



REPORT & ACCOUNTS

FULL YEAR ENDED 30th JUNE 2020



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In memory of David Phillips,
founder and chairman
from June 1980 to December 2019

SUMMARY INFORMATION

Northamber plc and its subsidiaries are primarily distributors of computers, peripheral equipment and related services to resellers who then sell on to the general public and corporations – the end users.

The company's shares are listed on AIM, a market operated and regulated by the London Stock Exchange under stock symbol "NAR".

Summary of last five years' trading

| | Years ending 30 June | | | | |
|--------------------------------|----------------------|---------|---------|---------|---------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue | 52,835 | 50,329 | 58,136 | 57,288 | 61,844 |
| Adjusted operating loss* | (736) | (598) | (489) | (999) | (1,233) |
| Profit/(Loss) before tax | 9,925 | (598) | (489) | (999) | (1,233) |
| Earnings/(Loss) per share | 31.16p | (2.17)p | (1.74)p | (3.55)p | (4.38)p |
| Net Assets per share | 91.5p | 60.8p | 62.2p | 64.1p | 67.9p |
| Dividends paid per share (net) | 0.6 p | 0.2p | 0.2p | 0.2p | 0.4p |

*Excludes exceptional gain from sale of warehouse

NORTHAMBER PLC 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. Against a net book value of £6.02 million, the sale of the distribution centre realised a significant exceptional profit in the year. 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.

NORTHAMBER PLC CHAIRMAN'S STATEMENT (continued)

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.

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

NORTHAMBER PLC STRATEGY AND PERFORMANCE

The directors present their strategic report on the group for the year ended 30 June 2020.

This report provides an overview of the group's strategy, its business model and a review of how the group has performed for the year. It also sets out the principal risks involved in its business and the financial position of the group at the year end. There are also some comments and observations on the future prospects for the Group.

1. The Group's Strategy

As explained below in the notes on the business model, the group is not directly involved with the ultimate users of the products it sells. It acts as a hub through which manufacturers provide products to resellers for sale to the ultimate end user.

This being the case requires us to develop strategies with both suppliers and resellers to satisfy the needs of those ultimate users of the products.

Our strategy has always been to assess the requirements of the end users and then source quality products and services from manufacturers and make them available to resellers at the best prices in the most efficient time frame. With an ever changing product range it has also been part of our strategy to support fresh new products which will be attractive to end users.

In addition to the supply of hardware and software products we also ensure that our customers are provided with the technical support either directly or through the suppliers which they may require to effectively use the high tech products we sell, thus ensuring quality of supply and satisfaction to users.

2. The Business Model

The Group has, since its inception, been involved in the distribution of electronics and computer related products. Initially this was predominantly printers but this has been extended over the years to include not only computers themselves but also a wide range of peripheral and ancillary related products including audio visual.

The Group has a two pronged approach in driving the business, being both demand driven and supply driven. The demand drivers are the requirements of our customers where we strive to provide a wide range of products and get them to the customer in the quickest possible time and at acceptable prices. The supply drivers are the requirements of our suppliers – the vendors. Vendors in the main are one of two types, there is the major brand type of supplier who is looking for us to increase its turnover, to physically get products to the customer and bear the risk of the customer defaulting. The second type of supplier differs only in that they tend to be the smaller producers, who often develop new or innovative products and are looking for a method of reaching an established wide ranging customer base which is beyond their own resources.

Our business model is to satisfy all those wants by providing a marketing and selling operation to optimise the penetration of the products to the customers and a distribution facility which includes warehousing and bulk breaking using sophisticated systems and procedures to achieve a first class delivery service.

NORTHAMBER PLC STRATEGY AND PERFORMANCE (continued)

3. Key Performance Indicators

The group has an extensive management reporting system and uses a wide variety of information in its everyday management of the business, including both those of a financial and non-financial nature. This information is tailored to the various aspects of the business with individual managers being responsible for variances in movements within their particular sphere of operations to the executive management of the company.

The principal KPIs which are used and which have been reported elsewhere in our Annual Report are the following:-

| KPI | Format | 2019-20 | 2018-19 |
|--------------------------------|--------|---------|---------|
| Revenue | £m | 52.8 | 50.3 |
| Gross Profit Percentage Margin | % | 10.37 | 8.61 |
| Net Assets per share | Pence | 91.5 | 60.81 |
| Working Capital Ratio *1 | Times | 2.49 | 2.0 |

*1 Working Capital Ratio is calculated by adding Inventory and Net Trade Receivables, divided by Trade Payables

4. Performance Review

For some time the group has been following a strategy of change away from the basic hardware type products which are in the main physically larger type products with relatively low margin and subject to great price pressure, towards more application intensive type products where there is greater scope for adding value and gaining margin.

However such changes need very careful planning and implementation to minimise the inevitable consequences which usually includes not only significant costs upfront before the benefits of the changes are manifest but also some tail off of some parts of the existing business.

There was a continuation of the move towards consolidation in some parts of the industry, particularly towards the ultimate consumer end of the industry.

NORTHAMBER PLC STRATEGY AND PERFORMANCE (continued)

5. Financial Review and Position

Turnover increased by £2.6 million compared with last year.

Our cash balance at the end of the financial year was £7.52 million more than last year at £10.97 million due primarily to cash consideration of £16.4 million received in July 2019 for the sale of the warehouse premises, the purchase of a new warehouse and the office building for a total value of £4.9 million, and the acquisition of AVM Ltd for £2.1million before costs.

Some 29.6% of the Net Assets comprise the carrying value of freehold properties, 45.2% cash and the balance working capital. The Net Assets were 91.5p per share which represented more than the highest share price of 67.5p. in the year.

6. Principal Risks and Uncertainties

Financial Risks

The group uses various financial instruments, including cash, equity, trade receivables and trade payables in the course of its operations.

The use of these instruments gives rise to risks associated with exchange rate risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies to deal with each of these risks as summarised below.

Exchange Rate Risk

The group purchases some of its products in foreign currency. Foreign currency purchases are subject to close management supervision. The directors are informed regularly of the potential impact of exchange rate movements on the business and act to mitigate any adverse movement wherever possible. It is the group's policy not to speculate in derivative financial instruments in either sterling or foreign currencies, nor to hedge translation or currency exposures.

Liquidity Risk

The group seeks to manage financial risk of liquidity by ensuring it has sufficient cash resources available to meet foreseeable needs at all times through cash flow forecasting.

Interest Rate Risk

The group's exposure to interest rate risk is principally with its cash asset.

It is the policy of the Group not to have long term loans or other financial instruments except in particular circumstances and when specifically approved by the board. There have been no changes in the role of financial instruments during the year.

Credit Risk

Credit risk is deemed a risk due to default in payment. The group's principal financial assets are cash and trade receivables. The credit risk associated with cash is reduced through ensuring the funds are held with major financial institutions and where possible deposits being split across a number of banks. The credit risk arising from the group and company's trade receivables is reduced through prescribing credit limits for customers based on a combination of payment history, third party credit references and credit insurance levels. Credit limits are reviewed on a regular basis in conjunction with debt ageing, collection history and credit insurance levels. Given the current economic climate the Group feel it prudent to maintain Credit Insurance.

NORTHAMBER PLC STRATEGY AND PERFORMANCE (continued)

Reputational Risk

The Group's reputation is reliant on timely delivery of goods and services according to customer requirements and associated goodwill generated with customers. The principal risk involved is that the warehouse could be destroyed or made inoperable although the cost of such eventuality is of course covered by insurance, including loss of profits cover, but the operation is such that alternative accommodation could quickly be brought into action, or alternatively a warehousing function could be subcontracted at very short notice. Although such an event would have costs attached and would cause some disruption in the business, it would be far from catastrophic.

The existence of the group's facilities such as the warehouse, the sales staff, the control systems and not least the financial soundness of the company means that we can offer a distribution facility which is quick and efficient, an attraction to both vendors and customers.

Market Risk

The group is subject to both general market conditions and particularly to those affecting its own particular industry. The group is a distributor of other businesses' products and is therefore dependent on the suppliers of such products to continue to provide products which are required by the customers of the company, at prices which are acceptable to those customers. This is managed within the group by being alert to all the movements in the market place relating to both products and suppliers and to negotiating with existing and prospective suppliers for the supply of goods on the best possible terms to enable the company to trade effectively.

Where products are bought in foreign currency, the group manages the risk inherent in such currencies by continuously updating its rates of conversion in calculating its costs to ensure prices remain competitive and in order to minimise the currency conversion risk.

The Group recognises the importance of providing additional services to its customers in relation to next day deliveries, credit limits, handling queries efficiently and maintaining a strong relationship with the customer and in this way aims to resist the competitive pressures in the sector.

Other Principal Risks and Uncertainties

Other than the risks stated above in the opinion of the directors, the principal operating risks are as stated in the section on Internal Control on page 29. The risks and uncertainties associated with the business model are set out below.

The model depends in part on working closely with the brand names in the industry as it is often the products from these vendors which form the core of the business, and in part on the development of new vendors particularly for the innovative products which are integral to the IT industry. Co-operation with vendors is therefore key and this risk of attrition is addressed by a combination of mutual co-operation with vendors on the range of products being offered, the pricing of those products and the marketing of those products. The company's continual search for new and improved products, particularly in peripherals, from new vendors also improves the range of products we can offer and thereby attract more customers to ourselves which enhances our attraction to the vendors and reduces the risk of loss of vendors.

All systems within the group, including the control systems, are backed up securely on a regular basis, thus limiting the risk of data loss to a short period. The financial soundness of the Group is a matter which is constantly in the minds of the senior staff and directors of the Group. Systems are in place to ensure that any deviation from the norm is immediately brought to the attention of staff and directors. These systems have a proven history as shown in the strength of the Statement of Financial Position. The Group has sufficient working capital to enable it to meet its requirements.

NORTHAMBER PLC STRATEGY AND PERFORMANCE (continued)

Brexit

There is still a large amount of uncertainty surrounding Brexit. The main potential risks to the Business are foreign exchange rate, and disruption of supply chain. As our customers are mainly based in the UK we do not envisage any major issues. We do not envisage any major issues with our workforce. As detailed above we constantly review our foreign exchange rate exposure and will continue to do this. We work closely with our suppliers to minimise any potential disruptions to supply of the products.

In order to prepare for Brexit the Group has increased its stock holdings to minimise disruption from any supply chain delays. The Group has not experienced any major disruption in the early weeks following Brexit.

Covid-19

The implications resulting from the Covid-19 pandemic had a potential impact across all stakeholders. Our initial response was focussed on the health, safety and well-being of our people and following HM Government's advice on working practices. We quickly enabled all our employees to work remotely and securely from the commencement of lockdown. The ability to operate remotely has been enhanced by investments made to improve remote working capabilities of the group.

As stated in the Chairman's Statement on Page 5, despite very challenging conditions for many of our focus suppliers within the Pro Audio Visual, Infrastructure and large Document Management sectors 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.

The impact of the lockdown was as follows:

- Our distribution centre was fully functional throughout the period
- Our sales and administration teams were able to operate remotely with minimal disruption
- The group's cash generation remained robust throughout and after the lockdown period and the group has maintained low levels of debt and a strong financial position. As a result of this we have not made any claims under the Government's coronavirus support schemes.

7. Future Prospects

Your board's long term approach to investment decisions is well documented and often referenced in these statements. This approach was continued in the last year as we invested significantly in our new focus categories to help drive the business forward. This coupled with other investments in acquisitions, new vendors, customer acquisition and our renewed strategy leave us excited about the revenue and margin opportunities for the coming year.

We see significant potential in both our existing vendors and categories and the new categories we are developing and exploring. We will continue our customer-centric focus and ensuring that our offering and service levels allow our customers to profitably grow their business and consequently grow ours.

8. Events after the reporting period

There were no significant events after the reporting period.

