

Northamber PLC
("Northamber" or the "Company")

Interim Report for the Six months to 31 December 2018

Chairman's Statement

Results

Having reported a strong and encouraging performance for the full year to June 2018, it is disappointing to report that the commercial sector upon which our B2B offering is focussed has been negatively impacted by the widespread Brexit malaise hanging over us all. Back in September 2018, I did highlight the difficulties of forecasting future performance but as ever we have worked hard to maximise our opportunities and exert influence over those factors we do have in our control.

In the first half we have seen revenues fall from £31.7 million to £24.2 million for the comparative period last year, although this has reflected our planned refocusing of our core business case and it is worth noting that revenues in the second half of the year ended 30 June 2018 were £26.5 million. What I am pleased to report is that the trend of improvement in the Gross Profit margin has continued, increasing from 7.6% to 8.4% in the first half, alongside lower overheads including distribution costs.

Frustratingly, a supplier for a significant new product area breached our contract during the first half which results in lost sales and contribution. We took swift legal action against this supplier, and a related party, which could result in a settlement in our favour. The matter has yet to be concluded, but has so far resulted in an interim award judgement in our favour of £431,000 plus costs. More importantly, we have secured replacement vendors and those results will start coming on stream during the second half of our financial year.

Partly as a result of the event reported immediately above, at the pre-tax level we made a loss of £353,000 compared with a £201,000 loss in the comparative period a year ago. As stated, we nonetheless gained improvement in our gross margins, whilst continued proactive cost monitoring resulted in overhead economies in both Distribution and Administration compared with the comparative period last year, with a comparative saving of £113,000 for the period.

Financial position

Maintaining our prudence in financial matters, our working capital management is reflected in the Net Current Assets ratio which at 2.6 times (2018: 2.0 times) is a healthy improvement.

Free Cash was £2.9 million at 31 December 2018 compared with £2.2 million at 31 December 2017. With Fixed Assets at book value at £7.8 million, including two unencumbered freehold properties whose value is, in the Board's strong view, in excess of book, the Company's overall financial position is sound.

Net Assets at 61.9p per share are considerably in excess of the average price of the ordinary shares throughout the period.

Board

I am very pleased to highlight that Colin Thompson has recently joined the board as a non-executive director and who will support my own role. Colin originally joined the Company in 1982 and was a board director from September 1991 until January 1999. He was instrumental in the design, construction and effective efficiencies of all our IT and logistics systems.

Dividend

As in previous years, your board has had regard to the strength of our debt free, tangible asset strong balance sheet and is proposing the interim dividend be 0.1p, at a total cost of only £27,357. The dividend will be paid on 13th May 2019 to shareholders on the register as at 12th April 2019.

Staff

We continue to invest in our evolving business model with added skills based services and which are heavily reliant on our staff to achieve our business case evolution and I am very grateful to all of our staff for their continued support and flexibility.

Outlook

My comments in previous statements, especially those made in recent years, have tended to be cautionary, which by and large has been borne out in actual outcomes.

As regards the current underlying trading position, the state of the economy at large, the extremely and damaging fluid Brexit scenario, and the associated effects on our own sector offers, offer no greater incentive for optimism now than they have in the past. Our continued focus on the new higher margin value categories continues to be an area we are confident and excited about, and where we see our future opportunities.

D.M. Phillips
Chairman

8th March 2019

Consolidated Statement of Comprehensive Income
6 months to 31 December 2018

	6 months Ended 31.12.18 £'000 Unaudited	6 months Ended 31.12.17 £'000 Unaudited	Year Ended 30.06.18 £'000 Audited
Revenue	24,234	31,659	58,136
Cost of sales	(22,197)	(29,239)	(53,589)
Gross Profit	2,037	2,420	4,547
Distribution cost	(1,392)	(1,471)	(2,850)
Administrative expenses	(1,142)	(1,176)	(2,276)
(Loss) from operations	(497)	(227)	(579)
Investment revenue	144	26	90
(Loss) before tax	(353)	(201)	(489)
Tax credit/(charge)	-	-	-
Loss and total comprehensive income for the period	(353)	(201)	(489)
Basic and diluted (loss) per ordinary share	(1.28)p	(0.71)p	(1.74)p

Consolidated Statement of Financial Position
As at 31 December 2018

	As at 31.12.18 £'000 Unaudited	As at 31.12.17 £'000 Unaudited	As at 30.06.18 £'000 Audited
Non current assets			
Property, plant and equipment	7,799	7,953	7,894
Current assets			
Inventories	4,193	5,953	3,378
Trade and other receivables	7,662	12,005	8,145
Cash and cash equivalents	2,931	2,247	5,067
	<u>14,786</u>	<u>20,205</u>	<u>16,590</u>
Total assets	<u>22,585</u>	<u>28,158</u>	<u>24,484</u>
Current liabilities			
Trade and other payables	(5,643)	(10,294)	(6,964)
	<u>(5,643)</u>	<u>(10,294)</u>	<u>(6,964)</u>
Total liabilities	<u>(5,643)</u>	<u>(10,294)</u>	<u>(6,964)</u>
Net assets	<u>16,942</u>	<u>17,864</u>	<u>17,520</u>
Equity			
Share capital	273	281	281
Share premium account	5,734	5,734	5,734
Capital redemption reserve fund	1,513	1,505	1,505
Retained earnings	9,422	10,344	10,000
	<u>16,942</u>	<u>17,864</u>	<u>17,520</u>
Equity shareholders' funds	<u>16,942</u>	<u>17,864</u>	<u>17,520</u>

