

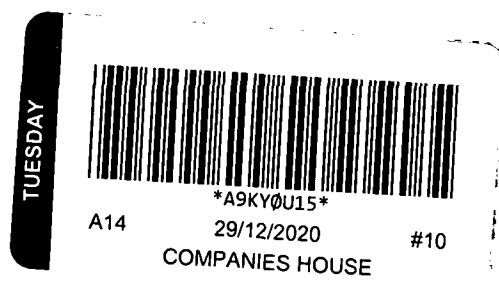
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OPENWORK SERVICES LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2019



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Officers and Professional Advisers

Directors

P Howell
R Houghton
M Knowlton
K Morris

Company Secretary

Quayseco Limited

Registered office

Washington House
Lydiard Fields
Swindon
SN5 8UB

Bankers

Lloyds Bank plc
City Office
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Directors' Report

for the year ended 31 December 2019

The directors present their report, strategic report and the audited consolidated financial statements for Openwork Services Limited ("the Company") for the year ended 31 December 2019.

Principal activities

The Company's principal activity is the provision of human resources and administration services to other companies within the Openwork Holdings Limited group ("the Group").

The Company is incorporated as a private company limited by shares and is domiciled and incorporated in the United Kingdom.

Risk management

The Openwork Services Limited approach to risk management is designed to mitigate against the risk of failure to deliver the Strategic aims for the business. The risk management processes also aim to protect the Company's capital, to support good corporate decision making and to safeguard Openwork Services Limited's customers, reputation and brand.

The key function of risk management at Openwork Services Limited is to promptly identify, measure, manage, report and monitor risks that affect the achievement of strategic, operational and financial objectives.

At the heart of the risk management framework is a governance process with clear responsibilities for taking, managing, monitoring and reporting risks. Openwork Services Limited has a clear description of the roles and responsibilities for risk management throughout the Openwork Management Team, from the Board of Directors to the business and functional areas and through into their teams, thus embedding risk management in the business.

To support the governance process, the Company has in place documented policies and guidelines. The Openwork Risk Policy is the main risk governance document for the business; it specifies the Company's risk appetite, risk limits, reporting requirements, and procedures for referring risk issues to Management and the Board of Directors.

Various governance and control functions across the Openwork Group coordinate to help ensure that all aspects of the risk management process are in place, that risks are identified and appropriately managed and internal controls are in place and operating effectively. Risk management is also aligned with the strategic and operational planning process.

Openwork Services Limited operates a "top down" risk management framework and risk policy, including risk appetites and reporting thresholds, set by the holding company Board and cascaded to subsidiary companies and to executive management. The process of risk identification and assessment operates 'top down', beginning with the identification of strategic risks as part of the annual business and capital planning processes, and 'bottom up', by management through implementation of a day to day 'risk aware' culture. Risks outside appetite are subject to mitigating actions overseen by senior management and the relevant statutory boards including, where appropriate, the Group Risk & Compliance Committee ('RCC'). All major projects are subject to detailed risk assessment with mitigations overseen by senior management and the RCC.

Each member of the Openwork Executive Team is required to manage the risks inherent within their particular business function and to ensure appropriate risk mitigation activity is being delivered.

Through these processes, responsibilities and approach, Openwork Services Limited operates a culture of informed risk taking within its business. The Company will continue to take risks for which it expects an adequate return, or which will assist in the delivery of the strategic aims, provided these do not conflict with the best interests of customers. This approach requires sound judgement and an acceptance that certain risks can and will materialise in the future, but that if these are recognised and confronted, they can be managed effectively.

For details of the Company's financial risk factors and approach to managing these see note 22.

Details of the future developments of the Company are included in the Strategic Report on page 7.

Dividends

The directors do not propose the payment of a dividend (2018: £nil).

Donations

No political donations were made during the year (2018: £nil).

Directors' Report (continued)

for the year ended 31 December 2019

Directors

The directors who served during the year and up to the date of signing the statements were:

P Howell – appointed 9 March 2020
R Houghton – appointed 10 July 2020
K Chidwick – resigned 1 February 2020
M Duckworth – resigned 28 February 2020
M Knowlton – appointed 4 October 2019
K Morris

Qualifying third party indemnity provision

A qualifying indemnity provision provided by a third party covering all directors was in force during the financial year and up to the date of signing the financial statements.

People

Employee involvement

The Company has set policies which are adopted by Group subsidiaries unless in conflict with local laws or regulations or are otherwise inapplicable. The Group involves its people on matters of concern to them and endeavours to achieve a level of employee awareness of the financial and economic factors affecting the performance of the Group. Communication and consultation mechanisms include regular briefing meetings, hosted by directors, where staff have the opportunity to meet and discuss matters of general importance as well as a computer-based news information system.

The Group operated bonus schemes during the year ended 31 December 2019 based on the performance of the Group as well as rewarding individual contribution.

Employee share schemes

The directors recognise the importance of the involvement of employees through share ownership as this both encourages awareness of the Group's financial performance and participation in its success.

To meet its current and future obligations under the above (and any other future plans) 12.862% (31 December 2018: 12.862%) of the ordinary share capital of Openwork Holdings Limited is held by the Openwork Employee Benefit Trust ("EBT").

Employment of disabled staff in the United Kingdom

The Group has committed to equal opportunities for all staff and job applicants. Full and fair consideration is given to both disabled and able-bodied staff where they have the appropriate experience, qualifications and ability to perform the job and to the training, development and promotion of disabled employees. The Group has ensured full compliance with the Disability Discrimination Act. If serving employees become disabled, every effort is made to ensure they remain with the Group through the provision of support, retraining or redeployment, as appropriate.

Policy and practice on payment of creditors

In respect of all its suppliers, it is the Company's policy to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment; and
- abide by the terms of payment.

The Company's average creditor period, calculated by reference to the ratio of trade creditors and accruals at 31 December 2019 to amounts invoiced by suppliers during the year, was 25 days (31 December 2018: 31 days).

Directors' Report (continued)
for the year ended 31 December 2019

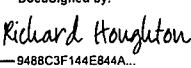
Going concern

After making enquiries and considering the projected impact of COVID-19, the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the immediate 12-month period from the date of signing this report.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Board Meeting.

On behalf of the Board

DocuSigned by:

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Richard Houghton
Director

23 December 2020

Strategic Report

for the year ended 31 December 2019

Review of business and future developments

The Company's result for the year ended 31 December 2019 is a loss before taxation of £12,664k (2018: profit £254k). As at 31 December 2019 the Company is reporting total assets of £80m (2018: £60m).

The Company acts as a services Company bearing all third party and staff expenses (excluding the payments of commission and fees to advisers). The Company generates a small amount of its own income from charges made to enterprises and third parties along with interest, but this is insufficient to cover the expenses incurred. The Company therefore recharges the majority of its net operating expenses to other Group undertakings.

As the Company recharges the management costs on behalf of the Group, the performance of the Company is not considered separately by management. The key performance indicators for the Group are shown in the Group's Directors' Report and financial statements which do not form part of this report.

