares outstanding. The number of long-term incentive plan ("LTIP") units, including those that remain unvested, that are outstanding and may be converted to common shares is approximately 1,500,000.

Dividends to shareholders

Monthly dividends were declared for shareholders of record on the last business day of each month and were paid on approximately the 15th day of the following month. Monthly dividends were \$0.065 per share each month for the quarter. The Company continued to declare the same monthly dividend amount in January and February 2022.

Dividends declared for the past eight quarters are summarized below:

(In thousands of Canadian dollars)



The Company considers the amount of cash generated by the business in determining the amount of dividends to pay to shareholders. Profit or loss is generally not considered in setting the level of dividends as this is not reflective of the level of cash flow generated.

Capital expenditures

<i>(In thousands of Canadian dollars)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Additions to intangible assets	\$ 12,590	\$ 17,383	(27.6%)	\$ 49,133	\$ 50,776	(3.2%)
Additions to capital assets	5,183	5,709	(9.2%)	28,586	22,910	24.8%
Total	\$ 17,773	\$ 23,092	(23.0%)	\$ 77,719	\$ 73,686	5.5%

Capital expenditures typically include information technology hardware and software (externally and internally developed), leasehold improvements and office furniture. Additional capital expenditure requirements may result from significant business expansion. Capital expenditures for the three months ended December 31, 2021 decreased by \$5.3 million compared to 2020 and for the year ended December 31, 2021 increased by \$4.0 million compared to 2020. Increased year-to-date capital expenditures versus the comparative period were primarily attributable to costs incurred related to the leasehold improvements for the new corporate head office, and software development.

Contractual obligations

The Company manages and continually monitors its commitments and contractual obligations to ensure that these can be met with funding provided by operations and capital resources available.

Commitments

The Company leases office space and selected equipment under lease agreements as well as software licenses, with terms ranging from one to 15 years. The Company also has debt obligations under its Credit Facility Agreement (refer to "Debt obligations" for further details).

The Company is a party to various subleases to which it would be liable for the rental payment in the case of a default by the subtenants. The minimum payments and the aggregate sublease income related to these premises have been presented on a net basis below for the purpose of the Commitments disclosure. A summary of contractual obligations, which outlines the year the payments are due, is as follows:

<i>(In thousands of Canadian dollars)</i>	Total	2022	2023	2024	2025	2026	2027 and thereafter
Debt obligations ⁽¹⁾	\$453,868	\$ 100,000	\$ 353,868	\$ -	\$ -	\$ -	\$ -
Guaranteed future consideration related to acquisitions	921	921	-	-	-	-	-
Leases (net) and software licenses	172,075	27,820	23,347	16,653	11,975	11,344	80,936
Total	\$626,864	\$ 128,741	\$ 377,215	\$ 16,653	\$ 11,975	\$ 11,344	\$ 80,936

⁽¹⁾ Comprised of short-term debt of \$99,960 (2020: nil) and long-term debt of \$352,726 (2020: \$411,924), net of debt issuance costs of \$1,182

Future consideration related to acquisitions

Future consideration related to acquisitions includes a holdback portion, which has been included in the Commitments table above, and amounts that are contingent on future business results. The total undiscounted future consideration remaining to be paid was \$2.2 million, due through 2023, of which \$0.9 million is a guaranteed payment due in 2022. These contingent future instalments have been recognized as future consideration related to acquisitions on the statement of financial position at their estimated discounted amounts as at December 31, 2021.

The Company has no material contractual obligations and no off-balance sheet financing arrangements other than those described in this MD&A.

Capital resources

The following table provides an overview of the Company's capital resources:

<i>(In thousands of Canadian dollars)</i>	As at December 31, 2021	As at December 31, 2020
Cash, net of bank indebtedness (Bank indebtedness, net of cash) ⁽¹⁾	\$ 16,253	\$ (4,048)
Debt, net of debt issuance costs ⁽²⁾	452,686	411,924
Shareholders' equity	585,955	656,707

⁽¹⁾ Comprised of cash of \$18,263 (2020: \$8,736) net of bank indebtedness of \$2,010 (2020: \$12,784)

⁽²⁾ Comprised of short-term debt of \$99,960 (2020: nil) and long-term debt of \$352,726 (2020: \$411,924)

Cash, net of bank indebtedness

Cash, net of bank indebtedness, increased by \$20.3 million to \$16.3 million as at December 31, 2021 from Bank indebtedness, net of cash of \$4.0 million as at December 31, 2020 largely due to lower cash used in financing activities during the year.

Debt obligations

The Company's debt obligations, net of debt issuance costs, increased by \$40.8 million from \$411.9 million as at December 31, 2020 to \$452.7 million as at December 31, 2021.

On April 17, 2020 the Company entered into an Amended and Restated Credit Facility Agreement (the "Credit Facility Agreement"), which amended the Company's previous arrangement (the "Prior Agreement"). The key changes to the Credit Facility Agreement include:

- The Company obtained an incremental \$100.0 million of committed capacity ("Incremental Facility") which matures 364 days from closing.
- The consolidated debt to Adjusted EBITDA financial covenant will remain at a level not to exceed 4.0:1.0 until maturity of the Credit Facility Agreement.

On April 15, 2021, under the Credit Facility Agreement, the Company extended its \$100.0 million incremental facility for an additional 364 days and converted it from a revolving credit facility to a term loan facility ("Term Loan"). The Company drew from the Term Loan, which charges a lower applicable margin, and used the proceeds to pay down an equivalent amount of the revolving credit facility. There were no material changes to the other terms of the Credit Facility Agreement.

As a result of the above amendment, as at December 31, 2021, the Company had a revolving facility of \$600.0 million (including a swing line of \$14.0 million) which matures on July 27, 2023, and the \$100.0 million Term Loan that matures on April 14, 2022.

As at December 31, 2021, the Company had borrowed \$100.0 million (December 31, 2020 – \$nil) under the Term Loan, \$267.7 million (December 31, 2020 – \$314.7 million) and \$86.2 million (US\$68.0 million) (December 31, 2020 – \$99.3 million; US\$78.0 million) under the revolving facility and did not utilize the swing line (December 31, 2020 – \$6.6 million utilized). Borrowings in Canadian dollars bear interest at CDOR or Canadian Prime plus a specified margin. Borrowings in US dollars bear interest at US Base Rate or LIBOR plus a specified margin. The Credit Facility Agreement is secured by a general assignment of all the assets of the Company and requires the Company to maintain, on a consolidated basis, a debt to Adjusted EBITDA financial covenant of not more than 4.0:1.0 and an EBITDA to interest expense ratio of not less than 2.0:1.0.

As at December 31, 2021, the Company complied with all of the required financial covenants of the Credit Facility Agreement.

The Company utilizes interest rate swaps to manage interest rate risk related to its Credit Facility Agreement and total return swaps to manage equity price risk exposure related to share-based compensation plans that are accounted for as liabilities. The fair value of the interest rate and total return swaps is based on valuations received from the derivative counterparties, which Management evaluates for reasonability. The Company maximizes the use of observable inputs within the valuation model, and the valuation is classified as Level 2. Fair values reflect the credit risks of the instruments and include adjustments to take account of the credit risk of the Company and the derivative counterparties when appropriate.

As at December 31, 2021 the Company has syndicated interest rate swap agreements for an aggregate notional amount of \$180.0 million maturing July 2023. The fair value of interest rate swaps at December 31, 2021 was a net liability of \$0.2 million (December 31, 2020 – net liability \$6.9 million on a notional amount of \$130.0 million).

The total return swaps have an aggregate notional amount of \$9.2 million with maturity dates from March to May 2022. The fair value of the total return swaps at December 31, 2021 was a liability of \$1.9 million (December 31, 2020 – nil). The duration of the swaps can be extended to match the vesting periods of the share-based compensation awards.

Selected statement of financial position data

The following graphs provide an overview of selected statement of financial position data:

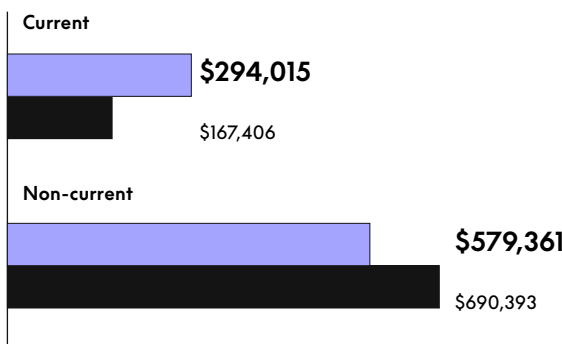
Assets *(In thousands of Canadian dollars)*

- as at December 31, 2021
- as at December 31, 2020



Liabilities *(In thousands of Canadian dollars)*

- as at December 31, 2021
- as at December 31, 2020



Current assets

Current assets as at December 31, 2021 increased by \$24.8 million to \$275.2 million from \$250.4 million as at December 31, 2020. This increase was primarily driven by an increase of \$15.7 million in trade and other receivables and unbilled fees due to higher revenue.

Non-current assets

Non-current assets as at December 31, 2021 decreased by \$80.0 million to \$1,184.1 million from \$1,264.1 million as at December 31, 2020. This decrease was driven by a decrease of \$78.9 million in intangible assets primarily due to the amortization of a \$70.0 million intangible asset related to the Shepell trade name during the second quarter as described in the "Analysis of 2021 full year and fourth quarter operating results" section above.

Current liabilities

Current liabilities as at December 31, 2021 increased by \$126.6 million to \$294.0 million from \$167.4 million as at December 31, 2020. This increase was primarily driven by a \$100.0 million increase to short-term debt due to reclassification of a long-term revolving loan to a short-term term loan.

Non-current liabilities

Non-current liabilities as at December 31, 2021 decreased by \$111.0 million to \$579.4 million from \$690.4 million as at December 31, 2020. This decrease was primarily driven by a \$59.2 million reduction to long-term debt primarily due to reclassifying a long-term revolving loan to short-term, a \$20.9 million decrease in deferred tax liabilities largely related to the write-off of the Shepell trade name, and a \$17.4 million decrease in non-current lease liabilities mainly due to lease payments made during the period.

As a result of the changes in current assets and current liabilities discussed above, working capital¹ (excluding short-term debt) decreased by \$1.8 million from \$83.0 million as at December 31, 2020 to \$81.2 million as at December 31, 2021.

Critical accounting estimates

In the MD&A and annual financial statements for the year ended December 31, 2021, Management has identified the accounting estimates that are critical to understanding the business operations and results of operations.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in profit or loss in the periods in which they become known. Accordingly, actual results could differ from these estimates. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include: revenue recognition, impairment of goodwill and intangible assets, allowance for expected credit losses, corporate income taxes, provisions and contingent consideration related to acquisitions.

¹ Working capital is comprised of current assets of \$275,183 (2020: \$250,445) and current liabilities excluding short-term debt of \$194,055 (2020: \$167,406).

The Company's significant accounting policies are presented in note 3 of the financial statements and notes thereto for the years ended December 31, 2021 and 2020. The accounting estimates that are critical to the business relate to the following items:

Revenue recognition

Where a contract requires the delivery of multiple components, the Company is required to assess the criteria for the recognition of revenue related to each component. These assessments require judgment by Management to determine whether a component is a separate performance obligation, and where applicable, the allocation of the transaction price to the separate performance obligations. Among other factors, Management considers whether the customer can benefit from the implementation services on their own and considers budgeted salary costs associated with each phase of the service contract to derive fair value estimates.

Unbilled fees

The Company is required to assess the recoverability of fees on services provided but not yet billed. This assessment requires judgment by Management to determine whether fees will be less than fully recoverable through invoicing. Among other factors, Management considers the solvency of the client, the age of the outstanding unbilled fees balance, the fee arrangement and historical client experience. If future billings differ from estimates, future profits could be materially affected.

Intangible assets

(a) Internally-developed software:

The Company is required to assess whether development expenditures should be capitalized. These expenditures are capitalized only if the expenses are attributed to the intangible asset and measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient technical, financial and other resources to complete development and use or sell the asset in an existing market. Otherwise, the expenditures are recognized in profit or loss as incurred.

The Company is required to estimate the expected period of benefit over which costs should be amortized. Management considers the anticipated rate and timing of technological obsolescence and competitive pressures, historical usage patterns and internal business plans for the projected use of the software in deriving its useful life. Due to the rapidly changing technological environment and the uncertainty of the development processes, future results could be affected if Management's current assessment of future benefits materially differs from actual performance.

(b) Other intangible assets:

Other intangible assets consist of those acquired through business acquisitions. Purchase price allocations involve significant estimates and assumptions regarding cash flow projections, growth projections, economic risk and cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could incur increased amortization or impairment charges in future periods.

Goodwill

The Company's assessment of the recoverability of goodwill allocated to its cash generating units involves significant estimates and assumptions regarding cash flow projections, growth projections, economic risk and cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could incur impairment charges in future periods.

Trade receivables (expected credit losses)

The Company is required to assess whether accounts receivables are collectible from customers. Accordingly, Management establishes an allowance for expected credit losses ("ECLs") for non-payment and delinquent accounts based on historical 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.

Corporate income taxes

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred income tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Management interprets the tax legislation for each jurisdiction in which the Company operates and makes assumptions about the expected timing of the reversal of deferred income tax assets and liabilities. If Management's interpretations of the legislation differ from those of the tax authorities or if the actual timing of the reversals of the deferred income tax assets and liabilities is not as anticipated, the provision for income taxes could increase or decrease in future periods.

Provisions

In identifying required provisions, the Company has to assess the probability of future outflows of resources. Estimates must be made by Management to approximate the timing and amount of these liabilities. If future events or results differ adversely from these estimates, future profits could be adversely affected.

Future consideration related to acquisitions

The Company may pay future consideration related to acquisitions based upon performance measures contractually agreed at the time of purchase. Management estimates the future consideration payable based on underlying contract terms and best estimates of the future performance of the acquiree. Depending on the future performance of the acquiree, Management estimates of the amounts payable for future consideration related to acquisitions may materially differ from the consideration ultimately paid.

Deferred implementation costs

The Company uses judgment to assess whether the implementation costs incurred in connection with contracts are specific, incremental and direct, as well as recoverable. In order to assess the recoverability of deferred implementation costs, Management estimates the contract period and expected future cash flows for each respective client, which involves significant judgment.

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable provisions.

(a) *Interest Rate Benchmark Reform – Phase 2:*

In August 2020, the IASB issued *Interest Rate Benchmark Reform – Phase 2*, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

(i) Change in basis for determining cash flows:

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

(ii) Hedge accounting:

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

The Phase 2 amendments apply for annual periods beginning on or after January 1, 2021. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Future accounting changes:

(a) *Onerous contracts – Cost of Fulfilling a Contract:*

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022, to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The extent of the impact of adoption of the standard has not yet been determined.

(b) *Other standards:*

The following new and amended standards are not yet effective for the Company, nor are they expected to have a significant impact on the Company's consolidated financial statements:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Amendments to IFRS 9 *Financial Instruments*
- Amendments to IFRS 17 *Insurance Contracts*.

Risks and uncertainties

The results of operations, business prospects and financial considerations of LifeWorks remain subject to a number of risks and uncertainties and are affected by a number of factors outside of the Company's control.

Ability to maintain profitability and manage growth

There can be no assurance that LifeWorks will be able to sustain profitability in future periods. LifeWorks' future operating results will depend on a number of factors, including its ability to continue to successfully execute its strategic initiatives.

There can be no assurance that LifeWorks will be successful in achieving its strategic plan or that its strategic plan will enable the firm to maintain its historical revenue growth rates or to sustain profitability. Failure to successfully execute any material part of LifeWorks' strategic plan could have a material adverse effect on its business, financial condition and operating results.

There can be no assurance that LifeWorks will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the firm's business, financial condition and operating results.

Competition

LifeWorks operates in a highly competitive international market. As a result, LifeWorks competes with many domestic and international firms. Some of its competitors have achieved substantially more market penetration in certain of the areas in which LifeWorks competes. In addition, some of LifeWorks' competitors may have more financial resources and/or financial flexibility than LifeWorks. Furthermore, LifeWorks' business relies, in part, upon its ability to develop and implement technology solutions, in a cost-effective manner, that anticipates and keeps pace with rapid and continuing changes in technology, industry standards and client preferences.

LifeWorks' competitors may offer new technologies more efficiently or more cost effectively than LifeWorks. Competitive forces could result in reduced market share and thus have a material adverse effect on LifeWorks' business, financial condition and operating results.

Reliance on information systems and technology and confidentiality of client information

Information systems are an integral part of LifeWorks' business and the products and services offered to its clients. LifeWorks relies on these systems to maintain accurate, accessible and secure records.

In the course of delivering its products and services, LifeWorks collects and uses sensitive personal and financial information pertaining to its corporate, institutional and government clients as well as individual users. This information includes personal identification such as date of birth, social insurance numbers and driver's license numbers as well as health, benefits and financial information. The collection, use and protection of such information is governed by data privacy laws in multiple jurisdictions, including the *Health Insurance Portability and Accountability Act* in the U.S., and the General Data Protection Regulation in Europe.

