

## STRATEGIC REPORT

### Principal Activities

The company's principal activity is that of providing management for the Group's activities. Liberty Group delivers people-focused, intelligence-driven property services that deliver better outcomes for customers and clients. We repair and maintain buildings, manage properties, build homes and support clients with all their property needs.

Liberty has three main business units these include;

- Liberty Heating and Compliance services, through Liberty Gas Group Limited, which specialise in heating, gas, water and electrical compliance testing, servicing, installation and maintenance.
- Liberty Repairs and Maintenance, through City West Works which focuses on whole property repairs and maintenance including both reactive and planned improvement programmes.
- Liberty Projects, through Liberty Gas Group which provides construction services, plant room installations and refurbs and the design, installation and maintenance of mechanical and electrical installations such as sprinklers, solar PV and battery storage.

In addition, the Group also operates in the renewable energy market via its subsidiary company Liberty Energy Limited.

### Business Review

The Group operates via three main trading entities; Liberty Gas Group Limited, City West Works Limited t/a Liberty R&M and Liberty Energy Limited.

Turnover for the 12 months to 31<sup>st</sup> March 2021 decreased to £85.6m (2020 £98.6m), due to the impact of work that was delayed due to COVID-19. Due to the actions taken by the Group to mitigate the impact from COVID-19 the Group was able to post a PBT of £0.503m (2020 £1.061m). The Directors are pleased by the overall performance, which is on the back of a challenging year for the majority of UK businesses, and the number of contracts that were won and retained during the year.

In the previous year Liberty Gas Group Limited acquired the certain assets, liabilities and contracts of Warmer Energy Services Limited, from the Administrator, in a prepack deal in October 2019. These contracts have been fully integrated into the business and are performing in line with forecast and expectations.

Gross margin for the year was 21.4% (2020: 19.5%), The impact of COVID-19 has been partly offset with improvements being driven by efficiencies made through the Liberty Agility Programme, such as improving the target operating model. This builds on the improvements made in the prior year.

The Directors monitor Operating Profit, EBITDA and conversion of cash targets as part of the KPI's that management are measured on. The Group operating profit for the year was £1.195m (2020: £1.574m), EBITDA was £3.590m (2020: £3.350m). Cash conversion targets for the year were exceeded with the Group recording a rate of 106.1% (2020: 102.5%).

As well as the financial KPI's the Group monitors a number of non-financial KPI's under Health & Safety, People, Operations, Business Development and recycling, with these being presented as part of the overall Liberty Group Board Reports and also form part of the individual operational team meetings.

The Group has continued to roll out its new vehicle fleet; rather than being on operating leases vehicles are now owned. These vehicles are more fuel efficient than the ones they replace and produce less harmful substances, such as CO<sub>2</sub>. During the year the Group made a profit on disposal of the old vehicles it replaced of £0.446m (2020: £0.364m). We expect that the realignment in the year of keeping commercial vehicles for 5 years, rather than 4 years will reduce the profit per vehicle in coming years, with that benefit being realised over the vehicles' lifecycle.

Regular challenge and scrutiny of identified risks, along with their respective scores and defined controls, takes place through discussion with senior managers and Executive Leads, along with formal challenge via the Risk Management Working Group.

Risk identification and analysis sessions are carried out in order to identify emerging risks, providing assurance that as a Group we continually scan the horizon and consider potential impacts on the business.

Each Strategic Risk Register has a corresponding Management Assurance Framework, providing additional detail as to the specific types of assurance available to demonstrate the implementation of effective controls. Such examples of assurance include internal and external audit, external accreditation and departmental checks and balances.

