Company Registration: 01238274

Liberata UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

CONTENTS

STRATEGIC REPORT – AT A GLANCE

The successful delivery of the complex suite of services that Liberata UK Limited ('Liberata') provides to its government and private sector clients relies on the expert knowledge of its workforce and the technology solutions the company has created using its own software development capabilities and the licensing and configuring of third party applications.

This combination has transformed the experience of end users – speeding up transactions and decision cycles, increasing availability of services through digital interfaces and achieving better outcomes more quickly. For clients this has meant genuine step changes in the performance they can expect from collection and payment services and at a cost to deliver that leverages the scale of transactions and investment in the technology that Liberata continues to make.

Service Delivery Focus

Liberata has now adopted a tower model of service delivery where it focuses its investments in technology, use of third party software and specialist process knowledge in the following areas:

- Finance and Accounting
- Revenues Collection and Benefits Administration
- Payroll
- Customer Services
- Middle Office Automation Services

These services are offered through term contracts and our flexible managed service arrangements for our clients.

The roles of our c1,100 employees have moved away from delivering clerical services at scale physical sites as a means of creating value. Technology now threads every aspect of our working arrangements including: flexible at-home / hybrid working (accelerated by the pandemic), workflow and collaboration tools facilitating virtual shared work environments and automated & robotic interventions and decision routines to remove routine and repetitive clerical work.

We expect these trends and innovations to continue at pace and that our services and use of technology will become ever more entwined.

Results

	2022	2021
Revenue	**£62.0m**	**£59.1m**
Gross Profit	**£12.7m**	**£12.7m**
Profit before tax	**£2.5m**	**£2.9m**

STRATEGIC REPORT *(continued)*

STRATEGIC REPORT – CHIEF EXECUTIVE'S REVIEW

Business Review

The UK public sector emerged from the pandemic in 2022 and we saw evidence that public organisations were moving on from the distraction of responding to events and re-asserting their own efficiency agendas and planning cycles.

To that end term contract procurements started to pick up in 2022 in local and central government after a hiatus during the pandemic and Liberata is well placed after making investments in its service infrastructure supporting its core services.

In 2022 Liberata adopted a service delivery 'tower' model to organise its service engineering assets freeing up client facing capacity to ensure we continue to listen to and understand our clients' needs. The focus on core services means we really do specialise and have developed expertise to step change performance for clients.

We offer competitively priced and outcome focussed proposals in those sub-sectors we chose to compete in, enabling our clients to accelerate their adoption and utilisation of digital services, tools and products. 2022 bore success from this strategy where our propositions are offered through our term contract (BPO) business and our transactional services brand (Capacitygrid).

Highlights

Headline numbers in 2022 compared to 2021 show an increase in revenue to £62.0m (2021: £59.1m). Gross profit was static at £12.7m (2021: £12.7m) and profit before tax was £2.5m (2021: £2.9m). Dividend income from Renovo included in profit before tax for 2022 was nil (2021: £0.9m).

Increased revenue was attributable to continued demand for pandemic and grant administration services at the start of the year combined with strong demand for transaction services later in the year. Gross margin was static reflecting that some cost saving measures took longer to be realised and some additional operational spend was required to recover some services to their requisite high level.

Outsourcing Partnerships and Frameworks

Our Business Process Outsourcing division performed very well and secured new term contract business:

- Won and signed new 10+2 year term contract to deliver Revenues and Benefits Services at Swindon Borough Council worth over £30m;
- Named as preferred supplier to deliver Revenues and Benefits Services to two new councils, Broxbourne and Welwyn Hatfield for a 7+3 year term, subsequently signed in early 2023;
- Secured 2+2 year term contract to deliver payroll services to Ministry of Justice (MoJ) worth up to £4m;
- Selected to deliver Finance and Accounting Services at The Two Counties Trust (TTCT);
- Winner of the Institute of Revenues Rating and Valuation (IRRV) Excellence in Innovation (Digital Transformation) in recognition of Liberata's multi-client Revenue and Benefits transformation 'going digital' programme.

All three new Revenues and Benefits contracts started in April 2023 which will positively impact the revenue in that year and represents a continued revenue improvement for the company. The latter two contracts were secured through the Crown Commercial Service procurement framework RM6181 that Liberata entered in 2021, the first time the framework has been used for a local government deal of this type.

The contracted order book at the end of the year was £218m (2021: £195m) a £23m improvement reflecting the new term contract signing (Swindon) and other contract renewals (MoJ & HM Courts & Tribunals Service (HMCTS) below).

Managed Services

Our Capacitygrid brand continued to perform well in 2022:

- Empty Homes Reviews for 22 councils;
- Business Rates Review services continued to have a solid year and Revenues and Benefits Anytime Services grew 50% (to £1.4m for the year) taking on and training a number of new employees in-year;
- Investment in building and piloting new finance and debt recovery products and services throughout the year for 2023 roll-out.

STRATEGIC REPORT *(continued)*

Business Review *(continued)*

Key deliverables from this new contract include the roll out of 'Finance Portal' across the HMCTS estate, a new Liberata developed web-based solution for managing and accounting for HMCTS fees receipts.

These services are delivered from our Automation Hub in Cardiff, South Wales where the business has developed strong links with local universities including Aberystwyth, Cardiff and Swansea and has access to highly qualified IT, AI and finance graduates. Over a dozen new graduate starters in the business in 2022 have joined from these universities and we are also engaging in academic research opportunities on how technology is affecting the workplace to strengthen our credentials as a practitioner in advanced automation technologies.

Looking ahead

2022 has been a very encouraging year where we have seen our top line continue to grow and secured two significant new term contracts on the back of a general market recovery for these types of transactions.

The long term investments we have made in our process and technology infrastructure and a hard focus on given sub-sectors and service delivery towers has meant that the performance outcomes we can offer clients lead the market, and we are winning new business as a result.

Combined with the sustained uplift in profit margins we have achieved in recent years, this puts Liberata in a strong position to continue to re-invest its cash in service improvements and staying ahead of the competition whilst also supporting its employees through this period of increased cost of living and heightened inflation.

With a good market outlook for term contract services Liberata is well set for a period of sustained top line growth and will compete effectively with companies many times its own size.

SECTION 172 (1) STATEMENT

In fulfilling their duties to promote the success of the company, the directors had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, as follows:

(a) Regard to the likely consequences of any decision in the long term

Liberata derives over 75% of its revenue from long term contract business with commitments and contract relationships with the public sector that extend as far as 2030. Therefore, many decisions have particular regard for their long-term consequences. Directors of the company balance investments in the short term that have an impact on the in-year financial performance with the benefits that will be realised in the medium and long term by virtue of the guaranteed contract volumes that the company holds with its clients.

The company has improved its operating margins through a sustained investment programme in its process and technology infrastructure most notably Revenues and Benefits & Automation Services in 2018-21 and Contact Centre 2022-23. It will invest further in its Payroll and Finance & Accounting services through 2023-24.

Through making these investments and improving our ultimate business performance we maintain the right balance for all key stakeholders including end customers, clients, the owners, and relevant third parties such as suppliers and trade unions.

(b) Regard to the interests of the company's employees

Our circa 1,100 employees are spread across a diverse geography within the UK and the vast majority are directly engaged with our clients and customers to deliver services and ultimately earn revenues for the company. We therefore invest in the appropriate level of training and wide range of HR policies and guidance to develop and protect our workforce. These policies are refreshed and updated to stay compliant with legislative requirements and our HR professionals are afforded the appropriate resources to manage this ongoing process.

As the company has emerged from the pandemic there is no doubt that the basis on which we operate for our employees and our fixed accommodation has changed. A far higher proportion now work from home or on a hybrid basis and this has suited much of our workforce. Our sites have become more collaboration and training centres than permanent work sites and we have made a number of investments to facilitate this. Other means of maintaining contact with our colleagues have therefore become more important including: regular communication and bulletins from our HR department to raise awareness of employee relevant issues, the use of the collaboration tool Microsoft Teams across our workforce and training for our leaders on how to manage their teams remotely.