NORTHAMBER PLC STRATEGY AND PERFORMANCE (continued)

Section 172 statement

The following disclosure forms the directors' statement required under section 414CZA of the Companies Act 2006 on how the directors have had regard to the matters set out in section 172 (1) (a) to (f) in performing their duties. The board recognises that engagement with its stakeholders is fundamental to the long-term success of the company and considers the views and interests of all key stakeholders in its decision making.

People

As reported on Page 7 our people are key stakeholders in the business as the recruitment, training and retention of experienced staff is key to the high quality service delivery to our customers.

Employee engagement and interaction is encouraged through a variety of means including:

- corporate intranets;
- team meetings; and
- staff one-to-one appraisals throughout the year.

As a result of the period of remote working during the Covid-19 outbreak we have ensured that our employees have appropriate equipment to enable them to operate efficiently and to enable continued communication and interaction across the business and between colleagues.

The group's financial performance is communicated regularly by the chairman.

We invest in the development of future talent within the Group providing financial support for employees who are undertaking professional training to gain the qualifications required to progress with their careers. In addition we strongly support training and accreditation schemes from our suppliers to further the professional development of our employees.

Following the sale and relocation of the warehouse during the year a full consultation process was carried out with regard to any affected employees.

Shareholders

The chairman and company secretary have primary responsibility for investor relations (IR).

The company makes announcements using the regulatory news service (RNS) throughout the financial year so that all investors are aware of current developments and financial performance of the group.

The annual general meeting of the company, which is generally attended by all directors, provides an opportunity for all shareholders to ask questions and to meet the directors. The board is always open to meet separately with shareholders on request.

Customers

Our customers are key stakeholders as their retention and acquisition are fundamental to the ongoing success of our business.

The group has a diverse customer base across all our sectors servicing clients of all sizes. Our customer facing teams are in continuous contact with their base and have responsibility for both understanding their expectations and managing the delivery of our products and solutions.

NORTHAMBER PLC STRATEGY AND PERFORMANCE (continued)

Suppliers

Our suppliers are key stakeholders to the business as the Group is reliant on the constant flow of quality products and solutions to service our customer base and maintain and gain market share.

The Group has periodic reviews with all existing suppliers to ensure that business objectives are met and to ensure that quality of products and services is maintained at all times.

The Group employs product specialists who constantly review the market for new suppliers who can maintain the high quality of products and services offered by the Group, and can complement existing products and services offered.

The impact of the company's operations on the community and the environment

The Company is committed to ensuring that it is an asset to the local community and seeks to ensure that it meets the highest level of health and safety standards, and minimises its impact on the environment. The Company seeks to engage with the community, where appropriate, to achieve this.

We strive to ensure that responsible and transparent relations with the communities where we operate form an integral part of our activities and operations, generating value for society and contributing to the economic, social and environmental development of those areas. One of the formulae to achieve this is to open up as many opportunities for local content as possible for the communities within the areas of influence of our operations.

We ensure local communities are involved in our operations through these strategies, which aim to encourage and give priority to hiring workers and purchasing products and services from the local area.

In order to support the community during the Covid-19 pandemic, the company has provided warehousing for the NHS free of charge and provided lighting for a local cathedral.

Our goal in terms of climate change is to do everything within our power to reduce the impact of our activities on the climate. This involves constantly working with our suppliers to meet the growing demand for more sustainable, greener products.

The decisions made by the board in light of Covid-19, which impacted on our key stakeholders included:

- supplier payments made in line with normal contractual terms in order to support suppliers in this difficult time and maintain good relationships despite any impact on the company's financial position which remained strong throughout;
- interim dividend paid and final dividend recommended in line with our progressive dividend policy, having considered the group's liquidity and the balanced treatment of all other stakeholders in response to the Covid-19 crisis;
- executive remuneration was considered (as detailed in the remuneration report on page 20) in the context of group financial performance in the year, financial outlook for the new financial year and the balanced treatment of other stakeholders in response to Covid-19, although it was decided no reductions were necessary given the company's strong financial position.

NORTHAMBER PLC STRATEGY AND PERFORMANCE (continued)

Acquisitions

The group completed an acquisition in the year which was in line with the strategy to increase value for all stakeholders and is for the long-term benefit of the group. As stated on Page 5 the acquired company AVM Limited enjoys higher gross margins and has a complementary customer base.

Governance

The board believes that it has the right mix of skills and experience in order to deliver its strategy for the benefit of all stakeholders.

On behalf of the Board

J.P. Henry
Operations Director
29 January 2021

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the accounts for the year ended 30 June 2020.

The financial statements include the individual entity Northamber plc and its wholly owned subsidiaries Anitass Limited and Audio Visual Material Limited. Anitass Limited owns the freehold of the premises at Swindon which is the group's distribution centre. As described in the Strategic Report these freehold premises were purchased during the year. Audio Visual Material Limited trades as a distributor and was acquired by Northamber plc on 31 January 2020. The other subsidiaries of Northamber plc are dormant and not material to the financial statements for the year to 30 June 2020.

Principal Activities

The group's and company's principal activities are those of specialist supply of computer hardware, computer printers and peripheral products, computer telephony products and other electronic transmission equipment.

Financial Risks

The group uses various financial instruments including cash, equity and various items such as trade receivables and trade payables that arise directly from its operations. The existence of these instruments exposed the group to a number of financial risks, the main ones being exchange rate risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and these are summarised in the Strategic Report.

Corporate Governance

The Corporate Governance Report on pages 22 to 29 forms part of the Directors' Report and is incorporated into this report by reference.

Dividends

The following dividends were paid in the year ended 30 June 2020

| | 2020 £'000 | 2019 £'000 |
|-------------------------------------|---------------|---------------|
| Ordinary dividends | | |
| Previous year's final dividend paid | 82 | 28 |
| Interim paid | <u>82</u> | <u>27</u> |
| | <u>164</u> | <u>55</u> |

The final proposed dividend of 0.3p (2019: 0.3p) will be paid on 18 March 2021 to all members on the register at the close of business on 12 February 2021.

Directors

Directors of the company who have served at any time during the year are listed on page 31.

Directors' indemnity provision

Qualifying third-party indemnity provision was in place for all directors throughout the financial year and at the date of approval of this report.

REPORT OF THE DIRECTORS (continued)

Share Capital

At 30 June 2020, the company had 27,231,586 (2019: 27,356,586) Ordinary shares of 1p each issued. The shares have no special rights and there is no restriction on their voting rights.

The company repurchased 100,000 ordinary shares of 1p each in the year. The aggregate consideration paid for the shares was £68,000. The directors have authorised the repurchase of shares in accordance with the authority under the special resolution passed at the last AGM and in accordance with the advice given by the company's Nominated Advisor & Broker to improve the return for the shareholders rather than holding the money under deposit in the bank account. 125,000 of the shares were cancelled in the year, being 0.36% of the issued share capital. The minimum number of shares in issue at any time in the year was 27,231,586.

Substantial Shareholdings

The company has been notified that the following shareholders held beneficial interest of 3 per cent or more of the company's issued share capital at 14 January 2021.

| | Ordinary Shares of 1p each |
|-----------------------------|----------------------------|
| Mr D.M. Phillips (deceased) | 63.32% |
| BNY(OCS) Nominees Limited | 9.24% |
| Mr H.W. Matthews | 3.69% |
| Mr & Mrs J. Rockliff | 3.67% |
| Worsley Investors Limited | 3.00% |

Purchase of Own Shares

At the end of the year, the directors had authority, under the shareholders' resolutions of 18 December 2019 to purchase through the market 2,723,158 (2019: 2,735,658) of the company's ordinary shares at prices ranging between 1p and 105% (2019: 1p and 105%) of the average middle market quotations for those shares as derived from the London Stock Exchange on the ten dealing days immediately preceding the day on which the shares are contracted to be purchased. This authority expires on 10 March 2021, the date of the next Annual General Meeting.

Auditors

During the year the directors appointed Mazars LLP as auditor. A resolution to re-appoint Mazars LLP as the group's auditors will be proposed at the forthcoming Annual General Meeting.

Employees

Every effort is made to keep staff as fully informed as possible about the operations and progress of the company. This is achieved through regular communication from the Operations Director to all staff and from the CEO to the Operational Management team meetings.

The group encourages its staff to pursue career development and to that end has made available resources for training courses including video and computer training aids.

Applications received from disabled persons are given full and equal consideration but are small in number. The company fulfils its obligations towards employees who are disabled or who become so whilst in the employment of the company.

REPORT OF THE DIRECTORS (continued)

Energy and carbon reporting

Under the Streamlined Energy and Carbon Reporting Regime, the Company is required to report its energy consumption and greenhouse gas emissions arising in the UK.

Our disclosures are set out below and include energy and emissions from the entire Group, regardless of whether individual companies would be required to report.

This is the first time that the Company has been required to report and accordingly, the report does not include comparative figures for the prior financial year.

UK Energy Use

| | To 30 June 2020 | | Notes |
|--------------|-----------------|---|--|
| | Consumption | Greenhouse Gas (GHG) Emissions (tCO ₂ e) | |
| Electricity | 433.4, MWH | 101 | Electricity consumed relates to routine office and warehouse power requirements |
| Gas | 499.2, MWH | 102 | Gas used to fuel heating and hot water boilers in office and warehouse locations |
| TOTAL | | 203 | |

Methodology

- Electricity – The electricity consumed by the Group relates solely to the routine power requirements of its offices and warehousing – lighting, heating, IT, air conditioning etc. To calculate the tCO₂e figure we have taken our overall electricity usage for the year to which a kgCo₂e factor of 0.23314 was applied, being the UK Government's Conversion Factor 2020 for this type of electricity use.
- Gas – The gas consumed by the Group relates solely to the use of natural gas for the running of boilers for heating and hot water in its offices and warehouse. To calculate the tCO₂e figure we have taken our overall gas usage for the year to which a kgCo₂e factor of 0.20374 was applied, being the UK Government's Conversion Factor 2020 for this sort of natural gas use.
Motor Vehicles. The company owned one van and one company car for part of the year so emissions are not included above as not considered material.

Intensity Ratio

Tonnes of CO₂e per total £m sales revenue during the year to 30 June 2020: 3.9.

Energy Efficiency Activity

The business did not undertake any particular energy efficiency activities over the year. However, the Company is mindful of its environmental obligations and will examine opportunities to further cut its carbon emissions.

REPORT OF THE DIRECTORS (continued)

Customers and Suppliers

The directors foster and maintain strong relationships with customers and suppliers as set out in the s172 Report on pages 13 to 15.

Events after the reporting period

Details of important events occurring after the end of the reporting period are described in the Strategic Report, and the details are incorporated into this directors' report by cross-reference.

Statement of disclosure to auditor

The directors confirm that:

- in so far as each director is aware there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

S. Yoganathan ACMA
Company Secretary
29 January 2021

REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION

The group voluntarily provides the following Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee comprised the non-executive directors Mr C.M. Thompson and Mr G.P. Walters. This committee meets at least once a year and decides the remuneration policy that applies to executive directors.

In setting the policy it considers a number of factors including:

- the basic salaries and benefits available to executive directors of comparable companies;
- the need to attract and retain directors of an appropriate calibre and experience; and
- the need to ensure executive directors' commitment to the continued success of the company by means of incentive schemes.

The group's remuneration policy for executive directors is to:

- have regard to the directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality;
- link individual remuneration packages to the company's performance through target-related bonuses which are not considered to be excessive in terms of salary;
- provide employment-related benefits including the provision of a company car, life assurance, insurance relating to the directors' duties and medical insurance.

The final determination of an individual director's remuneration is taken by the board as a whole but with no director participating in the discussions, nor voting on, his own remuneration package.

