

Northamber PLC
(“Northamber” or the “Company” or the “Group”)

Interim Report for the Six months to 31 December 2019

Chairman’s Statement

Results

It is pleasing to be able to report that we have seen revenues increase in the first half from £24.2 million to £26.3 million for the comparative period last year especially as this has been combined with an increase of percentage Gross Margin from 8.41% to 8.76%; the cumulative effect of both was to increase Gross Profit from £2.04 million to £2.3 million. Revenue and margin growth has been supported by growth from some of our strategic focus areas including Audio Visual and Solutions.

To support this increase in Gross Profit and the planned continued growth in Gross Profits our Distribution costs increased year on year from £1.39 million to £1.53 million. Administrative costs remained largely consistent year on year as we continued our focus on cost management meaning that our loss from operations for the first half was reduced from £0.5 million to £0.4million.

The Group sold its Weybridge distribution centre for £16.4 million against a net book value of £6.02 million. The Group also paid £0.18 million for legal and professional costs for the sale of the property. The gain on the sale is reported as an Exceptional Item. The Board were cautious to ensure this sale would not disrupt our core operations and were pleased to have agreed a sale and leaseback on the Weybridge distribution centre (at a rental cost of £85k for the first half) to allow us time to find a new suitable site and effect a move with the minimum possible disruption to our trading activity. A new warehouse has been purchased in Swindon for £3.2 million and we expect to complete the move from Weybridge during the second half of this financial year.

Financial position

Maintaining our prudence in financial matters, our working capital management is reflected in the Net Current Assets ratio which at 3.7 times (2018: 2.6 times) is a significant improvement.

Cash was £14.7 million at 31 December 2019 compared with £2.9 million at 31 December 2018, reflecting the sale of the distribution centre and the purchase of the new warehouse property. With Fixed Assets at book value at £5.2 million, including two unencumbered freehold properties, the Company’s overall financial position is sound.

Net Assets at 91.3p 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.

We are pleased to welcome David’s son Alex Phillips who has recently joined our very experienced Board as Commercial Director. Alex joined the Company in 2013 as Director of Strategy and gained valuable experience of the business and the wider sector.

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 interim dividend be 0.3p, at a total cost of £82,070. The dividend will be paid on 15 May 2020 to shareholders on the register as at 16 April 2020.

Staff

We 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 case evolution and I am very grateful to all of our staff for their continued support and flexibility.

Event after the reporting date.

In January 2020 the Company acquired Audio Visual Material Limited (AVM), an Audio Visual Distributor, to enhance and expand Northamber's specialist AV division to focus on driving higher margin profitable growth. I am pleased to report the integration of AVM is going well and the Board is confident that the business will make an important contribution to Northamber in the years ahead.

Outlook

Whilst we are optimistic in the long-term strategy, we remain cautious due to the economic uncertainty, Brexit and the potential impact of coronavirus on the supply chain. Our continued focus on the new higher margin value categories continues to be an area we are confident and excited about, and where we see future opportunities for organic growth. We will continue to review non-organic opportunities for growth should an appropriate acquisition be identified which meets our strict criteria and adds value for our shareholders.

G.P.Walters
Acting Chairman

3 March 2020

Consolidated Statement of Comprehensive Income
6 months to 31 December 2019

	6 months Ended 31.12.19 £'000 Unaudited	6 months Ended 31.12.18 £'000 Unaudited	Year Ended 30.06.19 £'000 Audited
Revenue	26,273	24,234	50,329
Cost of sales	(23,972)	(22,197)	(45,998)
Gross Profit	2,301	2,037	4,331
Distribution cost	(1,533)	(1,392)	(2,849)
Administrative costs	(1,152)	(1,142)	(2,352)
Loss from operations	(384)	(497)	(870)
Investment revenue	167	144	272
Loss before Exceptional Items and tax	(217)	(353)	(598)
Exceptional Item	10,203	-	-
Profit/ (Loss) before Tax	9,986	(353)	(598)
Tax(charge)	(1,643)	-	-
Profit/(Loss) and total comprehensive income for the period	8,343	(353)	(598)
Basic and diluted profit/ (loss) per ordinary share	30.50p	(1.28)p	(2.17)p

