

# CENTERPRISE INTL HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 AUGUST 2022

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The directors present the strategic report for the year ended 31 August 2022.

#### **Fair review of the business**

Our strategic objective is to build share in the public sector, private sector and distribution markets through offering valued solutions to our customers. During the year we maintained a clear focus on enhancing our services portfolio through further extensive recruitment within our services division; the introduction of enterprise sales specialists across our established salesforce; and funding the multimillion-pound extension of our existing logistics and operations centre. This latter investment will provide the required capacity for future growth across our main lines of business: logistics, production and configuration services, asset lifecycle management and IT operations. We continued to work hard for our customers and partners, emphasising the importance and enhancing the value of both sets of relationships. We used our presence on strategic public sector framework agreements to elevate our engagement with a wide range of customers and used our standing within the industry to offer constructive comment to policy and industry bodies on trends and impending changes. The Group is becoming a more strategic supplier to the public sector across certain regions of the UK. This is driving social-economic benefit throughout those regions through job creation and the effective execution of an active ESG agenda. Our ongoing investment in services increased the year-on-year GM contribution from internal services from 16% to 21%. We are succeeding in building share in the distribution market, which combined with our continuing success in public sector led to a year-on-year growth in turnover of 16%. The impact of increased revenue from distribution, along with a material increase in aged stock provision, resulted in a 3.72% reduction on GM%. The increase in stock holding and subsequent aged stock provision was largely attributable to the disruption in the supply chain and a consequent decision to hold higher stock volumes to meet customer expectations. Geo-political issues impacted foreign exchange (Forex) rates, which affected the cost of goods and had a negative impact on operating expenditure. The GM% and NM% performance would have been in line with budget without the stock provision and Forex adjustments.

Additional key financial performance indicators used by the group are as follows:

- Gross profit margin decreased from 15.64% to 11.92%
- Operating profit margin decreased from 2.66% to 1.41%
- Group net current assets decreased from £22,350,540 to £19,062,658
- Group net assets increased from £31,399,295 to £32,085,758

The directors are satisfied with the group and company year-end position.

The group does not formally use non-financial key performance indicators to monitor and assess the progress of the business. Such aspects are looked at on a case-by-case basis only.

#### **Principal risks and uncertainties**

The group's principal trading subsidiary, Centerprise International Limited operates a risk management framework designed to minimise its exposure to financial risk. This framework is underpinned by rigorous governance, ensuring decisions on financial risk are made at the appropriate level.

#### **Economic and political disruption**

The UK economy continues to be challenged by the impact of Covid-19 with further pressure mounting because of the war in Ukraine. Both events have combined to generate inflationary pressures and cost of living challenges that have not been experienced for several decades. It is likely that the current year over year inflation rate of 10.5% (Dec 22) will not decrease materially until Q3 2023. We are entering a recession which will lead to a reduction in customer budgets and consequently, more prioritised spending. The company has the financial means to withstand a depressed market and with its recent investment in transformative technology, is positioned to support its customers with using their available budgets to deliver cost efficiency measures.

Whilst the supply chain issues of the past 2 years continue, the situation is improving, and we expect most of our vendors to achieve business as usual lead times by Q3 2023. Throughout this disruption, we have managed the expectations of our customers well and have used our strong partner relationships to minimise impact as evidenced by our ability to grow sales by 16%.

# CENTERPRISE INTL HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2022

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#### **Principal Risk and Uncertainties (continued)**

##### Profit margin pressures

The group continues to invest in increasing its technical capability and sales competence to more readily sell services and reduce its dependency on the reselling of products and services. This is helping the group compete for larger scale service contracts and is improving profitability on success. The group is highly focussed on making service-based revenue a significant proportion of its turnover to assist with offsetting the impact of the downwards pressure on product margins. Moreover, expanding our portfolio of services will provide customers with more options for doing business with the group. The directors anticipate this transition taking place over several financial years. Practices of constant price monitoring, aggregated buying and ongoing market research are being applied to further increase the company's competitiveness and profitability.

The technology advances made in the IT industry outpace most other industries. The directors are therefore committed to research and development and view it as being an enabler to ensure the group remains relevant in an ever-changing market.

##### Retaining our people

The growth within the IT industry means there is no longer sufficient talent within the IT industry to service it. The consequent impact of this being companies are seeking to poach talent from one another, which has led to salary inflation across the sector. The cost-of-living challenges are exacerbating the situation as individuals who are otherwise content in their employment are being enticed away by higher salaries.

We have implemented a range of initiatives and undertaken exceptional measures over the last year to deliver a workforce strategy that enables us to build for the future and ease the financial pressures on our employees.

Early Career Programme. We introduced a sales apprenticeship programme with an outsourced apprenticeship provider to build our sales talent for the future. In addition to this, we made a future investment in our talent pool by introducing apprentices across our service delivery and office administration functions to create talent depth and breadth.

Mid-term pay review. We undertook a mid-term pay review to ensure those most in need received an above inflation pay award.

Bonus payment. As part of our annual pay review, we awarded every non-sales member of staff a one-off bonus payment on top of their annual pay award.

Early realisation of annual bonus. Over and above the annual pay awards, we incremented the salaries of all our non-sales staff by 50% of their annual bonus. This was to enable our staff to benefit monthly from a committed payment that they otherwise would have had to wait 12 months for.

Increased leave entitlement. We increased the annual leave allowance by 3 days and introduced a scheme to allow employees to purchase additional leave entitlement.

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## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2022

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#### Financial risk management objectives and policies

##### Interest rate risk

If the group were to enter into a transaction (or series of transactions) which, in the opinion of management, may at some point materially affect its profitability because of exposure to interest rate changes, then the group would hedge the transaction.