The Company has performed an impairment review of the carrying value of the intangible assets utilised by the business. This review compared the discounted anticipated future cash flows of the relevant cash generating units with the carrying value of assets as at 31 December 2019 and concluded that the carrying values were impaired by £12,664k in total. The internally generated software referred to as the Concert Programme was impaired by £11,476k and the right-of-use assets impaired by £1,188k. The carrying values were impaired because the relevant cash generating units were the assets themselves as a result of the way the Company recharges costs associated with the assets between other Group entities. These recharges are treated as the cash inflows in the impairment review and due to future recharges being discounted, has resulted in anticipated future cash flows being less than the asset carrying values, resulting in impairment (see note 2.3 for further details). At Group level, there is no impairment relating to these assets for the year ended 31 December 2019 because the cash generating units are not being treated as the individual assets, which only arises due to the recharging the Company undertakes.

The results for the year and the financial position of the Company are shown on pages 12 and 13.

The directors expect the Company will continue to be in a position to recover all expenses incurred for the foreseeable future.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Openwork Holdings Limited group ("the Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on page 5 of the Group's directors' report and financial statements which do not form part of this report.

Section 172(1) statement

As a Board, we have a duty to promote the success of Openwork Services Limited for the benefit of our shareholders, primarily the shareholders of the Openwork Partnership LLP. In doing so, however, we must have regard for the interests of our colleagues, for the success of our relationships with suppliers and customers, for the impact of our operations on the community, and for the desirability of maintaining a reputation for high standards of business conduct. These stakeholder considerations are woven throughout all of our discussions and decisions. Like many businesses, on occasion the interests of one of these groups will conflict with those of others. The Board seeks to ensure that conflicts of interest are avoided wherever possible and that, if these do arise, they are appropriately disclosed and managed. The Company will at all times act fairly across its Shareholders.

In discharging our Section 172 Companies Act 2006 duty we have considered, as a Board, who our key stakeholders are and how their interests should be regarded in relation to the decisions we make.

We consider our key stakeholders to be:

- (1) The Majority Shareholder (and its partners including the Advisers who make up the Openwork Network);
- (2) The Customers of the Advisers;
- (3) Our Regulator, the Financial Conduct Authority;
- (4) Our Community; and
- (5) Our People

The Board also understands that the long-term sustainable success of the Company is dependent on effective engagement with our key stakeholders. We recognise the role that each stakeholder group plays in our success and our responsibilities towards them.

Strategic Report (continued)

for the year ended 31 December 2019

Section 172(1) statement (continued)

Set out below is a summary of some of the key matters considered by the Board during 2019 and how the Board has had regard to the interests of our stakeholders in those decisions.

- The Board oversaw a programme of work to ensure that Openwork Services Limited was satisfied that its internal governance framework was in compliance with the requirements of the Senior Managers & Certification Regime ahead of its implementation on 9 December 2019.

KEY STAKEHOLDER: Our Regulator. Ensuring compliance with the regulatory system under which we operate is key to the long-term sustainability of the business.

- Through a well-structured governance and oversight framework, the Board ensures close and open relationships with its suppliers and other advisers. The hiring of a new procurement manager will further enhance our supplier relationships.

KEY STAKEHOLDER: Our Suppliers and other advisers. At all levels across the Company, continuous interaction takes place with our suppliers and advisers to consider respective business conditions, our strategy, key performance indicators and the current and future needs of our customers.

- Consistent with the continuing commitment to ensuring our customers have access to high-quality fund management and in appropriate consultation with Omnis Investments Limited, the Board supported the decision taken by Omnis Investments Limited, to replace the Fund Manager for the Omnis Income & Growth Fund.

KEY STAKEHOLDER: Our Customers. Our Customers are expected to benefit from improved long-term performance of the Omnis Income & Growth Fund following the change in fund manager.

- The Board approved the establishment of a new independent charitable foundation (the Openwork Foundation) which included the entry into a Memorandum of Understanding providing financial support via a donation uplift mechanism (matching 50p in every £1 donation) and pro bono administrative support.

KEY STAKEHOLDER: Our Community. The establishment of the Openwork Foundation is a key element in the Corporate Social Responsibility of the Group. We seek to support our community through charitable grants where we can.

- The Board reviewed the results of a group wide-survey seeking feedback from colleagues concerning the quality of their workplace. The findings have been reviewed and a management action plan has been formulated to respond to the key matters raised.

KEY STAKEHOLDER: Our People. We are keen to listen to our People and have taken action based on their feedback to make Openwork a great place to work.

- The Board approved a new group-wide Remuneration Policy which established harmonised reward packages for colleagues and reflected the latest regulatory position in relation to remuneration.

KEY STAKEHOLDER: Our People. As a consequence of the revised Remuneration Policy all roles within Openwork were benchmarked to ensure that all colleagues are paid within 80-100% of their median salary range.

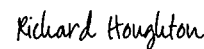
- The Board approved the acquisition of land at Lydiard Fields Business Park to act as additional carparking for colleagues and the acquisition of the adjacent office building in Swindon to be established as the Openwork Campus.

KEY STAKEHOLDER: Our People. Our Colleagues have a state of the art office building which contains amenities including a subsidised restaurant, gym, coffee shop and innovation suite.

KEY STAKEHOLDER: Our Majority Shareholder. This capital investment will form a significant asset of the Group going forward.

On behalf of the Board,

DocuSigned by:



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Richard Houghton
Director

23 December 2020

Statement of Directors' Responsibilities for the year ended 31 December 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information

Independent Auditors' Report
To the members of Openwork Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Openwork Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent Auditors' Report (continued)

To the members of Openwork Services Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andrew Hill (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 December 2020

Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue from contracts with customers		93,754	83,423
Cost of rendering services		(91,686)	(79,104)
Gross profit		2,068	4,319
Depreciation of property, plant and equipment		(1,847)	(2,274)
Amortisation of intangible assets		(884)	(1,732)
Impairment loss		(12,664)	-
Other income	4	935	81
Operating (Loss) / Profit	4	(12,392)	394
Finance costs	3	(1,486)	(1,038)
Finance income	3	1,214	898
(Loss) / Profit before taxation		(12,664)	254
Taxation	5	1,238	(569)
Loss for the year and total comprehensive expense		(11,426)	(315)

The accompanying notes from page 17 onwards are an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2019

	Note	2019 £000	2018 £000
Assets			
<i>Non-current assets</i>			
Intangible assets	6	3,024	1,424
Property, plant and equipment	7	10,838	1,192
Right-of-use assets	7	5,696	8,015
Deferred tax assets	14	3,947	2,763
Trade and other receivables	8	3,184	587
		26,689	13,981
<i>Current assets</i>			
Cash and cash equivalents	9	-	-
Trade and other receivables	8	53,478	46,261
		53,478	46,261
Total assets		80,167	60,242
Liabilities and shareholders' equity			
<i>Current liabilities</i>			
Trade and other payables	10	74,701	42,046
Provisions	13	-	-
		74,701	42,046
<i>Non-current liabilities</i>			
Trade and other payables	11	5,331	6,641
Provisions	13	794	788
		6,125	7,429
Total liabilities		80,826	49,475
Equity			
Ordinary shares	15	17,300	17,300
Accumulated losses	16	(17,959)	(6,533)
Total equity		(659)	10,767
Total liabilities and equity		80,167	60,242

The accompanying notes from page 16 onwards are an integral part of these financial statements.