Due to the nature of the information involved in its products and services, LifeWorks is subject to cybersecurity risks and consequences of disclosure. These risks can range from internal human error to uncoordinated individual attempts to gain unauthorized access to its information technology systems, to sophisticated and targeted measures directed at LifeWorks and its systems, clients or service providers. Any such disruptions in LifeWorks' systems or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information (including personal information), a loss of current or future business, reputational harm and/or potential claims against LifeWorks, all of which could have a material adverse effect on LifeWorks' business, financial condition and operating results.

LifeWorks continues to enhance its efforts to mitigate these risks.

It invests in technology security initiatives to better identify and address any vulnerabilities. These include measures such as annual third-party internal and external vulnerability assessments and third-party code reviews, systems monitoring, data monitoring and assessments. LifeWorks has also improved the security testing capabilities of its internal teams. LifeWorks also invests in technology to remain current and effective in terms of security controls. In addition, LifeWorks continues to increase the awareness its employees have of security policies and procedures through ongoing communications and privacy and security training. LifeWorks ensures that its service providers adopt similar measures through the use of security agreements.

From a systems and infrastructure perspective, LifeWorks uses third-party co-location sites and the cloud for data storage to decrease the probability of loss in the event of a business interruption or disaster. Internally, it maintains a complete inventory of all servers and infrastructure components and uses data loss prevention features to reduce the likelihood of improper disclosure of personal and confidential information.

LifeWorks' Chief Data and Technology Officer and Senior Director, Security are responsible for establishing, monitoring and maintaining the enterprise technology and security processes and policies with support from third-party consultants and the Company's internal information technology, legal and audit departments.

The Company maintains privacy and network liability insurance coverage in the event of a loss arising from a network security failure, ransomware attack, privacy event or social engineering fraud, commonly referred to as a "phishing" attack.

The above referenced insurance policy, technology security initiatives and employee awareness measures are assessed on an annual basis as part of LifeWorks' comprehensive enterprise risk management process.

While LifeWorks has invested and continues to invest in technology security initiatives, information technology risk management and disaster recovery plans, these measures cannot fully insulate it from cybersecurity incidents, technology disruptions or data loss, which could adversely impact its competitiveness and results of operations.

Reputational risk

LifeWorks depends to a large extent upon its relationships with clients and its reputation for high-quality services. As a result, the impact of client dissatisfaction with LifeWorks' services or products may be more damaging in LifeWorks' business than in other businesses. Moreover, if the firm fails to meet its contractual or regulatory obligations, LifeWorks could be subject to legal liability and a loss of client relationships.

People Risk

As a result of the pandemic, there are rising labour shortages in the markets in which LifeWorks competes for talent which are putting increased pressure on attracting and retaining talent while also driving inflationary pressures on compensation. These shortages present the greatest risk within the mental health and technology talent segments of LifeWorks' business and could impact its current operations as well as the Company's ability to grow. In addition, a failure to make visible and immediate progress on diversity, equity, and inclusion may create further risks in attracting and retaining talent. Workforce exhaustion, related to the dynamic business environment presented by the pandemic, is at risk of further contributing to turnover, absenteeism and rising health and wellness related benefits costs.

Satisfactory performance of obligations

In its contracts with clients, LifeWorks is sometimes committed to meeting identified service levels and/or timelines. If the service levels/timelines are not met, LifeWorks may experience reduced revenue, incur significant additional costs or be held responsible for the costs incurred by the client for failure to meet the service level/timeline. LifeWorks' success depends in large part upon whether it fulfills these and other contractual obligations with clients and maintains client satisfaction. If LifeWorks fails to satisfactorily perform its contractual obligations, its clients could terminate contracts and/or take legal action against LifeWorks. Such occurrences could result in a loss of its professional reputation and in extra costs needed to defend or rectify the situation, and thus have a material adverse effect on LifeWorks' business, financial condition and operating results.

Economic conditions

An economic slowdown could cause a decline in demand for LifeWorks' services. Growth in its clients' businesses may be affected by economic slowdowns and could therefore potentially have an impact on LifeWorks' operating results. During an economic downturn, LifeWorks clients and potential clients may reduce their employee populations, delay services or projects, or defer contracts currently underway. This situation could also lead to greater delays and defaults in payments or debt collection, resulting in lower operating results. Because of lower revenue during an economic slowdown, competition may increase, and prices may be reduced by certain competitors to maintain or expand their market share. Pricing and profitability could be adversely affected as a result.

Pandemics, natural disasters or other unanticipated events

The occurrence of pandemics, natural disasters or other unanticipated events, in any of the areas in which the Company, its clients or its suppliers operate, could cause disruptions in the Company's operations. In addition, pandemics, natural disasters or other unanticipated events could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company operates or has interests in countries including Russia, India and China that could be exposed to certain geopolitical risks.

Market price and dilution of common shares

The market price of LifeWorks' common shares may be subject to wide fluctuations in response to many factors, including variations in operating results of LifeWorks, divergence in financial results from expectations, changes in business prospects for LifeWorks, general economic conditions, legislative changes, and other events and factors outside LifeWorks' control.

Sales of a substantial number of common shares by a significant shareholder in the public market or otherwise could adversely affect the prevailing market prices of the common shares and could impair the Company's ability to raise additional capital through an offering of common shares. The possible perception among the public that these sales will occur could also produce the same effect.

Pursuant to its articles of incorporation, LifeWorks is authorized to issue an unlimited number of common shares and 10 million preferred shares for the consideration and on such terms established by the Board of Directors without the approval of any shareholders. Any further issuance of common shares may dilute the interests of existing shareholders. Furthermore, LifeWorks may make future acquisitions or enter into financings or other transactions involving the issuance of securities of LifeWorks which may be dilutive.

Potential risks associated with acquisitions

In connection with acquisitions completed by LifeWorks, there may be undisclosed or unknown claims against, liabilities of, or issues concerning an acquired business that LifeWorks failed to discover or was unable to quantify during the due diligence it conducted prior to the execution of an acquisition. LifeWorks may not be indemnified for some or all of these claims, liabilities or issues. The existence of any material claims, liabilities or issues could have a material adverse effect on LifeWorks' business, financial condition, liquidity and results of operations.

Acquisition transactions involve risks that could materially and adversely affect LifeWorks' business plan, including the failure of LifeWorks to realize the results expected from an acquisition. In order to achieve the benefits of a completed acquisition, LifeWorks will rely upon its ability to successfully retain staff, consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner, as well as the ability to realize growth opportunities and potential synergies from combining an acquired business and related operations with those of LifeWorks. There is a risk that some or all of the expected benefits will fail to materialize or may not occur within the time periods anticipated by Management. The integration of an acquired business and related operations require the dedication of Management effort, time and resources, which may divert Management's focus and resources from other strategic opportunities and from operational matters during the integration process. Acquisitions are often global in nature and bring LifeWorks into jurisdictions where it has not previously had operations. This puts the Company in a position of increased reliance on the management and staff of the acquired entity.

Dependence on key clients and key channel partners

As clients may terminate engagements with minimum notice, there can be no assurance that LifeWorks will be able to retain relationships with its largest clients. Moreover, there can be no assurance that such clients will continue to use LifeWorks' services in the future. Any negative change involving any of LifeWorks' largest clients, including but not limited to a client's financial condition or desire to continue using LifeWorks' services, could result in a significant reduction in revenue, which could have a material adverse effect on LifeWorks' business, financial condition and operating results. No one LifeWorks client makes up more than 10% of LifeWorks' total revenue for the years ended December 31, 2021 and 2020.

LifeWorks markets its services directly to end-user employers, associations and universities as well as through certain channel partners, primarily insurance companies (many of which compete among themselves directly). There can be no assurance that LifeWorks will be able to maintain its existing relationships with all these channel partners, which could have a material adverse effect on LifeWorks' business, financial condition and operating results.

Risk of future legal proceedings

LifeWorks may be threatened with, or may be named as a defendant in, or may become subject to, various legal proceedings in the ordinary course of conducting its business, including lawsuits based upon professional errors and omissions. For example, pension consulting services involves assumptions and estimates concerning future events, the actual outcome of which cannot be known with certainty in advance. In addition, computational, software programming or data management errors could occur, including security or privacy breaches. The wellbeing and health and productivity services involve confidential counselling and disability case management. Each of these activities could potentially put LifeWorks in conflict with its customers, their employees, or both. Possible legal proceedings could also result from matters such as an employee claiming for breach of confidence, failure to provide adequate counsel, or denial of benefits or employment as a result of LifeWorks' actions.

Defending lawsuits of this nature could require much Management attention, which could divert its focus from operations. Such claims could produce negative publicity that could harm LifeWorks' reputation and business. A significant judgment against LifeWorks, or the imposition of a significant fine or penalty as a result of a finding that LifeWorks failed to comply with laws or regulations, could have a material adverse effect on LifeWorks' business, financial condition and operating results.

Foreign exchange risk

The Company realizes a portion of sales and related expenses (net revenue) in foreign currency, including U.S. dollars, Australian dollars and British pounds, and is exposed to fluctuations in the value of these currencies relative to the Canadian dollar.

The net revenue exposure denominated in foreign currencies was approximately \$114 million for the year ended December 31, 2021. An increase in foreign revenue would expose LifeWorks to fluctuations in exchange rates, which may have a material adverse effect on LifeWorks' business, financial condition and operating results.

Insurance

LifeWorks believes that its insurance coverage, including professional errors and omissions insurance, cyber liability insurance, crime insurance, director and officer liability insurance, and commercial general liability insurance coverage address all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions.

However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving LifeWorks' assets or operations.

Protection of intellectual property

LifeWorks continually develops and improves its proprietary technology solutions for the delivery of its services. No assurance can be given that LifeWorks' competitors will not develop substantially similar technology.

LifeWorks relies on one or more of the following to protect its proprietary rights: trademarks, copyrights, trade secrets, confidentiality procedures and contractual provisions. Despite LifeWorks' efforts to protect its proprietary rights, unauthorized parties may attempt to obtain and use information that LifeWorks regards as proprietary. Stopping unauthorized use of LifeWorks' intellectual property may be difficult, time-consuming and costly. There can be no assurance that LifeWorks will be successful in protecting its proprietary rights and, if it is not, this could have a material adverse effect on LifeWorks' business, financial condition and operating results.

Indebtedness and interest rates

The ability of LifeWorks to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of LifeWorks.

The degree to which LifeWorks is leveraged could have important consequences including: LifeWorks' ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of LifeWorks' cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain borrowings will be at variable rates of interest, which exposes LifeWorks to the risk of increased interest rates; and LifeWorks may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

These factors may increase the sensitivity of free cash flow to interest rate variations. Interest rate swap agreements are used as part of LifeWorks' program to manage the floating interest rate of LifeWorks' Credit Facility.

The Credit Facility contains numerous restrictive covenants that limit the discretion of Management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of LifeWorks to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets and merge or consolidate with another entity.

In addition, the Credit Facility contains financial covenants that require LifeWorks to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Facility could result in a default which, if not cured or waived, could result in a reduction or termination of dividends by LifeWorks and permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility was to be accelerated, there can be no assurance that the assets of LifeWorks would be sufficient to repay in full that indebtedness. In addition, the Credit Facility matures on July 27, 2023. There can be no assurance that future borrowings or equity financing will be available to LifeWorks or available on acceptable terms, in an amount sufficient to fund LifeWorks' needs.

Credit risk

If a counterparty to a financial instrument held by LifeWorks fails to discharge their obligation, this could lead to a financial loss for the Company. As at December 31, 2021, the Company's credit risk was limited to the carrying amount of the cash, investments held in trust, unbilled fees (which are contract assets) and accounts receivable as at this date. The Company believes that the credit risk of accounts receivable and unbilled fees is limited for the following reasons:

- (a) Risk associated with concentration of credit risk with respect to accounts receivable 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.

The credit risk on cash and investments held in trust is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Cash dividends are not guaranteed and will fluctuate with business performance

As a corporation, LifeWorks' dividend policy is at the discretion of its Board of Directors. The ability of LifeWorks to make dividend payments, and the actual amount paid, is entirely dependent on the operations and assets of its subsidiaries and is subject to various factors applicable to LifeWorks and its subsidiaries including financial performance, obligations under credit facilities, fluctuations in working capital, the sustainability of margin and capital expenditure requirements, and applicable laws and regulations.

Selected annual and quarterly information

Selected audited consolidated financial information:

<i>(in thousands of Canadian dollars, except per share amounts)</i>	Year ended December 31,		
	2021 ⁽³⁾	2020 ⁽²⁾	2019 ⁽¹⁾
Revenue	\$1,019,349	\$ 979,162	\$ 888,889
(Loss) profit for the year	(24,085)	55,924	18,968
(Loss) earnings per share (basic)	(0.34)	0.80	0.29
(Loss) earnings per share (diluted)	(0.34)	0.80	0.28
Dividends declared per share	0.78	0.78	0.78
Total assets	1,459,331	1,514,506	1,530,218
Debt	452,686	411,924	470,456

⁽¹⁾ The Company acquired Mercer in Q3 2019 for approximately \$76.7 million, which resulted in the increase in total assets. Total long-term debt also increased as the acquisition was financed by a draw down from the Company's Credit Facility. Profit for the year decreased due to higher amortization on acquired intangibles.

⁽²⁾ The Company sold its benefits consulting business for \$70.0 million and recorded an after-tax gain of \$33.4 million. Total long-term debt decreased as the funds from the divestiture were used to repay the long-term debt.

⁽³⁾ Profit for the year decreased largely due to the after-tax impact of accelerated amortization recognized in relation to the Shepell trade name of \$51.4 million. Debt includes \$100 million of short-term debt as of December 31, 2021.

Selected unaudited consolidated financial information:

<i>(In thousands of Canadian dollars except per share amounts)</i>	Quarter ended							
	Dec 31, 2021 ⁽¹⁾	Sep 30, 2021	Jun 30, 2021 ⁽²⁾	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020 ⁽³⁾	Jun 30, 2020	Mar 31, 2020 ⁽⁴⁾
Revenue	\$258,379	\$246,097	\$257,734	\$257,140	\$249,644	\$240,300	\$246,175	\$243,048
(Loss) profit for the period	(1,433)	7,980	(40,807)	10,175	10,828	(2,069)	8,258	38,905
(Loss) earnings per share (basic)	(0.02)	0.11	(0.58)	0.15	0.15	(0.03)	0.12	0.56
(Loss) earnings per share (diluted)	(0.02)	0.11	(0.58)	0.14	0.15	(0.03)	0.12	0.56

⁽¹⁾ December 31, 2021 results included \$11.6 million of restructuring and other expenses.

⁽²⁾ June 30, 2021 results included \$70.0 million of amortization expense related to the Shepell trade name.

⁽³⁾ September 30, 2020 results included a sublease loss of \$10.3 million.

⁽⁴⁾ March 31, 2020 results included a gain on business divestiture of \$39.8 million.

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information is identified to our Disclosure Committee to ensure that appropriate and timely decisions are made regarding public disclosure in accordance with applicable securities laws.

The Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures are appropriately designed and effective as at December 31, 2021.

Internal control over financial reporting

Management is responsible for designing internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS. In designing these controls, Management used the *Internal Control – Integrated Framework* (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission.

The Chief Executive Officer and the Chief Financial Officer have concluded that the internal controls over financial reporting are appropriately designed and operating effectively to provide this assurance based on the evaluation of these controls conducted as of December 31, 2021. In the fourth quarter, the Company successfully implemented a new enterprise resource planning system in all of its operating locations. As a result of this implementation and related business process integrations, some internal controls were modified and further automated. The Company continuously monitored its internal control over financial reporting for effectiveness throughout the implementation.

Key performance indicators and non-IFRS financial metrics

The Company uses the following key performance indicators and related non-IFRS financial metrics. These are reviewed regularly by Management and the Board in assessing performance and making decisions regarding the ongoing operations of the business and its ability to generate cash flows. These are not recognized measures and do not have standard meanings under IFRS, which may impact comparability to other companies.

Key performance indicators

"Organic growth" is defined as revenue growth, excluding Other revenue, adjusted for the impact of acquisitions, divestitures and other structural changes.

"Tech enabled recurring revenue" consists of the Integrated Health Solutions retainer and platform business, iCBT, and ongoing system-based Health and Welfare offerings within Administrative Solutions.

These metrics are used by Management to assess revenue growth and drive strategic decision-making, and Management believes these metrics provide stakeholders with better insights into the fundamentals of the business. Organic growth provides useful information in evaluating the results of the business as they exclude items that are not representative of ongoing performance or that Management believes impact comparability with the prior year. Tech enabled recurring revenue is also a key metric that demonstrates the Company's ability to drive growth from its technology-enabled wellbeing solutions.

Non-IFRS financial metrics

Non-IFRS financial measures

"EBITDA" is defined as profit or loss before finance costs, income taxes, depreciation and amortization.

"Adjusted EBITDA" is defined as EBITDA before adjusted items, which do not constitute a part of the Company's ongoing operating expenses.

"EBITDA margin" represents EBITDA as a percentage of revenue, and "adjusted EBITDA margin" represents adjusted EBITDA as a percentage of revenue.