STRATEGIC REPORT *(continued)*

SECTION 172 (1) STATEMENT *(continued)*

Liberata continue to negotiate the annual pay award with its recognised trade union, Unison, who negotiate on behalf of members (about 25% of employees). The negotiated pay award outcome was adopted for the wider employee base in 2022.

(c) Our four key stakeholders include clients, customers, our owners and suppliers

Our clients are those (mainly public sector) organisations that retain Liberata to deliver services on their behalf, chiefly white collar services including collections, benefits administration, finance, HR & payroll. These relationships are through formal contract mechanisms with regular and ongoing management dialogue with an obligation on Liberata to meet service levels. Directors pay close attention to how our end customers are feeling about our services through formal Board Reporting mechanisms and that clients are receiving what they need from the company and more. The directors are also able to have direct relationships with senior officers of a large number of clients due to the size of the company, and this provides another layer of contact and feedback.

Our end customers are citizens and businesses with whom we interact on behalf of our clients. Listening directly to our customers and finding better ways to interact and deliver services to them is one of the main tasks of the company.

2022 saw the last of the remaining pandemic related services delivered as the economy emerged but as the cost of living issue has evolved through the year Liberata has again been called on by local authority clients to administer business and citizen supportive schemes.

Liberata's parent company, Nikkei listed Outsourcing Inc. continues to take a medium term approach portfolio and encourages a sensible mix of investment appetite and profit margin improvement for its investee companies. As a stable part of its overseas businesses (for 5.5 years) Liberata has generated dividends for the last 3 years and has rewarded OSI's patient approach.

Liberata's diverse supplier base ranges from large blue chip companies to local SMEs. We are dedicated to ensuring that suppliers are paid within the minimum 30 days and where possible look to the local supply chains to support our business centres around the country. We assign dedicated supplier managers to ensure we have regular feedback and dialogue with our supplier base in combination with the formal monitoring of the contract mechanisms in place.

(d) Regard to the impact of the company's operations on the community and the environment

The geographic diversity of Liberata and nature of our local authority client base provides a natural set of incentives to invest in activities that benefit the local communities in which we work. As we add new local authority clients to our portfolio we typically inherit, through TUPE transfer, a locally based set of employees and this will be the case in Swindon, Welwyn Hatfield and Broxbourne in 2023.

We purposefully allocate monies for community investments across our contract base whether this is sponsoring local sporting teams, supporting local and national charities (through Liberata's established Charity Committee which makes 4-6 nominations per quarter) or making volunteer days available for our employees, these activities form an important part of our value proposition.

Liberata has a Carbon Reduction Plan (CRP) in place with a commitment to achieve net zero emissions by 2040 which is reviewed annually. Completed and pending carbon reduction initiatives contained within the plan include:

- Office lighting – ensuring automatic lighting movement sensors installed;
- Introducing employee personal control measures to reduce the carbon footprint of office electrical equipment - ensuring copiers and printers automatically go into sleep mode when not in use and that other office equipment is switched off after use;
- Use of energy efficient water heater in kitchens which is regularly serviced and descaled with regular weekly monitoring;
- Regular servicing and maintenance of the air conditioning and local control of BMS systems on every floor to optimise energy use;
- Undertaking work to comply with ISO 14001 across Liberata sites that do not currently comply.

We also work collaboratively with our clients to support their sustainability initiatives such as signing up to the West London Authorities Carbon Reduction Charter and supporting the Bromley based environmental charity "Greener and Cleaner", a community eco project which aims to promote sustainable living.

STRATEGIC REPORT *(continued)*

SECTION 172 (1) STATEMENT *(continued)*

(e) Regard to desirability of the Company and its reputation for maintaining high standards

Liberata takes great pride and differentiates itself through its formal Company Values: being Expert, Accessible and Dependable. We expect our leaders to live these and we encourage them to share examples where employees have exemplified these values through positive client reviews, third party accreditations and awards or just day to day actions that they call out.

We only undertake and compete in service sectors we really understand and where we can deliver great outcomes to our clients and customers. A high proportion of our new name business is generated by referrals from our government clients (or those that have worked for our clients and taken the relationship to their new companies) so reputation and dependability is key.

This is backed by our rigorous approach to Risk Management where we have built a substantial internal audit and risk management function to manage and adapt to the evolving data protection legislation and the increasing client requirements in this area and service quality assurance.

Finally at Board level we positively review and affirm our commitment and compliance with legislation such as the Bribery Act every month to ensure we hold all our directors to a visible high standard.

(f) Regard to need to act fairly as between members of the company

Reasonableness and fairness amongst the members of the company are fundamental to how we operate at Liberata. Our Directors alongside our Executive and Senior Leadership Teams are responsible through the direction, policies and briefings originated by the Board and its leadership for ensuring that this continues.

Balancing the many draws on resources and management time relies on leaders throughout the business acting reasonably and on their natural professional and personal values around which we build a brand. We rely on those leaders making the right call on behalf of the company, thus realising the investments in training and policies we have made.

Where we see instances of this not happening we have the transparent policy infrastructure to resolve differences and ensure that the company provides the right managerial and moral lead.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the Company's system of internal control and regularly reviewing its effectiveness. Our procedures and controls are designed to safeguard the Company's assets, maintain proper accounting records and ensure the reliability of financial information used within the business.

This system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material mis-statement or loss. We recognise that creating value is the reward for taking and accepting risk.

The Board has overall responsibility for the Company's approach to assessing risk. Executive management implements the Board's policies on risk and control and is responsible for identifying, evaluating and managing the significant risks faced by the Company, primarily via our monthly reporting process.

The Company has standard monthly reporting across the Company against detailed financial plans prepared at the individual business unit level. Progress against plans is tracked via monthly operational board (MOB) reviews of performance of each business unit. Financial reporting is an integral element of these reviews, and performance is tracked against plan and a rolling forecast, which is refreshed monthly. The prime objective is to assist in early identification of areas of risk or opportunity, allowing the business and the Board to make decisions on an informed and anticipatory basis.

Capital expenditure is tightly controlled and reviewed and approved by a cross-functional Capital Expenditure Approval Committee and where appropriate, Board-level sign off on a business-case basis.

We continued to invest in our internal controls with new hires in internal audit and with the implementation and roll-out of a new risk management software package, during 2022 and 2023. We have also been able to deploy our risk and audit experts to assist clients with crucial new grant schemes.

Procedures are in place to identify, prioritise and mitigate significant business risks that could impact performance. While not exhaustive, the list below highlights critical risks that the Company tracks and manages that could adversely impact results.

STRATEGIC REPORT *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Human Resources

As a service business, the Company relies heavily on its people, making it vital to attract and retain the best people. The Company has implemented a Job Evaluation scheme and pay and grading framework to provide a reward system which:

- Supports recruitment and retention of employees
- Rewards performance, demonstration of Company values and competencies
- Reflects geographical and market conditions
- Maintains affordability; and
- Ensures compliance with employment legislation and addresses equal pay risks in a fair and affordable manner.

Economic Risk

The nature of the Company's business means that adverse economic circumstances, such as the current pressures on the public finances, can provide both threats and opportunities for the Company as existing and prospective public sector customers seek to find more effective ways to deliver public services. The Company actively seeks to work with its customers to mitigate the impact of external cost pressures and invests in service and product innovation and its business development activities and Customer Management Teams to ensure it is well placed to benefit from the substantial opportunities existing within its target markets.

With a predominantly UK based supply chain and all of our customers operating in the UK, we have not experienced any adverse impacts from Brexit but will continue to be alert to this position.

Liquidity

Liquidity is managed by a regular and robust financial reporting process, with the Company's financial and liquidity performance monitored monthly on a rolling basis. Working capital is actively managed and reviewed by the management team on a weekly basis. Operating and capital expenditure are under tight scrutiny and control. The Company has underlying net cash balances that have grown sustainably over the course of 2021 and 2022. Together with the cash generative nature of the business and the high degree of visibility in respect of future revenues and earnings this provides the Board with confidence about the financial stability of the Company. The strong cash balance meant that the Board had the full confidence to pay a dividend of £4.0m during 2022.

Credit

Credit risk is monitored on an on-going basis. The majority of the Company's customers are public sector undertakings, and payment terms are good and well-adhered to. At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position, principally trade and other receivables.