The financial statements on pages 12 to 38 were approved by the Board of Directors on 23 December 2020 and were signed on its behalf by:

DocuSigned by:

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Richard Houghton
Director

Statement of Changes in Equity
for the year ended 31 December 2019

	Note	Ordinary Shares £000	Accumulated Losses £000	Total Equity £000
Balance at 1 January 2019		17,300	(6,533)	10,767
Retained loss for year	16	-	(11,426)	(11,426)
Balance at 31 December 2019		17,300	(17,959)	(659)

		Ordinary Shares £000	Accumulated Losses £000	Total Equity £000
Balance at 1 January 2018		17,300	(6,218)	11,082
Retained loss for year	16	-	(315)	(315)
Balance at 31 December 2018		17,300	(6,533)	10,767

Statement of Cash Flows
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
(Loss) / Profit before taxation		(12,664)	254
Finance income		(1,214)	(898)
Finance costs		1,486	1,038
Operating (Loss) / Profit		(12,392)	394
Adjustment for			
Amortisation of intangible assets	6	884	1,732
Depreciation of property, plant and equipment	7	530	1,149
Depreciation of right-of-use assets	7	1,317	1,125
Interest receivable		1,214	898
Interest payable		(1,480)	(1,032)
Impairment loss	6/7	12,664	-
(Increase) in deferred tax asset		(1,184)	-
(Increase) in trade and other receivables	8	(9,813)	(12,165)
Increase in trade and other payables	10/11	31,992	10,342
Increase / (decrease) in provisions	13	6	(300)
Cash generated from operating activities		23,738	2,143
Bank charges	3	(6)	(6)
Net cash generated from operating activities		23,732	2,137
Cash flows from investing activities			
Purchase of intangible assets		(13,960)	-
Purchase of tangible assets	7	(8,161)	(932)
Net cash used in investing activities		(22,121)	(932)
Cash flows from financing activities			
Lease Payments		(1,604)	(1,228)
Net cash used in financing activities		(1,604)	(1,228)
Net increase / (decrease) in cash and cash equivalents		7	(23)
Cash and cash equivalents at start of year		(13)	10
Cash and cash equivalents at year end	9	(6)	(13)

Notes to the Financial Statements

for the year ended 31 December 2019

1. ACCOUNTING POLICIES

1.1 Basis of preparation

These financial statements for Openwork Services Limited ("the Company") have been prepared in accordance with *International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS IC interpretations* and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies below have been applied consistently to all periods in these financial statements.

The financial statements have been prepared under the historical cost convention.

The Company's forecast and projections, taking account of possible changes in trading performance and the projected impact of COVID-19, show that the Company will be able to operate within the level of its current facilities. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the 12-month period from the date of signing, and therefore have adopted the going concern basis in preparing its financial statements.

The presentation and functional currency of these financial statements is Pounds Sterling.

1.2 Financial assets

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss); and
- those to be measured at amortised cost.

The only financial assets are 'trade and other receivables' and also 'cash and cash equivalents' in the Statement of Financial Position. All financial assets are currently classified as and measured at amortised cost.

Trade and other receivables are held for collection of contractual cash flows, with these cash flows solely representing payments of principal and interest. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included under current assets, except for maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets.

The group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and other receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1.3 Intangible assets other than goodwill

Intangible assets are initially recorded at cost. These assets consist of capitalised computer software development costs. Subsequent to initial recognition these assets are recorded at cost less accumulated amortisation.

Costs associated with developing or maintaining computer equipment are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits (exceeding costs) beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs associated with an internally generated intangible asset, are capitalised from the point the directors determine all of the below conditions are met.

- Probable future economic benefits
- Intention to complete and use/sell the asset
- Resources adequate and available
- Ability to use or sell the asset
- Technical feasibility
- Expenditure reliably measurable

Prior to this, research and development computer software costs are expensed as incurred.

Amortisation is calculated on a straight-line basis at rates which, in the opinion of the directors, reduces the assets to their residual values over their estimated useful lives, based on cost rather than fair value.

The estimated useful life and period of amortisation applied from the date computer software is available for use, is between the range of 3 to 8 years.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off the cost, less estimated residual value of each asset, over its expected useful life. The period of depreciation applied from the date of acquisition are:

Right-of-use assets	Over the lease term
Leasehold improvements	5 years
Freehold improvements	10 years
Fixtures and fittings	5 years
Computer equipment	3 to 5 years
Land & Buildings: Freehold property	30 years

1.5 Impairment testing of intangible assets

The Group reviews its intangible assets on an annual basis to determine whether events or changes in circumstances indicate that their carrying amounts are recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the recoverable amount as a charge in the Statement of Comprehensive Income.

Future cash flows are derived from the Group's approved budgets and strategic plans. The discount rate is based on a long-term risk-free market interest rate and a risk premium to take into account variations in the amount or timing of cash flows, uncertainty inherent in the asset and other factors such as illiquidity.

Estimated future cash flows used in the impairment calculations represent management's best view of likely future market conditions and current decisions on the use of each asset or asset group. Actual future cash flows may differ significantly from these estimates due to the effect of changes in market conditions or to subsequent decisions on the use of assets. These differences may have a material impact of the asset values, impairment and amortisation expense reported in future periods.

1.6 Trade and other receivables

Trade and other receivables are recognised initially at cost and subsequently measured at cost less provision for impairment. The amount of the impairment is the amount of expected credit loss on the balance calculated in accordance with IFRS 9. Subsequent reversals of impairment are credited against amounts previously provided for in the Statement of Comprehensive Income.

Trade receivables and contract assets do not contain a significant financing component in accordance with IFRS 15 and therefore the simplified approach has been adopted under IFRS 9 with lifetime expected credit losses (ECLs) recognised. The impairment of trade receivables under IFRS 9 has been performed using a provision matrix.

1.7 Trade and other payables

Trade and other payables are recognised initially at cost and subsequently measured at amortised cost.

1.8 Leases

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 Group's incremental borrowing rate. Generally, the Group use its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group recognises a right-of-use asset and a lease liability at the 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 and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the dilapidation is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

1.8 Leases (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.9 Provisions

The Company has recognised provisions for future costs that it expects to incur as a result of transactions, actions or commitments that had taken place at the Statement of Financial Position date.

1.10 Capitalisation of borrowing costs and interests

The Company does not capitalise borrowing and other finance costs, these are expensed as incurred.

1.11 Loans and advances

Loans are made to enterprises to support their business activities and are repayable either on demand or over a predefined term. Loans and advances are initially recognised when cash is advanced to the borrowers at cost inclusive of transaction costs. Loans and advances are de-recognised when the rights to receive cash flows from the enterprises has expired or where the Group has transferred substantially all risks and rewards of ownership. As part of the adoption of IFRS 9 all financial assets are subject to an annual impairment test.

1.12 Revenue from contracts with customers

For Openwork Services Limited revenue represents the recharge of service costs to Group companies and sundry income arising from fees and charges levied on advisers, recognised on an accruals basis.