Consolidated Statement of Financial Position
As at 31 December 2019

	As at 31.12.19 £'000 Unaudited	As at 31.12.18 £'000 Unaudited	As at 30.06.19 £'000 Audited
Non current assets			
Property, plant and equipment	5,169	7,799	1,792
Current assets			
Inventories	4,458	4,193	3,320
Trade and other receivables	8,137	7,662	9,492
Cash and cash equivalents	14,675	2,931	3,446
Assets classified as held for sale	-	-	6,019
	<u>27,270</u>	<u>14,786</u>	<u>22,277</u>
Total assets	<u>32,439</u>	<u>22,585</u>	<u>24,069</u>
Current liabilities			
Trade and other payables	(7,461)	(5,643)	(7,434)
	<u>(7,461)</u>	<u>(5,643)</u>	<u>(7,434)</u>
Total liabilities	<u>(7,461)</u>	<u>(5,643)</u>	<u>(7,434)</u>
Net assets	<u>24,978</u>	<u>16,942</u>	<u>16,635</u>
Equity			
Share capital	273	273	273
Share premium account	5,734	5,734	5,734
Capital redemption reserve fund	1,513	1,513	1,513
Treasury shares	(7)	-	(7)
Retained earnings	17,465	9,422	9,122
Equity shareholders' funds	<u>24,978</u>	<u>16,942</u>	<u>16,635</u>

Company Statement of Financial Position
As at 31 December 2019

	As at 31.12.19 £'000 Unaudited	As at 31.12.18 £'000 Unaudited	As at 30.06.19 £'000 Audited
Non current assets			
Property, plant and equipment	1,730	1,783	1,792
Investments	6,588	6,588	6,588
	<u>8,318</u>	<u>8,371</u>	<u>8,380</u>
Current assets			
Inventories	4,458	4,193	3,320
Trade and other receivables	7,974	7,665	9,492
Cash and cash equivalents	3,012	2,871	3,320
	<u>15,444</u>	<u>14,729</u>	<u>16,132</u>
Total assets	<u>23,762</u>	<u>23,100</u>	<u>24,512</u>
Current liabilities			
Trade and other payables	<u>(10,945)</u>	<u>(9,442)</u>	<u>(11,412)</u>
Total liabilities	<u>(10,945)</u>	<u>(9,442)</u>	<u>(11,412)</u>
Net assets	<u>12,817</u>	<u>13,658</u>	<u>13,100</u>
Equity			
Share capital	273	273	273
Share premium account	5,734	5,734	5,734
Capital redemption reserve fund	1,513	1,513	1,513
Treasury shares	(7)	-	(7)
Retained earnings	5,304	6,138	5,587
Equity shareholders' funds	<u>12,817</u>	<u>13,658</u>	<u>13,100</u>

Consolidated Statement of Changes in Equity
As at 31 December 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury Shares £'000	Retained earnings £'000	Total Equity £'000
Period to 31 December 2018						
Unaudited						
Balance at 1 July 2018	281	5,734	1,505	-	10,000	17,520
Dividends	-	-	-	-	-	-
Loss and total comprehensive						
Purchase of own Shares for cancellation	(8)	-	8		(225)	(225)
loss for the period	-	-	-	-	(353)	(353)
Balance at 31 December 2018	273	5,734	1,513	-	9,422	16,942
Period to 31 December 2019						
Unaudited						
Balance at 1 July 2019	273	5,734	1,513	(7)	9,122	16,635
Dividends	-	-	-	-	-	-
Profit and total comprehensive						
Profit for the period	-	-	-	-	8,343	8,343
Balance at 31 December 2019	273	5,734	1,513	(7)	17,465	24,978
Year to 30 June 2019						
Audited						
Balance at 1 July 2018	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 period	-	-	-		(598)	(598)
Balance at 30 June 2019	273	5,734	1,513	(7)	9,122	16,635