Operational Risk

The Company is exposed to standard operational risks in respect of complex business processing, including volume variances and maintaining contracted service levels and quality. We have detailed operational performance metrics and reporting in place and our operating model, with multiple service centres working together in an integrated fashion, is a key factor in mitigating operational risks. The shared service centre approach creates economies of scale and allows the Company to invest in service innovation and leadership.

As a service business, the Company is at risk of liability claims regarding contracted performance. The shared service centre operating model allows us to build consistency of process and procedure into standard workflow and document management applications, ensuring that best practice is applied across the Company. Our people are actively encouraged and rewarded to innovate and challenge existing processes and procedures for the benefit of the Company, our customers, and their citizens.

Business Continuity

In response to the threat that an unforeseen event would seriously disrupt customers, the Company maintains full business continuity plans in relation to each Business Centre. Plans are subject to periodic audit and testing to ensure weaknesses are identified and managed, and business continuity capabilities are supported with full disaster recovery arrangements.

STRATEGIC REPORT *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Information Security and Data Protection

The Company receives, processes and stores sensitive data on behalf of customers, and operates security processes that are embedded in our Business Centres and that support the confidentiality, availability and integrity of the Company and customer data. A Data Protection Officer has been formally appointed in line with the requirements of the General Data Protection Regulation, with an independent reporting line directly to the Board.

We operate ISO27001 compliant controls and are accredited to use the Public Services Network (PSN). We have a published Data Security Policy, employ encryption on all portable media in respect of government secure processes, and employee industry recognised standards for the secure management of data. At the centre of our approach is our Information Security Policy and the Information Security Management System that underpins it. As part of Information Security Management System governance and control, we regularly conduct and review Risk Assessments to ensure risks are being identified and effectively managed at each Business Centre.

Authorised for issue by the board of directors

R D Price

Chief Financial Officer
22 September 2023

C E Bruin

Chief Executive Officer
22 September 2023

Registered Address
60 Cheapside 2nd Floor Front
60 Cheapside
London
England
EC2V 6AX

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2022.

CHIEF FINANCIAL OFFICER'S REVIEW

Overview

2022 saw Liberata perform well and grow at revenue level (+5.0%) for the second consecutive year as a result of continuing to support our clients through various government grant schemes.

As with many companies, the cost of living / high inflation had an impact on the financial results with much higher than forecast increases in employee and third party costs. However, the impact of this was mitigated as a result of sensible cost reduction measures (such as further reductions in the company property footprint). 2022 remained a profitable and cash-generative year.

Operating results

The financial statements for 2022 were prepared under FRS 101 and only show the 2022 and prior year results of Liberata UK Limited, rather than a consolidated view.

The profit before non-recurring items, intangible amortization, interest and taxation for the year was £4.1m (2021: £3.8m). Profit before interest and tax is £3.3m (2021: £4.0m) and profit before tax was £2.5m (2021: £2.9m).

Cash and Financing

Cash at bank at 31 December 2022 was positive to the tune of £8.1m (2021: £11.2m). The Company paid a £4.0m (2021: £2.0m) dividend to the parent company in May 2022.

At 31 December 2022 the Company had no bank debt, although it owed £1.9m (2021: £2.8m) to its ultimate parent company.

As a well-capitalised company and part of a strong and well-financed group, we have a sound platform for the future, and are confident that 2022 will be another successful year.

Taxation

The Company has brought forward trading losses and unutilised capital allowances amounting to £9.2m at 31 December 2022 (2021: £13.7m). We expect these trading losses to provide useful relief from corporation tax over the coming years.

A deferred tax asset of £1.4m (2021: £2.4m) has been recognised in the statement of financial position (note 8).

Pensions

The Company has seven Admitted Body Arrangements with six local government pension funds. The scale of these liabilities is relatively modest, as set out in note 22, and the Company also has some contractual reimbursement rights and protection against deficits in respect of these schemes under the terms of the associated client contracts, reducing the risk associated with them. The net pensions surplus, net of the reimbursement rights asset at 31 December 2022 amounted to £3.0m (2021: £1.5m surplus).

Conclusion

Liberata has again performed soundly from a financial perspective and dealt with the challenges posed by high inflation. The Company continues to build strong foundations for future resilience with appropriate cash conservation, a strong statement of financial position and solid capital structure. We are confident that 2023 will be another successful year.

DIRECTORS' REPORT *(continued)*

OTHER ITEMS

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 2 to 8. The Directors expect the Company to continue to generate positive cash flows for the foreseeable future and have therefore prepared the financial statements on the basis that it is a going concern.

EVENTS AFTER THE REPORTING PERIOD

There were no other events after the reporting period, which require disclosure.

FUTURE DEVELOPMENTS

The prospects of the Company are covered in the Strategic Report.

FINANCIAL RISK MANAGEMENT

The objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk are set out in the Strategic Report and the Outsourcing UK Limited consolidated financial statements.

DISABILITY POLICY

It is Liberata's policy to treat people with any "protected characteristics" on a fair and equal basis for employment, development and promotion opportunities.

Liberata is a diverse organisation and our national Equality & Diversity Group consists of representatives from across the business; including union representation. The group's aims are:

- To embrace and encourage all members of the Company in delivery of services to all customers and the community.
- To encourage the acceptance and understanding of different views, perspectives and values, eliminating prejudice wherever it exists.
- To remove all barriers of prejudice.
- To challenge, without fear of reprisal all forms of prejudice with the intention of eradicating it from the Company.
- To educate the whole of Liberata about the values, beliefs and cultures of their colleagues.

Liberata gives full and fair consideration to applications for employment from disabled persons and other under-represented groups. The Company actively supports employees who become disabled to continue their existing employment, with "reasonable adjustments" or training for redeployment opportunities if required.

EMPLOYEE CONSULTATION

The Company develops and encourages a participative and accountable style of leadership. It recognises the need to provide information to employees on issues affecting them and the performance of the Company. The Company maintains a strong communications network and employees are encouraged to discuss matters of interest and subjects affecting the day to day operations of the business, along with local forums and has a national partnership agreement with UNISON.

RESEARCH AND DEVELOPMENT

As government seeks to reform and modernise, it needs partners it can rely on to help it improve these services, manage and run them on its behalf, and increasingly digitise and automate them. In carrying out the services listed on page 2, Liberata uses its research and development activities to generate efficiencies by digitising services, automating processes, using the latest technologies and developing its systems.

DIRECTORS' REPORT *(continued)*

DIRECTORS

The following served as directors during the year and up to the date of signing, except as noted:

Executive

C E Bruin
R D Price
K Suzuki (Resigned 11th April 2022)
Y Ono
A L Wood

Liberata has a Directors and Officers Liability Insurance in place.

COMPANY SECRETARY

The following company secretary served during the year and up to the date of signing:

TJF Collins

POLITICAL AND CHARITABLE DONATIONS

During the year, the Company made £9,400 of charitable donations (2021: £10,500).

The Company did not make any political donations during the year (2021: nil).

DIVIDENDS

The Directors recommended and paid a dividend of £4.0 million during the year (2021: £2.0 million). Additional dividends of £4.0 million were declared and paid during 2023.

ENERGY USAGE AND CARBON REPORTING

The Department for Business, Energy and Industrial Strategy (BEIS) introduced new rules which mean that large companies are required to report publicly in the Directors' Report their energy usage and carbon emissions. The requirements are captured in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 2018 Regulations). The regulations apply to any companies, LLPs or groups that exceed two of three thresholds in the preceding year: £36m annual turnover, £18m balance sheet total and 250 employees. Where information regarding energy usage and carbon emissions is consolidated by a parent company, subsidiaries required to disclose energy usage and carbon emissions can claim an exemption. Liberata UK Limited have elected to claim an exemption. Information disclosing the energy usage and carbon emissions of the Company is included in the consolidated annual report of Outsourcing UK Limited, the smallest company into which the results of the Company are consolidated.

DIRECTORS' REPORT *(continued)*

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditor, Deloitte LLP, have expressed their willingness to continue in office as auditor and is deemed to be re-appointed under section 487 (2) of the Companies Act 2006.