"Adjusted EBITDA per share" is defined as adjusted EBITDA divided by the weighted average number of common shares outstanding during the period.

EBITDA and adjusted EBITDA are intended to indicate LifeWorks' capacity to generate profit from operations before taking into account Management's financing decisions and costs of consuming intangible and tangible capital assets, which vary according to their vintage and Management's estimate of their useful life. Management believes both EBITDA and adjusted EBITDA are useful measures in evaluating its performance and these measures are utilized to monitor compliance with debt covenants.

"Free cash flow" is defined as cash provided by operating activities adjusted for capital expenditures. Capital expenditures in the free cash flow calculation include additions to capital assets and intangible assets but exclude additions to capital assets and intangible assets acquired through business acquisitions, and are presented net of disposals.

"Normalized free cash flow" is defined as cash provided by operating activities, adjusted for changes in operating working capital, capital expenditures and certain unusual expenditures.¹ "Adjustments to free cash flow" for the purpose of calculating normalized free cash flow include adjusted items and cash payments made related to EBITDA adjustments.

The Company believes that free cash flow and normalized free cash flow are useful supplemental measures of LifeWorks' ability to generate cash after deducting capital expenditures required to maintain or expand the business.

The table on the following page reconciles the non-IFRS financial metrics used to the related IFRS metrics.

¹ Normalized free cash flow was previously defined as cash provided by operating activities, adjusted for changes in operating working capital, capital expenditures, current income taxes (net of income taxes paid) and certain unusual expenditures. The comparative normalized free cash flow amounts, twelve-month rolling normalized payout ratio and twelve-month rolling normalized payout, including changes in adjusted operating working capital ratio, have been restated to align with the revised definition of normalized free cash flow.

Selected unaudited consolidated financial information

(in thousands of Canadian dollars, except per share amounts)	Three months ended December 31		Twelve months ended December 31	
	2021	2020	2021	2020
Revenue	\$ 258,379	\$ 249,644	\$ 1,019,349	\$ 979,162
Deduct (Add):				
Salaries, benefits and contractor expenses	177,638	172,147	709,926	668,260
Other operating expenses	37,565	31,029	138,659	135,404
Depreciation, amortization and impairment	26,711	27,322	175,207	108,714
Restructuring and other expenses	11,569	-	11,569	-
Sublease loss provision	-	-	-	10,300
Finance costs	5,475	5,934	22,252	26,896
Gain on business divestiture	-	-	-	(39,843)
Share of income of joint ventures	(395)	(478)	(2,655)	(947)
Income taxes expense (recovery)	1,249	2,862	(11,524)	14,454
(Loss) profit for the period	\$ (1,433)	\$ 10,828	\$ (24,085)	\$ 55,924
Add:				
Finance costs	5,475	5,934	22,252	26,896
Depreciation and amortization	25,131	27,322	173,627	108,714
Depreciation, amortization and income taxes on share of income of joint ventures	136	176	622	685
Income taxes expense (recovery)	1,249	2,862	(11,524)	14,454
EBITDA	\$ 30,558	\$ 47,122	\$ 160,892	\$ 206,673
Add (deduct) adjustments:				
ERP implementation costs	5,706	3,225	22,367	8,605
Restructuring and other expenses	11,569	-	11,569	-
Gain on business divestiture	-	-	-	(39,843)
Mercer integration	-	651	-	11,782
Sublease loss provision	-	-	-	10,300
LifeWorks integration	-	-	-	2,508
Adjusted EBITDA	\$ 47,833	\$ 50,998	\$ 194,828	\$ 200,025
EBITDA margin	11.8%	18.9%	15.8%	21.1%
Adjusted EBITDA margin	18.5%	20.4%	19.1%	20.4%
Cash provided by operating activities	40,544	57,194	141,023	153,925
Deduct: capital expenditures	(17,773)	(23,092)	(77,719)	(73,686)
Free cash flow	22,771	34,102	63,304	80,239
Add (deduct):				
Change in operating working capital	(5,333)	(15,014)	14,171	(2,681)
Adjustments to Free Cash Flow	12,554	3,876	30,406	23,596
Normalized Free Cash Flow	29,992	22,964	107,881	101,154
(Loss) earnings per share (basic)	\$ (0.02)	\$ 0.15	\$ (0.34)	\$ 0.80
(Loss) earnings per share (diluted)	\$ (0.02)	\$ 0.15	\$ (0.34)	\$ 0.80
EBITDA per share (basic)	\$ 0.44	\$ 0.67	\$ 2.30	\$ 2.96
Adjusted EBITDA per share (basic)	\$ 0.68	\$ 0.73	\$ 2.78	\$ 2.87
Dividends declared	\$ 13,501	\$ 13,388	\$ 53,811	\$ 53,359
Twelve-month rolling Normalized Payout Ratio			49.9%	52.8%
Twelve-month rolling Normalized Payout Ratio, including changes in adjusted operating working capital			57.4%	51.4%

Non-IFRS ratios

"Twelve-month rolling normalized payout ratio" is defined as dividends declared divided by normalized free cash flow for the rolling twelve-month period. "Twelve-month rolling normalized payout ratio, including changes in adjusted operating working capital" is defined as dividends declared divided by the twelve-month rolling normalized free cash flow, including changes in operating working capital. The Company believes that the twelve-month rolling normalized payout ratio, and twelve-month rolling normalized payout ratio, including changes in adjusted operating working capital are useful metrics for making decisions related to dividends paid to shareholders.

"Constant currency organic growth" represents organic growth (see "Key performance indicators" above) before foreign currency translation impacts, which is calculated by translating current period results in local currency using the conversion rates from the comparative period. The Company believes that it is helpful to adjust revenue to exclude the impact of currency fluctuations to facilitate period-over-period comparisons of organic business performance and that this measure is useful to investors for the same reason.

The following table reconciles the non-IFRS financial metric used to the related IFRS metric:

<i>(In thousands of Canadian dollars)</i>	Q4, 2021	Q4, 2020	Variance	YTD, 2021	YTD, 2020	Variance
Reported revenue	\$ 258,379	\$ 249,644	3.5%	\$ 1,019,349	\$ 979,162	4.1%
Impact of acquisitions ⁽¹⁾	(3,387)	(335)		(11,464)	(5,906)	
Impact of FX ⁽²⁾	3,165	-		25,134	-	
Constant currency organic growth	\$ 258,157	\$ 249,309	3.5%	\$ 1,033,019	\$ 973,256	6.1%

⁽¹⁾ Adjustments related to: IHS \$3.4M QTD 2021, \$11.4M YTD 2021; RFS \$(0.3M) QTD 2020, \$(1.0M) YTD 2020; Other \$0.1M YTD 2021, \$(0.8M) YTD 2020; HPS \$(4.1M) YTD 2020.

⁽²⁾ FX impacts related to: IHS \$0.8M Q4, \$6.6M YTD; AS \$2.3M Q4, \$18.1M YTD, HPS \$0.1M Q4, \$0.5M YTD.

<i>(In thousands of Canadian dollars)</i>	Q4, 2020	Q4, 2019	Variance	YTD, 2020	YTD, 2019	Variance
Reported revenue	\$ 249,644	\$ 247,549	0.8%	\$ 979,162	\$ 888,889	10.2%
Impact of acquisitions ⁽³⁾	(35)	(8,377)		(91,557)	(27,155)	
Impact of FX ⁽⁴⁾	1,152	-		(3,882)	-	
Constant currency organic growth	\$ 250,761	\$ 239,172	4.8%	\$ 883,723	\$ 861,734	2.6%

⁽³⁾ Adjustments related to: AS \$90.7M YTD 2020; HPS \$(8.4M) QTD 2019, \$(27.2M) YTD 2019; Other \$0.8M YTD 2020.

⁽⁴⁾ FX impacts related to: IHS: \$0.3M Q4, \$(1.0M) YTD; AS \$0.8M Q4, \$(2.7M) YTD; HPS \$(0.1M) YTD.

Additional information

LifeWorks shares currently trade on the Toronto Stock Exchange under the symbol LWRK. Additional information relating to us, including all public filings and our Annual Information Form, is available on the SEDAR website ([sedar.com](https://www.sedar.com)) and on our own website at [lifeworks.com](https://www.lifeworks.com).

This MD&A is dated as of March 9, 2022, and reflects all material events up to March 9, 2022.

Consolidated financial statements

LifeWorks Inc.
(Formerly Morneau Shepell Inc.)

Years ended December 31, 2021 and 2020
(In thousands of Canadian dollars)





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INDEPENDENT AUDITORS' REPORT

To the Shareholders of LifeWorks Inc.

Opinion

We have audited the consolidated financial statements of LifeWorks Inc. (formerly Morneau Shepell Inc.) (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of (loss) income and comprehensive (loss) income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of specific, incremental, and direct deferred implementation costs incurred and the assessment of recoverability

We draw attention to notes 2(d), 3(c), 3(d) and 6 to the financial statements. The Entity enters into certain contracts that involve both an implementation and an ongoing services component. Implementation costs incurred in connection with contracts, depending on the nature of the arrangement with the client, relate to those costs necessary to set up clients and their pension, benefit, or wellness programs hosted on the Entity's proprietary software solutions. The Entity has total deferred implementation costs of \$76,938 thousand. Such costs may primarily include internal and external costs for assessing design requirements, coding, and customizing systems, and client data conversion and migration costs. Implementation costs are deferred only to the extent recovery is expected. For contracts where the implementation component is not distinct and a separate performance obligation, the specific, incremental, and direct costs are deferred and amortized over the term of the service contract plus any expected renewal period. The Entity uses judgment to assess whether the implementation costs incurred in connection with contracts are specific, incremental, and direct as well as recoverable. In order to assess the recoverability of deferred implementation costs, the Entity estimates the contract period and expected future cash flows for each contract which involves significant judgment.

Why the matter is a key audit matter

We identified the evaluation of the nature of the costs as specific, incremental, and direct deferred implementation costs incurred and the assessment of the recoverability as a key audit matter. This matter was a significant risk. There is significant judgment in assessing whether the costs incurred are specific, incremental, and direct in relation to the contract and their recoverability. As a result, significant auditor judgment was required to evaluate the results of our procedures.



How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness of certain controls over the Entity's process to record and assess the recoverability of implementation costs. These controls related to the review of new and amended contracts to analyze expected recoverability, and the review of the nature and amount of costs capitalized during the year.

For a selection of contracts being implemented during the year, we evaluated the judgment that the costs were specific, incremental, and direct in relation to the contract by:

- Inspecting the Entity's documentation and analysis of deferred implementation costs and by checking that the documentation supported the conclusion reached
- Enquiring with certain of the Entity's operation personnel who have direct oversight of such implementation projects
- Comparing the hours recorded towards project implementation to the time tracking system
- Checking the accuracy of the amount capitalized during the year based on the hours incurred for implementation and the eligible payroll related costs.

For a selection of contracts being implemented during the year, we evaluated the judgment that the costs were recoverable by:

- Evaluating the estimated costs to implement the contract in comparison to the actual historical costs incurred to assess the Entity's ability to accurately predict these costs
- Comparing the contract period and future expected cash flows for these contracts to the terms of the underlying contract.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.



We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines 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, management is responsible for assessing the Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kevin James Fisher.

Vaughan, Canada

March 9, 2022

Consolidated statements of financial position

As at December 31, 2021 and December 31, 2020

<i>(in thousands of Canadian dollars)</i>	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash (note 22)	\$ 18,263	\$ 8,736
Trade and other receivables (note 5)	121,121	98,684
Unbilled fees	91,062	97,823
Finance lease receivables (note 15)	1,584	1,396
Prepaid expenses and other	13,569	14,429
Cash and investments held in trust	13,425	11,351
Income taxes receivable	–	4,753
Deferred implementation costs (note 6)	15,953	13,273
Interest rate swaps (note 14)	206	–
Total current assets	275,183	250,445
Non-current assets:		
Deferred implementation costs (note 6)	\$ 60,985	\$ 60,356
Finance lease receivables (note 15)	918	1,391
Capital assets (note 7)	146,478	157,503
Intangible assets (note 8)	373,599	452,538
Interest rate swaps (note 14)	388	–
Goodwill (note 9)	593,141	585,879
Investments in joint ventures (note 23)	8,639	6,394
Total non-current assets	1,184,148	1,264,061
Total assets	\$ 1,459,331	\$ 1,514,506

See accompanying notes to the consolidated financial statements.

Consolidated statements of financial position (continued)

As at December 31, 2021 and December 31, 2020

<i>(in thousands of Canadian dollars)</i>	December 31, 2021	December 31, 2020
Liabilities and equity		
Current liabilities:		
Bank indebtedness (note 22)	\$ 2,010	\$ 12,784
Dividends payable (note 14)	4,505	4,470
Trade and other payables (note 10)	101,606	93,646
Deferred revenue (note 11)	21,946	18,258
Short-term debt (note 13)	99,960	-
Insurance premium liabilities (note 14)	13,425	11,351
Interest rate and total return swaps (note 14)	3,978	2,786
Future consideration related to acquisitions (note 14)	1,824	505
Provisions (note 12)	15,465	4,100
Income taxes payable	6,512	-
Lease liabilities (note 15)	22,784	19,506
Total current liabilities	294,015	167,406
Non-current liabilities:		
Deferred revenue (note 11)	20,181	26,408
Long-term debt (note 13)	352,726	411,924
Interest rate swaps (note 14)	628	4,150
Future consideration related to acquisitions (note 14)	295	49
Provisions (note 12)	4,981	8,964
Deferred tax liability (note 16)	95,338	116,254
Lease liabilities (note 15)	105,212	122,644
Total non-current liabilities	579,361	690,393
Equity (Note 19):		
Share capital	930,522	922,189
Contributed surplus	24,197	25,481
Accumulated other comprehensive loss	(9,882)	(9,977)
Deficit	(358,882)	(280,986)
Total equity	585,955	656,707
Total liabilities and equity	\$ 1,459,331	\$ 1,514,506

Commitments (note 26), Contingencies (note 27), Subsequent events (note 28)

On behalf of the Board:

Audit Committee Chair

President & CEO

See accompanying notes to the consolidated financial statements.

Consolidated statements of (loss) income and comprehensive (loss) income

For the years ended December 31, 2021 and 2020

<i>(in thousands of Canadian dollars, except per share amounts)</i>	2021	2020
Operating revenue (note 24)	\$ 1,019,349	\$ 979,162
Operating expenses:		
Salaries, benefits and contractors (note 25)	709,926	668,260
Other operating expenses	138,659	135,404
Depreciation, amortization and impairment (note 7, 8)	175,207	108,714
Restructuring and other expenses (note 12)	11,569	-
Sublease loss provision	-	10,300
Total operating expenses	1,035,361	922,678
Finance costs (note 13)	22,252	26,896
Gain on business divestiture (note 4)	-	(39,843)
Share of income of joint ventures (note 23)	(2,655)	(947)
(Loss) profit before income taxes	(35,609)	70,378
Income taxes (note 16):		
Current	12,241	5,613
Deferred	(23,765)	8,841
Total income tax (recovery) expense	(11,524)	14,454
(Loss) profit for the year	(24,085)	55,924
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit:		
Effective portion of change in total return swaps and interest rate cash flow hedges	3,790	(4,307)
Foreign currency translation differences for foreign operations	(2,715)	(7,603)
Income taxes on the above items (note 16)	(1,006)	1,140
	69	(10,770)
Items that will not be reclassified to profit:		
Actuarial gain (loss) on post-employment benefit plans	35	(4)
Income taxes on the above item (note 16)	(9)	1
	26	(3)
Other comprehensive income (loss), net of tax effect	95	(10,773)
Comprehensive (loss) income for the year	\$ (23,990)	\$ 45,151
(Loss) earnings per share (note 20):		
Basic	\$ (0.34)	\$ 0.80
Diluted	\$ (0.34)	\$ 0.80

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

For the years ended December 31, 2021 and 2020

2021 (in thousands of Canadian dollars)	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total equity
Balance, January 1, 2021	\$ 922,189	\$ 25,481	\$ (280,986)	\$ (9,977)	\$ 656,707
Long-term incentive plan – issuance (note 19)	-	5,712	-	-	5,712
Long-term incentive plan – redemption, net of taxes (note 19)	8,333	(6,996)	-	-	1,337
Loss for the year	-	-	(24,085)	-	(24,085)
Dividends	-	-	(53,811)	-	(53,811)
Other comprehensive income (Note 19)	-	-	-	95	95
Balance, December 31, 2021	\$ 930,522	\$ 24,197	\$ (358,882)	\$ (9,882)	\$ 585,955

(in thousands of Canadian dollars)	Equity component of convertible debentures	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
Balance, January 1, 2020	\$ 495	\$ 872,981	\$ 27,667	\$ (283,551)	\$ 796	\$ 618,388
Long-term incentive plan – issuance (note 19)	-	-	7,019	-	-	7,019
Long-term incentive plan – redemption, net of taxes (note 19)	-	9,535	(9,205)	-	-	330
Shares issued upon conversion of convertible debentures	(495)	39,673	-	-	-	39,178
Profit for the year	-	-	-	55,924	-	55,924
Dividends	-	-	-	(53,359)	-	(53,359)
Other comprehensive loss (Note 19)	-	-	-	-	(10,773)	(10,773)
Balance, December 31, 2020	\$ -	\$ 922,189	\$ 25,481	\$ (280,986)	\$ (9,977)	\$ 656,707