The non-executive directors each receive a fee for their services which is agreed by the Board following recommendation by the chairman. The non-executive directors do not receive any pension or other benefits from the company, nor do they participate in any of the bonus or incentive schemes.

When reviewing or amending remuneration arrangements the committee considers any impact on the cost to the company, employee behaviour, stakeholders (including shareholders, governance bodies and employees) best practice, corporate governance and market competitiveness.

Salaries and Benefits

The remuneration packages for executive directors are benchmarked to ensure comparability with companies of a similar size and complexity. The bonuses have regard to personal performance measured against pre-stated objectives and profitability of the company.

Share Options

There are no share option schemes in force in the group or company.

Contracts of Service

The two executive directors, Mr A.M. Phillips and Mr J.P. Henry, have service contracts. Both contracts are one year rolling contracts and contain no specific provisions in relation to any termination payments over and above the notice periods as stated below.

| | |
|------------------|------------------------------|
| Mr A.M. Phillips | - Notice period – six months |
| Mr J.P. Henry | - Notice period – six months |

The non-executive directors do not have service contracts with the company. The terms of their appointment are reviewed by the board every two years.

REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION (continued)

Directors' Detailed Emoluments

Details of directors' emoluments are as follows:

| | Salaries and Fees | | Benefits | | Pension | | Total | |
|---|-------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Executive | | | | | | | | |
| Mr D.M. Phillips (Deceased 4 December 2019) | - | - | 11 | 15 | - | - | 11 | 15 |
| Mr J.P. Henry | 89 | 72 | 7 | 5 | 10 | 10 | 106 | 87 |
| Mr A.M. Phillips (Appointed on 6 February 2020) | 36 | - | - | - | 2 | - | 38 | - |
| Non-Executive | | | | | | | | |
| Mr G.P. Walters | 20 | 20 | - | - | - | - | 20 | 20 |
| Mr C.M. Thompson | 20 | 7 | - | - | - | - | 20 | 7 |
| | <u>165</u> | <u>99</u> | <u>18</u> | <u>20</u> | <u>12</u> | <u>10</u> | <u>195</u> | <u>129</u> |

For the year ended 30 June 2020, Mr D.M. Phillips has waived £75,000 of his salary (2019: £180,000 was waived). During the year pension contributions were made by the company on behalf of 2 Executive Directors under money purchase schemes. The aggregate amounts paid are shown in the table above.

Directors' Interests

Directors in office at 30 June 2020 had the following beneficial interests in the shares of the company:

Ordinary Shares of 1p each

| | 30 June 2020 | 30 June 2019 |
|--------------------------------|--------------|--------------|
| The Estate of Mr D.M. Phillips | 17,243,055 | 17,243,055 |
| Mr A.M. Phillips | 32,620 | - |
| Mr J.P. Henry | - | - |
| Mr G.P. Walters | - | - |
| Mr C.M. Thompson | 14,500 | 14,500 |

Between 30 June 2020 and 25 January 2021 there have been no changes in the interests of the above named directors in the shares of the company.

The market price of the company's shares at 25 January 2021 was 57.5p. The range of market prices during the year was 41.5p to 67.5p.

S. Yoganathan ACMA.
By order of the Board
29 January 2021

CORPORATE GOVERNANCE

The Corporate Governance Report forms part of the Directors' Report included on pages 16 to 19.

Northamber plc ("the Company") is an AIM quoted Company and is committed to high ethical values and professionalism in all its activities. As an essential part of this commitment, the Directors acknowledge the importance of high standards of Corporate Governance and, given the Group's size and the constitution of the Board, have decided to apply the principles set out in the Corporate Governance Code for small and mid-sized companies published by the QCA in April 2018 ("QCA Code"). The Board is accountable to the Company's shareholders for good Governance.

CORPORATE GOVERNANCE POLICY

The group's policy on Corporate Governance is published on the group's website which is www.northamber.com.

The Company's objective is in alignment with the purpose of the QCA Code in that it is to deliver growth in long-term shareholder value and to deliver benefits to other stakeholders, accompanied by good communication to promote confidence and trust.

Set out below are the principles of the QCA Code and the Company's approach to compliance with the QCA Code, in support of its medium to long term success. In some areas, further development is required internally to more fully comply with the QCA Code and as these take place the website will be updated.

Strategy for long term shareholder growth

The Company's strategy is set out in full on page 8. Whilst the basic strategy remains the same, changes to its implementation from time to time to meet changing circumstances are determined by the Board as necessary. The management team, reporting to the Board, is responsible for implementing the strategy and managing the business at an operational level.

Meeting shareholders' needs and expectations

As set out on page 17 under Substantial Shareholdings, 82.92% of the shares are held by five parties, of which the Estate of David Philips (deceased) holds 63.32%, leaving only 17.08% in other shareholders' hands. The Chairman is in contact with shareholders from time to time and via the Company's brokers issues the Half-yearly Statements and other statutory information. In addition, the holding of an Annual General Meeting at a convenient time and place enables contact between shareholders and Directors. Notice of the Annual General Meeting is circulated to all shareholders at least 21 days prior to the meeting. Directors attend the AGM and will be available to answer shareholders' questions.

Shareholders may, at any time, communicate with the Company either via the Company Secretary or through the Company's brokers.

The Company intends to announce the detailed results of Shareholder voting at the AGM to the market, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.

The Company has a policy of being socially responsible and has established Social and Community Policy to be followed by the Company in respect of Social, Community and Environmental matters. The Board also recognises the need to maintain effective working relationships across a range of stakeholder groups, including shareholders, employees, partners and suppliers.

The Company's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of Northamber for the benefit of its members as a whole.

CORPORATE GOVERNANCE (continued)

Effective Risk Management

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Company's detailed approach to the management of risk is set out in the section on Principal Risks and Uncertainties on pages 10 to 12. There is a risk assessment carried out by the Board at regular intervals.

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues and has put in place an organisational structure with formally defined lines of responsibilities and delegation of authority. There are established procedures for planning, capital expenditure, information and reporting systems and for monitoring the company's business and its performance. The Board has delegated to executive management the implementation of the systems of internal control within an established framework that applies within the Company.

Effective, well-functioning Board, with up to date skills and experience

The Board normally comprises 2 executive and 2 independent non-executive Directors.

The biographies of the Directors are set out on page 31. Similarly the method of establishing the effectiveness and appropriateness of the Board is set out on page 28. This process includes the assessment of the range of skills and an evaluation of the effectiveness of each Director.

All Directors have access to the advice and services of the Company Secretary and the board has established a procedure whereby any Director may seek independent professional advice in the furtherance of his duties at the Company's expense. All Directors are able to allocate sufficient time to the company to discharge their responsibilities.

As required by the Company's articles of association, in every year at least one-third of the Directors offer themselves for re-election at the Annual General Meeting.

The Board is responsible to the shareholders for the proper management of Northamber and meets at least four times a year to set the overall direction and strategy, to review operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval. The Board also regularly discusses matters informally through the year. Any Board member may request the Company Secretary to report on any specific matter and prepare information for discussion at the Board meetings.

In addition to the Main Board there is an Audit Committee and Remuneration Committee, in each case chaired by a non-executive Director. Further details regarding the responsibilities of these committees can be found on pages 20 & 26.

CORPORATE GOVERNANCE (continued)

In view of the size of the Company and its share and Board structure it has determined that the appointment of a Nominations Committee is not warranted.

Below the Main Board there is an Operations Committee comprising the executive Directors and senior management of the Company.

The Director's attendance at board meetings is shown on page 26.

The role of the Board is to ensure that the Company is managed to optimise the benefits to its stakeholders including shareholders, staff, customers, suppliers and the community at large. To achieve this objective the Board reserves to itself certain matters such as the formulation of strategy, the assessment of risk, and the setting of internal control systems. Certain areas of responsibility of the Board are dealt with by committees of the Board such as the audit committee and the remuneration committee reporting back to the Main Board.

The implementation of the decisions of the Main Board is delegated to the senior management of the company through the Operations Committee chaired by the Operations Director.

During the year, the Board reviewed each aspect of its role to ensure that it was fulfilling its role effectively and that each Director was individually making a full and effective contribution to the process. This was carried out by the Chairman reviewing the individual and collective contribution of the Board members against objectives.

The result of that review was that, having reviewed each Director's contribution and the requirements of the Company as a whole, each Director was effective and that the composition of the Board was appropriate and more than adequate for the time being.

The Chairman, in conjunction with the executive team, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to financial and governance matters, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisers on a number of corporate governance matters.

Corporate Culture and Ethical Structures

The corporate culture and ethics is based on honesty and integrity in all matters and relating to all parties. There are policies in place within the working practices within the Company to ensure compliance with the high standards set. Whistle blowing provisions are also in place to deal with any infringements of the policies. The policies are regularly reviewed, updated and communicated to all staff.

The Company has adopted a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (including relating to the restrictions on dealings during close periods in accordance with MAR and with Rule 21 of the AIM Rules for Companies). The Company takes all reasonable steps to ensure compliance with the share dealing code by the Directors and any relevant employees.

CORPORATE GOVERNANCE (continued)

Governance Structures and Processes

The Corporate Governance structure and processes are set out on pages 22 to 29.

The Board is led by the non-executive chairman and is responsible for the overall direction and strategy of the Company. The non-executive Directors are responsible for bringing independent and objective judgment to Board decisions, bringing a range of views and experience from different fields. As part of their role, the non-executive Directors constructively challenge and develop proposals on strategy.

The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Board has established an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities.

The Audit Committee, which meets at least twice a year, is responsible for keeping under review the scope and results of the audit, its cost effectiveness and the independence of the auditor.

The Remuneration Committee, which meets at least once a year, is responsible for considering the remuneration packages for executive Directors and making recommendations as appropriate.

The Directors' Remuneration Report is set out on pages 20 to 21.

Detailed processes and procedures are in place and available to all employees on a dedicated in house system to ensure that all operations, actions and decisions made by the employees are fully compliant and avoid undue risk.

The internal procedures are reviewed and updated regularly to maintain the highest level of standards.

Communication

The Board places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning Northamber's activities are clear, fair and accurate. In addition to the statutory published information, the Company regularly updates its website for the benefit of shareholders, customers and suppliers. Communications with employees are maintained both by personal interaction with the Directors and senior management on a daily basis and through formal procedures. Communications with professional advisers ensure that the Company maintains and complies with up to date regulations regarding both internal and external communications.

The results of voting on all resolutions in future general meetings will be posted to the website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.

DIRECTORS

Board of Directors

The group is led and controlled through the Board of Directors, which during the year comprised two executive and two non-executive directors. Biographical details of each director in office during the year appear on page 31.

All directors have access to the advice and services of the company secretary and the board has established a procedure whereby any director may seek independent professional advice in the furtherance of his duties at the company's expense. All directors are able to allocate sufficient time to the company to discharge their responsibilities.

As required by the company's articles of association, one third of the directors offer themselves for re-election every year.

CORPORATE GOVERNANCE (continued)

Non-Executive Directors

The board considers that the non-executive directors were independent throughout the year. The non-executive directors actively contribute to the functioning of the board and bring a range of views and experience from different fields.

As part of their role, the non-executive directors constructively challenge and develop proposals on strategy. The non-executive directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They determine appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

The senior independent non-executive director, as included in the biographical details on page 31, is available to shareholders if they have concerns which contact through the normal channels of chairman or other executive directors have failed to resolve or for which such contact is inappropriate.

Directors' Attendance

The following table shows the attendance of directors at the board meetings held in the last year.

| | Number of Board Meetings | |
|-------------------------------|--------------------------|----------|
| | Entitled to Attend | Attended |
| Mr David Michael Phillips | 1 | 0 |
| Mr John Phelim Henry | 6 | 6 |
| Mr Alexander Michael Phillips | 2 | 2 |
| Mr Colin Mark Thompson | 6 | 6 |
| Mr Geoffrey Paul Walters | 6 | 6 |

Audit Committee

The Audit Committee, currently chaired by Mr G.P. Walters, comprised the two non-executive directors, both of whom are considered by the board to be independent and to have sufficient recent and relevant financial experience to discharge the committee's duties.

