

## **Preliminary Results for the year ended 30 June 2020**

### **Chairman's Statement**

#### **Results**

It has been a challenging year for many of us driven by significant changes and challenges on Demand and Supply due to Covid-19 and the uncertainty it created. We took the early decision to keep true to our core values and prioritise looking after our team and partners for as long as we could by avoiding any furlough or Covid-19 related redundancy across the Group. By staying fully staffed and operational we believed we could better support all our stakeholders throughout lockdown – the hope was that this would also allow us to gain long term market share. We are pleased to advise that this decision to keep fully resourced, combined with our nimble structure, rewarded us with modest organic sales growth but significant margin growth year on year as we picked up opportunities from our major competitors.

The year has also been one of deliberate change, which began with the sale of the Weybridge distribution centre in July 2019 for cash consideration of £16.4 million. We leased the site whilst looking for a new permanent home for our distribution centre which we found in Swindon, purchasing the site in December 2019 for £3.4 million. By surrendering the lease of the Weybridge warehouse within 12 months we realised additional consideration of £0.6 million. We are very pleased to have moved into the Swindon warehouse from the Weybridge site during the second half of the financial year. Despite the pandemic, we managed to ensure that there was no customer disruption by simultaneously operating from the two sites, although this resulted in dual running costs of the sites.

Another significant event was the acquisition in February of Audio Visual Materials Limited (“AVM”) for £2.14 million which reaffirms our commitment to investing in technical, value add distribution which offers more attractive margins. AVM now benefits from the Group's back end infrastructure but is operated as a largely standalone business as we sought to protect its core focus. We are pleased to advise that despite AVM's sector experiencing a very heavy Covid-19 contraction, that negatively impacted AVM's sales and profitability, the Group has not made any redundancies at AVM whether due to Covid-19, integration or any other reason and indeed has continued to invest to ensure AVM prospers in the longer term including building its presence in future key technologies. The Group is excited for the future with AVM and expects to see a strong recovery from AVM in a post Covid-19 world.

Following the AVM acquisition, the Group purchased an office for £1.5 million to house the AVM team near to its previous location. This provided an immediate rent saving for AVM, additional office space for the Group to expand our sales team in a strong catchment area and came with an incumbent sub-tenant which served to further reduce the operating cost of the office.

Turning to our financial results, across the Group, like-for-like revenue increased by 2.1% year on year with total Group revenue increasing by 5% from £50.3 million to £52.8 million, including the contribution from AVM, despite very challenging conditions for many of our focus suppliers within Pro AV, Infrastructure and large Document Management where many sales were delayed due to restricted site access for installation due to lockdown. An increased demand for IT equipment to facilitate home working meant that there was a limited overall impact on sales during the lockdown period.

Our continued investment and focus on these more technical, higher margin categories, coupled with an early move to support partners with remote working deployments, was rewarded as gross margins in our core business increased significantly from 8.60% to 10.03%. Market declines in some of our core categories however meant that we missed out on volume achievement rebates with some suppliers with rebates down significantly year on year; we would expect these to return in the future however as the market recovers in these impacted segments. AVM enjoys significantly higher gross margins of around 20% and we anticipate that the Group's gross margins will further improve from a change in sales mix post Covid-19.

Overall, Gross Profit increased from £4.33 million to £5.48 million which is a 26.5% increase year on year. Revenue and margin growth has been supported by growth from some of our strategic focus areas, together with the addition of higher margin revenues from AVM, as well as some tactical gains in supporting remote working deployments; we would have expected more significant revenue growth if not for lockdowns restricting access to site.

## **NORTHAMBER PLC**

### **CHAIRMAN'S STATEMENT (continued)**

The corporate activity undertaken during the year inevitably led to the Group incurring some, non-recurring costs such as warehouse duplication and restructuring costs following the move from Weybridge to Swindon which have impacted the results for the year but which won't be repeated in the following financial year. Due to the extra costs associated with operating the AVM business, the investment in our sales capabilities and supporting the planned continued growth in Gross Profit our distribution costs increased year on year from £2.85 million to £3.60 million and administrative costs increased from £2.35 million to £2.61 million. Costs remain closely monitored however and as ever this is a key focus area for the business and our Board. Similarly, the £9.93 million pre-tax profit for the Group (£0.60 million loss prior year) after exceptional income from the Warehouse sale would have been stronger but for the non-recurring costs mentioned above.