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

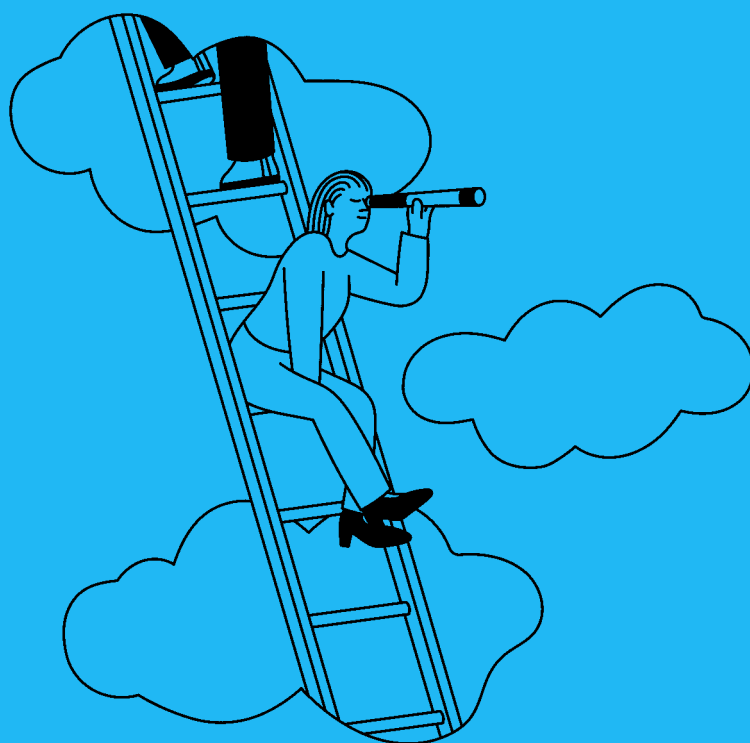
For the years ended December 31, 2021 and 2020

<i>(in thousands of Canadian dollars)</i>	Twelve months ended	
	December 31, 2021	December 31, 2020
Operating activities		
(Loss) profit for the period	\$ (24,085)	\$ 55,924
Items not involving cash:		
Depreciation, amortization and impairment (note 7, 8)	175,207	108,714
Finance costs (note 13)	22,252	26,896
Phantom plan and long-term incentive plan expense (note 18)	9,071	7,019
Income taxes (recovery) expense (note 16)	(11,524)	14,454
Change in provisions (note 12)	7,382	10,191
Share of income of joint ventures (note 23)	(2,655)	(947)
Gain on business divestiture (note 4)	-	(39,843)
Other	123	(1,236)
	175,771	181,172
Change in operating working capital (note 22)	(14,885)	2,681
	160,886	183,853
Finance costs paid	(19,606)	(22,365)
Income taxes paid	(257)	(7,563)
Cash provided by operating activities	141,023	153,925
Financing activities:		
Change in term loan	100,000	-
Change in revolving credit facility	(60,099)	(63,112)
Payment of loan modification fees	(120)	(400)
Principal payment of lease liabilities (note 15)	(17,548)	(16,746)
Redemption of convertible debentures	-	(1,521)
Dividends paid	(53,776)	(53,214)
Cash used in financing activities	(31,543)	(134,993)
Investing activities:		
Business acquisitions, net of cash acquired (note 4)	(12,023)	-
Deferred and contingent acquisition payments (note 14)	(1,318)	(23,364)
Business divestiture (note 4)	500	68,810
Principal payment received from finance leases (note 15)	1,381	1,609
Additions to intangible assets (note 8)	(49,133)	(50,776)
Additions to capital assets (note 7)	(28,586)	(22,910)
Cash used in investing activities	(89,179)	(26,631)
Increase (decrease) in cash for the year	20,301	(7,699)
(Bank indebtedness, net of cash) cash, net of bank indebtedness beginning of year	(4,048)	3,651
Cash, net of bank indebtedness, (bank indebtedness, net of cash), end of year (note 22)	\$ 16,253	\$ (4,048)

See accompanying notes to the consolidated financial statements.

Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020
(In thousands of Canadian dollars)



For the years ended December 31, 2021 and 2020
(In thousands of Canadian dollars, except per share amounts)

1. Organization and nature of the business:

LifeWorks Inc. ("LifeWorks") was incorporated pursuant to the laws of the Province of Ontario on October 19, 2010 under the name Morneau Shepell Inc. and completed a name change to LifeWorks Inc. on May 17, 2021.

LifeWorks, its subsidiaries and joint ventures (collectively, the "Company") is a world leader in providing digital and in-person solutions that support the total wellbeing of individuals. The Company delivers a personalized continuum of care that helps clients improve the lives of their people and by doing so, improve their business. The Company's principal and head office is located at 895 Don Mills Road, Suite 700, Toronto, Ontario, M3C 1W3. The Company offers its services to organizations located in Canada, the United States and internationally.

References herein to the Company represent the financial position, results of operations, cash flows and disclosures of LifeWorks Inc. and its subsidiaries on a consolidated basis.

These audited consolidated financial statements ("financial statements") were approved by the Company's Board of Directors on March 9, 2022.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

- (i) financial derivatives such as interest rate and total return swaps are measured at fair value;
- (ii) future consideration related to acquisitions is measured at fair value;
- (iii) net pension benefit asset is measured in accordance with the employee benefit policy (see note 17); and
- (iv) Phantom Share Unit plan liability is measured at fair value (note 18).

(c) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency and the functional currency of LifeWorks Inc. Items included in the financial statements of each of LifeWorks Inc.'s subsidiaries are measured using their functional currency, which is the currency of the primary economic environment in which they operate. Unless otherwise noted, all financial information presented herein is in thousands of Canadian dollars.

(d) Use of estimates and judgments:

The preparation of these financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

Estimated values of the reported amounts of assets and liabilities on the financial statements usually depend upon estimates of the profitability of the related business which, in turn, depend upon assumptions regarding future conditions in general or the specific industry, including the effects of economic cycles, and other factors that affect the operating revenue. These assumptions are limited by the availability of reliable comparable data, economic uncertainty and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated value could change by a material amount, and actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by Management on an ongoing basis, and revisions to accounting estimates are recognized in the period giving rise to the change. The future impact of uncertainties around the outbreak of the novel coronavirus (“COVID-19”) pandemic could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include: revenue recognition, impairment of goodwill and intangible assets, allowance for expected credit losses, corporate income taxes, provisions and contingent consideration related to acquisitions.

Information about the most significant estimates and judgments that the Company is required to make is included in the following notes:

(i) Revenue recognition (note 24):

Where a contract requires the delivery of multiple components, the Company is required to assess the criteria for the recognition of revenue related to each component. These assessments require judgment by Management to determine whether a component is a separate performance obligation, and where applicable, the allocation of the transaction price to the separate performance obligations. Among other factors, Management considers whether the customer can benefit from the implementation services on their own, and considers budgeted salary costs associated with each phase of the service contract to derive fair value estimates.

Additional discussion of the Company’s revenue recognition policies can be found in note 3(c). Changes in Management’s estimates could impact the timing of the recognition of revenue and expenses associated with these contracts.

(ii) Unbilled fees:

The Company is required to assess the recoverability of fees on services provided but not yet billed. This assessment requires judgment by Management to determine whether fees will be less than fully recoverable through invoicing. Among other factors, Management considers the solvency of the client, the age of the outstanding unbilled fees balance, the fee arrangement and historic client experience. If future billings differ from estimates, future profits could be materially affected.

(iii) Intangible assets (note 8):

(a) Internally-developed software:

The Company is required to assess whether development expenditures should be capitalized. These expenditures are capitalized only if the expenses are attributed to the intangible asset, these expenditures can be reliably measured, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient technical, financial and other resources to complete development and to use or sell the asset in an existing market. Otherwise, the expenditures are recognized in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income (“profit or loss”) as incurred.

The Company is required to estimate the expected period of benefit over which internally-developed software assets should be amortized. Management considers the anticipated rate and timing of technological obsolescence and competitive pressures, historical usage patterns, and internal business plans for the projected use of the software when deriving its useful life determinations. Due to the rapidly changing technological environment and the uncertainty of the development processes themselves, future results could be affected if Management’s current assessment of future benefits differs materially from actual performance.

(b) Other intangible assets:

Other intangible assets consist of those acquired through business acquisitions. Purchase price allocations involve significant estimates and assumptions regarding cash flow projections, growth projections, economic risk, and cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could incur increased amortization or impairment charges in future periods.

(iv) Goodwill (note 9):

The Company's assessment of the recoverability of goodwill allocated to its cash-generating units involves significant estimates and assumptions regarding cash flow projections, growth projections, economic risk, and cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could incur impairment charges in future periods.

(v) Trade receivables (expected credit losses) (note 5):

The Company is required to assess whether accounts receivables are collectible from customers. Accordingly, Management establishes an allowance for expected credit losses ("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.

(vi) Corporate income taxes (note 16):

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred income tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Management interprets the tax legislation for each jurisdiction in which the Company operates and makes assumptions about the expected timing of the reversal of deferred income tax assets and liabilities. If Management's interpretations of the legislation differ from those of the tax authorities or if the actual timing of the reversals of the deferred income tax assets and liabilities is not as anticipated, the provision for income taxes could increase or decrease in future periods.

(vii) Provisions (note 12):

In identifying required provisions, the Company has to assess the probability of the future outflows of resources. Estimates must be made by Management to approximate the timing and amount of these liabilities. If future events or results differ adversely from these estimates, future profits could be adversely affected.

(viii) Future consideration related to acquisitions (note 14):

The Company may pay future consideration related to acquisitions based upon performance measures contractually agreed at the time of purchase. Management estimates the future consideration payable based on underlying contract terms, and best estimates of the future performance of the acquiree. Depending on the future performance of the acquiree, Management estimates of the amounts payable for future consideration related to acquisitions may materially differ from the consideration ultimately paid.

(ix) Deferred implementation costs (note 6):

The Company uses judgment to assess whether the implementation costs incurred in connection with contracts are specific, incremental and direct as well as recoverable. In order to assess the recoverability of deferred implementation costs, Management estimates the contract period and expected future cash flows for each respective client, which involves significant judgment.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

(i) Business combinations:

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured at the acquisition date at the fair value of the consideration transferred, including all contingent consideration. Subsequent changes in contingent consideration are accounted for in the consolidated statements of income and comprehensive income.

Goodwill arising on acquisition is initially measured at cost, being the difference between the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree and the net recognized amount (generally fair value) of the identifiable assets and liabilities assumed at the acquisition date. If the net of the amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Acquisition-related costs, other than those that are associated with the issue of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

(ii) Subsidiaries:

These consolidated financial statements include the assets, liabilities, revenue and expenses of all the Company's subsidiaries. Subsidiaries are entities that the Company controls either when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date control is transferred to the Company, and de-consolidated from the date control ceases.

These consolidated financial statements include the assets, liabilities, revenue and expenses of all the Company's subsidiaries including the following significant operating entities:

	% Ownership
LifeWorks (Canada) Ltd.	100
LifeWorks (US) Ltd.	100
LifeWorks Investment Management Ltd.	100
LifeWorks.com Pty Ltd.	100
LifeWorks (UK) Ltd.	100

All intercompany transactions and balances between subsidiaries have been eliminated upon consolidation.

(iii) Joint ventures:

Joint ventures are those entities over which the Company exercises joint control, requiring unanimous consent of the parties sharing control of relevant activities such as strategic, financial and operating decision-making. Investments in joint ventures are accounted for using the equity method. They are initially recognized at cost, and subsequent to initial recognition, the consolidated financial statements include the Company's share of the joint ventures' profit or loss and other comprehensive income and change in the net assets of the joint ventures.

(b) Foreign currency translation:

Transactions denominated in currencies other than the functional currency are recorded at the exchange rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing as at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Assets and liabilities of subsidiaries with applicable functional currencies other than the Canadian dollar are translated at period-end rates of exchange, and operating results are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in equity.

(c) Revenue recognition and unbilled fees:

Revenue includes fees generated from the provision of Integrated Health Solutions, Health and Productivity Solutions, Administrative Solutions and Retirement and Financial Solutions.

The Company records revenue from contracts with customers in accordance with the five step process prescribed within IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The steps are as follows:

- i) Identify the contract with a customer;
- ii) Identify the performance obligations 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) Recognize revenue when (or as) the Company satisfies a performance obligation.

Administrative Solutions manages all aspects of the administration of clients' pension and benefit plans on an outsourced basis, as well as providing administration support through software as a service ("SaaS") and application service provider ("ASP") solutions. Administrative Solutions engagements typically involve both an implementation and an ongoing services component. Where a single contract requires the delivery of multiple components, revenue recognition criteria are applied to determine whether each component is distinct and a separate performance obligation. A component is distinct and a separate performance obligation if the component is separately identifiable from the other promised goods and services in the bundled package, and if the customer can benefit from it on its own or with other readily available resources. For a single contract with multiple performance obligations, the consideration is allocated to the separate performance obligations based on their observable price when the Company customarily provides such goods or services on a stand-alone basis. Where the Company does not provide such goods or services on a stand-alone basis, the adjusted market assessment approach or expected cost plus margin approach is then used to allocate the consideration. Revenue is recognized as follows:

(i) Implementation

The provision of implementation services in a contract that involves both an implementation component and an ongoing services component, where the implementation component is considered distinct and a separate performance obligation, is recognized as revenue on an over time basis, based on the percentage of implementation work completed. The percentage of implementation work completed is estimated based on hours incurred to date relative to the total estimated hours to complete the implementation work. Estimates of extent of progress toward completion are based on the Company's experience implementing similar projects and are revised on a quarterly basis. Any resulting changes in estimates are reflected in profit or loss. Where the implementation services in a contract are not considered distinct, revenue is deferred and recognized as revenue on an over time basis, in a manner that is consistent with the delivery of the ongoing services component of the contract.

(ii) Ongoing services

Ongoing services can include record-keeping and employee information management, processing transactions that are required to administer employee pension and benefit plans, hosting client benefits websites, and responding to employee inquiries through call centres. Depending on the nature of the arrangement with the client, the Company can manage all aspects of the administration of clients' pension and benefit plans on an outsourced basis, or provide administration support through SaaS and ASP offerings. Revenue from ongoing services is recognized as these services are provided.

Within the Company's Administrative Solutions contracts, there may be an upfront fee charged for implementation services, with ongoing services generally billed on a monthly basis. In estimating the transaction price in a contract, the Company adjusts the transaction price for the time value of money if the contract contains a significant financing component. In making this assessment, the Company considers among other factors the difference, if any, between the amount of promised consideration and the cash selling price of the promised goods or services, the combined effect of the length of time between when the Company transfers the goods or services to the client and when it receives payment for these goods or services, and the prevailing market interest rates. For contracts that contain a significant financing component, the financing component is recognized as interest expense when the customer pays in advance or as interest income when the customer pays in arrears.

Retirement and Financial Solutions offerings include assisting organizations with the design, determination of funding requirements, management, and financial control of pension and benefit plans. Fees for actuarial and consulting services are billed either on a time-and-material basis or on a fixed-fee basis. Revenue recognition generally aligns with billing, as the right to consideration from the customer corresponds directly with the value provided to the customer for these services.

Integrated Health Solutions offers counselling and educational services, and targeted health and wellness programs, to support employee and family work, financial, personal and family needs. Revenue from these offerings is billed on a fixed-fee or time-and-material basis, or through a combination of the minimum contracted amount and incremental usage above the minimum thresholds. Contracts that contain fixed fees and minimum contracted amount fee structures are generally recognized on an over time basis, consistent with the provision of services. Revenue from incremental usage fee structures is recognized when the minimum usage threshold is exceeded. For time-and-material basis fee arrangements, revenue recognition generally aligns with billing, as the right to consideration from the customer corresponds directly with the value provided to the customer for these services.

Health and Productivity Solutions provide administration and support services to organizations in the area of attendance, disability, and workers' compensation. Health and Productivity Solutions revenue is billed on a fixed-fee or time-and-material basis. Revenue recognition for these services generally aligns with billing, as the right to consideration from the customer corresponds directly with the value provided to the customer for these services.

Unbilled fees represent contract assets for fees earned for services rendered but not yet invoiced as at the reporting date; upon billing, this balance will be transferred to trade receivables. Unbilled fees are generally billed in the following month and have been classified as current, as they are collected within the following year. Unbilled fees on time-and-material basis arrangements are recorded at the lower of unbilled hours worked at normal billing rates and at the amount which is estimated to be recoverable upon invoicing. The Company maintains an allowance for amounts expected to be unrecoverable.

(d) Deferred implementation costs:

Implementation costs incurred in connection with contracts, depending on the nature of the arrangement with the client, relate to those costs necessary to set up clients and their pension, benefit or wellness programs hosted on the Company's proprietary software solutions. Such costs primarily include internal and external costs for assessing design requirements, coding and customizing systems, and client data conversion and migration costs. Implementation costs are deferred only to the extent recovery is expected. For contracts where the implementation component is not distinct and a separate performance obligation, the specific, incremental, and direct costs are deferred and amortized over the term of the service contract plus any expected renewal period.