The board considers that the members of the audit committee have the required understanding of:-

- the principles of, content of and developments in financial reporting, including the applicable accounting standards and statements of recommended practice;
- key aspects of the company's operations, including corporate policies, financing and systems of internal control;
- matters that could influence or distort the presentation of accounts and key information;
- the role of external auditors.

The primary function of the audit committee is to enable the board to monitor the integrity of the company's financial reports and manage the board's relationship with the external auditors. Its other functions include the review and monitoring of:-

- the financial reporting process
- the annual audit
- the effectiveness of the company's internal controls and risk management
- the independence of the external auditors.

CORPORATE GOVERNANCE (continued)

The audit committee reports to the board its findings identifying any matters which it considers requires that action or improvement is required and makes recommendations on the steps to be taken.

The committee's terms of reference include all relevant matters required by the Disclosure and Transparency Rules and the relevant code provisions. The terms of reference of the audit committee have been reviewed and are available on request by writing to the company secretary at the registered address and on the Company's website.

Overview of the Actions Taken by the Audit Committee to Discharge its Duties

During the year the audit committee:-

- reviewed the June 2019 annual report and financial statements and the December half yearly financial report. As part of the review the committee received a report from the external auditors on their audit of the annual report and financial statements
- reviewed the effectiveness of the company's internal controls
- reviewed and agreed the scope of the audit work to be undertaken by the external auditors
- agreed the fees to be paid to the external auditors for their audit of the 2020 report and financial statements
- reviewed the whistle blowing procedures in place to enable staff to raise concerns in confidence about possible wrongdoing
- considered the requirement for an internal audit function in the company and decided to recommend to the board that such a function was not necessary at this stage
- recommended that the board remove RSM as external auditors
- recommended that the board appoint the external auditors Mazars LLP

External Audit

The engagement and independence of external auditors is considered annually by the Audit Committee before it recommends its selection to the board.

The fees paid to the Auditors in the year are disclosed in Note 4 to the Group financial statements.

Mazars LLP also follows its own ethical guidelines and continually reviews its audit team to ensure its independence is not compromised.

Operations Committee

The Operations Committee comprises the executive directors and certain senior business managers. It meets weekly, and deals with the operational matters of the company other than those dealt with by the Remuneration and Audit Committees or by the full board.

CORPORATE GOVERNANCE (continued)

Board Effectiveness

The role of the board is to ensure that the company is managed to optimise the benefits to its stakeholders including shareholders, staff, customers, suppliers and the community at large. To achieve this objective the board reserves to itself certain matters such as the formulation of strategy, the assessment of risk, and the setting of internal control systems. Certain areas of responsibility of the board are dealt with by committees of the board such as the audit committee and the remuneration committee reporting back to the main board. The implementation of the decisions of the main board is delegated to the senior management of the company through the Operations Committee chaired by the operations director.

During the year the board reviewed each aspect of its role to ensure that it was fulfilling its role effectively and that each director was individually making a full and effective contribution to the process. This was carried out by the chairman reviewing the individual and collective contribution of the board members against objectives and by the audit committee reviewing the performance of the chairman.

The result of that review was that, having reviewed each director's contribution and the requirements of the company as a whole, each director was effective and that the composition of the board was appropriate and more than adequate for the time being.

GOING CONCERN BASIS

The group's activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report on pages 8 to 18. The financial position of the group, its cash flow and its liquidity position are described in the Chairman's Statement on pages 5 to 7. In addition, the Strategic Report also includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The group has considerable financial resources and established market profile and relationships with a number of suppliers and customers. As a consequence, the directors believe that the company is well placed to manage its business risks appropriately despite the current economic outlook.

In carrying out their duties in respect of going concern, the directors in January 2021 completed a review of the group's financial forecasts for a period exceeding 12 months from the date of approving these financial statements to determine the potential impact on the group of reasonably possible downside scenarios, including those arising from the Covid-19 pandemic and the resultant increase in risks for the group. The Board are confident that with the strong balance sheet and cash position all working capital requirements will be met.

As stated above the impact on these financial statements has been minimal due to the diversified portfolio of products and solutions sold by the Group and the Group do not expect a significant impact from further lockdown periods. There have been no significant changes in levels of trading since the year end date.

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

RELATIONS WITH SHAREHOLDERS

The Directors are available to meet with the group's institutional shareholders throughout the year on request.

Notice of the Annual General Meeting (AGM) is circulated to all shareholders at least 21 days prior to the meeting. Directors attend the AGM and will be available to answer shareholders' questions.

CORPORATE GOVERNANCE (continued)

ACCOUNTABILITY AND AUDIT

Financial Reporting

The board believes that its Annual Reports and financial statements represent a balanced and understandable assessment of the company's position and prospects whilst also complying with the legal and regulatory requirements for financial reporting relevant to the company.

Internal Control

The board of directors has overall responsibility for the group's systems of internal control and for monitoring their effectiveness.

The board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues and has put in place an organisational structure with formally defined lines of responsibilities and delegation of authority. There are established procedures for planning, capital expenditure, information and reporting systems and for monitoring the company's business and its performance. The board has delegated to executive management the implementation of the systems of internal control within an established framework that applies within the company.

The group's control systems address key business and financial risks. The board considers the greatest risks to be related to the realisable value of current assets, principally inventories and trade receivables. Particular attention is paid to all matters relating to purchasing, inventories, revenues, trade receivables, cash, capital expenditure and foreign exchange. Comprehensive documented procedures are used and are available to all staff via the extensive computer system.

A system of control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. As and when areas of improvement are brought to the attention of the board and management steps are taken to further embed internal control and risk management into the operations of the business.

The board has considered the need for internal audit but has decided that because of the size of the group it cannot be justified at present.

A review of internal control was undertaken by the board in April 2020. The conclusion of this review was that the systems and operations of the internal controls including financial, operational and compliance controls remained effective and appropriate to the operations of the company.

Other Matters

The Directors have published the company's Corporate Governance policies which the directors consider are relevant to the company on the company's website.

Induction programmes for new directors are specifically designed for each director as appointed as the content varies depending on the background and experience of the appointee. There is therefore no standard induction programme for new directors.

By order of the Board

S. Yoganathan ACMA
Company Secretary
29 January 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors are required by the AIM rules of the London Stock Exchange to prepare group financial statements, and have elected to prepare the parent company financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS AND ADVISERS

Non-Executive Directors

Geoffrey Paul Walters *† (Age 69) ACA

Non-executive director.

Geoffrey Walters has a vast experience in a wide range of industries.

Colin Mark Thompson *† (Age 60)

Non-executive director and Chairman.

Colin Thompson has over 38 years' experience in the distribution sector, and was a Director in the Company from September 1991 to January 1999.

* Member of Remuneration Committee

† Member of Audit Committee

Executive Directors

David Michael Phillips (deceased)

Executive chairman (until 4 December 2019)

David Phillips was the founder of Northamber plc.

John Phelim Henry (Age 58)

Operations director

John Henry joined Northamber plc in 1992 in the Sales Department. He was promoted to Operations Director in 2012.

Alexander Michael Phillips (Age 34)

Managing director

Alex Phillips joined Northamber Plc in 2014 as Director of Strategy, was appointed as Commercial Director in February 2020 and promoted to Managing Director in September 2020.

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Registrars

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMBER PLC

Opinion

We have audited the financial statements of Northamber PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020, which comprise:

- the Consolidated Statement of Comprehensive Income,
- the Consolidated and Parent Company Statement of Changes in Equity,
- the Consolidated and Parent Company Statement of Financial Position,
- Consolidated and Parent Company Statement of Cash Flows; and
- notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMBER PLC (continued)

| Key audit matter | How the matter was addressed in the audit |
|---|--|
| <p>Revenue recognition and the risk of cut off (group and parent company)</p> <p>Revenue is recognised in accordance with the group's accounting policy (Page 50) and International Financial Reporting Standard (IFRS) 15 - Revenue from Contracts with Customers. There is a presumed risk that revenue may be misstated due to the improper recognition of revenue as a result of fraud.</p> <p>For the group, we consider the risk around revenue recognition to be principally related to cut off and the risk that sales of IT equipment occurring close to the year-end are not recorded in the correct period.</p> <p>In addition, we note that the company has Bill and Hold arrangements with certain customers and we consider there to be a risk that revenue has been recognised on Bill and Hold sales where the criteria for recognition have not been met.</p> | <p>We adopted a substantive sampling approach to revenue testing. Our procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Understanding the sales revenue business process including how sales transactions are initiated, recorded, processed, and reported. • Understanding the application of the accounting policies including assessing whether revenue is recognised in accordance with such policies and IFRSs • For a sample of sales transactions occurring around the year end, we traced each item to the corresponding proof of delivery to assess whether the transaction had been recognised in the correct accounting period. • We reviewed credit notes issued around the year end, obtaining the original sales invoices and understanding the rationale for the credit note to assess whether these were being used as a way of manipulating revenue recognition at the year end. • We obtained a listing of Bill and Hold sales that had been recognised by the group but were still physically held in the warehouse at the year end. For a sample of customers, we assessed whether the criteria specified by IFRS15 had been met, including whether the products were separately identified, ready for physical transfer, unavailable for sale to another customer and obtaining evidence showing the customer had requested the arrangement. We also considered whether the group had any remaining performance obligations in holding the products and assessed whether any allocation of the transaction price was required. |

Key observations

Our sample based audit work indicated that revenue has been recognised in the period when the performance obligation is met, in line with the group's accounting policy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMBER PLC (continued)

| Key audit matter | How the matter was addressed in the audit |
|---|--|
| <p>Acquisition of Audio Visual Material Limited (group)</p> <p>Audio Visual Material Limited (AVM) was acquired by the group on 31 January 2020. See accounting policy 'Business Combinations' on page 51, the Intangible assets note (note 12) and the Acquisition note (note 26). As required by IFRS3, an exercise has been carried out by management with assistance from an external expert to calculate the fair value of the identifiable assets and liabilities acquired, and the resulting goodwill arising on the business combination.</p> <p>Reflecting the requirement for management judgement in acquisition accounting, in particular the judgements involved in identifying the intangible assets acquired and the estimation procedures in valuing the intangible assets, we considered the purchase price allocation as a key audit matter.</p> | <p>Our audit procedures over the accounting entries in respect of the acquisition of Audio Visual Material Limited included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • We discussed the acquisition with management and understood the business rationale behind the transaction; • We obtained and reviewed the signed share purchase agreement to gain an understanding of the acquisition terms and the date control transferred to the group. We agreed the total consideration recognised to the relevant sections of the share purchase agreement and bank statements; • We obtained the purchase price allocation exercise carried out by management with assistance from an external expert. We engaged our own valuation experts to review the report and to evaluate the valuation methodologies that had been used to calculate the fair value of the assets acquired. Our work included reviewing the underlying cash flow projections and considering the appropriateness of the assumptions applied; • We verified the calculation of the resulting goodwill arising on the business combination; and • We reviewed the disclosures made in the financial statements regarding the acquisition to assess whether they are consistent with our understanding and in accordance with IFRS3. <p>Key observations</p> <p>In response to our challenge on the initial accounting treatment of the acquisition, management engaged an external expert to assist them in performing a purchase price allocation exercise which resulted in recognition of intangible assets relating to brand and customer relationships, with a corresponding deferred tax liability.</p> <p>Management have made a number of updates and amendments to the presentation of the business combination in the financial statements, and we are satisfied that the final disclosures are in accordance with IFRS3.</p> |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMBER PLC (continued)

| Key audit matter | How the matter was addressed in the audit |
|---|--|
| <p>Impact of the outbreak of Covid-19 on the going concern assumption (group and parent company)</p> <p>During the year there has been a global pandemic from the outbreak of Covid-19. The potential impact of Covid-19 became significant in March 2020 and the pandemic is causing widespread disruption to normal patterns of business activity across the world, including the UK.</p> <p>The directors' consideration of the impact on the financial statements is disclosed in the strategic report on page 12 and in the going concern assessment on page 28. Based on the information available at this point in time, the directors have assessed the impact of Covid-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate.</p> | <p>We assessed the directors' conclusion that adopting the going concern basis for preparation of the financial statements is appropriate. We considered:</p> <ul style="list-style-type: none"> • How the group had adapted and traded since the pandemic in March 2020; and • How the financial statements and business operations of the group might be impacted by the continued disruption. <p>In forming our conclusions over going concern, we evaluated the directors' going concern assessment by performing the following procedures:</p> <ul style="list-style-type: none"> • We reviewed management's going concern assessment including forecasts taking into account the expected impact of Covid-19 for a period exceeding 12 months from the date of approval of the financial statements; • We evaluated the key assumptions in management's assessment and considered whether they appeared reasonable; and • We evaluated the adequacy and appropriateness of the directors' disclosures in respect of Covid-19 implications as well as disclosures regarding going concern. <p>Our observations</p> <p>Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements.</p> <p>Our conclusions on going concern are set out above</p> |