1.13 Cost of rendering services

For Openwork Services Limited cost of sales includes expenses payable that are necessary for the provision of services to the Group, including staff related costs, recognised on an accruals basis.

1.14 Other income

Other income is recognised on an accruals basis. Other income comprises tax credits on Research & Development expenditure.

1.15 Interest income

Interest income and interest receivable on balances with fellow subsidiary undertakings are recognised on an accruals basis and recorded as finance income.

1.16 Finance costs

Bank charges and interest payable on balances with fellow subsidiary undertakings are expensed as incurred on an accruals basis and recorded as Finance costs.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

1.17 Employee benefit costs

The Company provides employees with access to a defined contribution pension scheme. Employees who were employed by Zurich Employment Services Limited and transferred employment to Openwork Services Limited could remain members of a defined benefit pension scheme operated by Zurich Financial Services (UKISA) Limited. However, the defined benefit scheme closed on 31st December 2016. Therefore, no benefits are accruing for service from 1st January 2017 onwards but historical benefits are preserved. Employees who had remained in the defined benefit scheme have been transferred to a separate defined contribution scheme.

It is not possible to identify the Company's share of the underlying assets and liabilities in respect of the defined benefit scheme on a consistent and reasonable basis. Therefore, the Company has accounted for the scheme as a defined contribution scheme.

All employees, including new hires and individuals who were employed by the Company after 26 May 2005, are entitled to join a defined contribution scheme operated by the Company.

The costs of these pension schemes are expensed to the Statement of Comprehensive Income as incurred.

1.18 Share capital

Ordinary shares are classified as equity.

1.19 Income taxes

Current income taxes are calculated on the basis of the tax laws enacted in the UK or substantively enacted at the Statement of Financial Position date.

Deferred taxation is recognised on timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred that will result in an obligation to pay more, or a right to pay less, taxation in the future. Resultant deferred tax assets are recognised only to the extent that it is considered probable that there will be sufficient future taxable profits in the Group from which the underlying tax losses and timing differences can be deducted, or where there are deferred tax liabilities against which the assets can be recovered.

Deferred tax balances are measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted in the UK at the Statement of Financial Position date.

Deferred tax is recognised in the Statement of Income for the period, except to the extent that it relates to items that are recognised directly in the Statement of Changes in Equity, in which case it is recognised in equity.

1.20 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

1.21 Fair value estimation

The carrying value less impairment provision of short-term deposits, enterprise and employee loans and trade and other receivables are assumed to approximate to their fair values, as stated in the specific accounting policies above.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRSs may require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

2.1 Key assumptions, estimates and judgements

The Company makes assumptions, estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The assumptions and estimates that have a significant risk of causing material adjustment to the Company's earnings and carrying value are the provisions for restructuring and deferred tax assets.

2.2 Recognition of Deferred Tax Asset

Deferred tax asset is recognised if sufficient future taxable profit, including income from the reversal of existing taxable temporary differences, is expected to be generated. As of each Statement of Financial Position date, management evaluates the recoverability of the deferred tax asset and, if it is considered probable that some or all of the deferred tax asset will not be utilised, then a valuation allowance would be recognised. Refer to note 14 for further information on deferred tax.

2.3 Impairment of internally generated software and right-of-use assets

The internally generated software referred to as the Concert Programme (see note 6) and the right-of-use (see note 7) assets are capitalised in the Company. However, due to different entities within the Group using these assets to generate benefit, the amortisation and the depreciation are recharged to each other entity within the Group as appropriate to ensure benefit is being matched with associated cost.

The recharges generate revenue in the Company and therefore these assets are considered cash generating assets. The ability of the Company to make these recharges is not dependant on any other asset and therefore the Concert software and right-of-use assets, have been treated as individual cash-generating units for IAS 36 impairment purposes.

The cash flows used for impairment are the future recharges over the life of each asset, with the Concert software asset also including a best estimate of costs of completion. Future cash flows have been discounted at a rate of 11.4% and it is this discounting that results in the cash flows being less than the carrying value of the assets and an impairment loss required to be recognised.

Due to the value of the impairment loss recognised being highly sensitive to the discount rate used, a sensitivity analysis has been undertaken. This analysis includes determining the impact on the impairment loss and asset values, from a 2% increase or 2% decrease on the 11.4% discount rate used. The impact is shown below:

	As reported £000	Discount rate of 11.4%	
		Increased by 2% £000	Decreased by 2% £000
Concert asset	2,484	Decreased by 1,066	Increased by 1,249
Right-of-use assets	5,696	Decreased by 300	Increased by 332
Total Impairment loss	12,664	Increased by 1,366	Decreased by 1,581

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

2.4 Long term incentive schemes

During 2018 the Group put in place two new incentive schemes for staff and management, these being the 'Long-term incentive plan' (LTIP) and the 'Long-term equity plan' (LTEP). The LTIP is a cash settled scheme and the LTEP is an equity settled scheme (see note 22). These schemes are under review and are expected to be revised during 2020.

An expense is recognised in the income statement for the benefits accrued in the year under these schemes, with a corresponding liability recognised on the balance sheet until the benefit is paid. The benefits have been accrued based on various significant judgements and estimates, including, the vesting event, whether the market condition of the schemes will be met, the valuation of the Group at the date of vesting and the vesting date. The actual cost may differ from the accrued liability depending on the accuracy of these assumptions. Included below are the impact of changes in these assumptions:

- Changing the assumption to assume that the market condition would not be met at any of the long stop dates would result in the liability at the balance sheet date decreasing from £4,350k to nil.
- Changing the expected vesting date from 31 December 2022 (first long stop date) to 31 December 2023 (second long stop date) would result in a decrease in the liability at the balance sheet date of £836k.
- Increasing the assumption of the value of the company at the date of vesting by £10m would result in an additional liability of £243k at the balance sheet date.

3. FINANCE COSTS AND FINANCE INCOME

	2019 £000	2018 £000
Finance costs		
Interest payable and similar charges	6	7
Interest payable on amounts due to fellow subsidiary	1,068	618
Interest payable on lease liabilities	412	413
Total finance costs	1,486	1,038

	2019 £000	2018 £000
Finance income		
Interest receivable on loans to enterprises	146	106
Interest receivable on amounts owed by fellow subsidiary undertakings	1,068	791
Other Interest receivable	-	1
Total finance income	1,214	898

4. OPERATING PROFIT / (LOSS)

The following items have been included in arriving at operating profit:

	2019 £000	2018 £000
Staff costs (note 17)	38,170	29,100
Depreciation charge of right-of-use asset (note 7)	1,317	1,125
Depreciation of property, plant and equipment (note 7)	530	1,149
Impairment loss of intangibles (note 6)	11,476	-
Impairment loss of right-of-use asset (note 7)	1,188	-
Amortisation of intangibles (note 6)	884	1,732
Payments receivable from leasing right-of-use assets	(866)	(710)
Research & Development tax credit	(910)	(81)
Restructuring costs	194	-

The total cash outflows for leases in the financial period was £1,604k (2018: £1,228k).