The Company is required to assess the recoverability of unamortized deferred implementation costs, which requires judgment by Management. If a client terminates a contract prior to its end, a loss on the contract may be recorded (if necessary), and any remaining deferred implementation revenue and costs would be recognized as period income and costs over the remaining implementation period through to the date of termination.

(e) Cash and bank indebtedness:

Cash is comprised of bank balances and banker's deposit notes with an original maturity of three months or less, and is primarily held in Canadian dollars, U.S. dollars, Australian dollars and British Pounds.

(f) Trade and other receivables:

Trade receivables are fees due from customers from the rendering of services in the ordinary course of business. Trade receivables are classified as current if payment is due within one year of the reporting period date, and are initially recognized at the transaction price and subsequently measured at amortized cost.

The Company is required to assess whether accounts receivables are collectible from customers. Accordingly, Management establishes an 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.

Other receivables are those amounts incidental to the Company's normal business operations and are classified as current when they are expected to be settled within one year of the reporting period date. Other receivables are initially recognized at fair value, and are subsequently measured at amortized cost, less impairment.

(g) Capital assets:

Capital assets are comprised of computer hardware, furniture and fixtures, leasehold improvements and right-of-use assets. Refer to note 3(s) for the accounting policy for right-of-use assets.

Capital assets are recognized at initial cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including those attributable to bringing the asset to its intended working condition. Where significant parts of a capital asset have different useful lives, they are accounted for and depreciated as separate components. Software, to the extent that it is integral to the operation of the related computer equipment, has been included as part of the cost of computer equipment.

A gain or loss on disposal of a capital asset is determined by comparing the proceeds from disposal with its carrying amount, and is recognized as a gain (loss) on disposal in the consolidated statements of income and comprehensive income.

Depreciation is calculated based on the depreciable amount, which is the cost of the asset less its residual value. Depreciation is recognized on a straight-line basis, over the asset's estimated useful life, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of the Company's capital assets are as follows:

Computer hardware	3 – 5 years
Furniture and fixtures	5 years
Leasehold improvements	over the term of the lease

Residual values, useful lives, and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively as required.

(h) Intangible assets:

Intangible assets consist of customer relationships, customer contracts, proprietary software, and trade names acquired through acquisitions or business combinations, internally-developed software, and purchased software.

Internally-developed software is recognized at the aggregate cost of all eligible development costs, when all 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 capitalized as part of internally-developed software include external direct costs of materials and services consumed in development, and 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.

Purchased software is recognized at initial cost.

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

Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives. Amortization is recognized over the assets' estimated useful lives as follows:

Customer relationships	5 – 20 years
Customer contracts	1 – 3 years
Proprietary software	5 – 10 years
Trade names	Indefinite
Internally-developed software	3 – 10 years
Purchased software	3 years

Intangible assets with an indefinite life are not amortized, but are subject to impairment tests annually or whenever impairment indicators are identified. Trade names have been determined to have an indefinite life based on their strength, history, and expected future use.

Amortization expense has been presented in profit or loss as depreciation and amortization. Assets are removed from asset and accumulated amortization balances once they become fully amortized. Proceeds from disposals are netted against the related assets and accumulated amortization, and resulting gains and losses are included in profit or loss.

Amortization on internally-developed software does not commence until the asset is ready for use as management intended.

(i) 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 not amortized but is subject to an impairment test annually and whenever impairment indicators are identified.

(j) Impairment of non-financial assets:

The Company's identifiable tangible and intangible assets with finite useful lives are reviewed for indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that they may be impaired. Impairments are recorded when the recoverable amount of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost of disposal or its value in use.

Similarly, intangible assets with indefinite useful lives and goodwill are tested annually and whenever impairment indicators are identified, by estimating their recoverable amounts and comparing them to their carrying amounts. Where individual assets cannot be tested individually, they are grouped together into cash-generating units ("CGUs"), which represent the smallest group of assets that are capable of generating cash inflows from continuing use largely independent of other groups of assets, and tested on this basis. Goodwill acquired through a business combination is allocated to each CGU, or groups of CGUs but not larger than an operating segment, that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss, and those impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other non-financial assets in the CGU on a *pro rata* basis.

Impairment losses in respect of goodwill are not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment charge been recorded.

(k) Provisions:

Provisions are recognized when the Company has a present obligation to a third-party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Company's actions where, by an established pattern of past practice or published policies, the Company creates a valid expectation on the part of other parties that the Company will discharge certain responsibilities.

(l) Deferred revenue:

Deferred revenue represents the excess of retainer amounts billed over revenue earned on service contracts, and prepayments from clients for implementation services yet to be recognized. The amount is recognized as revenue in profit or loss as services are rendered, in accordance with the revenue recognition policies described above.

(m) Share capital:

Common shares are classified as an equity instrument. Incremental costs directly attributable to the issuance of common shares are recognized as a reduction of equity, net of the related tax effect.

(n) Insurance premium liabilities and related cash held in trust:

In its capacity as consultants, the Company collects premiums from insurers and remits premiums, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance underwriters. The cash held in trust and the related liabilities have been presented separately in the Company's consolidated statements of financial position.

(o) Employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company also offers a pension benefit plan for its eligible employees, which includes a defined benefit option and a defined contribution option.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

(i) Defined benefit plan:

The net asset or liability recognized in the consolidated statements of financial position in respect of the defined benefit is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated using the projected benefit method pro-rated on service. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Past service costs are recognized immediately in profit or loss. Interest is recognized on the net defined benefit liability using market yields on high-quality bonds.

(ii) Defined contribution plan:

Under the defined contribution option, each member is required to contribute a percentage of earnings. The Company matches this required contribution. Each member may elect to make an optional contribution in addition to the required contribution. The Company contributes 50% of the optional contributions.

For members who had completed at least 10 years of service on December 31, 2010, their contributions follow grandfathered provisions. Each of these members is required to contribute a specific dollar amount based on the member's job level classification. Each member may elect to make an optional contribution up to 300% of the member's required contribution. The Company matches required contributions and contributes 75% of optional contributions for these grandfathered members.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

(p) Share-based compensation plan:

- i) Under the Company's long-term incentive plan ("2017 LTIP plan") the Company granted participants restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"). Under the Company's Director DSU plan, the Company may grant non-employee directors director deferred share units ("Director DSUs"). RSUs, DSUs, PSUs and Director DSUs are collectively referred to as "LTIP Units." LTIP Units are redeemable either for one common share or for an amount in cash equal to the fair market value of one common share (at the option of the Company). Holders of LTIP units are entitled to receive additional LTIP Units equivalent to the dividend payable, had those Units been common shares. Units credited under the dividend reinvestment policy ("DRIP") vest at the same rate as the LTIP units to which they are determined. All LTIP Units are accounted for as equity-settled awards.

a. DSUs, Director DSUs and RSUs:

DSUs generally vest three years after the date of grant and become redeemable only on the participant's termination of employment. Director DSUs have the same characteristics as DSUs except they vest immediately on grant date. RSUs vest over a three-year period after the date of grant. The expense related to DSUs, Director DSUs and RSUs is measured based on the fair value of the awards at the grant date. The expense is recognized as salaries, benefits and contractors expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. At the end of each reporting period, the Company reassesses its estimates of forfeitures, and recognizes the impact of any revisions into profit or loss. When LTIP units are redeemed, they are issued to the participant and are recorded as share capital.

b. PSUs:

PSUs vest over a three-year period after the date of grant and the final amount is based on market-based financial performance targets being met, with the conversion ratio for vested PSUs being from 0% to 200%.

The expense related to PSUs is measured based on the fair value of the awards at the grant date using a Monte Carlo simulation. Anticipated forfeitures are factored into the determination of the fair value of the awards. The expense is recognized as salaries, benefits and contractors expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. When PSUs are redeemed, they are issued to the participant and are recorded as share capital.

ii) Phantom Share Unit Plan:

On November 10, 2020, the Company adopted a new employee Phantom Share Unit Plan ("Phantom Plan") to replace the 2017 LTIP plan starting in 2021. The 2017 LTIP plan was closed to new grants and all future grants to employees will fall under the Phantom Plan. The Phantom Plan is a cash settled plan and pursuant to the plan, the Company may grant Phantom RSUs, Phantom PSUs, and Phantom Director DSUs (collectively, the "Phantom Units"). Phantom RSUs are granted to eligible employees, while Phantom PSUs are only eligible to be granted to executives. Phantom Director DSUs are granted to directors on a quarterly basis. Each Phantom Unit has a value based upon the fair market value of one common share. Phantom Units are not shares, cannot be converted to shares and do not carry voting rights.

Pursuant to the Phantom Plan, each Phantom RSU vests over 32 months and is redeemable for an amount in cash equal to the fair market value of one Share on the redemption date. The Phantom PSUs vest over 32 months and the final amount is based on market-based financial performance targets being met. When a dividend is paid on LifeWorks Shares, dividend equivalents will be credited on Phantom Units until redeemed by a Phantom Plan participant. Phantom Director DSUs vest immediately, but options cannot be redeemed until resignation.

All Phantom Units are accounted for as cash-settled awards. Phantom Units are initially measured at their fair value and compensation costs are recognized as salaries, benefits and contractors expense and liabilities over the vesting period. If the awards' fair values change after they have been granted and before the exercise date, the resulting changes in the liabilities are recognized within profit or loss in the period the change occurred.

(q) Income taxes:

Income tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current taxes are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Financial instruments:**(i) Recognition and initial measurement of financial assets:**

The Company initially recognizes trade receivables on the date that they originated. All other financial assets are recognized initially on the trade date or when the Company becomes a party to the contractual provisions of the instrument.

Financial assets, other than trade receivables without a significant financing component, for an item not at fair value through profit or loss ("FVTPL"), are measured at amortized cost using the effective interest rate method including transaction costs that are directly attributable to its acquisition or issue. The amortized cost is subsequently reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(ii) Classification and subsequent measurement of financial assets:

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or FVTPL.

Financial assets are not subsequently reclassified except if and in the period the Company changes its business model for managing its financial assets. The amortized cost is subsequently reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that would otherwise meet the requirements to be measured at amortized cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Non-derivative financial assets:

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest income, are recognized in profit or loss. Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by any impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

b) Derivative financial instruments:

Derivative financial instruments are used by the Company in the management of its interest rate risk on debt financing and its market price risk associated with the Phantom Plan. Derivatives that have been designated and function effectively as hedges are accounted for using hedge accounting principles under IFRS 9. Derivative financial instruments that are not accounted for as hedging instruments are measured at FVTPL.

(iii) Financial liabilities: Classification, subsequent measurement, and gains and losses:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date at which time the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire. Any gain or loss on derecognition is also recognized in profit or loss.

Non-derivative financial liabilities of the Company include long-term debt, bank indebtedness, trade and other payables, income taxes payable, dividends payable, future consideration related to acquisitions and insurance premium liabilities.

(iv) Cash flow hedge – derivative instruments:

The Company has variable rate borrowings which gives rise to a risk that finance expense-related cash flows may be adversely affected by fluctuations in the underlying interest rates. The Company is primarily exposed to the CDOR, Canadian Prime and US Base Rate. The Company uses interest rate swaps as derivative instruments to reduce its exposure to interest rate fluctuations. The Company has also entered into total return swaps to hedge the Company's exposure to changes in future cash flows due to changes in its stock price within forecasted obligations related to future payments under its Phantom Plan.

The Company has designated its derivative instruments as cash flow hedges. Cash flow hedges are hedges against highly probable forecasted transactions. The effective portion of changes in the fair value of derivatives that are designated as a cash flow hedge is recognized as a component of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately into profit or loss. Amounts accumulated in other comprehensive income are recycled into profit or loss in the period in which the hedged item will affect profit or loss. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the original forecasted transaction is ultimately recognized into profit or loss. If a forecasted transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately recognized into profit or loss.

The Company prepares formal documentation at the inception of a transaction to detail the economic relationship between derivative hedging instruments and hedged items, as well as its risk management objectives and strategy in entering the hedging transaction. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative used in hedging transactions is highly effective in offsetting the changes in cash flows of the hedged items.

Non-performance risk, inclusive of the Company's credit risk, is considered in determining the fair value of the financial instruments.

Derivative instruments are initially recognized at fair value on the date the contract is entered into and are subsequently re-measured to fair value at each reporting date. The Company holds derivative instruments for hedging purposes only, and does not enter into derivative contracts for speculative purposes.

(v) Derecognition:

Financial assets:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities:

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(vi) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position, only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(vii) Impairment of financial instruments and contract assets:

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost, and unbilled fees, which are contract assets as defined in IFRS 15.

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, being the difference between the contractually stated cash flows and what the Company expects to collect, and is recognized into profit or loss.

Presentation of allowance for ECLs in the statement of financial position:

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(viii) Fair values of financial instruments:

Fair values of financial instruments are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement.

(s) Leases:

At the inception of a contract, the Company assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee:

The Company leases office premises and equipment. Under IFRS 16, the Company recognizes a right-of-use asset and a lease liability at lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The Company presents right-of-use assets in "capital assets," whereas lease liabilities are separately presented in the statement of financial position.

(ii) As a lessor:

The Company subleases some of its properties. As a lessor, the Company assesses at inception whether a lease is a finance or operating lease. Leases where the Company transfers substantially all of the risks and rewards incidental to ownership of the underlying asset are classified as finance leases. Under a finance lease, the Company recognizes a receivable at an amount equal to the net investment in the lease, which is the present value of the aggregate of lease payments receivable by the lessor. If substantially all the risks and rewards of ownership of an asset are not transferred, the lease is classified as an operating lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(t) Changes in accounting policies:

The Company has adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable provisions.

(a) *Interest Rate Benchmark Reform – Phase 2:*

In August 2020, the IASB issued *Interest Rate Benchmark Reform – Phase 2*, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

(i) Change in basis for determining cash flows:

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

(ii) Hedge accounting:

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

The Phase 2 amendments apply for annual periods beginning on or after January 1, 2021. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

(u) Future accounting changes:

(a) *Onerous contracts – Cost of Fulfilling a Contract:*

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022, to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The extent of the impact of adoption of the standard has not yet been determined.

(b) *Other standards:*

The following new and amended standards are not yet effective for the Company, nor are they expected to have a significant impact on the Company's consolidated financial statements:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Amendments to IFRS 9 *Financial Instruments*.
- Amendments to IFRS 17 *Insurance Contracts*.

4. Business acquisitions and divestitures:

(a) Acquisitions

During fiscal 2021, the Company completed two acquisitions, neither of which was deemed to be individually significant. On February 8, 2021, the Company acquired 100% of the outstanding shares of SMGH Holdco Pty Ltd ACN & SMG Health Pty Ltd ACN and on September 8, 2021, the Company acquired 100% of the outstanding shares of Ascender B.V. These acquisitions complement the Company's existing Integrated Health Solutions line of business, and expand the Company's market presence in Australia and in the Netherlands. The total aggregate consideration for the above acquisitions was as follows:

Amounts paid on closing	\$	12,722
Deferred and contingent consideration		2,918
Total consideration	\$	15,640

The undiscounted deferred payments and contingent consideration remaining to be paid for these acquisitions is \$1,952 (note 14).

These acquisitions have been accounted for using the acquisition method of accounting and resulted in \$9,064 of goodwill being recorded in connection with these acquisitions (note 9), which have been allocated to the Integrated Health Solutions CGU. The business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income for the year ended December 31, 2021.

(b) Divestitures

On March 1, 2020, the Company sold its benefits consulting business to HUB International Limited for a purchase price of \$70,000 less working capital adjustments of \$690. \$67,535 was received on closing, \$1,275 was settled during fiscal 2020, and \$500 was settled in fiscal 2021.

The benefits consulting business represented approximately 3% of the Company's consolidated revenue for the year ended December 31, 2019. The divested business was part of the Health and Productivity Solutions operating segment.

The assets and liabilities disposed of were comprised of the following:

Capital assets	\$	114
Intangible assets		5,263
Goodwill		18,047
Net working capital		2,286
Total	\$	25,710

Total selling costs (including reserves) for the divestiture were approximately \$4,447. The pre-tax gain on business divestiture of \$39,843 (\$33,436 after tax) was recorded in the Company's financial statements during 2020.