### **Energy and Carbon Reporting**

During the year Liberty Group Investments Limited (LGIL), incorporating all of its subsidiaries used 480,403 Kwh of gas and electricity (2020: 451,050 Kwh), which equates to 100 tonnes of Carbon Dioxide (CO<sub>2</sub>) (2020: 98 tonnes). Due to the types of work that the Group undertakes the largest contributor to CO<sub>2</sub> is the vehicle fleet, which is predominantly made up of commercial vehicles. In the year we used 1.43 million litres of diesel and petrol (2020: 1.54 million litres), which equates to 3,552 tonnes of CO<sub>2</sub> (2020: 3,993 tonnes).

Overall, the total tonnes of CO<sub>2</sub> generated by the Group annually equates to 3.13 tonnes of CO<sub>2</sub> for each member of staff (2020: 3.70 tonnes).

The biggest contributor to the carbon output in Liberty Group is its vehicles. We have continued to upgrade the commercial fleet with new, more fuel efficient and low CO<sub>2</sub> vans, replacing the older more polluting ones, with all of the less efficient vehicles due to be replaced during 2021-22. We are also running trials, nationally, of commercial electric vehicles to work through the challenges currently faced, such as range anxiety and charging availability. These trials will underpin the next stage of our evolution to a low CO<sub>2</sub> fleet. Liberty Group has also introduced a hybrid and electric cars policy to its company car fleet policy and by December 2021 over 95% of our car fleet will be hybrid or electric, reducing our average car CO<sub>2</sub> from 96gms to 38gms.

When calculating the equivalent tonnes of CO<sub>2</sub>, for each type of energy usage we have used the conversion factors that are from the governments Greenhouse gas reporting: conversion factors 2020.

### **Section 172 Statement**

The Directors of the Group, as those of all UK companies, must act in accordance with a set of general duties as detailed in section 172 of the UK Companies Act 2006.

The board of directors of LGIL consider, both individually and together, that they have acted in the way they consider would be most likely to promote the success of the company for the benefit of the business as a whole. It is also important to note that Directors will fulfil their duties partly through a governance framework that delegates some day-to-day decision making to employees of the company.

Section 172 states that a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefits of everyone within the organisation as a whole, and in doing so have regard to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, client, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct.

### **Internal Controls Assurance (Continued)**

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the organisation's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the existing management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the organisation is exposed.

The organisation's approach to risk management is reviewed every year by its Internal Auditors. They confirmed that the systems in place were fit for purpose and there were no significant control weaknesses identified during the year which could have resulted in material loss to the Group. In addition, the Board actively reviews the approach to risk management, re-examines scores and defined controls and confirms their satisfaction as to the systems in place.

### **Performance Indicators**

The Board is aware of the importance of monitoring and ongoing review of key performance indicators, these are reported to the Board to provide assurance and assess whether the organisation is meeting its objectives.

As well as the financial KPI's the business monitors a number of non-financial KPI's under Health & Safety, People, Operations, Business Development and recycling, with these being presented as part of the overall Liberty Group Board Reports and also form part of the individual operational team meetings.

### **Corporation Tax**

As a Group, LGIL and its members will incur tax on their taxable profits.

### **Environment and Sustainability**

The principal area where a group will be looking to improve its carbon emissions is the fuel use for its extensive vehicle fleet. The Group will carry out extensive analysis on a month by month basis of data, to continue to drive a reduction in fuel consumption.

We have continued to upgrade the commercial fleet with new, more fuel efficient and low CO2 vans, replacing the older more polluting ones, with all of the less efficient vehicles due to be replaced during 2021-22. We are also running trials, nationally, of commercial electric vehicles to work through the challenges currently faced, such as range anxiety and charging availability. These trials will underpin the next stage of our evolution to a low CO2 fleet. Liberty Group has also introduced a hybrid and electric cars policy to its company car fleet policy and by December 2021 over 95% of our car fleet will be hybrid or electric, reducing our average car CO2 from 96gms to 38gms.

The Group also works with its supply chain to introduce a policy of using 100% recycled paper. Continuing into the future, the Group is committed to utilising where possible app based technology to negate the need for paper records whatsoever. To reduce the reliance on paper products the Group is developing better electronic working practices.