The Research & Development tax credit is shown within the other income line of the Statement of Comprehensive Income. The 2019 amount shown in the Statement of Comprehensive Income differs by 25k, representing a 2018 prior year adjustment.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

4. OPERATING PROFIT / (LOSS) (continued)

Services provided by the Group's auditors

During the year, the Group obtained the following services from the Group's auditors at costs detailed below:

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's financial statements	25	16

During 2019 and 2018 the Company settled all costs relating to auditors' remuneration in respect of services provided to the Group. These amounts were then recharged to the relevant subsidiary Company via the recharge of service costs (note 21).

5. TAXATION

Analysis of tax (charge) / credit in the year	2019 £000	2018 £000
Current tax:		
- Corporation tax payable	-	(308)
- Prior year adjustment	54	-
Deferred tax:		
- Current year credit / (charge)	1,184	(261)
Taxation credit / (charge) for the year	1,238	(569)

All taxation relates to continuing operations.

Factors affecting the tax charge for the year

The tax assessed for the year on the Company is higher (2018: higher) than the effective rate of corporation tax in the UK of 19% (2018: effective rate of 19%). The differences are:

	2019 £000	2018 £000
(Loss) / Profit on ordinary activities before tax	(12,664)	254
(Loss) / Profit on ordinary activities at effective rate of corporation tax in the UK of 19% (2018: 19%)	(2,406)	48
Fixed asset differences	36	-
Expenses not deductible for tax purposes	238	556
Income not taxable for tax purposes	(178)	-
Research & Development expenditure credits	173	-
Difference between current and deferred rates of tax	330	(35)
Prior year adjustment	(54)	-
Deferred tax not recognised	623	-
Taxation (credit) / charge for the year	(1,238)	569

Factors affecting future tax charges

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017. The UK corporation tax rate will remain at 19% from 1 April 2020, as substantively enacted on 17 March 2020.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

6. INTANGIBLE ASSETS

Acquired and internally generated intangible assets	Capitalised software £000
<i>Cost</i>	
At 1 January 2019	21,520
Additions acquired	-
Additions internally generated	13,960
Disposals	-
At 31 December 2019	35,480
<i>Accumulated amortisation and impairment</i>	
At 1 January 2019	20,096
Charge for the year	884
Disposals	-
Impairment	11,476
At 31 December 2019	32,456
Net book amount at 31 December 2019	3,024
Net book amount at 31 December 2018	1,424

Acquired and internally generated intangible assets	Capitalised software £000
<i>Cost</i>	
At 1 January 2018	21,520
Additions acquired	-
Additions internally generated	-
Disposals	-
At 31 December 2018	21,520
<i>Accumulated amortisation and impairment</i>	
At 1 January 2018	18,364
Charge for the year	1,732
Disposals	-
Impairment	-
At 31 December 2018	20,096
Net book amount at 31 December 2018	1,424
Net book amount at 31 December 2017	3,156

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

6. INTANGIBLE ASSETS (continued)

The acquired and internally generated computer software capitalised relates to the development of systems covering the following:

- Point of sale (Openwork Trading Platform)
- Sales administration (Swift)
- Management information

Capitalised software – addition of internally generated Concert Programme software

The Openwork Group board held a meeting on 13 December 2018, approving the investment case to develop the Concert Programme. The Concert Programme is the development of an internally generated intangible asset that replaces existing legacy software systems; for the purposes of providing better and more efficient business submission, customer relationship management and advice capability across the Openwork network.

The Concert Programme internally generated intangible asset has been assessed to have an estimated finite useful life of 8 years. Amortisation shall begin when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The Concert Programme shall be amortised on a straight-line basis over the estimated 8 year useful life from this available for use point. There has been no amortisation recognised during 2019 and none is expected to be recognised for 2020.

During 2019, £14,597k was spent in developing the Concert Programme, of which £13,960k was assessed to be directly attributable to create, produce and prepare the asset to be capable of operating in the manner intended by management. The remaining expenditure, whilst related to Concert, was assessed to not be specific and directly attributable to the Concert Programme alone. This expenditure has been initially recognised as an expense and shall not be recognised as part of the cost of an intangible asset at a later date.

Management has performed an impairment review of the carrying value of the intangible assets as at 31 December 2019 on a value-in-use basis using a discount rate of 11.4% (31 December 2018: 8%), over the remaining useful economic lives of the assets. This review has determined that an impairment loss of £11,476k (2018: £nil) was required for the Concert software asset. (See section 2.3 for further impairment details).

7. PLANT, PROPERTY AND EQUIPMENT

	Right-of-use assets (all property) £000	Land & Buildings £000	Leasehold improve- ments £000	Freehold Improve- ments £000	Computer Equipment £000	Fixtures and fittings £000	Total £000
Cost							
At 1 January 2019	9,140	-	1,894	-	997	3,660	15,691
Additions	186	8,074	-	1,322	29	751	10,362
Disposals	-	-	(344)	-	(26)	(75)	(445)
At 31 December 2019	9,326	8,074	1,550	1,322	1,000	4,336	25,608
Accumulated depreciation							
At 1 January 2019	1,125	-	1,751	-	887	2,721	6,484
Charge for the year	1,317	102	88	-	101	239	1,847
Impairment	1,188	-	-	-	-	-	1,188
Disposals	-	-	(344)	-	(26)	(75)	(445)
At 31 December 2019	3,630	102	1,495	-	962	2,885	9,074
Net book amount at 31 December 2019	5,696	7,972	55	1,322	38	1,451	16,534
Net book amount at 31 December 2018	8,015	-	143	-	110	939	9,207

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

7. PLANT, PROPERTY AND EQUIPMENT (continued)

	Right-of-use assets (all property) £000	Leasehold improvements £000	Computer Equipment £000	Fixtures and fittings £000	Total £000
<i>Cost</i>					
At 1 January 2018	7,847	1,894	997	2,728	13,466
Additions	1,293	-	-	932	2,225
Disposals	-	-	-	-	-
At 31 December 2018	9,140	1,894	997	3,660	15,691
<i>Accumulated depreciation</i>					
At 1 January 2018	-	1,377	681	2,152	4,210
Charge for the year	1,125	374	206	569	2,274
Disposals	-	-	-	-	-
At 31 December 2018	1,125	1,751	887	2,721	6,484
Net book amount at 31 December 2018	8,015	143	110	939	9,207
Net book amount at 31 December 2017	-	517	316	576	1,409

Openwork Holdings Limited has legal title to the land and buildings purchased in the year. The asset is recognised in Openwork Services Limited, with Openwork Holdings Limited receiving the full cash payment from Openwork Services Limited, representing a fully paid up finance lease with Openwork Services Limited.

8. TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade debtors – third parties	73	34
Total trade debtors	73	34
Amounts owed by group undertakings (note 21)	45,955	41,233
Other debtors (see below)	2,213	595
Prepayments and accrued income	5,237	4,399
	53,478	46,261
	2019 £000	2018 £000
Amounts falling due after one year:		
Other debtors (see below)	3,184	587
	3,184	587

All non-current receivables are due within five years of the Statement of Financial Position date.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

8. TRADE AND OTHER RECEIVABLES (continued)

A breakdown of Other debtors for amounts due within one year and falling due after one year are as follows:

Other Debtors	2019 £000	2018 £000
Amounts falling due within one year:		
Receivables from Franchisees	1,272	564
Receivables from Employees	32	31
Research and Development tax credit	909	-
	2,213	595
Other Debtors	2019 £000	2018 £000
Amounts falling due after one year:		
Receivables from Franchisees	3,184	587
	3,184	587

9. CASH AND CASH EQUIVALENTS

	2019 £000	2018 £000
Cash and cash equivalents		
Cash at bank and in hand	-	-

10. TRADE AND OTHER PAYABLES - CURRENT

	2019 £000	2018 £000
Trade payables	(122)	(275)
Amounts owed to group undertakings (note 21)	43,687	23,839
Other tax and social security payable	1,110	1,239
Other creditors	321	245
Accruals	27,891	15,935
Lease liabilities (note 12)	1,194	916
Deferred income	620	147
	74,701	42,046

11. TRADE AND OTHER PAYABLES - NON-CURRENT

	2019 £000	2018 £000
Lease liabilities (note 12)	5,331	6,621
Deferred income	-	20
	5,331	6,641

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

12. LEASES

The Company leases leasehold properties and vending machines. Information about the leases for which the Group is a lessee is presented below.

Right-of-use assets

	2019 £000	2018 £000
At 1 January	8,015	7,847
Additions	186	1,293
Depreciation charge for the year	(1,317)	(1,125)
Impairment loss	(1,188)	-
At 31 December	5,696	8,015

(See section 2.3 for further impairment details).

Lease liabilities maturity analysis – contractual undiscounted cash flows

	2019 £000	2018 £000
Less than one year	1,549	1,596
One to five years	4,490	5,570
More than five years	1,762	2,232
Total undiscounted lease liabilities at 31 December	7,801	9,398

Lease liabilities included in the Statement of Financial Position

	2019 £000	2018 £000
Current	1,194	916
Non-current	5,331	6,621
Total lease liabilities at 31 December	6,525	7,537

Amounts recognised in the Statement of Comprehensive Income

	2019 £000	2018 £000
Interest on lease liabilities	412	413
	412	413

Amounts recognised in the Statement of cash flows

	2019 £000	2018 £000
Total cash outflow for leases	1,604	1,228
	1,604	1,228

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

13. PROVISIONS

	Restructuring £000	Dilapidations £000	Total £000
At 1 January 2019	-	788	788
Charged to statement of comprehensive income	-	6	6
Released to income statement	-	-	-
Utilised in year	-	-	-
At 31 December 2019	-	794	794

	Restructuring £000	Dilapidations £000	Total £000
At 1 January 2018	306	788	1,094
Charged to statement of comprehensive income	-	-	-
Released to income statement	(19)	-	(19)
Utilised in year	(287)	-	(287)
At 31 December 2018	-	788	788

Provisions have been analysed between current and non-current as follows:

	2019 £000	2018 £000
Current	-	-
Non-current	794	788
	794	788

Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the Company becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Company are not provided for.

Provision is made for dilapidations where the leases of the Company's offices require the reinstatement of the premises to their original state. The provision is calculated on a cost per square foot based on industry experience.

14. DEFERRED TAX ASSETS

The Company has a deferred tax asset relating to Capital Allowances. The asset has been assessed against forecasted taxable profits to confirm recoverability (see note 1.18).

	2019 £000	2018 £000
At 1 January	2,763	3,060
Adjustments in respect of prior periods	-	(36)
Statement of comprehensive income current year credit / (charge) (note 5)	1,184	(261)
At 31 December	3,947	2,763

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset, and there is an intention to settle the balances net.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

14. DEFERRED TAX ASSETS (continued)

	Accelerated tax depreciation £000	Short term timing differences £000	Total £000
At 1 January 2019	2,532	231	2,763
Credit to statement of comprehensive income	-	1,184	1,184
At 31 December 2019	2,532	1,415	3,947
At 1 January 2018	2,829	231	3,060
(Charged) / Credited to statement of comprehensive income	(261)	-	(261)
(Charge) / Credited to retained earnings	(36)	-	(36)
At 31 December 2018	2,532	231	2,763

15. CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Authorised		
20,000,000 ordinary shares of £1 each	20,000	20,000
Allotted, issued and fully paid		
17,300,002 ordinary shares of £1 each	17,300	17,300

Dividends and voting rights in respect of ordinary shareholders are allocated pro rata to holdings. The ordinary shares entitle the holders to receive notice of and to attend and/or speak and vote at general meetings of the Company, and to receive any dividends out of the profits of the Company available for distribution and resolved to be distributed.

Upon the winding up of the Company the ordinary shareholders shall be entitled to receive the amount paid up on their shareholding, including any premium, and to participate in any surplus so arising.

16. ACCUMULATED LOSSES

	2019 £000	2018 £000
At 1 January	(6,533)	(6,391)
Accounting standard impacts	-	173
(Loss) for the year	(11,426)	(315)
As at 31 December	(17,959)	(6,533)

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

17. EMPLOYEES AND DIRECTORS

	2019 £000	2018 £000
Staff costs for the Group during the year		
Wages and salaries	32,688	24,525
Social security costs	3,864	3,216
Other pensions costs (note 18)	1,618	1,359
	38,170	29,100

The average monthly number of employees (including executive directors) was:

	2019 number	2018 number
Corporate and support functions	449	382
Wealth	52	42
Mortgage	15	13
OWL	26	26
Total	542	463

All employees of the Company provide services to the Company and/or other companies within the Group

Directors' emoluments for the Company for the year	2019 £000	2018 £000
Aggregate emoluments in respect of qualifying services	207	197
Company contributions to money purchase pension schemes	7	10
	214	207

The directors' emoluments shown above were for services provided to the Company and include performance related pay, benefits, bonuses and an accrual in respect of long term cash incentives which may become payable in future years. There are no key management personnel who are not directors of the Company.

One (2018: one) director who served during the year had retirement benefits accruing under Group money purchase pension schemes. In addition, retirement benefits are accruing to no directors (2018: none) who served in the year under defined benefit pension schemes.

Highest paid director for the Group for the year	2019 £000	2018 £000
Aggregate emoluments in respect of qualifying services	122	95
Company contributions to money purchase pension schemes	7	9
	129	104

The highest paid director did not exercise share options during the year (2018: did not exercise) and did not receive shares under long-term incentive schemes (2018: no shares were received).

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

18. PENSION COMMITMENTS

The Company provides pension benefits by way of two defined contribution schemes and previously via a funded defined benefit scheme. The assets of these schemes are held separately from those of the Company in independently administered funds. In addition, the Company matches contributions made by employees to the defined contribution scheme.

Defined contribution scheme

All employees are eligible to join the defined contribution scheme. Contributions made by the Company to this scheme are charged to the Statement of Comprehensive Income in the year in which they are incurred, and amounted to £1,609k (2018: £1,292k). This included £1,030k (2018: £839k) where the Company has matched employee contributions. Outstanding contributions at 31 December 2019 were £9k (2018: £4k). The £49k includes £nil (2018: £nil) for the "Rule of 60" payment in respect of the enhancement of deferred pension benefits payable under the DB scheme ahead of the separation from Zurich.