5. Trade and other receivables:

The Company's trade and other receivables are as follows:

	December 31, 2021	December 31, 2020
Trade receivables	\$ 120,229	\$ 101,867
Less: loss allowance	(3,082)	(4,688)
Net trade receivables	117,147	97,179
Other receivables	3,974	1,505
Total trade and other receivables	\$ 121,121	\$ 98,684

The aging of the trade receivables at each reporting date was as follows:

	December 31, 2021	December 31, 2020
Current	\$ 36,706	\$ 44,203
Past due 1 – 30 days	36,260	20,903
Past due 31 – 90 days	18,580	19,704
Past due > 90 days	28,683	17,057
Total trade receivables	\$ 120,229	\$ 101,867

The change in the allowance for ECLs in respect of trade receivables was as follows:

	2021	2020
Balance at January 1	\$ 4,688	\$ 381
Net (decrease) increase in provision	(309)	5,035
Amounts written off as uncollectible	(1,297)	(728)
Balance at December 31	\$ 3,082	\$ 4,688

6. Deferred implementation costs:

The Company's deferred implementation costs comprise the following:

	Cost	Accumulated amortization	Net book value
Balance, January 1, 2020	141,162	(78,384)	\$ 62,778
Deferred implementation costs for the year	23,957	-	23,957
Amortization for the year	-	(11,599)	(11,599)
Effect of movements in exchange rates	(1,887)	380	(1,507)
Balance, December 31, 2020	163,232	(89,603)	73,629
Deferred implementation costs for the year	19,270	-	19,270
Amortization for the year	-	(15,792)	(15,792)
Effect of movements in exchange rates	32	(201)	(169)
Balance, December 31, 2021	\$ 182,534	\$ (105,596)	\$ 76,938
Less current portion	-	-	15,953
Non-current portion			\$ 60,985

7. Capital assets:

The Company's capital assets comprise the following:

	Computer hardware	Furniture and fixtures	Leasehold improvements	Right-of-use assets	Total
Cost					
Balance, January 1, 2020	\$ 37,394	\$ 7,076	\$ 32,879	\$ 85,646	\$ 162,995
Additions	12,869	645	9,396	58,034	80,944
Disposals on business divestiture	(140)	-	-	-	(140)
Derecognition of fully depreciated assets	(8,943)	(970)	(122)	(329)	(10,364)
Effect of movements in exchange rates	(372)	34	(500)	(461)	(1,299)
Balance, December 31, 2020	40,808	6,785	41,653	142,890	232,136
Additions	9,597	608	18,381	2,500	31,086
Acquired through business acquisitions	22	58	-	478	558
Lease extensions, terminations and other	-	-	-	(3,589)	(3,589)
Impairment due to sublease	-	-	-	(1,576)	(1,576)
Derecognition of fully depreciated assets	(9,244)	(597)	(296)	(1,631)	(11,768)
Effect of movements in exchange rates	(132)	(49)	(123)	(439)	(743)
Balance, December 31, 2021	\$ 41,051	\$ 6,805	\$ 59,615	\$ 138,633	\$ 246,104
Accumulated Depreciation					
Balance, January 1, 2020	\$ 15,392	\$ 3,756	\$ 14,665	\$ 12,894	\$ 46,707
Depreciation	12,464	1,580	6,072	18,586	38,702
Derecognition of fully depreciated assets	(26)	-	-	-	(26)
Impairment due to subleases	(8,943)	(970)	(122)	(329)	(10,364)
Effect of movements in exchange rates	(146)	195	(131)	(304)	(386)
Balance, December 31, 2020	18,741	4,561	20,484	30,847	74,633
Depreciation	12,352	1,684	6,084	20,155	40,275
Lease extensions, terminations and other	-	-	-	(3,243)	(3,243)
Impairment due to sublease	-	-	-	(95)	(95)
Derecognition of fully depreciated assets	(9,244)	(597)	(296)	(1,631)	(11,768)
Effect of movements in exchange rates	2	(52)	(9)	(117)	(176)
Balance, December 31, 2021	\$ 21,851	\$ 5,596	\$ 26,263	\$ 45,916	\$ 99,626
Carrying amount					
December 31, 2020	\$ 22,067	\$ 2,224	\$ 21,169	\$ 112,043	\$ 157,503
December 31, 2021	\$ 19,200	\$ 1,209	\$ 33,352	\$ 92,717	\$ 146,478

8. Intangible assets:

The Company's intangible assets comprise the following:

	Indefinite useful life	Finite useful life						Total
	Trade names	Customer relationships	Customer contracts	Proprietary software	Internally-developed software	Purchased software	Other	
Cost								
Balance, January 1, 2020	\$ 105,739	\$ 460,943	\$ 42,151	\$ 20,153	\$ 96,777	\$ 13,193	\$ 155	\$ 739,111
Internally developed	-	-	-	-	48,950	-	-	48,950
Purchased	-	-	-	-	-	1,826	-	1,826
Disposals on business divestiture (note 4)	-	(21,664)	-	-	(908)	(73)	-	(22,645)
Derecognition of fully amortized assets	-	(2,618)	(32,506)	-	(5,419)	(783)	-	(41,326)
Effects of movements in exchange rates	431	(2,738)	470	(9)	639	(152)	-	(1,359)
Balance, December 31, 2020	106,170	433,923	10,115	20,144	140,039	14,011	155	724,557
Internally developed	-	-	-	-	47,055	-	-	47,055
Purchased	-	1,329	-	-	-	749	-	2,078
Acquired through business acquisitions (note 4)	-	8,005	-	-	-	1,149	-	9,154
Impairment	-	-	-	-	(1,580)	-	-	(1,580)
Derecognition of fully amortized assets	-	-	-	-	-	(949)	-	(949)
Effects of movements in exchange rates	(518)	(1,292)	(19)	(164)	(376)	(127)	-	(2,496)
Balance, December 31, 2021	\$ 105,652	\$ 441,965	\$ 10,096	\$ 19,980	\$ 185,138	\$ 14,833	\$ 155	\$ 777,819
Accumulated amortization								
Balance, January 1, 2020	\$ -	\$ 185,842	\$ 27,634	\$ 7,374	\$ 37,051	\$ 3,217	\$ 101	\$ 261,219
Amortization	-	28,977	12,348	3,776	20,813	4,098	-	70,012
Disposals on business divestiture (note 4)	-	(17,026)	-	-	(301)	(55)	-	(17,382)
Derecognition of fully amortized assets	-	(2,618)	(32,506)	-	(5,419)	(783)	-	(41,326)
Effects of movements in exchange rates	-	(856)	186	(41)	352	(145)	-	(504)
Balance, December 31, 2020	-	194,319	7,662	11,109	52,496	6,332	101	272,019
Amortization	70,000	28,157	899	3,679	25,005	5,612	-	133,352
Derecognition of fully amortized assets	-	-	-	-	-	(949)	-	(949)
Effects of movements in exchange rates	-	(43)	4	(74)	(102)	13	-	(202)
Balance, December 31, 2021	\$ 70,000	\$ 222,433	\$ 8,565	\$ 14,714	\$ 77,399	\$ 11,008	\$ 101	\$ 404,220
Carrying amount								
Balance December 31, 2020	\$ 106,170	\$ 239,604	\$ 2,453	\$ 9,035	\$ 87,543	\$ 7,679	\$ 54	\$ 452,538
Balance December 31, 2021	\$ 35,652	\$ 219,532	\$ 1,531	\$ 5,266	\$ 107,739	\$ 3,825	\$ 54	\$ 373,599

As at December 31, 2021, \$35,829 (2020 – \$23,295) of internally-developed software remained under development and had not been put into use.

On May 17, 2021, the Company changed its legal entity name and rebranded from Morneau Shepell Inc. to LifeWorks Inc. As a result, the Company reassessed the useful life of the Shepell trade name and recorded accelerated amortization of \$70,000 (\$51,420 after-tax) to reduce the carrying value of the intangible asset to \$nil.

Impairment test of indefinite-lived intangible assets:

For the purposes of impairment testing, the cash flows associated with the Company's trade name (LifeWorks) has been allocated to the Integrated Health Solutions CGU. In accordance with our policy described in note 3(j), an impairment test for the trade name was performed as part of the impairment testing of non-financial assets included in the Integrated Health Solutions CGU (see note 9), and no impairment charge was required.

9. Goodwill:

(i) The change in goodwill was as follows:

Balance January 1, 2020	\$ 607,151
Disposed through business divestiture (note 4)	(18,047)
Effects of movements in exchange rates	(3,225)
Balance December 31, 2020	585,879
Acquired through business acquisitions (note 4)	9,064
Effects of movements in exchange rates	(1,802)
Balance December 31, 2021	\$ 593,141

(ii) Impairment test of goodwill

For the purposes of impairment testing, goodwill has been allocated to the Company's CGUs, which represent the Company's operating segments and the lowest level within the Company at which goodwill is monitored for internal management purposes, as defined in IAS 36. The aggregate carrying amount of goodwill allocated to each CGU prior to the recognition of any impairment charges was as follows:

	December 31, 2021	December 31, 2020
Integrated Health Solutions (formerly Well-Being Solutions)	\$ 392,714	\$ 384,832
Administrative Solutions	77,760	78,000
Retirement and Financial Solutions (formerly Retirement Solutions)	101,057	101,370
Health and Productivity Solutions	21,610	21,677
Total goodwill	\$ 593,141	\$ 585,879

The Company has four core lines of business, consisting of Integrated Health Solutions, Administrative Solutions, Retirement and Financial Solutions, and Health and Productivity Solutions.

Goodwill impairment is assessed on an annual basis and whenever there is an indication that the asset may be impaired. The valuation techniques, significant assumptions and sensitivities applied in the goodwill impairment test as at December 31, 2021 are described below.

(a) Valuation technique:

As at December 31, 2021, the recoverable amount of each CGU was calculated based on fair value less cost to sell ("FVLCS") using an income approach to estimate its fair value.

The FVLCS is predicated upon the value of the future cash flows that the business is expected to generate going forward. The discounted cash flow ("DCF") method was used, which involved projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risks associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, EBITDA margins, prevailing tax rates, and discount rates, which are Level 3 inputs based on the fair value hierarchy.

The significant assumptions and sensitivities of this methodology considered are described below.

(b) Growth and EBITDA margins:

The assumptions used were based on the Company's internal forecasts. The Company projected revenue, EBITDA margins, working capital, and capital expenditures for a period of five years, and applied a perpetual long-term growth rate thereafter. Customer retention rates, past experience, economic trends (i.e., GDP, CPI, interest rate, and unemployment rate projections), and human resource industry and market trends were also considered in deriving these forecasts. A terminal growth rate of 2.5% was applied in determining the recoverable amount of all the CGUs.

(c) Discount rate:

A discount rate was required in order to calculate the present value of projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") applicable to each CGU. The WACC is an estimate of the overall required after-tax rate of return on investment required by all investors of capital and serves as the basis for developing the appropriate discount rate. Determination of the discount rate requires separate analysis of the cost of equity and debt, and considers a market risk premium based on an assessment of specific risks related to the projected cash flows of each CGU. Discount rates represent the volatility assessment of expected cash flows based on past performance, competition, market conditions, and other factors.

The following discount rates were applied in determining the recoverable amount of the CGUs at December 31, 2021:

Integrated Health Solutions	8.5%
Administrative Solutions	8.5%
Retirement and Financial Solutions	8.5%
Health and Productivity Solutions	8.9%

The recoverable amounts of the Retirement and Financial Solutions, Administrative Solutions, Integrated Health Solutions, and Health and Productivity Solutions CGUs assessed as at December 31, 2021 and 2020 were all in excess of their respective carrying amounts.

The Company has also performed a sensitivity analysis on the terminal growth rate and discount rate in assessing the recoverable amounts of each of the CGUs. Sensitivity analysis indicates that reasonable changes to key assumptions will not result in an impairment loss in any of the CGUs.

10. Trade and other payables:

The Company's trade and other payables comprise the following:

	December 31, 2021	December 31, 2020
Trade payables and accrued liabilities	\$ 50,721	\$ 46,441
Accrued salaries and compensation	44,971	39,536
Other current liabilities	5,914	7,669
Total trade and other payables	\$ 101,606	\$ 93,646

11. Deferred revenue:

The Company's deferred revenue comprises the following:

	December 31, 2021	December 31, 2020
Balance at January 1	\$ 44,666	\$ 37,896
Additions	57,714	44,397
Revenue recognized	(59,786)	(37,383)
Effects of movements in exchange rates	(467)	(244)
Balance at December 31	42,127	44,666
Less current portion	21,946	18,258
Non-current portion	\$ 20,181	\$ 26,408

Deferred revenue represents the excess of retainer amounts billed over revenue earned on service contracts, and prepayments from clients for implementation services yet to be recognized. The amount is recognized as revenue in profit over time as services are rendered, which is expected to occur over the next year for the current portion and over up to five years for the majority of the non-current portion.

12. Provisions:

	December 31, 2021	December 31, 2020
Restructuring provision	\$ 5,449	\$ -
Contingency reserve	5,636	1,470
Sublease loss provision	9,361	11,594
	20,446	13,064
Less current portion	15,465	4,100
Non-current portion	\$ 4,981	\$ 8,964

The following table presents the movement in provisions for the years ended December 31, 2021 and 2020:

	Restructuring and other provision	Contingency reserve	Sublease loss provision	Total provisions
Balance, January 1, 2020	\$ -	\$ 491	\$ 2,382	\$ 2,873
Accrual and accretion	-	1,097	11,215	12,312
Utilization	-	(118)	(2,003)	(2,121)
Balance, December 31, 2020	-	1,470	11,594	13,064
Accrual and accretion	11,569	4,284	636	16,489
Utilization	(6,120)	(118)	(2,869)	(9,107)
Balance, December 31, 2021	\$ 5,449	\$ 5,636	\$ 9,361	\$ 20,446

During the year ended December 31, 2021, the Company incurred \$11,569 (2020 – \$nil) of expense related to restructuring the organization to better serve its customers and support its strategic plan. This cost primarily comprises employee termination benefits and professional services fees and is based on a detailed plan agreed upon between management and employee representatives.

The Company has recognized sublease loss provisions associated with the lease of excess office space, which has been initially measured at the discounted present value of the minimum rental payments liable on the subleased properties and related commissions, net of estimated sublease income related to these premises, and subsequently measured each period-end at best estimate. The rental payments and sublease income included in the measurement of the sublease loss provisions relate to the non-lease components of the Company's real estate leases, such as operating costs.

In July 2020, the Company signed a lease agreement for a new Toronto head office location, which replaced three other offices in the Greater Toronto Area. As a result, the Company incurred a penalty to terminate one lease early, and plans to exit the other leases prior to the end of their respective lease terms. Due to the planned relocation, the Company recognized a loss provision for the year ended December 31, 2020, net of estimated sublease income, of \$10,300 associated with leases of excess office space and other related lease exit costs.

The Company has also recognized provisions for expenditures related to contingency reserves on legal matters that the Company may become aware of in the normal course of operations. The estimate of the contingency reserve corresponds to the expenditure expected to be incurred by the Company to settle its obligation.

13. Debt obligations:

The Company's debt obligations can be broken down as follows:

	December 31, 2021	December 31, 2020
Term loan	\$ 100,000	\$ -
Revolving credit facility	353,868	413,967
Less: debt issuance costs, net of accumulated amortization	(1,182)	(2,043)
	452,686	411,924
Less: current portion	99,960	-
Long-term portion of debt	\$ 352,726	\$ 411,924

On April 17, 2020 the Company entered into an Amended and Restated Credit Facility Agreement (the "Credit Facility Agreement"), which amended the Company's previous arrangement (the "Prior Agreement"). The key changes to the Credit Facility Agreement include:

- The Company obtained an incremental \$100,000 of committed capacity ("Incremental Facility") which matures 364 days from closing.
- The consolidated debt to Adjusted EBITDA financial covenant will remain at a level not to exceed 4.0:1.0 until maturity of the Credit Facility Agreement.

On April 15, 2021, under the Credit Facility Agreement, the Company extended its \$100,000 incremental facility for an additional 364 days and changed it from a revolving credit facility to a term loan facility ("Term Loan"). The Company drew from the Term Loan, which charges a lower applicable margin, and used the proceeds to pay down an equivalent amount of the revolving facility. There were no material changes to the other terms of the Credit Facility Agreement.

As a result of the above amendment, as at December 31, 2021, the Company had a revolving facility of \$600,000 (including a swing line of \$14,000) which matures on July 27, 2023 and the \$100,000 Term Loan which matures on April 14, 2022.

Borrowings under the Credit Facility Agreement bear interest at CDOR or Canadian Prime plus a specified margin for borrowings in Canadian dollars. Borrowings in US dollars under the Credit Facility Agreement bear interest at US Base Rate or LIBOR plus a specified margin. The specified margin may vary up or down depending on the ratio of the Company's consolidated debt to Adjusted EBITDA, as defined in the Credit Facility Agreement. The Credit Facility Agreement is secured by a general assignment of all the assets of the Company and requires the Company to maintain, on a consolidated basis, a debt to Adjusted EBITDA financial covenant of not more than 4.0:1.0 and an EBITDA to interest expense ratio of not less than 2.0:1.0.

As at December 31, 2021, the Company had borrowed \$100,000 (December 31, 2020 - \$nil) under the Term Loan, \$267,658 (December 31, 2020 - \$314,657) and \$86,210 (US\$68,000) (December 31, 2020 - \$99,310; US\$78,000) under the revolving facility, and did not utilize the swing line (2020 - \$6,613 utilized).

As at December 31, 2021, the Company complied with all of the required financial covenants of the Credit Facility Agreement.

