

CENTERPRISE INTL HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2020

The directors present the strategic report for the year ended 31 August 2020.

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 have continued to expand and strengthen our customer offerings and further develop our relationships with strategic partners. We have continued to enjoy success in retaining a position on strategic public sector framework agreements and have further cemented our status as a strategic partner to a wide range of customers. The Pandemic did challenge the group in new ways, particularly the need to transition the majority of our staff to remote working. Our continual investment in digital transformation did however serve us well during this transition, enabling the business to continue to function largely without disruption. The whole of our operation continued to function effectively, enabling us to meet the needs of our customers throughout the national lockdown. The group's commitment to its growth objectives, particularly in the areas of enhancing sales operations and service delivery capability, further extended our sales reach and enhanced our solution offerings. This has enabled significant business wins with long-standing and new customers, resulting in an increase in sales of 35.6%. As the group's growth in sales has been achieved without an addition to staff levels, this has translated into a 1.12 percentage point increase in operating profit margin.

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

- Gross profit margin decreased from 14.26% to 12.85%
- Operating profit margin increased from 1.63% to 2.75%
- Group net current assets increased from £19,167,086 to £20,989,879
- Group net assets increased from £27,340,141 to £29,916,859

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 effective management of the business and achieving the group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business. A thorough risk management process is in place to review and address the risks identified below.

The group continues to invest significantly in increasing its technical capability and sales competence to enhance its ability to sell services and reduce the dependency on the reselling of products and services. This will help drive profitability as we compete for larger services-based contracts and will help offset 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 group expects this transition to becoming a more services-based group to take several financial years. Over this period we will continue to grow our customer base and will continue to expand our services business into our existing customers. Practices of constant price monitoring, aggregated buying and ongoing market research are being applied to further increase the group's competitiveness and profitability.

The group has demonstrated that it possesses the quality of leadership, robust business operations processes and financial standing to deal with an external threat such as the ongoing Pandemic. Brexit presents another external threat to the group insofar as the short to medium-term economic impact of Brexit is unknown. The group has undertaken the necessary actions to minimise disruption to the supply of goods and we are confident that our strong cash reserves will serve to mitigate what is an unquantifiable risk at this time.

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.

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Financial risk management objectives and policies

The group 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.

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 products it sells. As such long term hedging of all currency exposure 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 to match current commitments.

Credit risk

The group operates a number of policies and procedures designed to mitigate credit risk. In particular, 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 not being able to pay its debts as they fall due.

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.

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

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 offering corporate gym membership and running mental health workshops.

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

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.

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Carbon disclosures

During 2019-2020 the group released 2,353 tonnes of CO₂e into the environment. The group has an ongoing commitment to decrease our Greenhouse Gas (GHG) emissions, which is evidenced through a programme of work to convert the lighting used throughout our premises with energy efficient LED units. Other initiatives such as the use of electric vehicles and using innovative product packaging solutions are designed to minimise the carbon footprint associated with delivering products. Business meetings are conducted virtually where practicable to do so. The group seeks to maximise the useable life of the IT products it produces and resells through its asset management practice. IT products are recovered from customers and are either refurbished for second use or disposed of responsibly ensuring all useable value is obtained through recycling.

Metrics

Quantity of GHG: 2,353 CO₂e tonnes.
Quantity of UK energy consumed: 871,694 KWH
Intensity ratio: 12,191 kgCO₂e per person

All of the above calculations have been derived using government conversion factors detailed at the following url: (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>).

On behalf of the board



Mr R.A.A Razzak
Director

Date: 22/4/21