The Board are very proud of how the team pulled together in this tough year to help our community, some specific examples include working with customers & suppliers to quickly prioritise supporting the NHS including Nightingale efforts, offering warehousing free of charge to the local NHS Trust, supporting Clap for our Carers by providing resources from AVM for illuminating local churches, sourcing products globally that were constrained in the UK to support remote working all whilst rolling out remote working for our entire office based team.

#### **Financial position**

Maintaining our prudence in financial matters, our working capital management is reflected in the Net Current Assets ratio which at 4.7 times (2019: 2.5 times) is a significant improvement.

Stock levels are higher than last year at £5.9 million vs £3.3 million, in part due to the AVM acquisition and also as we continued to seek to profitably support our partners by maintaining sufficient stock in country during the uncertainty of logistics due to Covid-19 as supply chains were creaking. We see our flexibility on local stock levels as a key driver of our future with our partners.

Cash was £10.96 million at 30 June 2020 compared with £3.4 million at 30 June 2019, reflecting the sale of the distribution centre and the purchase of the new warehouse property, AVM and a new office. With Fixed Assets at book value at £7.2 million, including three unencumbered freehold properties, the Group's overall financial position is very sound.

Net Assets at 91.5p per share are considerably in excess of the average price of the ordinary shares throughout the period.

#### **Board**

With great sadness, we lost our founder and Chairman David Phillips in December 2019. David made a very significant contribution to the development and leadership of the Company since he founded Northamber in 1980 and he will be greatly missed.

Alex Phillips, who is the son of David Phillips, joined the board in February and was appointed Managing Director of the Group in August having formerly been the Commercial Director, whilst Colin Thompson was appointed Chairman in October.

#### **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 18 March 2021 to shareholders on the register as at 12 February 2021.

## **NORTHAMBER PLC**

### **CHAIRMAN'S STATEMENT (continued)**

#### **Staff**

Our staff have been the differentiator in our business for decades and we are pleased that we were able to work side by side with them throughout this unprecedented period and offer them continued job security. We remain incredibly grateful to them and continue to invest in our evolving business model with added skills based services and which are heavily reliant on our staff to achieve our business evolution. The quality of our team is evident in delivering these growth figures whilst working remotely, moving logistics centre and supporting our partners in a tough period with unpredictable demand.

#### **Outlook**

We are pleased to advise that we have been trading well so far since the start of the new financial year and we are quietly optimistic that the investments we have made in supporting our partners coupled with removing the one off costs tied to moving warehouse should be reflected in the trading results for the current financial year. Clearly we remain highly cautious however due to the economic uncertainty, Brexit and the potential further impact of Covid-19 on the demand and supply chain. We remain committed to our continued focus on our strategic, higher margin value categories and we see future opportunities to grow our market share. The strength of our balance sheet provides an excellent platform from which to do so, and inspires confidence in our customers and suppliers that Northamber is here for the long haul.

C.M.Thompson

Chairman

29 January 2021

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 £'000	2019 £'000
<b>Revenue</b>	2	52,835	50,329
Cost of sales		(47,357)	(45,998)
<b>Gross Profit</b>		5,478	4,331
Distribution costs		(3,601)	(2,849)
Administrative costs		(2,613)	(2,352)
Administrative costs – Exceptional acquisition costs		(220)	-
Other income – Exceptional gain on disposal of property		10,804	-
<b>Profit/(loss) from operations</b>		9,848	(870)
<b>Adjusted operating loss</b>		(736)	(870)
Exceptional items		10,584	-
<b>Operating profit/(loss)</b>		9,848	(870)
Investment revenue		92	272
Finance cost		(15)	-
<b>Profit/(loss) before tax</b>		9,925	(598)
Tax charge		(1,413)	-
<b>Profit/(loss) for the year and total comprehensive loss attributable to the owners</b>		8,512	(598)
<b>Basic and diluted profit/ (loss) per ordinary share</b>	3	31.16p	(2.17)p