Management of capital

The Company views its capital as the combination of its cash (bank indebtedness), debt obligations and equity attributable to equity-holders of LifeWorks Inc. As at December 31, 2021 the Company's capital is \$1,022,388 (December 31, 2020 - \$1,072,679), comprised of \$436,433 (December 31, 2020 - \$415,972) debt obligations and cash net of bank indebtedness, and \$585,955 (December 31, 2020 - \$656,707) of equity. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern while maintaining dividends to its shareholders and the growth of the Company's business through organic growth and new acquisitions.

The Company manages the capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as taking into consideration changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new or repurchase existing shares and assume new or repay existing debt.

No changes were made to the objectives, policies or processes for managing capital during the year.

The credit facilities require the Company to maintain certain financial covenants. Management also uses these ratios as key indicators in managing the Company's capital. Dividends are made to shareholders monthly. Ratios of dividends to free cash flow, cash from operating activities, and EBITDA are used by management to assist with the determination of dividends.

The Company is subject to externally imposed capital requirements to maintain certain financial covenants as mentioned above. The Company complied with all the required financial covenants at December 31, 2021.

Finance costs

As at December 31, 2021 the Company has syndicated interest rate swap agreements for an aggregate notional amount of \$180,000 to hedge against the variable interest rate component on amounts borrowed under the Credit Facility Agreement. The interest rate swap agreements have a fixed interest rate of 2.59% before the applicable margin for notional amount of \$130,000 for the period from December 5, 2018 to July 27, 2023 and a fixed interest rate of 0.59% before the applicable margin for notional amount of \$50,000 for the period from February 8, 2021 to July 27, 2023.

The Company's finance costs comprise the following:

	December 31, 2021	December 31, 2020
Interest on term loan, revolving loan, bank indebtedness and other charges	\$ 14,482	\$ 18,128
Interest and accretion on convertible debenture	–	45
Amortization of debt issuance costs	981	1,101
Accretion expense	382	1,776
Net finance costs on leases	6,407	5,846
Total finance costs	\$ 22,252	\$ 26,896

14. Financial instruments:

(a) Financial risk management:

The Company's financial instruments are exposed to certain financial risks, including interest rate risk, credit risk, currency risk and liquidity risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

i. Interest rate risk:

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. Specifically, the Company is subject to interest rate risk as its long-term debt bears interest at market rates. Interest rate swap agreements are used as part of the Company's program to manage the floating interest rate mix of the Company's total debt outstanding and related overall cost of borrowing.

The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based.

Interest rate sensitivity analysis:

A sensitivity analysis that assumes interest rates increased or decreased by 50 basis points with all other variables held constant would result in an increase or decrease of the Company's interest expense, excluding the interest subjected to interest-rate swap agreements, by approximately \$1,300 (2020 – \$1,400).

ii. Credit risk:

The Company's exposure to credit risk is limited to the carrying amount of cash, investments held in trust, unbilled fees (which are contract assets), and accounts receivable recognized at the reporting date.

As a result of the changes in market conditions due to the ongoing COVID-19 pandemic, the Company re-evaluated its credit risk and concluded that no major changes to existing strategies were necessary in addition to those already disclosed in the notes to these consolidated financial statements. The Company will continue to monitor and re-evaluate this risk as the COVID-19 pandemic and its associated impacts continue to unfold.

An allowance for ECLs was required on accounts receivable (note 5); however, no allowance was required on unbilled fees as of December 31, 2021. The Company determines its allowance for ECLs for non-payment and delinquent accounts based on historic trends of the probability of default, the 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's bad debt expense for the year ended December 31, 2021 was \$(309) (2020 – \$5,035).

The Company believes that the credit risk of accounts receivable and unbilled fees is limited for the following reasons:

- (a) Risk associated with concentration of credit risk with respect to accounts receivable and unbilled fees 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.

The credit risk on cash and investments held in trust is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

iii. Currency risk:

The Company realizes a portion of sales and related expenses in foreign currency including U.S. dollar, Australian dollar, euro, British pound and Indian rupee and is exposed to fluctuations in the value of these currencies relative to the Canadian dollar. Each of the Company's foreign operations has functional currencies that differ from the Canadian dollar and thus any fluctuations in the value of these currencies relative to the Canadian dollar on the Company's foreign operations' net assets will result in a change in other comprehensive income for the year. The net revenue exposure after accounting for related expenses denominated in foreign currencies for the year ended December 31, 2021 was approximately \$114,000 (2020 – \$147,100).

Foreign exchange sensitivity analysis:

As at December 31, 2021, the Company's net exposure to currency risk through its current assets and current liabilities denominated in U.S. dollars was US\$30,189 (December 31, 2020 – US\$34,394). An appreciation (depreciation) of the Canadian dollar against the U.S. dollar would have resulted in an increase (decrease) of approximately \$1,900 (2020 – \$2,190) in the Company's comprehensive income as a result of the Company's net exposure to currency risk through its current assets and current liabilities denominated in U.S. dollars. This analysis is based on a foreign currency exchange rate variance of 5% which the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The Company's net exposure to other foreign currencies is not significant.

iv. Market price risk

Market price risk is the risk that changes in market prices, such as fluctuations in the price of our common shares, will affect our income, cash flows, or the value of our financial instruments.

The Company's liability related to the Phantom Units is remeasured at fair value each period. Share-based compensation expense is affected by changes in the price of the Company's common shares during the life of an award, including Phantom RSUs, Phantom PSUs, Phantom DSUs and Phantom Director DSUs. The Company uses total return swap derivatives from time to time to manage the exposure to the share-based compensation liability. As a result of the derivatives, a one-dollar change in the price of a common share would not have a material effect on net income.

v. 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 and actual cash flows, and also through the management of its capital structure and financial leverage as outlined in note 13.

As a result of market conditions due to the ongoing COVID-19 pandemic during 2020 and 2021, the Company re-evaluated its liquidity risk and concluded that no major changes to existing strategies were necessary in addition to those already disclosed in the notes to these consolidated financial statements. The Company will continue to monitor and re-evaluate this risk as the COVID-19 pandemic and its associated impacts continue to unfold.

The Company's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, capital expenditures, dividends to shareholders and acquisition funding requirements. The Company has historically utilized cash from operations to satisfy the above needs, with the exception of acquisition funding requirements.

The tables below set forth non-derivative and derivative financial liabilities by maturity based on the remaining period from December 31 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, excluding lease liabilities which are disclosed in note 15.

2021	< 1 year	1-2 years	3-5 years
Non-derivative financial liabilities:			
Bank indebtedness	\$ 2,010	\$ -	\$ -
Trade and other payables	101,606	-	-
Dividends payable	4,505	-	-
Insurance premium liabilities	13,425	-	-
Future consideration related to acquisitions	1,930	295	-
Debt obligations	100,000	353,868	-
Derivative financial liabilities:			
Interest rate and total return swaps	3,978	628	-
Total	\$ 227,454	\$ 354,791	\$ -

2020	< 1 year	1-2 years	3-5 years
Non-derivative financial liabilities:			
Bank indebtedness	\$ 12,784	\$ -	\$ -
Trade and other payables	93,646	-	-
Dividends payable	4,470	-	-
Insurance premium liabilities	11,351	-	-
Future consideration related to acquisitions	521	50	-
Debt obligations	-	-	413,967
Derivative financial liabilities:			
Interest rate swaps	2,786	2,623	1,527
Total	\$ 125,558	\$ 2,673	\$ 415,924

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(b) Fair values:

Fair value represents Management's estimates at a given point in time. The fair value of the Company's financial assets and liabilities, with the exception of short-term and long-term debt, approximate their carrying values due to their short-term nature. The fair value of debt obligations approximates their carrying values as the variable rates are reflective of market terms.

The following table summarizes information regarding the carrying value, fair value and level used to determine the fair value measurement of the Company's financial assets and liabilities carried at fair value:

	Carrying Value and Fair Value		Level
	December 31, 2021	December 31, 2020	
Assets carried at fair value:			
Interest rate swaps	\$ 594	\$ -	2
Total	\$ 594	\$ -	
Liabilities carried at fair value:			
Interest rate and total return swaps	\$ 4,606	\$ 6,936	2
Phantom Plan liability	3,359	-	2
Future consideration related to acquisitions (contingent portion)	568	554	3
Total	\$ 8,533	\$ 7,490	

During the year ended December 31, 2021, there were no transfers between any levels.

The Company utilizes interest rate swaps to manage interest rate risk related to its Credit Facility Agreement (note 13) and total return swaps to manage equity price risk exposure related to share-based compensation plans that are accounted for as liabilities (note 18). The fair values of the swaps are based on valuations received from the derivative counterparties, which Management evaluates for reasonability. The Company maximizes the use of observable inputs within the valuation model, and the valuation is classified as Level 2. Fair values reflect the credit risks of the instruments and include adjustments to take account of the credit risk of the Company and the derivative counterparties when appropriate.

As at December 31, 2021 the Company has syndicated interest rate swap agreements for an aggregate notional amount of \$180,000 maturing July 2023. The fair value of interest rate swaps at December 31, 2021 was a net liability of \$2,094 (December 31, 2020 net liability - \$6,936 on a notional amount of \$130,000).

The total return swaps have an aggregate notional amount of \$9,180 with maturity dates from March to May 2022. The fair value of the total return swaps at December 31, 2021 was a liability of \$1,918 (December 31, 2020 - nil). The duration of the swaps can be extended to match the vesting periods of the share-based compensation awards.

The interest rate swaps have been designated as cash flow hedges for hedge accounting treatment under IFRS 9. The changes in fair value of interest rate swaps designated as cash flow hedges are recognized in other comprehensive (loss) income, except for any ineffective portion, which is recognized immediately in other operating expenses. As at December 31, 2021 and 2020, all hedges related to interest rate swaps were considered effective.

The total return swaps have been designated as cash flow hedges for unvested share-based compensation awards and as economic hedges for vested share-based compensation awards. The changes in fair value of total return swaps designated as cash flow hedges are recognized in other comprehensive (loss) income. The changes in fair values of the swaps designated as economic hedges are recognized in other operating expenses. As at December 31, 2021, all hedges related to total return swaps were considered effective.

Future consideration related to acquisitions

The following table indicates the changes in the discounted future consideration related to acquisitions during the year ended December 31, 2021 and December 31, 2020:

Future consideration related to acquisitions	2021	2020
Balance at January 1	\$ 554	\$ 23,866
Additions	2,918	-
Settlements of deferred and contingent acquisition payments	(1,318)	(23,364)
Accretion	382	1,520
Foreign exchange and other	(417)	(1,468)
Balance at December 31	\$ 2,119	\$ 554

The future consideration related to acquisitions is a financial instrument carried at fair value through profit or loss. In these acquisitions, there is a clause that entitles the seller to an amount based on exceeding certain targets. The fair value of the future consideration related to these acquisitions is determined considering the estimated payment, discounted to present value (Level 3). The undiscounted deferred payments and contingent consideration remaining to be paid for these acquisitions range from a contractual amount of \$nil to a contractual maximum as follows:

	December 31, 2021	December 31, 2020
Ascender B.V.	\$ 1,031	\$ -
SMG Health Pty Ltd.	921	-
Other acquisitions	273	571
Total undiscounted consideration	\$ 2,225	\$ 571

The estimated payments for contingent consideration are calculated considering different scenarios of projected revenue, and the amount to be paid under each scenario, weighted by the probability of each scenario. The key unobservable inputs include anticipated revenue and the discount rate. The estimated fair value increases the higher the annual revenue, and the lower the discount rate, with estimated payments being limited to a contractual maximum for each of the acquisitions.

Management considers that changing the above-mentioned unobservable inputs to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

Financial instruments carried at amortized cost:

Cash, bank indebtedness, trade and other receivables, income taxes receivable (payable), cash and investments held in trust, trade and other payables, insurance premium liabilities, dividends payable, and short-term and long-term debt are carried at amortized cost, which approximates their fair value because of their short-term nature.

15. Leases:

The following table sets out a maturity analysis of lease liabilities, showing the undiscounted lease payments to be made after the reporting date.

	December 31, 2021	December 31, 2020
< 1 year	\$ 24,598	\$ 23,420
1-2 years	20,212	24,258
3-5 years	38,311	52,420
> 5 years	81,304	84,461
Total	\$ 164,425	\$ 184,559
Discounting	(36,429)	(42,409)
Lease liabilities	\$ 127,996	\$ 142,150

The Company's lease liabilities comprise the following:

	2021	2020
Balance at January 1	\$ 142,150	\$ 99,127
Additions (including leases from business acquisitions)	2,980	58,770
Lease extensions, terminations and other	(645)	(507)
Payments	(22,655)	(21,105)
Interest expense	6,532	6,074
Effect of movements in exchange rates	(366)	(209)
Balance at December 31	127,996	142,150
Less current portion	22,784	19,506
Non-current portion	\$ 105,212	\$ 122,644

The following table sets out a maturity analysis of finance lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	December 31, 2021	December 31, 2020
< 1 year	\$ 1,630	\$ 1,509
1-2 years	943	1,115
3-5 years	-	335
Total	\$ 2,573	\$ 2,959
Discounting	(71)	(172)
Finance lease receivables	\$ 2,502	\$ 2,787

The Company's finance lease receivables comprise the following:

	2021	2020
Balance at January 1	\$ 2,787	\$ 5,016
Additions	1,111	-
Disposals	-	(607)
Receipts	(1,505)	(1,837)
Interest income	124	228
Effect of movements in exchange rates	(15)	(13)
Balance at December 31	2,502	2,787
Less current portion	1,584	1,396
Non-current portion	\$ 918	\$ 1,391

16. Income taxes:

The income taxes recognized in profit or loss comprise the following:

	December 31, 2021	December 31, 2020
Current tax expense:	\$ 12,241	\$ 5,613
Deferred tax benefit:		
Origination and reversal of temporary differences	(25,135)	7,957
Effect of changes in tax rates	1,370	884
	(23,765)	8,841
Total income tax (recovery) expense	\$ (11,524)	\$ 14,454

The difference between income taxes calculated using the Company's effective income tax rates and the amounts that would result from the application of the statutory income tax rates arises from the following:

	December 31, 2021	December 31, 2020
Income taxes statutory rates:		
Federal	15.00%	15.00%
Provincial	11.54%	11.66%

	December 31, 2021	December 31, 2020
Income tax provision applied to profit before income taxes:		
Combined basic federal and provincial income taxes at statutory rates	\$ (9,481)	\$ 18,763
Effect of tax rates in foreign jurisdictions	(3,283)	(1,964)
Non-deductible expenses	129	251
Adjustment to deferred income tax liabilities for change in income tax rate	1,370	884
Adjustment for income relating to gain on divestiture of non-financial assets	-	(4,248)
Other	(259)	768
Total income tax (recovery) expense	\$ (11,524)	\$ 14,454

The income taxes recognized on components of other comprehensive income (loss) for the years ended December 31, 2021 and 2020 are as follows:

	Before taxes	Tax recovery	2021 Net of taxes
Change in fair value of interest rates swaps	\$ 3,790	\$ (1,006)	\$ 2,784
Actuarial gain on post-employment benefit plans	35	(9)	26
Total	\$ 3,825	\$ (1,015)	\$ 2,810

	Before taxes	Tax recovery	2020 Net of taxes
Change in fair value of interest rates swaps	\$ (4,307)	\$ 1,140	\$ (3,167)
Actuarial loss on post-employment benefit plans	(4)	1	(3)
Total	\$ (4,311)	\$ 1,141	\$ (3,170)

The Company has tax losses that expire commencing in 2041 available to offset future taxable income of \$20,870 (December 31, 2020 – \$10,577), as set out below:

	December 31, 2021	Expiry date	December 31, 2020	Expiry date
Expire	\$ 19,363	2041	\$ 9,107	2035–2037
Never expire	1,507		1,470	
Total tax losses	\$ 20,870		\$ 10,577	

The approximate tax effect of each item that gives rise to the Company's deferred tax assets and liabilities and movement in temporary differences during the year 2021:

	Balance, January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Acquisition & other	Balance at December 31, 2021
Loss carry forward	\$ 2,803	\$ 2,738	\$ -	\$ -	\$ -	\$ 5,541
Deferred lease obligations	9,518	1,617	-	-	-	11,135
Deferred revenue	8,081	(907)	-	-	-	7,174
Share issuance cost	1,088	(545)	-	-	-	543
Other assets	5,622	395	(1,015)	-	-	5,002
Deferred implementation cost	(19,521)	(636)	-	-	-	(20,157)
Capital assets	170	(818)	-	-	-	(648)
Intangible assets	(104,098)	18,056	-	-	(2,291)	(88,333)
Other liabilities	(19,917)	3,865	-	1,337	(880)	(15,595)
Total	\$(116,254)	\$ 23,765	\$ (1,015)	\$ 1,337	\$ (3,171)	\$ (95,338)

The approximate tax effect of each item that gives rise to the Company's deferred tax assets and liabilities and movement in temporary differences during the year 2020:

	Balance, January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Acquisition & other	Balance at December 31, 2020
Loss carry forward	\$ 5,745	\$ (2,942)	\$ -	\$ -	\$ -	\$ 2,803
Work in progress	1,874	(1,874)	-	-	-	-
Deferred lease obligations	5,713	3,805	-	-	-	9,518
Deferred revenue	6,815	1,266	-	-	-	8,081
Share issuance cost	1,633	(545)	-	-	-	1,088
Other assets	4,087	394	1,141	-	-	5,622
Deferred implementation cost	(16,641)	(2,880)	-	-	-	(19,521)
Capital assets	(2,758)	2,928	-	-	-	170
Intangible assets	(99,129)	(4,969)	-	-	-	(104,098)
Other liabilities	\$ (10,230)	\$ (4,024)	\$ -	\$ 331	\$ (5,994)	\$ (19,917)
Total	\$(102,891)	\$ (8,841)	\$ 1,141	\$ 331	\$ (5,994)	\$(116,254)

17. Employee future benefits:

For the year ended December 31, 2021, the Company's contributions to its defined contribution plan were \$9,823 (2020 - \$9,055), which are included in salary, benefits and contractor expenses in the consolidated statements of income and comprehensive income.