Authorised for issue by the board of directors

R D Price

Chief Financial Officer
22 September 2023

C E Bruin

Chief Executive Officer
22 September 2023

Registered Address
60 Cheapside 2nd Floor Front
60 Cheapside
London
England
EC2V 6AX

Independent auditor's report to the members of Liberata UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Liberata UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Liberata UK Limited

Report on the audit of the financial statements (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Data Protection Act 2018, the Public Interest Disclosure Act 1998, the Employment Rights Act 1996 and The UK Bribery Act 2010.

We discussed among the audit engagement team including relevant internal specialists such as pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the presumed risk of fraud in variable revenue recognition, risk of variable revenue not being recognised in the correct financial period and not reflecting the underlying contract terms and conditions. Our specific procedures performed to address this risk included testing, on a sample basis, that variable revenue had been recognised in the correct accounting period and that variable revenue is recognised in accordance with the terms of contracts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of Liberata UK Limited

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Kevin Thompson

Kevin Thompson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 22 September 2023

FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
TURNOVER	2	**62,037**	**59,063**
Cost of sales		(49,320)	(46,387)
Gross profit		**12,717**	**12,676**
Administrative expenses		(9,392)	(9,535)
Dividend income	(a)	-	900
Profit before interest and tax	4	**3,325**	**4,041**
Analysed between:			
Profit before intangible amortisation, interest, dividend income and tax		**4,052**	**3,831**
Intangible amortisation	9	**(727)**	**(690)**
Non-recurring items	(a)	**-**	**900**
Interest receivable and similar income	5	25	1
Interest payable and similar charges	6	(593)	(709)
Other finance cost	7	(231)	(412)
PROFIT BEFORE TAXATION		**2,526**	**2,921**
Tax (expense)/credit	8	(68)	1,312
Profit for the financial year		**2,458**	**4,233**

(a) This relates to a dividend from Renovo Employment Group Limited to Liberata UK Limited.

Turnover and Profit before interest and tax are all derived from continuing operations. The notes on pages 20 to 43 form part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Profit for the financial year		2,458	4,233
Other comprehensive income:			
Items that cannot be reclassified to profit or loss:			
Actuarial gains recognised in the pension schemes		3,436	6,130
Deferred tax arising on actuarial (losses)	8	(859)	(1,857)
Other comprehensive income for the year, net of tax		2,577	4,273
Total comprehensive income for the year		**5,035**	**8,506**

The notes on pages 20 to 43 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Note	Share capital £000	Retained earnings £000	Total Equity £000
At 01 January 2021		**2,000**	**7,390**	**9,390**
Profit for the financial year		-	4,233	4,233
Actuarial gain		-	6,130	6,130
Deferred tax arising on actuarial gain		-	(1,857)	(1,857)
Total comprehensive income for the year		-	8,506	8,506
Equity dividends paid	21	-	(2,000)	(2,000)
At 31 December 2021		**2,000**	**13,896**	**15,896**
Profit for the financial year		-	2,458	2,458
Actuarial gain		-	3,436	3,436
Deferred tax arising on actuarial gain		-	(859)	(859)
Total comprehensive income for the year		-	5,035	5,035
Equity dividends paid	21	-	(4,000)	(4,000)
At 31 December 2022		**2,000**	**14,931**	**16,931**

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Intangible assets	9	2,151	1,768
Tangible assets	10	11,093	13,643
Investments	11	4,057	4,057
Deferred tax asset	8	1,440	2,369
Pension asset	22	2,942	-
		21,683	**21,837**
CURRENT ASSETS			
Debtors	12	7,533	17,062
Cash at bank and in hand		8,104	11,152
		15,637	**28,214**
CREDITORS: amounts falling due within one year	13	(10,205)	(11,415)
NET CURRENT ASSETS		**5,432**	**16,799**
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,115**	**38,636**
CREDITORS: amounts falling due after more than one year	14	(9,640)	(12,969)
PROVISIONS FOR LIABILITIES	15	(544)	(880)
NET ASSETS EXCLUDING PENSION LIABILITIES		**16,931**	**24,787**
PENSION LIABILITIES	22	-	(8,891)
NET ASSETS INCLUDING PENSION LIABILITIES		**16,931**	**15,896**
CAPITAL AND RESERVES			
Called up share capital	16	2,000	2,000
Profit and loss account		14,931	13,896
EQUITY SHAREHOLDERS' FUNDS		**16,931**	**15,896**

The notes on pages 20 to 43 form part of the financial statements.

These financial statements were approved by the Board of Directors on 22 September 2023 and were signed on its behalf by:

C E Bruin
Chief Executive Officer

R D Price
Chief Financial Officer

Company registered no: 01238274

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Liberata UK Limited (the "Company"), a private limited by shares Company for the year ended 31 December 2022 were authorised for issue by the board of directors on 22 September 2023 and the balance sheet was signed on the board's behalf by R D Price and C E Bruin. Liberata UK Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Outsourcing UK Limited. The results of the Company are included in the consolidated financial statements of Outsourcing UK Limited, registered at Floor 9 Peninsular House, 30-36 Monument Street, London, England, EC3R 8LJ.

The principal accounting policies are set out below.

ACCOUNTING POLICIES

The following accounting policies have been applied consistently to the financial statements. There were no changes in the accounting policies during the year.

(a) Basis of preparation

The accounts are prepared under the historical cost convention. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

The company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment,
(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations,
(c) the requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,
(d) the requirements of IFRS 7 Financial Instruments: Disclosures,
(e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
(f) Comparative period reconciliations for share capital, tangible fixed assets, and intangible assets,
(g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements,
(h) the requirements of IAS 7 Statement of Cash Flows,
(i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,
(j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures,
(k) disclosures in respect of transactions with wholly owned subsidiaries and
(l) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

(b) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(b) Judgements and key sources of estimation uncertainty (continued)

Estimates

Pension and other post-employment benefits

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note22.

Judgements

There were no key accounting judgements.

(c) Significant accounting policies

New standards effective and not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but which are not yet effective (and, in some cases, had not yet been adopted by the UK):

Subject	Effective date	Notes on impact
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 Jan 2023	No impact
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 Jan 2022	No impact
Annual Improvements to IFRS Standards 2018–2020	1 Jan 2022	No impact
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 Jan 2022	No impact
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 Jan 2023	No impact
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 Jan 2023	No impact
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 Jan 2023	No impact
Definition of Accounting Estimates (Amendments to IAS 8)	1 Jan 2023	No impact
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 Jan 2023	No impact
Lease liability in a sale and leaseback (amendments to IFRS 16)	1 Jan 2024	No impact
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Optional	No impact

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their useful economic lives. The rates of depreciation are as follows:

Computer hardware	3 to 5 years
Fixtures, fittings and equipment	5 to 10 years

Specific assets purchased that relate to outsourcing contracts are depreciated over the shorter of their useful economic life and the term of the contract (typically 5 to 10 years).

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured atfair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Revenue recognition

Revenue is recognised in line with the principles set out in IFRS 15. Applying IFRS 15 requires a number of judgements and affects various areas of the financial statements including revenue, profits, assets (giving rise to contract fulfilment costs, capitalisation of costs to obtain a contract, trade receivables, accrued income) and liabilities (deferred income).

The Company derives revenue from a variety of services and over time periods that vary in length; some are of a long term nature and others are of a short term nature. Contracts may be extended or modified materially – either increasing in scope or reducing in scope. Contracts may contain revenue triggered by achieving specific KPIs, termination clauses, milestones which must be performed in full before the Company is entitled to revenue or milestones which are partially recoverable when promises are partially completed. The bulk of group revenue relates to long-term contracts and services consumed over time rather than services or performance obligations satisfied a particular point in time.

For all sales arrangements, the Company identifies whether a contract with a customer exists as defined in IFRS 15. For all contracts, the Company identifies the performance obligations, the transaction price and allocates the transaction price to all performance obligations in proportion to the standalone selling price of each performance obligation. The Company determines standalone selling prices by reference to either stated contract prices, the observable stand-alone prices of services sold to existing clients or using expected cost plus margin.

Revenue recognition (continued)

When a contract contains many performance obligations, for those performance obligations which are distinct and separately identifiable, and where the customer is able to benefit from each performance obligations on its own, revenue is recognised when each of those performance obligations are satisfied. When a customer simultaneously benefits from contracts as performance obligations are satisfied, the Company recognises revenue over time, rather than at a point in time.

