

15 November 2023

Northamber PLC
(the “Company” or the “Group”)
Preliminary Results for the year ended 30 June 2023

Chairman’s Statement

Results

Against a challenging backdrop, we are pleased to share that we have continued to grow revenue year on year by £890k from £66.26m to £67.15m whilst also growing gross margins from 12.8% to 13.3%. This served to generate a continued increase in gross margins of £0.43m year on year to £8.91m (5% increase year on year) and reflected our continued focus on evolving our product mix towards higher margin, more technical products through Northamber and AVM.

As mentioned in my last statement, we expanded our Audio Visual (AV) unit into Unified Communications and Collaborations (UC&C) during the first half of the year with a new partnership with Yealink who are a significant brand in the Microsoft Teams Room and Zooms room space. This new partnership allowed us to access a significant new UC&C market for our existing reseller customers as well as bring existing products from our Audio Visual and Infrastructure Solutions business units to a wider market. The addition of ViewSonic in H2 to our Audio Visual Business Unit also helped provide growth opportunities.

Despite sales and gross margin growth for the year, performance in some of our focus areas remained impacted by softer demand due to deferred purchasing decisions by some end users as they chose to defer non essential spend in the face of inflationary pressures and continuing economic uncertainty. Our strategy remains to focus on building the best Proactive, Technical distribution company in our focus technology areas of Audio Visual, Network Security & Infrastructure, Document Management & Peripherals as we remain confident we can deliver significant long term value and growth in these segments for our partners and shareholders.

Inflationary pressures combined with our continued investment in developing the team for our growth ambitions led to distribution costs increasing from £5.6m to £5.9m. Likewise, our administration costs increased from £3.4m to £3.5m due to inflationary pressures. Some of these cost increases we would hope to be non-recurring or reduced moving forward such as an exceptional £110k bad debt write off for the year (up from £62k prior year), £110k for Electricity and Gas (up from £66k prior year and despite the Company installing solar panels at our Swindon Warehouse at the start of the fiscal year) and cost of living pressure on wages (£6.15m up from £5.67m).

It is frustrating that inflationary factors increasing distribution and administration costs have impacted the Group despite Gross Margin growth. The Group remains committed to proactively working to reduce these costs as best it can.

As part of our focus on profitable scalability and efficiency drive, after the period end, the Group implemented a new company wide ERP system at a committed capital investment of £278k. Whilst this new system will cause some initial disruption in H1 FY24 whilst it is rolled out in a phased approach across the half, this new system will allow us to drive a stronger customer experience and better efficiency with automation so we would hope to see a positive impact from this in H2 FY24 and onwards.

The net effect of these results were that Earnings Before Tax Amortisation and Depreciation but After Interest was a modest £3k profit, compared with a loss of £54k the prior year. At an operating level this delivered a loss before tax for the year of £411k versus a loss of £447k last year.

We feel strongly, however, that to drive significant long term profitable growth it is important that we continue to invest for the future, albeit these investments are measured against the ability to generate value.

Financial Position

We remain diligent in managing our balance sheet and were pleased to be able to remain debt free; we are a flexible stocking than other commodity focused distributors. Cash reserves at year end increased to £5.6 million from £4.7 million at 30 June 2022. This focus on cash levels together with stronger interest rates available yielded a benefit of £81k of interest, up from £5k the prior year. We look to balance the value of cash in the bank with the need to provide flexible stock for our partners and consciously review this on an ongoing basis. Tied to this

approach, we disposed of an office building in Lightwater in H1 that was no longer core to our operation for a consideration of £1.48 million and moved Audio Visual Material Ltd into a new leased office together with our Audio Visual business unit in Basingstoke.

With Net Assets at £23.9 million, including two unencumbered freehold properties, the Group's overall financial position remains very sound.

Net Assets at 87.7p per share are considerably in excess of the average price of the ordinary shares throughout the period.

Dividend

As in previous years, your Board has had regard to the strength of our debt free, tangible asset strong balance sheet and is proposing the final dividend be 0.3p, at a total cost of £81,695. The dividend will be paid on 19 January 2024 to shareholders on the register as at 15 December 2023.

Staff

Our staff remain a key asset for the business and an area we continue to invest in. The team has continued to work hard to support our partners and each other. Our plans remain to continue to invest in our evolving business model by continuing to invest in building out the best team in the market to achieve our business evolution.

We were pleased to be able to roll out a Company Share Ownership Plan as a long term incentive for all staff in July 2023 (post year end), and see this as a way of rewarding the team who make an impact and drive our results

Outlook

In keeping with prior outlooks that we shared, we remain cautiously optimistic that the investments we have made in supporting our partners will allow us to continue to drive growth of strategic business units. We have yet to fully benefit from these investments, given the ongoing impact of COVID, forex movements and supply chain issues which together with wider economic uncertainty due to rising interest rates, inflation and subsequent cost of living impacts, necessarily mean we must remain cautious about the near term. We do feel strongly, however, that our continued focus on strategic higher margin value categories provides a solid road map for the future with profitable growth opportunities and the ability to unlock long term value for shareholders. The strength of our balance sheet allows us to continue to do what is best for the business strategically and we continue to review organic and non-organic opportunities for growth which meet our strict criteria and add value for our shareholders.