Company Statement of Changes in Equity

As at 31 December 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury Shares £'000	Retained earnings £'000	Total Equity £'000
Period to 31 December 2018						
Unaudited						
Balance at 1 July 2018	281	5,734	1,505	-	6,980	14,500
Dividends	-	-	-	-	-	-
Purchase and cancellation of shares	(8)	-	8	-	(225)	(225)
Loss and total comprehensive loss for the period	-	-	-	-	(617)	(617)
Balance at 31 December 2018	273	5,734	1,513	-	6,138	13,658
Period to 31 December 2019						
Unaudited						
Balance at 1 July 2019	273	5,734	1,513	(7)	5,587	13,100
Dividends	-	-	-	-	-	-
Purchase of own shares for cancellation	-	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	-	-	(283)	(283)
Balance at 31 December 2019	273	5,734	1,513	(7)	5,304	12,817
Year to 30 June 2019						
Audited						
Balance at 1 July 2018	281	5,734	1,505	-	6,980	14,500
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 period	-	-	-	-	(1,113)	(1,113)
Balance at 30 June 2019	273	5,734	1,513	(7)	5,587	13,100

Consolidated Statement of Cash Flows
6 months to 31 December 2019

	6 months Ended	6 months Ended	Year Ended
	31.12.19	31.12.18	30.06.19
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Cash from operating activities			
Operating (loss) from continuing operations	(384)	(497)	(870)
Depreciation of property, plant and equipment	62	95	153
(Profit)/loss on disposal of property, plant and equipment	-	-	-
Operating (loss) before changes in working capital	(322)	(402)	(717)
(Increase)/decrease in inventories	(1,138)	(815)	58
Decrease/(increase) in trade and other receivables	1,355	483	(1,346)
(Decrease)/increase in trade and other payables	(1,616)	(1,321)	470
Cash (used)/generated from operations	(1,721)	(2,055)	(1,535)
Income taxes received/(paid)	-	-	-
Net cash from operating activities	(1,721)	(2,055)	(1,535)
Cash flows from investing activities			
Interest received	167	144	272
Proceeds from disposal of property, plant and equipment	16,222	-	-
Purchase of property, plant and Equipment	(3,439)	-	(71)
Net cash from investing activities	12,950	144	201
Cash flows from financing activities			
Dividends paid to equity shareholders	-	-	(55)
Purchase of own shares for cancellation	-	(225)	(225)
Purchase of Treasury shares	-	-	(7)
Net cash used in financing activities	-	(225)	(287)
Net (decrease)/increase in cash and cash equivalents	11,229	(2,136)	(1,621)
Cash and cash equivalents at beginning of period	3,446	5,067	5,067
Cash and cash equivalents at end of period	14,675	2,931	3,446

Company Statement of Cash Flows
6 months to 31 December 2019

	6 months Ended 31.12.19 £'000 Unaudited	6 months Ended 31.12.18 £'000 Unaudited	Year Ended 30.06.19 £'000 Audited
Cash from operating activities			
Operating (loss) from continuing operations	(393)	(696)	(1,385)
Depreciation of property, plant and equipment	62	58	120
(Profit)/loss on disposal of property, plant and equipment	-	-	-
Operating (loss) before changes in working capital	(331)	(638)	(1,265)
(Increase)/decrease in inventories	(1,138)	(815)	58
Decrease/(increase) in trade and other receivables	1,518	480	(1,347)
(Decrease)/increase in trade and other payables	(467)	(1,044)	926
Cash (used)/generated from operations	(418)	(2,017)	(1,628)
Income taxes received/(paid)	-	-	-
Net cash from operating activities	(418)	(2,017)	(1,628)
Cash flows from investing activities			
Interest received	110	79	272
Proceeds from disposal of property, plant and equipment	-	-	-
Purchase of property, plant and Equipment	-	-	(71)
Net cash from investing activities	110	79	201
Cash flows from financing activities			
Dividends paid to equity shareholders	-	-	(55)
Purchase of own shares for cancellation	-	(225)	(225)
Purchase of Treasury shares	-	-	(7)
Net cash used in financing activities	-	(225)	(287)
Net (decrease)/increase in cash and cash equivalents	(308)	(2,163)	(1,714)
Cash and cash equivalents at beginning of period	3,320	5,034	5,034
Cash and cash equivalents at end of period	3,012	2,871	3,320