Examples of distinct performance obligations are those services that the Company markets or delivers on a standalone basis, transformation projects, transition projects and service delivery of outsourcing functions. Performance obligations judged indistinct are combined with other promised services or goods to form a bundle meeting the definition in IFRS 15 of distinct performance obligations.

When a contract price is reduced without a change in the scope of the contract, the variation to revenue is allocated across all performance obligations contained within the contract.

A change in the scope or price or both of a contract that is approved by the parties to the contract is treated as a contract modification. A contract modification also exists when it changes existing rights and obligations or creates new rights and obligations. Approval may be written, oral or implied.

A contract can exist if scope is agreed but price is disputed or if scope is disputed but the price is agreed. If the price is disputed, an estimate can be used in line with IFRS 15 and appropriate evidence of facts and circumstances.

A contract modification can be treated as a separate contract if the additional goods or services are distinct and the change in price reflects a standalone selling price including approved discounts offered by the Company.

If a contract modification cannot be treated as a separate contract, promised goods or services yet to transfer to the customer at the date of modification can be accounted for either: (a) as the termination of the existing contract followed by the creation of a new contract; (b) using a catch up adjustment; or combination of (a) and (b).

When revenue is recognised over time, the Company will apply whichever method faithfully depicts the pattern of transfer of control over services or goods; this may involve either a straight line spreading of revenue, the input method or the output method.

Principal versus agent

Where the Company acts as an agent, revenue is recorded net. In other circumstances revenue is recorded gross. The Company acts as an agent in mainly two ways:

- When it has no control over goods or services before transfer to a customer; or
- When its role is to arrange for another entity to provide goods or services.

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Deferred and accrued income

When the payment received from a customer exceeds the revenue that can be recognised or when payments precedes the satisfaction of performance obligations, cash received is recognised as deferred income. When revenue recognition criteria has been met, but invoicing occurs after the reporting period, accrued income is recognised.

Interest income

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Dividend Income

Dividend income is recognised when the group's right to receive payment is established.

Contract costs

The Company's accounting policy is only to capitalise contract costs - fulfilment costs and costs of obtaining a contract - as an asset under specific circumstances: (a) when no standards preclude capitalisation, (b) it is probable that a contract will be obtained and the contract is expected to result in future net cash inflows with a present value no less than all amounts recognised as an asset, (c) costs are directly attributable to a contract; and (d) such costs enhance the resources of the Group. The contract costs capitalised are amortised over the life of the contract. Contract costs are reviewed for impairment at each financial reporting date.

Contract fulfilment costs are divided into: (1) costs that create an asset; and (2) costs to be expensed when incurred. Contract fulfilment costs are capitalised when it is probable that Liberata will get a new contract or an extension. Such costs include: (1) legal costs, (2) process mapping and design, (3) system development; and (4) project management costs. Costs to obtain contracts are mostly sales commissions, and are capitalised when it is incremental and certain that Liberata has won a new contract, an extension or a contract modification.

Closing balances relating to costs to obtain contracts and costs to fulfil contracts are disclosed in note 2 including the amortisation expenses charged to the Income Statement during the year.

Leases

(i) *The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as water coolers and vending machines). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Leases (continued)

(i) *The Company as lessee (continued)*

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(ii) The Company as lessor

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Assets in disposal groups classified as held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition, a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised.

Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 7 and IFRS 9, are classified as financial assets at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset. The group's financial assets include cash and short-term deposits, trade and other receivables, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit of loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. The group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A financial asset is measured at amortised cost if both the following conditions are met:

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

Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include equity securities. Equity investments are classified as Financial assets measured at fair value through other comprehensive income if those investments are not classified as held for trading nor designated at fair value though profit or loss.

After initial measurement, such financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve.

The group evaluates such financial assets and whether the ability and intent to sell them in the near term is still appropriate. When the group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the group may elect to reclassify these financial assets in rare circumstances. Reclassification to financial assets at amortised cost is permitted when the financial asset meets the definition of financial assets at amortised cost and when the group has the intent and ability to hold these assets for the foreseeable future or until maturity.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 7 and IFRS 9 are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities at amortised cost

The main category of financial liabilities at amortised cost are interest bearing loans and borrowings. Obligations for loans and borrowings are recognised when the group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Financial instruments (continued)

(ii) Financial liabilities (continued)

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the consolidated financial statements of Outsourcing UK Limited.

Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is re-measured at fair value and gains and losses from both are taken to profit or loss. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

It is the Company policy to assess at each financial report date after the initial recognition of financial assets in accordance with IFRS 9 whether a loss allowance for expected credit losses is required. The Company conducts impairment reviews for:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;

(2) Lease receivables;

(3) Trade receivables and contract assets arising from IFRS 15; and

(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Financial instruments (continued)

(v) Impairment of financial assets

The function of a loss allowance is to reduce the carrying amount of financial assets when available, reasonable and supportable information suggests that in the future a significant credit risk event or significance change in credit risk will occur. The 12-month expected credit losses are the part of lifetime expected credit losses arising from possible default events within 12 months after the reporting date. Lifetime expected credit losses are the sum of all possible expected credit losses arising from default events over the expected life of the financial asset.

Financial instruments (continued)

The Company applies the same three-stage model to most financial assets reviewed for impairment. Where the three-stage model is not applied, a simplified model is applied for trade receivables and contract assets which do not contain a financing component or to which the practical expedient within IFRS 15 is applied. When the simplified model is applied, a larger loss allowance may result, as this model requires the upfront recognition of lifetime expected credit losses.

The Company recognises impairments in proportion to changes in the credit quality of financial assets using three stages:

Stage 1: For assets exhibiting no significant deterioration in credit quality after initial recognition, a loss allowance equal to 12-month expected credit losses is recognised. Interest income continues to be recognised on the gross carrying amount of the impaired asset.

Stage 2: For assets exhibiting a significant deterioration in credit quality after initial recognition, even if there is no objective evidence of impairment, Company recognised a loss allowance equal to the lifetime expected losses. Interest income continues to be recognised on the gross carrying amount of the impaired asset.

Stage 3: When there is objective evidence of impairment at the reporting date, the lifetime expected credit loss is used for the loss allowance and interest income is calculated on the net carrying amount.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Cash flow statement

Under IAS 7 'Cash Flow Statements', the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the Company in its own published consolidated financial statements.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Pension costs

The Company operates defined contribution pension schemes provided by Fidelity Worldwide Investments and Aviva Plc. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company also contributes to a number of Admitted Body Arrangements ('ABAs') that are part of the Local Government Pension Scheme. These arrangements are treated as defined benefit pension schemes.

The ABA scheme assets are measured using market values. ABA pension scheme liabilities are measured on an actuarial basis and are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Valuations are obtained from the scheme actuary for each relevant Admitted Body Arrangement and the financial statements are updated accordingly at each balance sheet date. When a scheme has a surplus, this is measured at the lower of the surplus in the defined benefit plan and an asset ceiling.

An employee benefit reimbursement rights asset is recognised at its fair value where the Company is entitled to reimbursement by a third party of all or part of any contributions required by the scheme to fund any deficit in the scheme.

Neither any amount related to profit or loss nor any amount related to other comprehensive income is recognised at the start of a new contract. Subsequent changes in the value of reimbursement rights will be recognised in accordance with the IAS 19. This treatment reflects the fact that we would only ever offer Local Government Pension Schemes on new contracts if the scheme is fully funded at the start of a new contract and the client is responsible for all past service costs accrued before the contract start date.

Subsequent changes in the fair value of the employee benefit reimbursement rights asset are recognised immediately in the statement of other comprehensive income to the extent that they relate to actuarial gains and losses in the defined benefit scheme to which the reimbursement right asset relates.

This reimbursement rights asset is disclosed within current assets in the statement of financial position.

Although the Company accounts for its Admitted Body Arrangements as defined benefit schemes this is not intended to imply any admission of liability on behalf of the Company for any eventual deficit which may exist at the point of termination of the relevant contract.