The defined benefit option was closed effective January 1, 1998 and included 48 members as at December 31, 2021 (December 31, 2020 - 51 members), comprising active employees, retirees, and deferred vested members. All other employees are covered by the defined contribution option of the plan.

The pension benefit plan is administered by LifeWorks Ltd. and is registered under the *Pension Benefits Act* (Ontario).

(a) Funding:

The defined benefit option is funded by the Company based on the pension plan's actuaries' calculation. The members are not required to contribute to the defined benefit option.

(b) Amounts recognized in the consolidated financial statements:

The amounts recognized in the consolidated statements of financial position in respect of the defined benefit option are determined as follows:

	December 31, 2021	December 31, 2020
Defined benefit obligations	\$ (4,608)	\$ (5,080)
Fair value of plan assets	4,695	5,107
Asset in the consolidated statements of financial position	\$ 87	\$ 27

The movement in the defined benefit obligation during the year is as follows:

	December 31, 2021	December 31, 2020
Defined benefit obligations at January 1	\$ 5,080	\$ 4,813
Included in profit or loss:		
Current service cost	11	11
Interest cost	92	144
	103	155
Included in other comprehensive (loss) income:		
Changes in financial assumptions	(317)	358
Other:		
Benefits paid by the plan	(258)	(246)
Defined benefit obligations at December 31	\$ 4,608	\$ 5,080

The movement in the fair value of plan assets during the year is as follows:

	December 31, 2021	December 31, 2020
Fair value of plan assets at January 1	\$ 5,107	\$ 4,845
Included in profit or loss:		
Estimated interest income on plan assets	120	147
Included in other comprehensive income:		
Return on plan assets (lower than) in excess of estimated interest income	(282)	354
Other:		
Employer contributions	8	7
Benefits paid	(258)	(246)
	(412)	262
Fair value of plans assets at December 31	\$ 4,695	\$ 5,107

The movement in the impact of the minimum funding requirement/asset is not material.

(c) Plan Assets:

The allocation of fair value of plan assets as a percentage of total plan assets was as follows:

	December 31, 2021	December 31, 2020
Cash	1%	1%
Pooled Bond Fund	99%	99%
	100%	100%

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the pension plan's proportionate share of the fair value of the underlying net assets.

The strategic investment policy of the defined benefit option of the pension plan, implemented in 2013, can be summarized as follows:

The asset allocation policy was reviewed at the end of 2021 to implement a liability-driven strategy. The bond portfolio is structured to minimize interest rate risk to reduce the volatility of pension assets relative to the plan's liabilities. The target asset mix is 97.5% in fixed income (liability hedging) and 2.5% in Money Market

(d) Actuarial assumptions:

The principal actuarial assumptions were as follows:

	December 31, 2021	December 31, 2020
Discount rate at the end of the current fiscal period used to determine the accrued benefit obligation	3.0%	2.4%
Discount rate at the end of preceding period used to determine the benefit cost	2.4%	3.1%
Rate of compensation increase used to determine the accrued benefit obligation	3.5%	3.5%
Rate of compensation increase used to determine the benefit cost	3.5%	3.5%

(e) Mortality assumptions:

Assumptions regarding future mortality experience are based on published statistics and mortality tables.

The calculation of the defined benefit obligation is sensitive to mortality assumptions. For the Company, an increase in life expectancy of one year across all age groups would result in a \$162 increase in the defined benefit obligation as of December 31, 2021.

18. Long-term incentive plan and Phantom plan:

a) Phantom Plan

On November 10, 2020, the Company adopted a new employee Phantom plan to replace the 2017 LTIP plan starting in 2021. The Company may grant Phantom RSUs, Phantom PSUs and Director DSUs (collectively, the “Phantom Units”).

The number of Phantom Plan awards outstanding and their related weighted average grant prices for the year ended December 31, 2021 were as follows:

	RSU	PSU	Director DSU	Total
Awards outstanding, January 1, 2021	-	-	-	-
Granted (average \$32.43 per unit)	285,563	63,356	33,974	382,893
Forfeited	(7,591)	-	-	(7,591)
Awards outstanding, December 31, 2021	277,972	63,356	33,974	375,302
Total vested awards, December 31, 2021	-	-	-	-
Share-based compensation expense, year ended December 31, 2020				\$nil
Share-based compensation expense, year ended December 31, 2021				\$ 3,359

As at December 31, 2021, the Company had a total liability recognized at its fair value of \$3,359 (2020 – \$nil) related to the Phantom Plan, which is included in Trade and other payables in the consolidated statement of financial position.

b) LTIP Plan

Under the Company’s 2017 LTIP Plan, the Company granted participants RSUs, PSUs and DSUs. Under the Company’s Director DSU plan, the Company granted non-employee directors Director DSUs. RSUs, DSUs, PSUs and Director DSUs are collectively referred to as “LTIP Units”.

The change in the number of LTIP Plan awards outstanding and their related weighted average grant prices for the years ended December 31, 2021 and 2020 were as follows:

	RSU	PSU	DSU	Director DSU	Total
Awards outstanding, January 1, 2020	499,530	61,787	1,573,205	161,369	2,295,891
Granted (average \$29.67 per unit)	244,015	97,295	33,074	49,716	424,100
Exercised	(183,746)	(42,893)	(389,038)	(65,237)	(680,914)
Forfeited	(32,917)	-	(9,780)	-	(42,697)
Awards outstanding, December 31, 2020	526,882	116,189	1,207,461	145,848	1,996,380
Granted	-	-	25,232	-	25,232
Exercised	(178,195)	(26,755)	(325,885)	-	(530,835)
Forfeited	(12,720)	-	(279)	-	(12,999)
Awards outstanding, December 31, 2021	335,967	89,434	906,529	145,848	1,477,778
Total vested awards, December 31, 2020	-	-	1,188,770	125,749	1,314,519
Total vested awards, December 31, 2021	-	-	923,691	162,004	1,085,695
Share-based compensation expense, year ended December 31, 2020					\$ 7,019
Share-based compensation expense, year ended December 31, 2021					\$ 5,712

19. Equity:

(a) Share capital:

(i) Common shares:

The Company is authorized to issue an unlimited number of common shares, with no par value.

(ii) Preferred shares:

The Company is authorized to issue 10 million preferred shares, with no limit on their value. As of December 31, 2021 and 2020, no preferred shares were issued or outstanding.

(iii) Dividends:

Dividends are declared in Canadian dollars. The monthly dividend rate was \$0.065 for the year ended December 31, 2021 (2020 – \$0.065). The Company continued to declare the same monthly dividend amount in January and February of 2022.

The change in share capital, including contributed surplus, was as follows:

2021	Number of common shares	Share capital	Contributed surplus
Balance, January 1, 2021	68,784,513	\$ 922,189	\$ 25,481
Long-term incentive plan – issuance	–	–	5,712
Long-term incentive plan – redemption	530,835	8,333	(6,996)
Balance, December 31, 2021	69,315,348	\$ 930,522	\$ 24,197

2020	Number of common shares	Share capital	Contributed surplus
Balance, January 1, 2020	66,542,725	\$ 872,981	\$ 27,667
Long-term incentive plan – issuance	–	–	7,019
Long-term incentive plan – redemption	680,914	9,535	(9,205)
Shares issued upon conversion of convertible debentures	1,560,874	39,673	–
Balance, December 31, 2020	68,784,513	\$ 922,189	\$ 25,481

(b) Accumulated other comprehensive loss (income):

The changes in the components of accumulated other comprehensive loss (income), net of tax, are as follows:

	Cash flow hedge reserve	Post- employment benefit plans	Foreign exchange translation reserve	Total
Balance, January 1, 2020	\$ (1,386)	\$ (470)	\$ 2,652	\$ 796
Actuarial loss on post-employment benefit plans	-	(3)	-	(3)
Effective portion of change in interest rate cash flow hedges	(3,167)	-	-	(3,167)
Foreign currency translation differences for foreign operations	-	-	(7,603)	(7,603)
Balance, December 31, 2020	(4,553)	(473)	(4,951)	(9,977)
Actuarial gain on post-employment benefit plans	-	26	-	26
Effective portion of change in interest rate and total return cash flow hedges	2,784	-	-	2,784
Foreign currency translation differences for foreign operations	-	-	(2,715)	(2,715)
Balance, December 31, 2021	\$ (1,769)	\$ (447)	\$ (7,666)	\$ (9,882)

20. (Loss) earnings per share:

Basic (loss) earnings per share was calculated by dividing profit attributable to common shares by the sum of the weighted average number of common shares outstanding during the period, plus vested LTIP awards.

Diluted earnings per share was calculated using the basic calculation described above, adjusting for the potentially dilutive effect of the total number of additional common shares that would have been issued by the Company on unvested LTIP awards and the redemption of convertible debentures.

The following details the earnings per share, basic and diluted, calculations for the years ended December 31, 2021 and 2020:

	2021	2020
(Loss) profit attributable to common shareholders (basic and diluted)	\$ (24,085)	\$ 55,924
Weighted average number of common shares (in number of shares):		
January 1	68,784,513	66,542,725
Issued on redemption of LTIP	176,864	284,023
Issued on conversion of convertible debenture	-	1,527,765
Vested LTIP awards	1,111,272	1,460,779
Basic	70,072,649	69,815,292
Dilutive effect of unvested LTIP awards ⁽¹⁾	-	367,175
Diluted	70,072,649	70,182,467
Earnings per share:		
Basic	\$ (0.34)	\$ 0.80
Diluted	\$ (0.34)	\$ 0.80

⁽¹⁾ Due to the anti-dilutive impact of 494,714 unvested LTIP awards as at December 31, 2021, no amounts have been included in the calculation of the diluted shares.

21. Segmented information:

The Company provides services in employee and family assistance, health and wellness, recognition, pension and benefits administration, retirement consulting, actuarial and investment services. The Company has four operating segments, consistent with the Company's four lines of business. As at December 31, 2021, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included that the long-term average gross margins and growth rates across the segments are similar, the nature of the services provided by the segments are all related to helping employers with their human resources needs, and the regulatory environments that the segments operate in are similar.

The Company operates primarily within two geographical areas: Canada and the United States. The following details the revenue and total assets by geographical area, reconciled to the Company's consolidated financial statements:

	December 31, 2021	December 31, 2020
Revenue:		
Canada	\$ 591,556	\$ 572,534
United States	355,136	355,522
International	72,657	51,106
Consolidated total	\$ 1,019,349	\$ 979,162

	December 31, 2021	December 31, 2020
Total assets:		
Canada	\$ 817,614	\$ 900,439
United States	487,687	488,771
International	154,030	125,296
Consolidated total	\$ 1,459,331	\$ 1,514,506

22. Supplementary cash flow information:

Change in operating working capital for the years ended December 31, 2021 and 2020 was as follows:

	December 31, 2021	December 31, 2020
Trade and other receivables	\$ (21,495)	\$ 12,052
Unbilled fees, current and non-current	6,871	6,973
Prepaid expenses and other	880	1,883
Deferred implementation costs, current and non-current	(3,309)	(12,358)
Trade and other payables	5,549	(12,717)
Deferred revenue, current and non-current	(3,381)	6,848
	\$ (14,885)	\$ 2,681

Cash (bank indebtedness) reconciliation for the years ended December 31, 2021 and 2020 was as follows:

	December 31, 2021	December 31, 2020
Bank indebtedness	\$ (2,010)	\$ (12,784)
Cash	18,263	8,736
Cash, net of bank indebtedness (Bank indebtedness, net of cash), end of year	\$ 16,253	\$ (4,048)

23. Related parties

These consolidated financial statements include the assets, liabilities, revenue and expenses of the Company's subsidiaries; all intercompany balances and transactions have been eliminated upon consolidation and therefore are not disclosed in this note.

(a) Compensation of key management personnel:

Key management personnel include the Company's executive officers and directors; remuneration related to this group was as follows:

	December 31, 2021	December 31, 2020
Salaries and other benefits	\$ 8,588	\$ 8,550
Share-based payments	5,267	3,885
	\$ 13,855	\$ 12,435

(b) Unconsolidated structured entities:

The Company's wholly owned subsidiary, LifeWorks Investment Management Ltd., is the sponsor of the funds and manages the financial and operating activities of the Company's funds. In exchange, each fund pays an administrative fee ranging from 0.05% to 0.10% of the fund's net asset value to cover regulatory filing fees and reimbursement of operating expenses. The Company does not hold any units of the funds.

The Company is considered to sponsor the funds as it was significantly involved in their design and formation, and has continuing involvement as described above. The Company does not control the funds, and therefore, does not consolidate them. The Company has no interests in the funds apart from the agreements outlined above. The Company did not transfer any assets to the funds during the reporting periods.

(c) Joint Ventures:

The Company has ownership interests in joint ventures that provide employee assistance programs. The Company holds more than half of the ownership interest in certain Chestnut Global Partners Group of Companies ("CGP") entities; however, it does not control these entities due to the Company's limited involvement in daily operations of the joint ventures. The Company has accounted for these investments in joint ventures using the equity method. The following table summarizes the financial information of these joint ventures as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies, as at December 31, 2021.

The table also reconciles the summarized financial information to the carrying amount of the Company's interest in these joint ventures:

	December 31, 2021	December 31, 2020
Current assets	\$ 8,520	\$ 5,797
Non-current assets	971	574
Current liabilities	(955)	(1,006)
Non-current liabilities	(308)	(44)
Net assets (100%)	8,228	5,321
Company's share of net assets	6,625	3,704
Intangible assets	2,940	3,611
Deferred tax liabilities	(927)	(921)
Carrying amount of interest in joint venture	\$ 8,639	\$ 6,394

	December 31, 2021	December 31, 2020
Revenue	\$ 15,717	\$ 11,464
Expense	(11,448)	(9,237)
Profit (100%)	4,269	2,227
Company's share of profit	3,277	1,632
Amortization	(622)	(685)
Share of income	\$ 2,655	\$ 947

The Company had no significant outstanding balances with any of the joint ventures as at December 31, 2021 and December 31, 2020.

24. Revenue:

The following table shows the disaggregation of revenue by the Company's lines of business:

	December 31, 2021	December 31, 2020
Administrative Solutions	\$ 401,584	\$ 395,492
Integrated Health Solutions	404,441	372,742
Retirement and Financial Solutions ⁽¹⁾	116,382	118,499
Health and Productivity Solutions	96,942	92,429
Total operating revenue	\$ 1,019,349	\$ 979,162

⁽¹⁾ Includes other revenues of \$667 (2020 – \$2,227).

25. Salary, benefits and contractors:

The Company's salary, benefit and contractor expenses are comprised of the following:

	December 31, 2021	December 31, 2020
Salaries and other benefits	\$ 591,971	\$ 565,013
Contractors	117,955	103,247
Total salaries, benefits and contractors	\$ 709,926	\$ 668,260

26. Commitments:

The Company has entered into contracts for software licenses that will give rise to annual commitments of approximately \$2,200 per year over the next two years.

27. Contingencies:

(a) Lawsuits and legal claims:

From time to time, the Company is involved in routine litigation incidental to the Company's business. Management believes that adequate provisions have been made where required (note 12) and the ultimate resolution with respect to any claim will not have a material adverse effect on the financial position or results of operations of the Company.

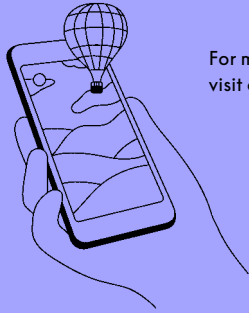
(b) Business combinations:

The Company has obligations to pay contingent consideration for prior acquisitions, typically based upon performance measures contractually agreed at the time of purchase.

As at December 31, 2021, the fair value of the contingent consideration has been recognized as future consideration related to acquisitions in the consolidated statements of financial position.

28. Subsequent Events:

On January 24, 2022, the Company completed the acquisition of Breaking Free Group for a purchase price of \$30,872 (USD \$24,462) subject to working capital adjustments. \$27,717 (USD \$21,962) was paid on closing, with the remainder to be paid after 18 months, subject to satisfactory achievement of holdback conditions. Given the timing of the acquisition and terms of the agreement, the Company is currently in the process of finalizing the allocation of the purchase consideration to the assets acquired and liabilities assumed, which is expected to be completed by the end of the first quarter of 2022.



For more information about LifeWorks,
visit our website lifeworks.com