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NORTHAMBER PLC (continued)

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---------------------------------|--|
| Overall materiality | Group materiality: £528k Parent company materiality: £514k |
| How we determined it | Group materiality: 1% of revenue Parent company materiality: 1% of revenue |
| Rationale for benchmark applied | Revenue is a key performance indicator when monitoring the performance of the business and we therefore consider this to be an appropriate basis for determining materiality. We considered the use of Profit Before Tax however this has fluctuated significantly around the breakeven point year on year and therefore was not considered to be a suitable basis for materiality. |
| Performance materiality | Group performance materiality: £370k Parent company performance materiality: £360k We performed our audit procedures using a lower level of materiality – termed ‘performance materiality’ – which is set to reduce to an appropriate level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the group and parent company’s control environment and the fact that this is our first year as the group auditor, we have set our performance materiality at 70% of materiality. |
| Reporting threshold | We agreed with the Audit Committee that we would report to that committee all identified corrected and uncorrected audit differences in excess of £16,000 (representing 3% of overall materiality) together with differences below that threshold that, in our view, warranted reporting on qualitative grounds. |

The range of financial statement materiality across components, audited to the lower of local statutory audit materiality and materiality capped for group audit purposes, was between £185k and £360k, being all below group financial statement materiality.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NORTHAMBER PLC (continued)

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and parent company, the structure of the group and the parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company and group’s accounting processes and controls and its environment, and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error, review of minutes of directors’ meetings in the year and enquiries of management.

The risks of material misstatement that had the greatest effect on our audit, are discussed under “Key audit matters” within this report.

Our group audit scope included an audit of the group and parent company financial statements of Northamber PLC. Based on our risk assessment, only Northamber PLC was subject to full scope audit and this was performed by the group audit team. Northamber PLC accounts for 97% of group revenue. One other component was subject to specific scope audit procedures and the remaining component was subject to analytical procedures to respond to any potential risks of material misstatement to the group financial statements. At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMBER PLC (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMBER PLC (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body for our audit work, for this report, or for the opinions we have formed.

Claire Larquetoux (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD
29 January 2021

NORTHAMBER PLC CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|-------|---------------------|---------------------|
| Revenue | 3 | 52,835 | 50,329 |
| Cost of sales | | (47,357) | (45,998) |
| Gross Profit | | <u>5,478</u> | <u>4,331</u> |
| Distribution costs | | (3,601) | (2,849) |
| Administrative costs | | (2,613) | (2,352) |
| Administrative costs – Exceptional acquisition costs | 7 | (220) | - |
| Other income – Exceptional gain on disposal of property | 7 | 10,804 | - |
| Profit/(loss) from operations | 4 | <u>9,848</u> | <u>(870)</u> |
| Adjusted operating loss | | <u>(736)</u> | <u>(870)</u> |
| Exceptional items | 7 | 10,584 | - |
| Operating profit/(loss) | | <u>9,848</u> | <u>(870)</u> |
| Investment revenue | 6 | 92 | 272 |
| Finance cost | | (15) | - |
| Profit/(loss) before tax | | <u>9,925</u> | <u>(598)</u> |
| Tax charge | 8 | (1,413) | - |
| Profit/(loss) for the year and total comprehensive loss attributable to the owners | | <u><u>8,512</u></u> | <u><u>(598)</u></u> |
| Basic and diluted profit/ (loss) per ordinary share | 10 | 31.16 | (2.17)p |

NORTHAMBER PLC CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 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 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 | <u>(8)</u> | <u>-</u> | <u>8</u> | <u>(7)</u> | <u>(280)</u> | <u>(287)</u> |
| Loss and total comprehensive loss for the year | - | - | - | - | (598) | (598) |
| Balance at 30 June | <u>273</u> | <u>5,734</u> | <u>1,513</u> | <u>(7)</u> | <u>9,122</u> | <u>16,635</u> |
| Dividends- Purchase and cancellation of shares | - | - | - | - | (164) | (164) |
| | (1) | - | 1 | - | (68) | (68) |
| Cancellation of treasury shares | - | - | - | 7 | (7) | - |
| Transactions with owners | <u>(1)</u> | <u>-</u> | <u>1</u> | <u>7</u> | <u>(239)</u> | <u>(232)</u> |
| Profit and total comprehensive loss for the year- | - | - | - | - | 8,512 | 8,512 |
| Balance at 30 June 2020 | <u><u>272</u></u> | <u><u>5,734</u></u> | <u><u>1,514</u></u> | <u><u>-</u></u> | <u><u>17,395</u></u> | <u><u>24,915</u></u> |

NORTHAMBER PLC COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

| | Share Capital | Share Premium Account | Capital Redemption Reserve | Treasury Shares | Retained Earnings | Total Equity |
|---|------------------|-----------------------------|----------------------------------|--------------------|----------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 July 2018 | 281 | 5,734 | 1,505 | - | 6,980 | 14,500 |
| Dividends | - | - | - | - | (55) | (55) |
| Purchase and cancellation of of treasury shares | (8) | - | 8 | - | (225) | (225) |
| | - | - | - | (7) | - | (7) |
| Transactions with owners | (8) | - | 8 | (7) | (280) | (287) |
| Loss and total comprehensive loss for the year | - | - | - | - | (1,113) | (1,113) |
| Balance at 30 June 2019 | 273 | 5,734 | 1,513 | (7) | 5,587 | 13,100 |
| Dividends | - | - | - | - | (164) | (164) |
| Purchase and cancellation of shares | (1) | - | 1 | - | (68) | (68) |
| Cancellation of treasury shares | - | - | - | 7 | (7) | - |
| Transactions with owners | (1) | - | 1 | 7 | (239) | (232) |
| Loss and total comprehensive loss for the year | - | - | - | - | (181) | (181) |
| Balance at 30 June 2020 | 272 | 5,734 | 1,514 | - | 5,167 | 12,687 |

NORTHAMBER PLC CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|-------|-----------------------|-----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 7,184 | 1,792 |
| Goodwill and intangible assets | 12 | 1,421 | - |
| | | <u>8,605</u> | <u>1,792</u> |
| Current assets | | | |
| Inventories | 13 | 5,948 | 3,320 |
| Trade and other receivables | 14 | 7,750 | 9,492 |
| Cash and cash equivalents | 15 | 10,968 | 3,446 |
| Assets classified as held for sale | 16 | - | 6,019 |
| | | <u>24,666</u> | <u>22,277</u> |
| Total assets | | <u>33,271</u> | <u>24,069</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | (8,356) | (7,434) |
| Total liabilities | | <u>(8,356)</u> | <u>(7,434)</u> |
| Net assets | | <u>24,915</u> | <u>16,635</u> |
| Equity | | | |
| Share capital | 18 | 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 |
| Equity shareholders' funds attributable to the owners of the parent | | <u>24,915</u> | <u>16,635</u> |

The financial statements on pages 40 to 71 were approved by the board of directors on 29 January 2021 and were signed on its behalf by:

G.P. Walters
Director

J.P. Henry
Director

Company Registration number: 01499584

NORTHAMBER PLC COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|-------|-----------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 1,748 | 1,792 |
| Investments | 19 | 2,135 | 6,588 |
| | | <u>3,883</u> | <u>8,380</u> |
| Current assets | | | |
| Inventories | 13 | 5,304 | 3,320 |
| Trade and other receivables | 14 | 7,509 | 9,492 |
| Cash and cash equivalents | 15 | 4,700 | 3,320 |
| | | <u>17,513</u> | <u>16,132</u> |
| Total assets | | <u>21,396</u> | <u>24,512</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | (8,709) | (11,412) |
| Total liabilities | | <u>(8,709)</u> | <u>(11,412)</u> |
| Net assets | | <u>12,687</u> | <u>13,100</u> |
| Equity | | | |
| Share capital | 18 | 272 | 273 |
| Share premium account | | 5,734 | 5,734 |
| Capital redemption reserve | | 1,514 | 1,513 |
| Treasury shares | | - | (7) |
| Retained earnings | | 5,167 | 5,587 |
| Equity shareholders' funds attributable to the owners of the parent | | <u>12,687</u> | <u>13,100</u> |

The loss after tax for the individual parent company was £181,000 (2019: £1,113,000)

The financial statements on pages 40 to 71 were approved by the board of directors on 29 January 2021 and were signed on its behalf by:

G.P. Walters
Director

J.P. Henry
Director

Company Registration number: 01499584

NORTHAMBER PLC CONSOLIDATED STATEMENT OF CASHFLOWS

At 30 June 2020

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

NORTHAMBER PLC COMPANY STATEMENT OF CASHFLOWS

For the year ended 30 June 2020

| | 2020 £'000 | 2019 £'000 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Operating loss from continuing operations | (198) | (1,385) |
| Depreciation of property, plant and equipment | 131 | 120 |
| Operating loss before changes in working capital | <u>(67)</u> | <u>(1,265)</u> |
| (Increase)/decrease in inventories | (1,984) | 58 |
| Decrease/(increase) in trade and other receivables | 1,983 | (1,347) |
| (Decrease)/increase in trade and other payables | (2,703) | 926 |
| Cash used in operations | <u>(2,771)</u> | <u>(1,628)</u> |
| Income taxes paid | - | - |
| Net cash used in operating activities | (2,771) | (1,628) |
| Cash flows from investing activities | | |
| Interest received | 17 | 272 |
| Purchase of property, plant and equipment | (87) | (71) |
| Purchase of AVM Ltd | (2,135) | - |
| Repayment of long term loan held as investment | 6,588 | - |
| Net cash from investing activities | <u>4,383</u> | <u>201</u> |
| Cash flows from financing activities | | |
| Dividends paid to equity shareholders | (164) | (55) |
| Purchase of and cancellation of shares | (68) | (225) |
| Purchase of Treasury shares | - | (7) |
| Net cash used in financing activities | <u>(232)</u> | <u>(287)</u> |
| Net Increase/(decrease) in cash and cash equivalents | 1,380 | (1,714) |
| Cash and cash equivalents at beginning of year | 3,320 | 5,034 |
| Cash and cash equivalents at end of year | <u>4,700</u> | <u>3,320</u> |

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. General information

Northamber plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is listed on the London Stock Exchange on the Alternative Investment Market. The address of the registered office is given on page 31. The nature of the company's operations and its principal activities are set out in the Strategic Report and the Directors' Report on pages 8-19.

2. Significant accounting policies Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial statements have been prepared under the historical cost basis.