For further details see note 22.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

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

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES (continued)

(c) Significant accounting policies (continued)

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to the fixed assets account and are released by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

2 TURNOVER

The Company derives its turnover from contracts with customers for the transfer of goods and services over time and at a point in time in the following major business lines.

TURNOVER

Analysis of revenue by category:	**2022**	**2021**
	£000	**£000**
Business Process outsourcing	62,037	59,063
Turnover from continuing operations	**62,037**	**59,063**
Turnover for the year	**62,037**	**59,063**

Analysis of revenue by timing of transfer of services:	**2022**	**2021**
	£000	**£000**
Turnover recognised at a point in time	11,565	10,706
Turnover recognised over time *	50,472	48,357
Turnover for the year	**62,037**	**59,063**

£1.9m of revenue was derived from exchange of goods or services (2021: £1.9m). All revenue was generated in the UK in 2022 (2021: all).

Contract balances and related disclosures relating to revenue from contracts with clients are included in the following notes to the Company's accounts:

	2022	**2021**
	£000	**£000**
Capitalised contract costs: included in note 12 under prepayments	599	551
Contract liabilities: in note 13 referred to as deferred income	1,643	2,231

Analysis of contract costs	**2022**	**2021**
	£000	**£000**
Costs to fulfil At 1 January	**296**	**393**
Additions	114	-
Amortisations	(89)	(97)
Costs to fulfil At 31 December	**321**	**296¤**
Costs to obtain contracts At 1 January	**255**	**300**
Additions	108	44
Amortisations	(85)	(89)
Costs to obtain contracts At 31 December	**278**	**255**
Total capitalised contract costs included in note 12	**599**	**551**

The transaction price allocated to unsatisfied performance obligations at 31 December 2022 and 31 December 2021 are as set out below.

Deferred income	**2022**	**2021**
	£000	**£000**
At 1 January	**2,231**	**2,273**
Deferred during the year	21,819	24,916
Released to the statement of profit or loss	(22,407)	(24,958)
At 31 December	**1,643**	**2,231**

The deferred income refers to contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Remuneration of Directors

The total amounts for Directors' remuneration and other benefits were as follows:

	2022 £000	2021 £000
Directors' emoluments:	602	993
Pension contributions	2	5
	604	**998**
Remuneration of the highest paid director:		
Emoluments	303	521
Pension contributions	-	2
	303	**523**

Remuneration for two of the five directors of the company is paid for by a related party (2021: two of the five directors). It is not practical to determine the proportion of their emoluments which relate to their services as directors of this company and therefore the amounts are excluded from the above.

During the year, two of the Directors were members of the defined contribution scheme (2021: two).

Staff numbers and costs

The average monthly number of people (including Directors) employed by the company during the year was:

	2022 Number	2021 Number
Operations	1,060	1,042
Administration	40	38
	1,100	**1,080**

Staff costs incurred during the year in respect of these employees were:

	2022 £000	2021 £000
Wages and salaries	31,370	30,475
Social security costs	3,104	2,861
Pension and other costs	3,481	3,664
	37,955	**37,000**

4 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2022 £000	2021 £000
Depreciation and other amounts written off tangible fixed assets:		
Owned	311	369
Leased	2,992	3,068
Amortisation of other Intangibles	727	690
(Loss) on disposal of tangible fixed assets	(30)	-
Amounts receivable by the auditors and their associates in respect of:		
Fees payable for the audit of the Company's annual accounts	205	196
	205	**196**

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of its parent Outsourcing UK Limited.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £000	2021 £000
Bank interest and other interest receivable	25	1
	25	**1**

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £000	2021 £000
Other finance costs	-	-
Related parties interest	(41)	(43)
Finance charges payable in respect of finance leases	(552)	(666)
	(593)	**(709)**

7 OTHER NET FINANCE COST

	2022 £000	2021 £000
Unwinding of discount on provisions	(57)	(77)
Net pension finance costs	(174)	(335)
	(231)	**(412)**

8 TAXATION

(a) Tax (credited)/charged in the income statement	**2022 £000**	**2021 £000**
UK corporation tax		
Current tax charge on income for the year	-	-
Adjustments in respect of prior years	-	-
	-	-
Deferred tax		
Current year	(28)	(67)
Adjustments in respect of prior years	105	-
Effect of changes in tax rate	(9)	(1,245)
Total deferred tax expense/(credit)	68	(1,312)
Tax expense/(credit) in income statement	**68**	**(1,312)**

The tax expense/credit in the income statement is disclosed as follows:		
Income tax expense/(credit) on continuing operations	68	(1,312)
Tax expense/(credit) in income statement	68	(1,312)

(b) Tax charged to other comprehensive income		
Current tax:		
Tax on defined benefit pension plans	-	-
Total current income tax	-	-
Deferred tax:		
Actuarial gains on defined benefit pension plans	859	-
Change in tax laws and rates	-	1,857
Total deferred tax	859	1,857
Tax charged in other comprehensive income	**859**	**1,857**

8 TAXATION (continued)

(c) Factors affecting the tax charge/(credit) for the year

The tax assessed for the year is lower (2021: lower) than standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)

	2022	2021
The differences are explained below:	**£000**	**£000**
Current tax reconciliation		
Profit from continuing operations before taxation	2,526	2,921
Profit on ordinary activities before tax	**2,526**	2,921
Current tax at 19.00% (2021: 19.00%)	480	555
Effects of:		
Other expenses not deductible for tax purposes	-	-
Income not taxable	-	(163)
Effects of group relief/other reliefs	(487)	(459)
Adjustments in respect of prior years	105	-
Non-qualifying asset	(21)	-
Change in tax laws and rate	(9)	(1,245)
Total tax expense/(credit) reported in the income statement	**68**	**(1,312)**

(d) Provision for deferred tax

	2022	2021
Deferred tax asset		
Decelerated capital allowances	2,166	2,679
Other temporary differences	(726)	(341)
Tax losses carried forward	-	31
Net deferred tax asset	**1,440**	**2,369**
Net deferred tax asset at start of year	**2,369**	**2,913**
Tax losses used	26	67
Adjustment in respect of prior years	(102)	-
Changes in tax laws and rates	8	1,245
Other movements	-	-
Deferred tax credit to income statement	**(68)**	**1,312**
Other movements	(2)	1
	(70)	**1,313**
Deferred tax charge to other comprehensive income	(859)	(1,857)
Net deferred tax asset	**1,440**	**2,369**

At the balance sheet date there were no unrecognised accelerated capital allowances and unrecognised tax losses.

(e) Change in Corporation Tax rate

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. The Finance Act 2021 introduced an increase to the UK's main corporation tax rate from 19% to 25%, which is due to be effective from 1 April 2023, and was reconfirmed by the Chancellor of the Exchequer during the Autumn Statement 2022. These changes were enacted at the balance sheet date and hence are reflected in the measurement of deferred tax balances at 25% (2021: 25%) at the period end.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

9 INTANGIBLE ASSETS

	Computer software £000	Development costs £000	Total £000
Cost			
At 01 January 2022	4,578	478	**5,056**
Additions	103	1,007	**1,110**
Disposals	-	-	**-**
Transfers	781	(781)	**-**
At 31 December 2022	**5,462**	**704**	**6,166**
Amortisation and impairment			
At 01 January 2022	3,288	-	**3,288**
Amortisation during the year	727	-	**727**
Disposals	-	-	**-**
At 31 December 2022	**4,015**	**-**	**4,015**
Carrying amount:			
At 31 December 2022	**1,447**	**704**	**2,151**
At 31 December 2021	1,290	478	1,768

	Computer software £000	Development costs £000	Total £000
Cost			
At 01 January 2021	4,150	282	**4,432**
Additions	91	618	**709**
Disposals	(85)	-	**(85)**
Transfers	422	(422)	**-**
At 31 December 2021	**4,578**	**478**	**5,056**
Amortisation and impairment			
At 01 January 2021	2,642	-	**2,642**
Amortisation during the year	690	-	**690**
Disposals	(44)	-	**(44)**
At 31 December 2021	**3,288**	**-**	**3,288**
Carrying amount:			
At 31 December 2021	**1,290**	**478**	**1,768**
At 31 December 2020	1,508	282	1,790