C.M.Thompson
Chairman
15 November 2023

Contacts:

Northamber PLC

Colin Thompson, Chairman

investor_relations@northamber.com 8200

Singer Capital Markets (Nominated Adviser and Sole Broker)
Philip Davies

+44 (0) 207 496 3000

NORTHAMBER PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Notes	2023 £'000	2022 £'000
Revenue	2	67,149	66,260
Cost of sales		(58,243)	(57,791)
Gross Profit		<u>8,906</u>	<u>8,469</u>
Distribution costs		(5,907)	(5,556)
Administrative costs		(3,491)	(3,365)
Operating Loss		<u>(492)</u>	<u>(452)</u>
Finance income		81	5
Finance cost		-	-
Loss before tax		<u>(411)</u>	<u>(447)</u>
Tax expense		-	-
Loss for the year and total comprehensive income attributable to the owners		<u><u>(411)</u></u>	<u><u>(447)</u></u>
Basic and diluted Loss per ordinary share	3	<u>(1.51)p</u>	<u>(1.64)p</u>

The above results arise from continuing operations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2023

	2023 £'000	2022 £'000
Non current assets		
Property, plant and equipment	5,519	6,919
Intangible assets	<u>1,251</u>	<u>1,309</u>
	<u>6,770</u>	<u>8,228</u>
Current assets		
Inventories	11,447	10,649
Trade and other receivables	12,099	11,245
Cash and cash equivalents	<u>5,512</u>	<u>4,696</u>
	<u>29,058</u>	<u>26,590</u>
Total assets	<u>35,828</u>	<u>34,818</u>
Current liabilities		
Trade and other payables	(11,951)	(10,329)
Corporation tax payable	<u>-</u>	<u>(38)</u>
Total liabilities	<u>(11,951)</u>	<u>(10,367)</u>
Net assets	<u>23,877</u>	<u>24,451</u>
Equity		
Share capital	272	272
Share premium account	5,734	5,734
Capital redemption reserve	1,514	1,514
Retained earnings	<u>16,357</u>	<u>16,931</u>
Equity shareholders' funds attributable to the owners of the parent	<u>23,877</u>	<u>24,451</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
At 30 June 2023

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 July 2021	272	5,734	1,514	17,569	25,089
Dividends	-	-	-	(191)	(191)
Transactions with owners	-	-	-	(191)	(191)
Loss and total comprehensive income for the year	-	-	-	(447)	(447)
Balance at 30 June 2022	272	5,734	1,514	16,931	24,451
Dividends	-	-	-	(163)	(163)
Transactions with owners	-	-	-	(163)	(163)
Loss and total comprehensive income for the year	-	-	-	(411)	(411)
Balance at 30 June 2023	272	5,734	1,514	16,357	23,877

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Operating Loss from continuing operations	(492)	(452)
Depreciation of property, plant and equipment	357	336
Amortisation of intangible assets	58	56
Profit on disposal of property, plant and equipment	(74)	(15)
Operating loss before changes in working capital	<u>(151)</u>	<u>(75)</u>
Increase in inventories	(798)	(2,181)
Increase in trade and other receivables	(854)	(492)
Increase in trade and other payables	1,622	463
Cash used in operations	<u>(181)</u>	<u>(2,285)</u>
Income taxes paid	(38)	(120)
Net cash used in operating activities	<u>(219)</u>	<u>(2,405)</u>
Cash flows from investing activities		
Interest received	81	5
Proceeds from disposal of property, plant and equipment	1,475	60
Purchase of property, plant and equipment	(358)	(222)
Net cash generated from/(used in) investing activities	<u>1,198</u>	<u>(157)</u>
Cash flows from financing activities		
Dividends paid to equity shareholders	(163)	(191)
Interest paid	-	-
Net cash used in financing activities	<u>(163)</u>	<u>(191)</u>
Net increase/(decrease) in cash and cash equivalents	816	(2,753)
Cash and cash equivalents at beginning of year	4,696	7,449
Cash and cash equivalents at end of year	<u>5,512</u>	<u>4,696</u>

Notes

1. Financial information

This financial information is consistent with the consolidated financial statements of the group for the year ended 30 June 2023. The group's consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial information set out above does not constitute the group's statutory accounts for the years ended 30 June 2022 or 30 June 2023 but is derived from those accounts. The statutory accounts for the year ended 30 June 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the group's annual general meeting. The auditor's report on the 2023 accounts will be unqualified, will not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports, and will not contain statements under s.498(2) or (3) of the Companies Act 2006. The information contained in this statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

2. Revenue

Although the sales of the group are predominantly to the UK there are sales to other countries and the following table sets out the split of the sales for the year. Revenue is attributed to individual countries based on the location of the customer. There are no non-current assets outside the UK.

Revenues comprise:	2023 £'000	2022 £'000
Revenue from contracts with customers - UK	66,489	65,602
-other	660	658
	<u>67,149</u>	<u>66,260</u>

No customer accounted for more than 10% of the group's revenue for the year.

3. Loss per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:

	2023 £'000	2022 £'000
Loss for the year attributable to equity holders of the parent company	<u>(411)</u>	<u>(447)</u>
Number of shares	2023 Number	2022 Number
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>27,231,586</u>	<u>27,231,586</u>

4. Dividends

A final dividend of 0.3p per share will be paid on 19 January 2024 to those members on the register at close of business on 15 December 2023.

5. Notice of meeting

The annual report and accounts for the year ended 30 June 2023 will be posted to shareholders in due course and the Annual General Meeting will be held on 20 December 2023.

The Company's registered office is Namber House, 23 Davis Road, Chessington, Surrey, KT9 1HS.