The financial statements cover the individual entity Northamber plc and two subsidiaries Anitass Limited and AVM Limited. All other subsidiaries are dormant and not material to the financial statements for the year to 30 June 2020 or 30 June 2019.

The directors of Anitass Limited, the subsidiary of Northamber plc, have claimed audit exemption for the year ended 30 June 2020 under Section 479A (Subsidiary Companies) of the Companies Act 2006. The Board of Northamber plc have provided a guarantee on behalf of the Parent Company undertaking stating that it guarantees Anitass Limited under section 479C of the Companies Act 2006. Northamber Plc guarantees all outstanding liabilities to which Anitass Limited is subject at 30 June 2020 until they are satisfied in full and the guarantee is enforceable against Northamber plc by any person to whom the subsidiary company is liable in respect of those liabilities.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Northamber plc and entities controlled by Northamber plc. Control is achieved if all three of the following are achieved: power over the investee, exposure to variable returns for the investee, and the ability of the investor to use its power to affect those variable returns.

The results of subsidiaries are included in the consolidated statement of comprehensive income and consolidated statement of financial position.

The results of entities acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, the accounts of the subsidiaries are adjusted to conform to the group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (continued)

Adoption of new and revised standards

Standards, amendments and interpretations adopted in the current financial year

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Group's or Company's financial statements.

| Standard | Effective date, annual period beginning on or after |
|---|---|
| Annual Improvements to IFRSs (2015 - 2017) | 1 January 2019 |
| IFRS 16: Leases | 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 1 January 2019 |

See below the accounting policy for 'Leases'.

Standards, amendments and interpretations in issue but not yet effective

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group or Company's financial statements.

| Standard | Effective date, annual period beginning on or after |
|--|---|
| IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Material | 1 January 2020 |
| IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform – Phase 1 | 1 January 2020 |
| Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards | 1 January 2020 |
| IFRS 3 Business Combinations (Amendment): Definition of a Business | 1 January 2020 |
| IFRS 16 Leases (Amendment): Covid-19-related Rent Concessions | 1 June 2020 |
| IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Amendments): Interest Rate Benchmark Reform – Phase 2 | 1 January 2021†* |
| IFRS 4 Insurance Contracts (Amendment): Extension of the Temporary Exemption from Applying IFRS 9 | 1 January 2021†* |
| IAS 16 Property, Plant and Equipment (Amendment): Proceeds before Intended Use | 1 January 2022†** |
| IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022†** |
| IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework Annual Improvements to IFRSs (2018 – 2020 cycle) | 1 January 2022†** |
| IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date | 1 January 2023†** |

Standards, amendments and interpretations cannot, in general, be adopted in the EU until they have been EU- endorsed.

† Pending endorsement.

* Expected to be endorsed by the IASB effective date.

** Expected endorsement date not yet announced.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (continued)

Critical accounting judgements and other key sources of estimation uncertainty

In the process of applying the group's accounting policies, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The group believes that the estimates and judgements in relation to goodwill and intangible assets have the most significant impact on the annual results under IFRS as set out below.

Critical judgements in applying the Group's accounting policies

Estimated useful economic lives of intangible assets

On the acquisition made during the financial year the identifiable intangible assets included brands and customer relationships. The useful economic lives of these assets have been estimated at 7 years by management.

Key sources of estimation uncertainty

Goodwill

The group records all assets and liabilities acquired in business combinations, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment or if there has been an indication of any impairment in the year. The initial goodwill recorded and subsequent impairment review require management to make subjective judgements concerning the value in use of cash-generating units. This requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value. The value in use calculation prepared at the year end indicates that there is minimal headroom in the model and any adverse movement in one of the key assumptions would lead to an impairment. The carrying amount at the end of the reporting period is £1,025,000 and details of the assumptions made are provided in note 12.

Intangible assets in a business combination

On the acquisition made during the financial year the identifiable intangible assets included brands and customer relationships. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows, the useful economic life and the discount rate would change the valuation of the intangible assets. The carrying amount at the end of the reporting period is £396,000 and details in relation to the current year acquisition is in note 26.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The principal accounting policies adopted are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Nearly all the group's revenues relate to the sale of goods, and the performance obligation under contracts with customers is satisfied on shipment of goods to the customer.

The group has determined therefore that revenue on sale of goods is recognised at the date of delivery of goods to the customer that is at a point in time.

The group has a very small level of revenue from the provision of services, mainly assisting customers with the installation of equipment. The performance obligation in this case is satisfied on installation and is recognised as revenue at that point.

The company makes bill and hold sales, in which delivery is delayed at the buyer's request but the buyer takes title to and risk in the goods, and accepts billing. This is on the basis that it is probable that delivery will be made; the goods are on hand, identified and ready for delivery to the buyer at the time the sale is recognised; the buyer specifically acknowledges the deferred delivery instructions; and the usual payment terms apply. The revenue is recognised at the time of invoicing, which is also when the goods are identified and made ready for the buyer.

Revenues are stated after discounts, rebate and price reductions. Customers only have a right to return goods in accordance with contractual terms. Warranties are provided directly by the Group's suppliers to customers.

Investment revenue is accrued on a time basis in accordance with the effective interest rate method.

Foreign currencies

Transactions in currencies other than pounds sterling, the functional currency of all group entities, are recorded at the rates of exchange prevailing on the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Loss from operations

Loss from operations is stated before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense in the period in which they are incurred. The Group has no defined benefit retirement schemes.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are substantively enacted in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax balances have not been discounted.

Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method.

Measurement of consideration

The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree.

Contingent consideration is initially measured at fair value at the date of the business combination. Any subsequent adjustment to this fair value (such as meeting an earnings target), where the consideration is payable in cash, is recognised in the consolidated statement of comprehensive income.

Fair value assessment

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the fair value of the assets and liabilities at acquisition cannot be determined reliably in the initial accounting, these values are considered to be provisional for a period of 12 months from the date of acquisition. If additional information relating to the condition of these assets and liabilities at the acquisition date is obtained within this period, then the provisional values are adjusted retrospectively. This includes the restatement of comparative information for prior periods.

Goodwill arises where the cost of the business combination exceeds the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. This is recognised as an asset and is subject to impairment tests as noted in note 12.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Acquisition costs

Acquisition costs are recognised in the consolidated statement of comprehensive income as incurred and separately disclosed due to the nature of this expense.

Goodwill

Goodwill arising on consolidation is recognised as an asset.

Following initial recognition, goodwill is subject to impairment reviews, at least annually or if there is an indication of impairment, and measured at cost less accumulated impairment losses. Any impairment is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Other intangible assets

Other intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives.

The carrying amount is reduced by any provision for impairment where necessary.

On a business combination, as well as recording separable intangible assets already recognised in the balance sheet of the acquired entity at their fair value, identifiable intangible assets that are separable or arise from contractual or other legal rights are also included in the acquisition balance sheet at fair value.

Amortisation is charged within administrative expenses in the consolidated statement of comprehensive income so as to write off the cost or valuation of assets over their estimated useful lives, on the following basis:

Intangible assets arising on acquisitions

| | |
|------------------------|-----------------------|
| Brands | 7 years straight line |
| Customer relationships | 7 years straight line |

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Property, plant and equipment

Land and buildings are held for use in the production or supply of goods and services, or for administrative purposes and are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets less any residual value, other than land, over their estimated useful lives, using the straight line method, on the following bases:

| | |
|---------------------------------|---|
| Land and Buildings: | |
| Freehold premises(Northamber) | 4% on freehold buildings, freehold improvements 25% straight line |
| Freehold premises (Anitass Ltd) | 2.5% on freehold buildings, freehold improvements 25% straight line |
| Plant and equipment | 25% straight line |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Material residual value estimates are updated as required, but at least annually.

Assets held for sale

Assets are classified as held for sale where their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is on the FIFO basis and comprises finished goods and goods for resale. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

Cost of inventories is based on original cost as amended by credits subsequently received or agreed with suppliers in respect of specific products. The provision for obsolete and slow moving stock is determined by frequent and regular reviews of stock, its ageing and rate of sale. Provisions are made which enable such obsolete stock as not returned to suppliers and slow moving stock to be sold at no loss.

Investments

Investments in subsidiaries are held at cost less any provision for impairment.

Financial instruments

(i) Financial assets

The Group has one class of financial asset that is recorded at amortised cost as detailed below.

These assets, which are held to collect, arise principally from the provision of goods and services to customers (e.g. trade receivables). Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach with IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. The probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments.

(ii) Financial liabilities

The Group has one class of financial liability that is recorded at fair value as detailed below.

Trade payables are initially recognised at fair value, net of any transaction costs directly attributable to the issue of the instrument and are subsequently measured at amortised cost using the effective interest method which ensures that any interest expense and associated finance costs over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purpose of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption as well as any interest payable while the liability is outstanding. Contingent deferred consideration is initially measured at fair value, with subsequent changes recorded at fair value through profit and loss.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Equity comprises the following:

| | |
|----------------------------|---|
| Share Capital | – represents the nominal value of equity shares. |
| Share Premium | – represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue. |
| Capital Redemption Reserve | – represents the nominal value of shares which have been redeemed and cancelled. |
| Treasury Shares | – represents the cost of shares held in Treasury. |
| Retained Earnings | – represents all current and prior period retained profits and losses. |

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or re-issued.

Where shares are cancelled a corresponding transfer of the nominal value of the shares cancelled is made to the capital redemption reserve.

Capital management

The Group's capital comprises equity, and its objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure.

In order to manage the capital structure the Group can adjust the amount of dividends paid to shareholders, purchase the Company's shares, return capital to shareholders or issue new shares.

In line with Group policy, the group has no external debt finance hence gearing is not measured. The company has paid final and interim dividends in the year.

Equity comprises the items detailed within the principal accounting policy for equity and financial details can be found in the statement of financial position. The company adheres to the capital maintenance requirements set out in the Companies Act 2006.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Going Concern basis

The going concern basis of preparing the financial statements has been adopted as in the view of the directors, as set out in the notes on Corporate Governance, the company has adequate resources to continue in operational existence for the foreseeable future. Please see Corporate Governance Report for further information on Page 29.

Segmental reporting

Management has determined that there is only one operating segment of the group as the total business of the company is the sourcing and distribution of computer related products and this is how information is reported to the Chief Operating Decision Maker. The board in carrying out its strategic planning and decision making has, necessarily, to take consideration of the inter relatedness of the product range and the customer base and thus treat the operations of the group as a whole. All decisions on the allocation of resources impacts on all aspects of the group. Information presented to the Chief Operating Decision Maker is the same as is reported in these financial statements.

Leases

Leases are recognised on the Balance sheet at the outset of the lease at the present value of future payments. These leases are recognised under "Lease liabilities" and by "Right-of-use assets". They are amortised over the term of the lease, which is typically the fixed period of the lease unless there is a stated intention to renew or terminate. In the statement of comprehensive income, depreciation and amortisation expenses are recognised in the operating margin and interest expenses under net financial income (expenses).

Leases of low-value assets or short-term leases are immediately expensed in profit or loss.

3. 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.

| 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> |

Revenue from contracts with customers comprises sale of goods which are recognised at a point in time and relate to electrical or electronic products. Service revenues are immaterial.

Revenues are stated after discounts, rebate and price reductions. Customers only have a right to return goods in accordance with contractual terms. Warranties are provided directly by the Group's suppliers to the Group's customers. Payment terms are varying between 30 and 90 days.