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

10 TANGIBLE FIXED ASSETS

	Computer Hardware £000	Fixtures, fittings & equipment £000	Total £000
Cost			
At 01 January 2022	14,833	11,783	**26,616**
Additions	46	825	**871**
Lease agreement variation	-	(165)	**(165)**
Disposals/ removal of fully depreciated assets	(99)	(271)	**(370)**
At 31 December 2022	**14,780**	**12,172**	**26,952**
Depreciation			
At 01 January 2022	6,021	6,952	**12,973**
Charge for the year	2,063	1,240	**3,303**
Lease agreement variation	-	(77)	**(77)**
Disposals/ removal of fully depreciated assets	(96)	(244)	**(340)**
At 31 December 2022	**7,988**	**7,871**	**15,859**
Net book value			
At 31 December 2022	**6,792**	**4,301**	**11,093**
At 31 December 2021	8,812	4,831	13,643

Included in the net book value in respect of right of use assets are: £ 3,956,000 in Fixtures, fittings & equipment (F, F&E) (2021: £4,597,000) and £ 6,601,000 in Computer Hardware (2021: £ 8,533,000). The right of use assets classified under fixtures fittings and equipment mainly relate to property leases. Depreciation for the period on these assets was £ 1,060,000 in F, F&E (2021: £ 1,136,000) and £1,932,000 in Computer hardware (2021: £ 1,932,000). There were right-of-use F,F&E additions of £18,000 (2021: £18,000) and right-of-use additions of Computer hardware of Nil (2021: nil).

	Computer Hardware £000	Fixtures, fittings & equipment £000	Total £000
Cost			
At 01 January 2021	14,791	11,756	**26,547**
Additions	42	27	**69**
At 31 December 2021	**14,833**	**11,783**	**26,616**
Depreciation			
At 01 January 2021	3,932	5,604	**9,536**
Charge for the year	2,089	1,348	**3,437**
At 31 December 2021	**6,021**	**6,952**	**12,973**
Net book value			
At 31 December 2021	**8,812**	**4,831**	**13,643**
At 31 December 2020	10,859	6,152	17,011

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

11 INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings
Cost and net book value	**£000**
At 01 January 2022	4,057
Additions	-
At 31 December 2022	**4,057**

The company directly owns the entire share capital of the following companies, all registered in England and Wales and having the following principal activities:

(a) DIRECT INVESTMENTS

Subsidiary undertaking	Principal Activity	2022 Holding of ordinary shares and % of voting rights	2021 Holding of ordinary shares and % of voting rights
Capacitygrid Ltd Registered address 5th Floor Knollys House, 17 Addiscombe Road, Croydon, CR0 6SR	Consultancy services (Dormant)	100%	100%
Renovo Employment Group Ltd Registered address 60 Cheapside 2nd Floor Front 60 Cheapside London England EC2V 6AX	Temporary employment agency activities	100%	100%

12 DEBTORS

	Note	2022 £000	2021 £000
Trade receivables		1,979	1956
Amounts owed by group undertakings		24	36
Corporation Tax		228	-
Other taxation and social security costs		10	23
Other debtors		31	-
Reimbursement rights asset	22	100	10,391
Prepayments and accrued income		5,161	4,656
		7,533	**17,062**

Trade receivables are non-interest bearing and generally on terms of 30 days.

13 CREDITORS: Amounts falling due within one year

	Note	2022 £000	2021 £000
Trade creditors		1,203	1,080
Amounts due to related parties*		821	891
Other taxation and social security costs		1657	1,576
Other creditors		307	272
Lease liabilities	18	2,838	2,879
Accruals & deferred income		3,379	4,717
		10,205	**11,415**

* This relates to a loan from parent company Outsourcing Inc. Japan and bears interest at 0.5 percent plus 12-month LIBOR rate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

14 CREDITORS: Amounts falling due after more than one year

	Note	2022 £000	2021 £000
Lease liabilities	18	8,485	10,898
Other liabilities		-	170
Amounts owed to related parties*		1,155	1,901
		9,640	**12,969**

* This relates to a loan from parent company Outsourcing Inc. Japan and bears interest at 0.5 percent plus 12-month LIBOR rate.

15 PROVISIONS FOR LIABILITIES

	Property £000
At 01 January 2022	880
Effect of unwinding of discount rate on provision	58
New provisions and changes in estimates	69
Utilised during the year	(463)
At 31 December 2022	**544**

The dilapidations provision is in respect of make good dilapidations for property leases to return premises to the condition that they were in at lease commencement. The provision is assessed by our internal property services team and reviewed by senior management. It represents the current estimate of liabilities at the balance sheet date that are expected to crystallise over roughly the next 11 years.

16 CALLED UP SHARE CAPITAL

	2022 Number	2021 Number	2022 £000	2021 £000
£1 Ordinary Shares				
Authorised, allotted called up and fully paid:	2,000,000	2,000,000	2,000	2,000

17 COMMITMENTS

a) Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2022 Other £000	2021 Other £000
Future minimum lease payments under non-cancellable operating leases are as follows:		
Fall due:		
Within one year	80	34
In the second to fifth years inclusive	-	-
After five years	-	-
	80	**34**

NOTES TO THE FINANCIAL STATEMENTS
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18 LEASE LIABILITIES

Average term lease is 60 months	Note	2022 £000	2021 £000
Finance leases which expire:			
Within one year		3,289	3,427
In the second to fifth years inclusive		8,657	10,950
After 5 years		538	1,055
Minimum lease payments		**12,484**	**15,432**
Less: finance charges allocated to future periods		(1,161)	(1,655)
		13,323	**13,777**
Finance lease contracts are analysed as follows:			
Current obligations	13	2,838	2,879
Non-current obligations	14	8,485	10,898
		13,323	**13,777**

19 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption contained in paragraphs 8 and 9 of FRS 101 and has therefore not disclosed transactions or balances with entities which are wholly owned subsidiaries.

20 CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities in respect of performance bonds and guarantees under contractual agreements entered into by the company in the normal course of business.

21 DIVIDENDS

Liberata UK Limited paid £4.0 million in dividends during 2022 (2021: £2.0 million). The amounted to a dividend per share of £2.00 (2021: £1.00 per share).

22 PENSION SCHEMES

Defined Contribution Scheme

The Company operates a defined contribution pension scheme, membership of which is open to all employees. Employer contributions for the year amounted to £1,512,000 (2021: £1,533,000) and are recognised in the profit and loss account. Employer contributions outstanding to the scheme at 31 December 2022 were £132,000 (2021: £122,000). It is estimated that the Company will make £1,512,000 of employer contributions in the forthcoming financial year.

Defined Benefit Pension Schemes

The Company does not operate any defined benefit pension schemes. The Company does, however, contribute to a number of Admitted Body Arrangements ('ABAs') that are part of the Local Government Pension Scheme. These arrangements are treated as defined benefit pension schemes within these financial statements.

Contributions to the ABAs treated as defined benefit pension schemes for the year ended 31 December 2022 were £778,000 (2021: £881,000). The Company is due to contribute to these schemes over the next year at rates between 0% and 22.4% of salaries. The Company expects to contribute more than £798,000 to its ABAs in the next financial year. The decrease in 2022 employer's contributions was due to a reduction in the headcount participating in Local Government Pension Schemes.

In some cases the Company has a right of reimbursement in respect of certain assets or liabilities arising from its participation in ABAs. Where this is the case the Company recognises an employee benefits reimbursement right asset.

The average weighted duration for all ABAs is 17 years. The individual durations of each scheme range from 15 to 21 years.