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	2020 £'000	2019 £'000
<b>Non current assets</b>		
Property, plant and equipment	7,184	1,792
Goodwill and intangible assets	1,421	-
	8,605	1,792
<b>Current assets</b>		
Inventories	5,948	3,320
Trade and other receivables	7,750	9,492
Cash and cash equivalents	10,968	3,446
Assets classified as held for sale	-	6,019
	24,666	22,277
<b>Total assets</b>	<b>33,271</b>	<b>24,069</b>
<b>Current liabilities</b>		
Trade and other payables	(8,356)	(7,434)
	(8,356)	(7,434)
<b>Total liabilities</b>	<b>(8,356)</b>	<b>(7,434)</b>
<b>Net assets</b>	<b>24,915</b>	<b>16,635</b>
<b>Equity</b>		
Share capital	272	273
Share premium account	5,734	5,734
Capital redemption reserve	1,514	1,513
Treasury Shares	-	(7)
Retained earnings	17,395	9,122
	24,915	16,635
<b>Equity shareholders' funds</b>	<b>24,915</b>	<b>16,635</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2020

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Treasury shares £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 July 2019	281	5,734	1,505	-	10,000	17,520
Dividends	-	-	-	-	(55)	(55)
Purchase and cancellation of shares	(8)		8	-	(225)	(225)
Purchase of treasury shares	-			(7)	-	(7)
Transactions with owners	(8)	-	8	(7)	(280)	(287)
Loss and total comprehensive loss for the year	-	-	-	-	(598)	(598)
Balance at 30 June 2019	273	5,734	1,513	(7)	9,122	16,635
Dividends	-	-	-	-	(164)	(164)
Purchase and cancellation of shares	(1)		1	-	(68)	(68)
Purchase of treasury shares	-	-	-	7	(7)	-
Transactions with owners	(1)	-	1	7	(239)	(232)
Profit and total comprehensive Profit for the year	-	-	-	-	8,512	8,512
Balance at 30 June 2020	272	5,734	1,514	-	17,395	24,915

## CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Operating (loss) from continuing operations	9,848	(870)
Depreciation of property, plant and equipment	228	153
Profit on disposal of property	(10,982)	-
Operating (loss) before changes in working capital	(906)	(717)
(Increase)/decrease in inventories	(2,039)	58
Decrease/(increase) in trade and other receivables	2,899	(1,346)
(Decrease)/increase in trade and other payables	(1,172)	470
Cash generated from operations	(1,218)	(1,535)
Income taxes paid	-	-
Net cash from operating activities	(1,218)	(1,535)
<b>Cash flows from investing activities</b>		
Interest received	92	272
Interest paid	(15)	-
Proceeds from disposal of property	16,400	-
Purchase of property, plant and equipment	(5,370)	(71)
Purchase of AVM Limited	(2,135)	-
Net cash from investing activities	8,972	201
<b>Cash flows from financing activities</b>		
Dividends paid to equity shareholders	(164)	(55)
Purchase of cancellation of shares	(68)	(225)
Purchase of treasury shares	-	(7)
Net cash used in financing activities	(232)	(287)
Net increase in cash and cash equivalents	7,522	(1,621)
Cash and cash equivalents at beginning of year	3,446	5,067
Cash and cash equivalents at end of year	10,968	3,446

## Notes

### 1. Financial information

This financial information is consistent with the consolidated financial statements of the group for the year ended 30 June 2020. The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The financial information set out above does not constitute the group's statutory accounts for the years ended 30 June 2019 or 30 June 2020, but is derived from those accounts. The statutory accounts for the year ended 30 June 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the group's annual general meeting. The auditors have reported on these accounts, their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports, and did 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 attributable to individual countries based on the location of the customer. There are no non current assets outside the UK.

Revenues comprise:	2020 £'000	2019 £'000
Revenue from contracts with customers - UK	52,391	49,655
-other	444	674
	<u>52,835</u>	<u>50,329</u>

One customer accounted for more than 10% of the group's revenue for the year, being £5,900,000 (2019: £6,400,000).



### 3. Profit /Loss) per ordinary share

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

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Profit/(Loss) for the year attributable to equity holders of the parent company	<u>8,512</u>	<u>(598)</u>
<b>Number of shares</b>	<b>2020</b> <b>Number</b>	<b>2019</b> <b>Number</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>27,316,175</u>	<u>27,499,434</u>

### 4. Dividends

A final dividend of 0.3p per share will be paid on 18 March 2021 to those members on the register at close of business on 12 February 2021.

### 5. Notice of meeting

The annual report and accounts for the year ended 30 June 2020 will be posted to shareholders in due course and the Annual General Meeting will be held on 10 March 2021.

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