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

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. Profit/(loss) from operations

Operating profit/(loss) is stated after (crediting)/charging:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Foreign exchange (gain)/loss | (17) | 49 |
| Depreciation of property, plant and equipment | 228 | 153 |
| Amounts written off inventory | 11 | 23 |
| Short term lease charges – land and buildings | 171 | - |
| Fees paid to the company's auditor | | |
| - for the audit of the company annual financial statements | 57 | 55 |
| - for the audit of subsidiary undertakings | 11 | - |
| - for tax compliance services | - | 4 |
| - for corporate finance services | - | 8 |
| Employee benefit expense | 3,911 | 3,232 |

No profit and loss account for Northamber plc has been presented as permitted by Section 408 of the Companies Act 2006.

The retained loss for the financial year dealt with in the financial statements of the parent company, Northamber plc, was £181,000 (2019: loss of £1,113,000) and is stated after taxation.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Staff costs

The average monthly number of persons (including executive directors) employed by the group and company during the year was:

| | 2020 Number | 2019 Number |
|----------------|----------------|----------------|
| Sales | 42 | 33 |
| Administration | 31 | 27 |
| Warehouse | 13 | 12 |
| Engineering | 2 | 1 |
| | <u>88</u> | <u>73</u> |

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Their aggregate remuneration comprised: | | |
| Staff costs: | | |
| Wages and salaries | 3,445 | 2,851 |
| Social security costs | 353 | 291 |
| Pension costs | 81 | 59 |
| Other benefits | 32 | 31 |
| | <u>3,911</u> | <u>3,232</u> |

All pension costs relate to defined contribution schemes.

Included in the above is key management personnel compensation as set out below. Full details of director's remuneration are set out in the Report to Shareholders by the Board of Directors' Remuneration on page 20. The company has identified the key management personnel as the executive and non-executive directors and all their remuneration received amounts to short-term employment benefits except for pension contributions.

| | 2020 £'000 | 2019 £'000 |
|-----------------------|---------------|---------------|
| Remuneration | | |
| Salaries and Fees | 165 | 99 |
| Social security costs | 17 | 10 |
| Pension costs | 12 | 10 |
| Benefits | 18 | 20 |
| | <u>212</u> | <u>139</u> |

6. Investment revenue

| | Group | |
|--------------------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 |
| Bank interest receivable | 92 | 6 |
| Rental income | - | 266 |
| | <u>92</u> | <u>272</u> |

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. Exceptional items

| | Group | |
|--|---------------|---------------|
| | 2020 £'000 | 2019 £'000 |
| Exceptional items comprise: | | |
| Profit from sale of Property | 10,982 | - |
| Less: Legal and professional fees | (178) | - |
| Net Profit on sale of property | <u>10,804</u> | <u>-</u> |
| Acquisition costs in relation to AVM Limited | (220) | - |
| Total exceptional income | <u>10,584</u> | <u>-</u> |

The profit from the sale of the property includes variable consideration of £602,000 which was dependent on the early surrender of the lease. This was reasonably certain of being exercised at the year end and has been recognised as part of the profit on sale.

8. Tax on profit/(loss) on ordinary activities

| | Group | |
|---------------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 |
| Current taxation | | |
| Charge for the year | 1,413 | - |
| | <u>1,413</u> | <u>-</u> |

The charge for the year can be reconciled to the profit per the Statement of comprehensive income as follows:

| | Group | |
|--|---------------|---------------|
| | 2020 £'000 | 2019 £'000 |
| Profit/(loss) on ordinary activities before tax | 9,925 | (598) |
| Tax at the UK corporation tax rate of 19.00% (2019:19.00%) | 1,886 | (114) |
| Profit on disposal of fixed assets | (1,939) | - |
| Capital gain | 1,624 | - |
| Non-deductible expenses | 42 | - |
| Sundry items | (32) | 13 |
| Use of post April 2017 losses brought forward | (168) | - |
| Deferred tax asset not recognised | - | 101 |
| Total actual amount of charge for the year | <u>1,413</u> | <u>-</u> |

The corporation tax rate for the year ended 30 June 2020 was 19%. The Corporation Tax rate of 19% was enacted with effect from 1 April 2017 and the Finance Act 2016 legislated the UK Corporation Tax rate to decrease to 17% from 1 April 2020. However, on the 17th March 2020, using the Provisional Collection of Taxes Act 1968, the UK Government cancelled the proposed drop in Corporation Tax rate to 17%.

The Group has tax losses of £3,723,000 (2019: £4,600,000) to carry forward. No deferred tax asset is recognised in respect of the losses due to the uncertainty there will be sufficient taxable profits in future to absorb them.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9. Dividends

Amounts recognised as distribution to equity holders in the period:

| Dividends paid in year | 2020 | | 2019 | |
|---|-----------------|------------|-----------------|-----------|
| | Pence Per Share | £'000 | Pence Per Share | £'000 |
| Final – for year ended 30 June 2019 and 30 June 2018 | 0.30 | 82 | 0.10 | 28 |
| Interim – for year ended 30 June 2020 and 30 June 2019 | <u>0.30</u> | <u>82</u> | <u>0.10</u> | <u>27</u> |
| | <u>0.60</u> | <u>164</u> | <u>0.20</u> | <u>55</u> |
| Proposed final for the year ended 30 June 2020 and 30 June 2019 | <u>0.30</u> | <u>82</u> | <u>0.30</u> | <u>82</u> |

The proposed final dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements.

10. Profit/(loss) per ordinary share

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

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

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Both basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent company as the numerator; therefore no adjustments to loss were necessary in 2019 and 2020.

Net assets per share, as disclosed within the summary of the last five years of trading, is calculated by dividing the net assets as disclosed in the consolidated statement of financial position by the number of ordinary shares in issue at the year end.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. Property, plant and equipment

| | Land and Buildings £'000 | Plant and Equipment £'000 | Total £'000 |
|----------------------------------|-----------------------------|------------------------------|----------------|
| Group Cost | | | |
| At 1 July 2018 | 9,266 | 1,365 | 10,631 |
| Additions | - | 71 | 71 |
| Disposals | - | (9) | (9) |
| Assets held for sale | <u>(6,692)</u> | <u>-</u> | <u>(6,692)</u> |
| At 30 June 2019 | <u>2,574</u> | <u>1,427</u> | <u>4,001</u> |
| Depreciation | | | |
| At 1 July 2018 | 1,587 | 1,151 | 2,738 |
| Depreciation charge for the year | 89 | 64 | 153 |
| Disposals | - | (9) | (9) |
| Assets held for sale | <u>(673)</u> | <u>-</u> | <u>(673)</u> |
| At 30 June 2019 | <u>1,003</u> | <u>1,206</u> | <u>2,209</u> |
| Net book value at 30 June 2019 | <u>1,571</u> | <u>221</u> | <u>1,792</u> |
| Group Cost | | | |
| At 1 July 2019 | 2,574 | 1,427 | 4,001 |
| Additions | 4,900 | 720 | 5,620 |
| Disposals | - | (975) | (975) |
| At 30 June 2020 | <u>7,474</u> | <u>1,172</u> | <u>8,646</u> |
| Depreciation | | | |
| At 1 July 2019 | 1,003 | 1,206 | 2,209 |
| Depreciation charge for the year | 96 | 132 | 228 |
| Disposals | - | (975) | (975) |
| At 30 June 2020 | <u>1,099</u> | <u>363</u> | <u>1,462</u> |
| Net book value at 30 June 2020 | <u>6,375</u> | <u>809</u> | <u>7,184</u> |

Additions for current year Plant and Equipment includes £250,000 through acquisition (see note 26).

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. Property, Plant & Equipment

| Company | Land and Buildings £'000 | Plant and Equipment £'000 | Total £'000 |
|---------------------------------------|--------------------------------|---------------------------------|----------------|
| Cost | | | |
| At 1 July 2018 | 2,574 | 1,365 | 3,939 |
| Additions | - | 71 | 71 |
| Disposals | - | (9) | (9) |
| At 30 June 2019 | <u>2,574</u> | <u>1,427</u> | <u>4,001</u> |
| Depreciation | | | |
| At 1 July 2018 | 947 | 1,151 | 2,098 |
| Depreciation charge for the year | 56 | 64 | 120 |
| Disposals | - | (9) | (9) |
| At 30 June 2019 | <u>1,003</u> | <u>1,206</u> | <u>2,209</u> |
| Net book value at 30 June 2019 | <u>1,571</u> | <u>221</u> | <u>1,792</u> |
| Group Cost | | | |
| At 1 July 2019 | 2,574 | 1,427 | 4,001 |
| Additions | - | 87 | 87 |
| Disposals | - | (975) | (975) |
| At 30 June 2020 | <u>2,574</u> | <u>539</u> | <u>3,113</u> |
| Depreciation | | | |
| At 1 July 2019 | 1,003 | 1,206 | 2,209 |
| Depreciation charge for the year | 56 | 75 | 131 |
| Disposals | - | (975) | (975) |
| At 30 June 2020 | <u>1,059</u> | <u>306</u> | <u>1,365</u> |
| Net book value at 30 June 2020 | <u>1,515</u> | <u>233</u> | <u>1,748</u> |

Additions for current year Plant and Equipment includes £250,000 through acquisition (see note 26).

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12. Goodwill and intangible assets

| | Goodwill £'000 | Brands £'000 | Customer Relationships £'000 | Total £'000 |
|------------------------------------|-------------------|-----------------|------------------------------------|----------------|
| Cost | | | | |
| At 1 July 2019 and 1 July 2018 | - | - | - | - |
| Arising on acquisition | 1,025 | 63 | 333 | 1,421 |
| At 30 June 2020 | 1,025 | 63 | 333 | 1,421 |
| Amortisation and impairment | | | | |
| At 1 July 2019 and 1 July 2018 | - | - | - | - |
| Amortisation during the year | - | - | - | - |
| At 30 June 2020 | - | - | - | - |
| Carrying Amount | | | | |
| At 30 June 2020 | 1,025 | 63 | 333 | 1,421 |
| At 30 June 2019 | - | - | - | - |

The carrying value of intangible assets arising on acquisitions comprises brands of £63,000 (2019: £0) and customer relationships of £333,000 (2019: 0). The remaining useful economic lives of intangible assets arising on acquisition are seven years.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated wholly to the CGU.

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is based on a value in use calculation using cash flow projections over a 7 year period, including the latest one year forecast approved by the board. A 7 year period has been used as the directors believe this is an appropriate period to reflect cash flows based on a 2 year expected transition period for the impact of Covid-19 and a 5 year economic cycle thereafter. The one year forecast is prepared considering expectations based on market knowledge, and financial performance since the date of acquisition. The remaining years are based on anticipated sales over an economic cycle, together with historical financial performance. A terminal value is used as the basis for the final year.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Key assumptions used in value in use calculation

The key assumptions for the value in use calculation are those regarding:

- pre-tax discount rate;
- revenue; and
- operating profit margins.

Pre-tax discount rate

The group's post-tax weighted average cost of capital has been used to calculate a group pre-tax discount rate of 22.5%, which reflects current market assessments of the time value of money for the period under review and the risks specific to the group.

Revenue

Revenue assumptions in the one year forecast are derived from expectations based on market knowledge, and the financial performance since the date of acquisition. Future year revenue levels are based on anticipated opportunities over an economic cycle. The average number of opportunities over the period is in line with historical levels.

The Audio Visual market has been impacted by Covid-19, therefore management have factored this into forecasts and expect there to be a two year transition period for the impact of Covid-19 to diminish. After two years management expects revenue to return to pre-Covid-19 levels. Once normal trading has returned, management's forecasts are based on the business plan when the business was acquired.

The revenue growth rate used in Year 1 is 25% and thereafter the average annual revenue growth rates are 11%. The calculation is based on stable growth in years 2 to 5 of 17.5% and reduced growth rates in years 6 and 7 of 5%.

Operating profit margins

Operating profit margins in the one year forecast are derived from the expected gross margin and the overhead cost base. Gross margins over the extrapolation period are 20%, which is based on historical financial performance and expectations of future market developments.

Operating profit margins average 4% over the period.