Notes to the financial statements

1. Corporate Information

The financial information for the half year ended 31 December 2019 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2019 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498(3) of the Companies Act 2006. The interim results are unaudited. Northamber Plc is a public limited company incorporated and domiciled in England and Wales. The Company's shares are publicly traded on the London Stock Exchange's AIM market.

2. Basis of preparation

These interim consolidated financial statements are for the six months ended 31 December 2019. They have been prepared in accordance with IAS34 Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019.

These interim consolidated financial statements have been prepared under the historical cost convention.

These interim consolidated financial statements (the interim financial statements) have been prepared in accordance with accounting policies adopted in the last annual financial statements for the year to 30 June 2019 except for the adoption of IAS1 Presentation of Financial Statements (Revised 2007).

The adoption of IAS1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. A separate 'Statement of changes in equity' is now presented.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim consolidated financial statements.

3. Basis of Consolidation

For the periods covered in these interim consolidated financial statements all trading has been carried out by the parent company alone. The Group includes some non-trading dormant subsidiaries. All the assets and liabilities of all subsidiaries have been included in the statements of financial position.

4. Segmental Reporting

Although the sales of the Group are predominantly to the UK there are sales to other countries and the following schedule sets out the split of the sales for the period. Revenue is attributable to individual countries based on the location of the customer. There are no non current assets outside the UK.

	UK	Other	Total
	£'000	£'000	£'000
6 months to December 2019			
Total Segment revenue	26,172	101	26,273
Year to 30 June 2019			
Total Segment revenue	49,655	674	50,329

One customer accounted for more than 10% of the Group's revenue for the period, being £3.27million.

5. Taxation

The interim period tax charge is accrued on the estimated average annual effective tax rate of 19%.

6. Earnings per Share

The calculation of earnings per share is based on the Profit after tax for the six months to 31 December 2019 of £8,343,000 (2018: loss £353,000) and a weighted average of 27,356,586 (2018: 27,639,779) ordinary shares in issue.

7. Property, Plant and Equipment

The Group sold its freehold distribution centre on 8 July 2019 and purchased a new warehouse property on 12 December 2019.

8. Risks and Uncertainties

The principal risks and uncertainties affecting the business activities of the Group are detailed in the strategic report which can be found on pages 7 to 11 of the Annual Report and Accounts for the year ended 30 June 2019 (the Annual Report). A copy of the Annual Report is available on the Company's web site at www.northamber.com.

The risks affecting the business remain the same as in the Annual Report. In summary these include:-

Market risk particularly those relating to the suppliers of products to the Group

Financial risks including exchange rate risk, liquidity risk, interest rate risk and credit risk

In the opinion of the Directors, these will remain the principal risks for the remainder of the year, however, the Directors have reviewed the Company's risk analysis and are of the opinion that steps have been taken to minimise the potential impact of such risks.

9. Related Party Transactions

Mr D M Phillips (Deceased) is the ultimate controlling party of the Company.

During the six months period, the Company paid £12,925 (2018: £235,500) rent to Anitass Limited, a wholly owned subsidiary. At 31 December 2019 Northamber plc owed Anitass Ltd £4,510,000 (2018: £3,793,000).

10. Directors' Confirmation

The Directors confirm that to the best of their knowledge these condensed consolidated half year financial statements have been prepared in accordance with IAS 34 and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R, an indication of important events during the first 6 months and descriptions of principal risks and uncertainties for the remaining six months of the year, and DTR 4.2.8R the disclosure of related party transactions and changes therein.