ABA Exit Promise

The exit promise relates to a funding surplus on some of the ABA schemes that the Company has no contractual right to at the time of exit from the contract.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

22 PENSION SCHEMES (continued)

22 (a) Amounts recognised in the financial statements

	Present value of liabilities		Fair value of plan assets		Net defined (liability)/asset	
Presented in Liabilities	**2022**	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Opening balance	**(105,794)**	(113,730)	**96,903**	87,259	**(8,891)**	(26,471)
Taken to the income statement:						
Operating costs:						
Current service cost	**(2,368)**	(2,684)	**-**	-	**(2,368)**	(2,684)
Administrative costs	**-**	-	**(30)**	(29)	**(30)**	(29)
Past service costs including curtailments	**(100)**	(1)	**-**	-	**(100)**	(1)
Finance costs:						
Interest (cost)/income	**(2,103)**	(1,498)	**1,929**	1,164	**(174)**	(334)
Subtotal in income statement	**(4,571)**	**(4,183)**	**1,899**	**1,135**	**(2,672)**	**(3,048)**
Taken to other comprehensive income:						
Actuarial (losses)/gains arising from:	**-**	-	**-**	-	**-**	-
- demographic assumptions	**2,419**	203	**-**	-	**2,419**	203
- financial assumptions	**42,573**	6,119	**-**	-	**42,573**	6,119
- experience assumptions	**(8,796)**	4,188	**438**	-	**(8,358)**	4,188
Change in value of exit promise	**-**	-	**(19,599)**	(3,090)	**(19,599)**	(3,090)
Return on plan assets excluding interest	**-**	-	**(3,308)**	12,397	**(3,308)**	12,397
Sub-total in other comprehensive income	**36,196**	**10,510**	**(22,469)**	**9,307**	**13,727**	**19,817**
Employer contributions	**-**	-	**778**	811	**778**	811
Member contributions	**(371)**	(412)	**371**	412	**-**	-
Benefits paid	**2,179**	2,021	**(2,179)**	(2,021)	**-**	-
Contract bulk transfers	**-**	-	**-**	-	**-**	-
Closing balance	**(72,361)**	(105,794)	**75,303**	96,903	**2,942**	(8,891)

Six of the seven admitted body arrangements (ABAs) Liberata participates in were in total surplus of £2.9m, while only one out of the seven ABAs were in a total deficit of £100,000. This £100,000 deficit total is re-chargeable to clients.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

22 PENSION SCHEMES (continued)

22 (b) Net pension position

Reconciliation to the balance sheet	2022 £000	2021 £000
Reimbursement rights assets (see note 12)	100	10,391
Net pension asset/(liabilities)	2,942	(8,891)
Net pension position per contract terms	**3,042**	**1,500**

22 (c) Actuarial assumptions for ABAs

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of each of the schemes for IAS 19 purposes were:

Main financial assumptions	As at 31 December 2022 (% p.a.)	As at 31 December 2021 (% p.a.)
Rate of increase in salaries	2.3	2.2
Rate of increase in pensions in payment subject to RPI	n/a	n/a
Rate of increase in pensions in payment subject to CPI	2.3	2.2
Discount rate	4.8	2.0
Rate of price inflation (RPI)	3.3	3.3
Rate of price inflation (CPI)	2.3	2.2

The UK Statistics Authority ("UKSA") has advised that it intends to change the Retail Prices Index (RPI), by 2030 at the latest, to bring it in line with CPIH (the Consumer Prices Index including owner-occupiers' housing costs). The government commenced a public consultation on the matter in 2020, with the earliest effective date of any change in 2025.

Despite the UKSA announcement, the methodology used to derive the RPI and CPI assumption is consistent with the approach used at the prior year-end.

The benefits payable from the Defined Benefit Schemes to which the Company contributes are entirely linked to Consumer Prices Index (CPI) inflation.

In September 2019, the Government and UK Statistics Authority made announcements about the future of the Retail Prices Index (RPI) inflation measure. They confirmed that the RPI inflation formulae will be adjusted so that it is equal to the Consumer Prices Index including owner occupiers' housing costs (CPIH) no later than 2030. They confirmed that there will also be a consultation over whether this is brought forward by up to five years.

On 25 November 2020 the Chancellor announced that the change to reduce RPI will go ahead from 2030. This will not directly impact Fund liabilities in the LGPS (as benefit payments are CPI linked) but could impact assets (where index-linked gilts or swaps are held, which are linked to RPI inflation). Based on historical data, we might expect CPIH to be c.1.1% pa lower than RPI. However, CPI is used in the IAS19 calculations to compute salary increases, deferred increases and pension increases, which all impact the IAS19 liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

22 PENSION SCHEMES (continued)

22 (c) Actuarial assumptions for ABAs *(continued)*

The assumption for future RPI price inflation is taken from a yield curve as implied by the index-linked and fixed interest gilt markets. This gives a "breakeven" RPI of 3.5% pa. We have reduced this figure by 0.2% pa (2021: 0.2% pa) to allow for an assumed inflation risk premium, resulting in an RPI assumption of 3.3% pa. This is line with the approach adopted last year.

In the long term, inflation measured by the CPI is expected to be lower than inflation measured by the RPI because of differences in how the indices are calculated. Given the 25 November 2020 announcement that RPI will be aligned to CPIH from February 2030, we have calculated the CPI assumption by taking the assumption for RPI inflation and deducting 1.0% pa (2021: 1.1% pa) for the period to February 2030 and 0.1% pa from February 2030 onwards (2021: 0.1% pa) resulting in a CPI assumption of 2.3% pa to February 2030 and 3.2% pa from February 2030 onwards. The deductions are selected based on consideration of structural differences between the RPI and CPI measures, and the relatively modest movements in market pricing since the announcement of RPI reform in late 2019. This is the same approach to the RPI-CPI wedge as adopted last year.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The life expectancy assumptions at the beginning and end of the financial period for a 65 year-old are as follows:

- Current pensioner aged 65: 21.7 to 21.1 years (male), 24.2 to 23.6 years (female)
- Future retiree upon reaching 65: 22.7 to 22.1 years (male), 25.6 to 25.1 years (female)

Allowances for GMP equalisation and indexation and McCloud judgement have been made through Other Comprehensive Income.

22 (d) Reconciliation of funded status to balance sheet for ABA Schemes

	As at 31 December 2022	As at 31 December 2021
Liberata's notional assets in the pension schemes through the admitted bodies	**Value £000**	**Value £000**
Equities	31,280	37,034
Government Bonds	2,314	4,356
Other Bonds	2,607	4,085
Property	5,582	4,269
Other	53,665	50,249
***Total fair value of assets before reimbursement* rights and exit promise**	**95,448**	**99,993**
Present value of scheme liabilities on IAS 19 basis	(72,361)	(105,794)
Surplus/(Deficit) in the scheme	**23,087**	**(5,801)**
Value of exit promise	(20,145)	(3,090)
Surplus/(Deficit) before reimbursement rights asset	**2,942**	**(8,891)**
Reimbursement rights asset	100	10,391
Net pension asset	**3,042**	**1,500**

NOTES TO THE FINANCIAL STATEMENTS
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23 ULTIMATE PARENT COMPANY

The immediate parent company of Liberata UK Limited is Outsourcing UK Limited, a company incorporated in England and Wales, registered address Floor 9 Peninsular House, 30-36 Monument Street, London, England, EC3R 8LJ. The smallest group into which results of the Company are consolidated is that headed by Outsourcing UK Limited. The largest group of which the results of the Company are consolidated is that headed by Outsourcing Inc., the ultimate parent company and incorporated in Japan. The consolidated financial statements of the Company are available to the public and may be obtained from its registered office, 19F Marunouchi Trust, Tower Main, 1-8-3 Marunouchi, Chiyoda-Ku, Tokyo, JAPAN, 100-0005.

24 CAPITAL MANAGEMENT

For the purpose of Liberata's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of Liberata's capital management is to maximise the shareholder value.

No changes were made in the objectives, policies or processes for managing capital during the year ending 31 December 2022.

25 EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period other than those disclosed in the directors' report, which require disclosure.

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

C E Bruin	Chief Executive Officer
R D Price	Chief Financial Officer
K Suzuki	Director (resigned 11th April 2022)
Y Ono	Director
A L Wood	Director

COMPANY SECRETARY

TJF Collins

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United Kingdom

REGISTERED NUMBER

01238274

DISCLAIMER

The statements made in this report about Liberata UK Limited's financial condition, results, strategy and operations are forward-looking statements which reflect the assumptions of the management team based on the information available to them now.

There are a number of factors, risks and uncertainties which could cause the actual results and performance of the Company to be materially different from those expressed or implied by the forward-looking statements made in this report. This report is not, and should not be regarded as a profit forecast and the Company and its management accept no liability to third parties for the contents of this report other than as would arise generally under English law.