Defined benefit scheme and replacement defined contribution scheme

The defined benefit scheme for employees who transferred their employment to the Company from Zurich Employment Services Limited closed on 31 December 2015. No benefits are accruing for service from 1 January 2016 onwards but historical benefits are preserved. The principal scheme is the Zurich Financial Service's UK Pension Scheme. The date of the last full actuarial valuation for the Scheme was 30 June 2016. The valuation of the Scheme is carried by independent actuaries.

The Company made contributions in accordance with the scheme rules on a defined contribution basis. The Company has no future liability for any shortfall in the scheme. Employees who were members of the defined benefit scheme were transferred to a separate defined contribution from 1 January 2016.

Contributions by the Company to the replacement defined contribution scheme in the year were £nil (2018: £396k) and outstanding contributions at 31 December 2019 amounted to £nil (2018: £nil).

Under the terms of the forward sale agreement (see Openwork Holdings Limited's financial statements) Zurich Insurance Group has indemnified the Company against any obligations in respect of the future separation of the scheme.

19. CAPITAL COMMITMENTS

The Company has no capital commitments at 31 December 2019 (31 December 2018: £nil).

20. SHARE BASED PAYMENTS

During 2018 the Group put in place two new incentive schemes for staff and management, these being the 'Long-term incentive plan' (LTIP) and the Long-term equity plan (LTEP). A description of each of the share-based payment arrangement and general terms and conditions is shown below.

Long-term incentive plan 'LTIP'

The LTIP plan was launched in October 2018 and open to all Openwork employees, allowing them to share in the growth in Openwork's value and receive a cash bonus award if the below conditions are satisfied:

- Openwork's value reaches at least £322m (the 'hurdle') from the original independent valuation of £280m on an exit (sale or Initial public offering) or specified long-stop date (31 December 2022, 2023 and 2024.)
- Received a performance rating of at least 3.

There is no upper limit of the 15% hurdle increase and therefore, the greater the value of Openwork, the greater the value of the cash bonus.

The awards will lapse on the earliest of the following:

- On an exit, if the hurdle has not been met;
- On 31 December 2024 if the Remuneration Committee determines that the hurdle was not met;
- Bankruptcy; or
- The tenth anniversary of the date the LTIP was adopted.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

20. SHARE BASED PAYMENTS (continued)

Long term equity plan 'LTEP'

The LTEP plan was launched in October 2018 and open to executives and senior management, awarding them with the choice of growth shares or nil-cost option shares:

Growth shares: Employee becomes an owner of shares that give the employee rights to benefit from the growth in Openwork's value. The shares are received by participants at the outset, but to preserve confidentiality, these shares will be held on participants behalf by a nominee, being the trustee of the Company's employee benefit trust. Participants will not be able to sell the shares or derive any value from them until they have vested.

Nil-cost option: Employees receive the right to acquire growth shares in the future with a zero purchase price. Participants will not be able to exercise their options or derive any value from it until they have vested.

Employees only benefit from the award at either an exit (sale or Initial public offering) or specified long-stop date (31 December 2022, 2023 and 2024), and Openwork's value reaches at least £322m (the 'hurdle'), from the original independent valuation of £280m.

At this time the awards will vest and:

Growth shares: Participants will have dividend and voting rights. Participants may also be able to sell the shares if that is permitted by Openwork. The shares will remain subject to restrictions on when these can be sold and the extent to which participants can sell.

Nil cost option: Participants will become entitled to dividend equivalent payments and may also be able to exercise the option and sell the shares if that is permitted by Openwork. The option will be subject to the same restrictions as for Growth Shares.

If there has been no Exit and the Hurdle has not been met by one of the long-stop dates, the awards will lapse and Growth Shares and Nil-cost Options will be forfeited.

Set out below are summaries of nil-cost options granted under the LTEP plan:

	2019 Number of options	2018 Number of options
As at 1 January	13,768	-
Granted during the year	-	13,768
Exercised during the year	-	-
Forfeited during the year	-	-
Expired	-	-
As at 31 December	13,768	13,768
Vested and exercisable at 31 December	-	-

The remaining contractual life of options outstanding as at the end of 2019 is 8 years (2018: 9 years).

The following table shows the deferred growth shares granted and outstanding at the beginning and end of the reporting period:

	2019 Number of shares	2018 Number of shares
As at 1 January	154,613	-
Granted during the year	-	154,613
Vested during the year	-	-
Forfeited during the year	(9,534)	-
As at 31 December	145,079	154,613

The total cost accrued for these schemes in the year was £5,483k (2018: £910k).

The schemes are under review and are expected to be revised during 2020.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

21. RELATED PARTY TRANSACTIONS

Openwork Group separated from Allied Zurich Holdings Limited "AZH" on the 9 April 2018 and the 2019 related party figures below reflect the reclassification of post separation balances to other debtors and other creditors. The balances below reflect the balances from the date of separation

(a) Provision of services by the Company

Service costs, net of sundry income, are recharged to other companies in the Group.

	2019 £000	2018 £000
Openwork Ltd	57,897	51,229
Openwork Holdings Ltd	2,937	40
Openwork Market Solutions Ltd	206	411
Openwork Access Ltd	-	-
Omnis Investments Ltd	24,350	23,501
Openwork Wealth Services Ltd	841	1,173
Zurich Employment Services Ltd	-	105
	86,231	76,459

(b) Outsourced functions

As part of its ongoing arrangements the Group outsourced certain activities to Zurich Transitional Services Limited.

	2019 £000	2018 £000
Zurich Transitional Services Limited	-	69
	-	69

(c) Finance income

	2019 £000	2018 £000
Openwork Holdings Limited	1,065	783
Openwork Market Solutions Limited	3	8
	1,068	791

(d) Finance Expenses

	2019 £000	2018 £000
Openwork Limited	955	524
Openwork Access Limited	47	31
Omnis Investments Limited	66	63
	1,068	618

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

21. RELATED PARTY TRANSACTIONS (continued)

(e) *Year-end balances arising from related party transactions*

	2019 £000	2018 £000
Receivables from related parties (note 8):		
Openwork Holdings Limited	42,178	35,159
Openwork Market Solutions Limited	-	423
Openwork Wealth Services Limited	67	200
Omnis Investments Limited	2,399	4,140
2Plan Wealth Management Limited	1,306	1,306
2Plan Ltd	5	5
	45,955	41,233
Payables to related parties (note 10):		
Openwork Limited	39,421	19,803
Openwork Access Limited	1,900	1,636
Omnis Investments Limited	2,400	2,400
Figure Out Limited	(19)	-
2 Plan Group	(15)	-
	43,687	23,839
Director's Loans with related party:		
M Duckworth	-	468
	-	468

The above director of the Company was in receipt of a loan provided by the parent company, Openwork Holdings Limited, to enable them to settle PAYE and NIC liabilities arising from the grant of deferred growth shares under the LTEP scheme during 2018. The loan was interest-free, and repayable only when the shares vest, for example at an Exit event. The loan balance is stated at fair value assuming settlement in 2021 and discounted at 5.82%.