Sensitivity to changes in assumptions

There is minimal headroom in the value in use calculation compared to the carrying value of the CGU. As such, any adverse movements in the revenue projections or in the other key assumptions above would lead to an impairment.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13. Inventories

| | Group | | Company | |
|------------------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Goods for resale | <u>5,948</u> | <u>3,320</u> | <u>5,304</u> | <u>3,320</u> |

Cost of sales include £47,357,000 (2019: £45,998,000) inventory expensed in the year's statement of comprehensive income. An impairment charge of £11,000 is recognised in cost of sales (2019: £23,000 credit)

14. Trade and other receivables

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Trade receivables | 6,990 | 9,401 | 6,754 | 9,401 |
| Less provision for impairment of receivables (291) | (291) | (136) | (268) | (136) |
| Net trade receivables | <u>6,699</u> | <u>9,265</u> | <u>6,486</u> | <u>9,265</u> |
| Prepayments and other receivables | 1,051 | 227 | 1,023 | 227 |
| | <u>7,750</u> | <u>9,492</u> | <u>7,509</u> | <u>9,492</u> |

The directors do not consider the fair value of trade and other receivables to be significantly different from their carrying values. The directors have used historical experience of collecting receivables, supported by the level of default (non-payment from customer), together with forward looking information to determine that that credit risk is very low.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are assessed based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Credit insurance forms a key part of the credit risk management strategy.

Trade receivables that are more than three months past due are reviewed for impairment on an individual basis including consideration of previous payment history and the ongoing relationship with the customer.

Trade receivables older than credit terms

Ageing of past due receivables are as follows:

| | Group | | Company | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| 0-30 days past due | 113 | 109 | 71 | 109 |
| 30 - 60 days past due | 44 | 12 | 39 | 12 |
| 60 - 90 days past due | 10 | 27 | 10 | 27 |
| 90+ days past due | <u>291</u> | <u>238</u> | <u>291</u> | <u>238</u> |
| | <u>458</u> | <u>386</u> | <u>411</u> | <u>386</u> |

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Trade and other receivables impairment provision

| | Group | | Company | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Balance at beginning of period | 136 | 85 | 136 | 85 |
| Amounts written off as uncollectable | (4) | (13) | (4) | (13) |
| Increase in impairment loss provision | 159 | 64 | 136 | 64 |
| | <u>291</u> | <u>136</u> | <u>268</u> | <u>136</u> |

The Group impairment provision consists of a specific provision of £257,000 and a general provision of £34,000. The Company impairment provision consists of a specific provision of £257,000 and a general provision of £11,000.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

15. Cash and cash equivalents

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Bank balances and cash in hand | 10,968 | 3,446 | 4,700 | 3,320 |
| Cash and cash equivalents in statement of cash flows | <u>10,968</u> | <u>3,446</u> | <u>4,700</u> | <u>3,320</u> |

16. Assets held for sale

| | Group | | Company | |
|----------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Property | - | 6,019 | - | - |

Following the decision on 14 December 2018 by the board to sell the distribution centre this asset was presented as held for sale. The sale was completed on 8 July 2019.

In accordance with IFRS 5 the asset was carried at the lower of carrying value and fair value less costs to sell at the date the asset was first classified as held for sale, and this was updated at the reporting date. In the opinion of the directors the fair value less costs to sell exceeded the carrying amount at both dates. Depreciation of the asset ceased at the date of classification as held for sale.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

17. Trade and other payables

| | Group | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Trade payables | 5,082 | 6,380 | 4,750 | 6,380 |
| Inter company payables | - | - | 2,328 | 4,007 |
| Other payables | 83 | 38 | 39 | 38 |
| VAT | 1,201 | 627 | 1,057 | 614 |
| Corporation tax | 1,413 | - | - | - |
| Other tax and social security | 135 | 82 | 116 | 82 |
| Accruals and deferred income | 442 | 307 | 419 | 291 |
| | <u>8,356</u> | <u>7,434</u> | <u>8,709</u> | <u>11,412</u> |

The financial liabilities shown above are those which were outstanding at 30 June 2020. The average credit period taken for trade payables is 33 days (2019: 42 days).

The directors consider that the fair values of trade and other payables are not materially different from those disclosed above. Trade payables are not interest bearing.

The liquidity in trade and other payables is managed by the company through the management of its cash resources as referred to in the Strategic Report, to ensure that for all practical purposes creditors are paid in accordance with the credit terms agreed with the suppliers.

18. Share capital

| | Group and Company | |
|---|-------------------|--------------|
| | Number | £'000 |
| Authorised shares of 1p each At 30 June 2020 and 2019 | <u>80,000,000</u> | <u>2,000</u> |
| Issued and fully paid shares of 1p each At 1 July 2019 | 27,356,586 | 273 |
| Cancellation of ordinary shares At 30 June 2020 | <u>(125,000)</u> | <u>(1)</u> |
| | <u>27,231,586</u> | <u>272</u> |

The company has one class of ordinary shares which carry no right to fixed income.

The company acquired 100,000 shares through purchases on the London Stock Exchange during the year. Of these 100,000 and 25,000 held as Treasury shares were cancelled.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. Investment in group companies

| Company | 2020 £'000 |
|--------------------------------|---------------|
| Cost | |
| At 1 July 2018 and 1 July 2019 | 6,588 |
| Loan repayment | (6,588) |
| Addition | 2,135 |
| At 30 June 2020 | <u>2,135</u> |

During the year, Anitass Limited repaid a long term loan which was classified in the accounts as an investment, hence the reduction in the investment value.

The current year addition relates to the acquisition of Audio Visual Material Limited (Note 26).

In the opinion of the directors, the value of the company's investment is not less than the amount included in the company statement of financial position.

| Name | Country of Incorporation | % owned | Status |
|-------------------------------|-----------------------------|---------|-------------|
| Anitass Limited | England | 100 | Operational |
| Audio Visual Material Limited | England | 100 | Operational |
| Solution Point Limited | England | 99 | Dormant |
| Solution Technology Limited | England | 100 | Dormant |
| Thripple-Thrift Limited | England | 100 | Dormant |

The registered office of all of these companies is detailed on page 31.

20. Capital commitments

There were no capital commitments at 30 June 2020 (2019: £Nil).

22. Related party transactions

Mr D.M. Phillips (deceased) is the ultimate controlling party of the company.

During the year, the company paid £38,000 (2019: £601,000) rent to Anitass Limited, a wholly owned subsidiary. At the year end Northamber plc owed Anitass Limited £3,059,000 (2019: £4,007,000).

During the year AVM Limited purchased £68,000 worth of goods from Northamber Plc and Northamber Plc purchased £4,000 worth of goods from AVM. Audio Visual Material Limited owed £731,000 (2019: Nil)

At the year end, Zero balance (2019: £135,000) was held by the company on Mr D.M. Phillips' behalf. Interest of £Nil (2019: £350) earned during the year, is included within the balance of Nil (2019: £135,000).

During the year the company paid £6,600 (2019: £13,300) for administrative and support work to Bernadette Henry, the wife of the Operational Director Mr. John Henry. In the directors' opinion the payments are at an arm's length basis.

The company paid £39,000 (2019: £12,780) to the Non-Executive Director Mr Colin Thompson for IT Consultancy work.

NORTHAMBER PLC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

23. Events after the reporting date

There were no significant events after the reporting date.

24. Contingent liabilities

In order for the Company's subsidiary, Anitass Limited, to take the audit exemption in section 479A of the Companies Act 2006, the Company has guaranteed all outstanding liabilities of that subsidiary company at 30 June 2020 until those liabilities are satisfied in full.

25. Financial instruments exposure

Trade and other receivables, cash and cash equivalents, and trade and other payables are measured at amortised cost. The accounting policies applied are set out in note 2. The carrying amounts of financial assets and liabilities as at 30 June 2020 are categorised below.

The interest rate exposure of the financial assets and liabilities of the group and company as at 30 June 2020 is shown in the table below. The table includes trade receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

Based on exposure at the reporting date, currency movements are not considered likely to have a material effect on profits or equity.

| | Floating £'000 | Zero £'000 | Total £'000 |
|------------------------------------|-------------------|---------------|----------------|
| Group | | | |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents: | | | |
| Sterling | 10,654 | - | 10,654 |
| US Dollars (Sterling equivalent) | 208 | - | 208 |
| Euros (Sterling equivalent) | 106 | - | 106 |
| Trade and other receivables | - | 6,719 | 6,719 |
| Total | <u>10,968</u> | <u>6,719</u> | <u>17,687</u> |

| | Floating £'000 | Zero £'000 | Total £'000 |
|---|-------------------|---------------|----------------|
| Financial liabilities at amortised cost | | | |
| Trade payables: | | | |
| Sterling | - | 4,263 | 4,263 |
| US Dollars (Sterling equivalent) | - | 592 | 592 |
| Euros (Sterling equivalent) | - | 227 | 227 |
| Other payables | - | 83 | 83 |
| Total | <u>-</u> | <u>5,165</u> | <u>5,165</u> |

NORTHAMBER PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

| | Floating £'000 | Zero £'000 | Total £'000 |
|--------------------------------------|-------------------|---------------|----------------|
| Company | | | |
| Financial assets – at amortised cost | | | |
| Cash and cash equivalents: | | | |
| Sterling | 4,386 | - | 4,386 |
| US Dollars (Sterling equivalent) | 208 | - | 208 |
| Euros (Sterling equivalent) | 106 | - | 106 |
| Trade and other receivables | - | 6,486 | 6,486 |
| Total | <u>4,700</u> | <u>6,486</u> | <u>11,186</u> |

| | Floating £'000 | Zero £'000 | Total £'000 |
|---|-------------------|---------------|----------------|
| Financial liabilities at amortised cost | | | |
| Trade payables: | | | |
| Sterling | - | 3,931 | 3,931 |
| US Dollars (Sterling equivalent) | - | 592 | 592 |
| Euros (Sterling equivalent) | - | 227 | 227 |
| Inter Company payables | - | 2,328 | 2,328 |
| Other payables | - | 39 | 39 |
| Total | <u>-</u> | <u>7,117</u> | <u>7,117</u> |

The directors estimate that an increase or decrease in annual average interest rates of 0.5% would increase/decrease profit before tax by approximately £36,000 (2019: £21,000).

Maturity of Financial Instruments

All financial liabilities are classified as current and are due within 60 days.

There is no material difference between the fair value and book value of financial instruments.

NORTHAMBER PLC
NOTES TO THE FINANCIAL STATEMENTS
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26. Acquisitions

On 31 January 2020, the Group acquired 100% of the issued share capital of Audio Visual Material Limited ("AVM"). AVM is a specialist distributor of audio visual hardware and services. AVM was acquired to extend the Group's offering into the audio visual market and accelerates the Group's evolution towards higher Gross margins.

The acquisition develops a new customer base for the Group, complements the existing customer base and provides the Group with additional market share in the significant audio visual market sector.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

| | Book value £'000 | Fair value adjustments £'000 | Fair value £'000 |
|--|------------------------|------------------------------------|------------------------|
| Net assets acquired | | | |
| Intangible Asset – Brand | - | 63 | 63 |
| Intangible Asset – Customers relationships | - | 333 | 333 |
| Property, plant and equipment | 250 | | 250 |
| Stock of finished goods | 589 | - | 589 |
| Trade and other receivables | 555 | - | 555 |
| Trade and other payables | (680) | - | (680) |
| Total identifiable assets | <u>714</u> | <u>396</u> | <u>1,110</u> |

Satisfied by:

Consideration under IFRS 3

Cash consideration **2,135**

Goodwill **1,025**

Cash outflows arising on acquisition

Cash consideration 2,135

Acquisition costs of £220,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £1.55 million of revenue and £144,000 to the group's operating loss (before amortisation and transaction costs) for the period between the date of acquisition and the balance sheet date.

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