##### Price risk

The group will only enter into a transaction with a customer on the basis of fixed, pre-agreed terms from suppliers and consequently is not exposed to price risk. The group does forward buy from suppliers to protect itself and customers from notified price increases.

##### Exchange rate risk

The group operates in a market in which changes in exchange rates are rapidly reflected in the market price for the imported product it sells. As such, long term hedging of all currency is inappropriate. However, the group hedges its short-term exposure to this risk through several methods; by building some sterling depreciation into its estimated cost price and by holding cash balances in foreign currencies that match current commitments.

##### Credit risk

The group operates several policies and procedures designed to mitigate credit risk. Before opening an account for a new customer a credit review will take place to determine whether or not, in the opinion of management, the customer has the ability to meet its debts as they fall due. External agencies are consulted as a part of this process. Consequently, the group will only conduct business with customers deemed to be creditworthy. In addition, the group has in place insurance policies to cover the risk of default by its customers, as well as ongoing credit limits and collection procedures to manage day to day exposure.

##### Liquidity and cash flow risk

The group operates a range of policies to ensure there is sufficient liquidity and cash to meet its liabilities as they fall due. Cash flow forecasts are undertaken to monitor the cash position and to determine the liquidity of the group. Management then ensures that there are ample liquid funds available to ensure that there is no risk of the group being unable to pay its debts as they fall due.

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## STRATEGIC REPORT (CONTINUED)

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#### **Director's duties to stakeholders (Section 172(1) statement)**

The directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the group's employees;
- the need to foster the group's business relationships with suppliers, customers and others;
- the impact of the group's operations on the community and the environment;
- the desirability of the group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the group.

The directors of the group have sought to balance the needs of its members with the s.172 matters throughout the year, by ensuring the group's core values are upheld to promote our culture and instil the desired behaviour in our employees. A peer recognition scheme is in place to recognise and reward individuals who live the values well. This is an obsession and one that ensures the group's reputation for high standards of conduct are maintained throughout our engagement with employees, customers and suppliers.

The directors of the group have a duty to promote the success of the group. This is achieved through effective internal and external communications. The group solicits feedback from all of its stakeholders and has a rigorous practice in place to resolve any identified shortfalls quickly. We take pride in our transparency and genuine desire to make a difference in the communities within which we operate. This intent is summed up by our vision: 'to work ethically to help our customers tackle real-life issues affecting society' and our strong conviction to Corporate Social Responsibility (CSR). The focus provided through our vision and our embracing of CSR combine to make the Group a rewarding organisation to work with and work for.

#### Engagement with Employees

We engage with employees through a monthly newsletter, quarterly briefs, guest speaker events and ad hoc communications in response to events. When we are seeking to make a change that will impact our employees, we canvass their feedback via surveys and communicate the intended outcome before making the change. We promote transparency on our business operations by encouraging employees to be inquisitive and question what they do not understand.

We invest in our people through formal and on the job training. We encourage individuals to focus on their strengths and the strengths of their colleagues. We do not tolerate discrimination in any form and create awareness of the standards expected through mandatory online training modules covering, among other topics: equality and diversity, business ethics and modern slavery.

The group strives to enhance employee health, safety and wellbeing. We maintain an ISO 9001 certified Quality Management System and a comprehensive set of policies and procedures to safeguard our employees and guide their behaviour. We promote physical and mental wellbeing by running mental health workshops and have introduced a wellbeing AI platform that offers individuals access to a rich library of NHS-approved resources to help them determine the best course of action for their situation under the security of anonymity.

Employees are invited to join an EMI scheme that enables them to emotionally invest in the company and share in its prosperity. Those who participate receive an annual dividend and their investment is underwritten by the company to the extent that they are guaranteed to receive at least their original investment back should they sell their shares.

We run monthly social events for all members of staff which helps build personal relationships and underpins our 'family-based' culture. We recruit against our core values, which further strengthens the emotional connection between employer and employee through the alignment of individual and organisational value systems. We actively seek to drive workforce diversity and inclusion through our recruitment effort. This ensure our workforce is representative of society and allows the company to benefit from skills, experience and learning behaviours shaped by UK and non-UK educational systems.

We have fully embraced hybrid working, ensuring our employees benefit from a strong office-based work culture whilst affording them the flexibility of being able to work remotely and independently.

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## STRATEGIC REPORT (CONTINUED)

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#### Engagement with suppliers, customers and others in a business relationship with the company.

##### Suppliers

The relationship with our suppliers commences at on boarding during which time we ensure the appropriate accreditations, certifications, standards and behaviours are in place. We work hard at building and fostering relationships with our suppliers. We attend regular business reviews with our strategic suppliers and ensure that strong relationships are held across each function and level of business.

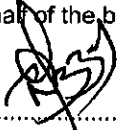
##### Customers

We pride ourselves on our customer centricity. We maintain a high level of customer satisfaction through the adoption of a 'can do' attitude, ensuring we act as an extension of our customer's team. We undertake service management reviews with our managed services customers and meet regularly with all of our key customer accounts to discuss how we can improve. The group is constantly looking at new ways to overcome our customers' business challenges and we work hard to challenge ourselves to provide thought leadership. We communicate to our customers through a monthly newsletter, social media posts, regular account reviews and online seminars

##### Others

Communicating with public sector procurement authorities, technical leadership organisations and influential industry media outlets enables us to understand the market and influence the thinking of policy makers. We achieve this through giving interviews, attending forums, writing articles and responding to requests for information.

On behalf of the board



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Mr R A A Razzak  
Director

Date: 30/3/23