During 2019, the value of the loan to the director for the PAYE and NIC liabilities arising from the grant of shares under the LTEP scheme was impaired following the review and expected revision of these schemes.

Other than the emoluments and loan disclosed above and in note 17 the directors of the Company had no transactions with the Company or any related parties of the Group. The term 'director' includes members of their families.

Openwork Limited, Openwork Access Limited, Openwork Market Solutions Limited, OMNIS Investments Limited, 2Plan Group Limited, 2Plan Wealth Management Limited, 2Plan Limited and Figure Out Limited are fellow subsidiary undertakings of Openwork Holdings Limited which is the Company's immediate parent Company.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

22. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Company's operations expose it to financial risks: market risk (including interest rate risk, equity risk and currency risk), credit risk and liquidity risk. The Company's risk management program focuses on counterparty credit and liquidity requirements as discussed below. The directors maintain the responsibility of monitoring financial risk management and day-to-day activity is undertaken by the Company's finance department.

Market Risk

Market risk is the potential adverse change in the Company's income or the value of the Company's net worth resulting from movements in interest rates or other market prices and arises from the structure of the Statement of Financial Position.

(a) Interest rate risk

The Company's interest-bearing assets are its cash balances and enterprise loans.

The cash balances earn interest at a floating rate. The effective interest rate during the year on cash balances was 1.28% (2018: 0.12%). The Company is not dependent on income from cash balances and therefore has limited risk.

Given the size of balances, the cost of managing exposure to interest rate risk using financial instruments exceeds any potential benefits, and so the Company has decided not to hedge this risk. The directors will revisit the appropriateness of this policy if the Company's operations change in size or nature.

With regards to the enterprise loans, the Group and Company consider there to be limited exposure to interest rate risk since the majority are at a fixed interest rate.

(b) Equity risk

The Company does not hold debt or equity market investments and therefore is not exposed to any price risk.

(c) Foreign exchange risk

The Company has a small number of transactions denominated in foreign currencies, however these are settled in Pounds Sterling and the Company considers the cost of managing exposure to this risk to exceed any potential benefits. The directors will revisit the appropriateness of this policy as the Company's operations change in size or nature.

The Company currently does not have any operations based outside of the United Kingdom, nor are any of its investments denominated in a currency other than Pounds Sterling.

Credit risk

Credit risk reflects the risk that a counterparty will be unable to meet its contractual obligations to the Company thereby causing the Company to incur a loss.

All financial assets are disclosed at amortised cost.

(a) Receivables

The Company manages its trade debtor and other debtors credit risk by only offering credit to reputable institutions and by operating strict credit control procedures. The vast majority of the receivables balances consist of amounts due from other Group companies and none of this debt is past due.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

(a) Receivables (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables (Note 8).

	2019 £000	2018 £000
Trade debtors – third parties	74	34
Other debtors – third parties	4,487	1,182
Other debtors – other group undertakings (note 21)	45,955	41,233
Accrued income	638	554
	51,154	43,003

A provision for impairment of trade and other receivables is made when there is objective evidence that the Company or Group will not be able to collect all amounts due according to the original terms of the receivables concerned. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days) are considered indicators that the trade receivable is impaired.

In regard to loans and advances to enterprises some of this risk is being mitigated against future commission costs due to enterprises. However, this is not quantifiable since it is dependent on future sales volumes.

The tables below set out the impairment information and internal ageing in respect of financial assets with credit risk. There were no significant concentrations of credit risk at the Statement of Financial Position date.

	2019 £000	2018 £000
Not impaired:		
Neither past due nor impaired	50,679	42,589
Past due 0 to 3 months	-	-
Past due 3 to 12 months	146	26
Past due 1 to 5 years	245	354
Impaired:		
Past due 0 to 3 months	71	13
Past due 3 to 12 months	20	67
Past due 1 to 5 years	117	114
	51,278	43,163

The credit quality of the financial assets that are neither past due nor impaired is considered to be good. At the balance sheet date, an impairment of nil (2018: £160k) had been recognised.

(b) Cash and cash equivalents

Financial instrument counterparties are subject to pre-approval by the Group Chief Financial Officer and such approval is limited to financial institutions with a BBB+ rating or better and approved enterprises.

The table below shows the balance of the major counterparties at the Statement of Financial Position date. An unrestricted amount may be deposited with Lloyds Bank plc.

	Rating	2019 £000	2018 £000
Lloyds Bank plc	A+	(6)	(13)

No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

22. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Company maintains its investments in short-term vehicles that allow same day access to funds to ensure the Company has sufficient available funds for operations.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining years from the date of the Statement of Financial Position to the contractual maturity date.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2019	£000 Less than 1 yr	£000 1 – 2 yrs	£000 2 – 5 yrs	£000 Over 5 yrs
Trade payable – third parties	(122)	-	-	-
Amounts owed to group undertaking	43,687	-	-	-
Other tax payable	1,110	-	-	-
Other creditors	321	-	-	-
Lease liabilities	1,194	-	-	-
Accruals	27,891	1,214	3,336	781
	74,081	1,214	3,336	781

At 31 December 2018	£000 Less than 1 yr	£000 1 – 2 yrs	£000 2 – 5 yrs	£000 Over 5 yrs
Trade payable – third parties	(275)	-	-	-
Amounts owed to group undertaking	23,839	-	-	-
Other tax payable	1,239	-	-	-
Other creditors	245	-	-	-
Lease liabilities	916	1,149	4,279	1,193
Accruals	15,935	-	-	-
	41,899	1,149	4,279	1,193

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company's capital is represented by the Company's equity shareholders' funds as set out in the following table:

	2019 £000	2018 £000
Called up share capital (note 15)	17,300	17,300
Accumulated losses (note 16)	(17,959)	(6,533)
Total Capital resources	(659)	10,767

23. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Openwork Holdings Limited. As of 9th April 2018, the ultimate parent undertaking became the Openwork LLP.

Openwork Holdings Limited is the parent company and smallest undertaking to consolidate these financial statements. The Openwork LLP is the largest undertaking to consolidate these financial statements. The consolidated financial statements of Openwork Holdings Limited and the Openwork LLP can be obtained from The Secretary, Openwork Holdings Limited, Washington House, Lydiard Fields, Swindon, SN5 8UB.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

24. EVENTS AFTER THE REPORTING PERIOD

As of June 2020, there have been several leavers under the Executive Long-term Equity Plan (including the former Chief Executive Officer Mark Duckworth and Chief Financial Officer Kevin Chidwick).

The directors leaving after 31 December 2019 and up to the date of signing these Financial Statements are:

K Chidwick – resigned 1 February 2020
M Duckworth – resigned 28 February 2020

The directors appointed after 31 December 2019 and up to the date of signing these Financial Statements are:

P Howell – appointed 9 March 2020
R Houghton – appointed 10 July 2020

The Directors recognise the possible consequences arising from Covid-19 and note this as a non-adjusting post balance sheet event. The directors have considered the possible impacts of Covid-19 on the company's future cashflows, solvency levels and ability to continue to operate as a going concern.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the immediate 12-month period from the date of signing these financial statements.