Company Statement of Financial Position
As at 31 December 2018

	As at 31.12.18 £'000 Unaudited	As at 31.12.17 £'000 Unaudited	As at 30.06.18 £'000 Audited
Non current assets			
Property, plant and equipment	1,783	1,864	1,841
Investments	6,588	6,588	6,588
	<hr/> 8,371	<hr/> 8,452	<hr/> 8,429
Current assets			
Inventories	4,193	5,953	3,378
Trade and other receivables	7,665	12,005	8,145
Cash and cash equivalents	2,871	2,210	5,034
	<hr/> 14,729	<hr/> 20,168	<hr/> 16,557
Total assets	<hr/> 23,100	<hr/> 28,620	<hr/> 24,986
Current liabilities			
Trade and other payables	(9,442)	(13,515)	(10,486)
	<hr/> (9,442)	<hr/> (13,515)	<hr/> (10,486)
Total liabilities	<hr/> (9,442)	<hr/> (13,515)	<hr/> (10,486)
Net assets	<hr/> 13,658	<hr/> 15,105	<hr/> 14,500
Equity			
Share capital	273	281	281
Share premium account	5,734	5,734	5,734
Capital redemption reserve fund	1,513	1,505	1,505
Retained earnings	6,138	7,585	6,980
Equity shareholders' funds	<hr/> 13,658	<hr/> 15,105	<hr/> 14,500

Consolidated Statement of Changes in Equity

As at 31 December 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Period to 31 December 2017					
Unaudited					
Balance at 1 July 2017	281	5,734	1,505	10,545	18,065
Dividends	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	-	(201)	(201)
Balance at 31 December 2017	281	5,734	1,505	10,344	17,864
Period to 31 December 2018					
Unaudited					
Balance at 1 July 2018	281	5,734	1,505	10,000	17,520
Dividends	-	-	-	-	-
Purchase of own Shares for cancellation	(8)	-	8	(225)	(225)
Loss and total comprehensive loss for the period	-	-	-	(353)	(353)
Balance at 31 December 2018	273	5,734	1,513	9,422	16,942
Year to 30 June 2018					
Audited					
Balance at 1 July 2017	281	5,734	1,505	10,545	18,065
Dividends	-	-	-	(56)	(56)
Transactions with owners	-	-	-	(56)	(56)
Loss and total comprehensive loss for the period	-	-	-	(489)	(489)
Balance at 30 June 2018	281	5,734	1,505	10,000	17,520

Company Statement of Changes in Equity
As at 31 December 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Period to 31 December 2017					
Unaudited					
Balance at 1 July 2017	281	5,734	1,505	8,050	15,570
Dividends	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	-	(465)	(465)
Balance at 31 December 2017	281	5,734	1,505	7,585	15,105
Period to 31 December 2018					
Unaudited					
Balance at 1 July 2018	281	5,734	1,505	6,980	14,500
Dividends	-	-	-	-	-
Purchase of own shares for cancellation	(8)	-	8	(225)	(225)
Loss and total comprehensive loss for the period	-	-	-	(617)	(617)
Balance at 31 December 2018	273	5,734	1,513	6,138	13,658
Year to 30 June 2018					
Audited					
Balance at 1 July 2017	281	5,734	1,505	8,050	15,570
Dividends	-	-	-	(56)	(56)
Transactions with owners	-	-	-	(56)	(56)
Loss and total comprehensive loss for the period	-	-	-	(1,014)	(1,014)
Balance at 30 June 2018	281	5,734	1,505	6,980	14,500

Consolidated Statement of Cash Flows
6 months to 31 December 2018

	6 months Ended	6 months ended	Year Ended
	31.12.18	31.12.17	30.06.18
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Cash from operating activities			
Operating (loss) from continuing operations	(497)	(227)	(579)
Depreciation of property, plant and equipment	95	91	188
(Profit)/loss on disposal of property, plant and equipment	-	-	-
Operating (loss) before changes in working capital	(402)	(136)	(391)
(Increase)/decrease in inventories	(815)	(1,777)	798
(Increase)/decrease in trade and other receivables	483	(2,953)	907
Increase/(decrease) in trade and other payables	(1,321)	2,134	(1,196)
Cash (used)/generated from operations	(2,055)	(2,732)	118
Income taxes received/(paid)	-	-	-
Net cash from operating activities	(2,055)	(2,732)	118
Cash flows from investing activities			
Interest received	144	26	90
Proceeds from disposal of property, plant and equipment	-	-	-
Purchase of property, plant and Equipment	-	(19)	(57)
Net cash from investing activities	144	7	33
Cash flows from financing activities			
Purchase of own shares for cancellation	(225)	-	-
Dividends paid to equity shareholders	-	-	(56)
Net cash used in financing activities	(225)	-	(56)
Net (decrease)/increase in cash and cash equivalents	(2,136)	(2,725)	95
Cash and cash equivalents at beginning of period	5,067	4,972	4,972
Cash and cash equivalents at end of period	2,931	2,247	5,067

Company Statement of Cash Flows
6 months to 31 December 2018

	6 months Ended 31.12.18 £'000 Unaudited	6 months Ended 31.12.17 £'000 Unaudited	Year Ended 30.06.18 £'000 Audited
Cash from operating activities			
Operating (loss) from continuing operations	(696)	(491)	(1,103)
Depreciation of property, plant and equipment	58	55	115
(Profit)/loss on disposal of property, plant and equipment	-	-	-
Operating (loss) before changes in working capital	(638)	(436)	(988)
(Increase)/decrease in inventories	(815)	(1,777)	798
(Increase)/decrease in trade and other receivables	480	(2,953)	907
Increase/(decrease) in trade and other payables	(1,044)	2,435	(594)
Cash (used)/generated from operations	(2,017)	(2,731)	123
Income taxes received/(paid)	-	-	-
Net cash from operating activities	(2,017)	(2,731)	123
Cash flows from investing activities			
Interest received	79	26	90
Proceeds from disposal of property, plant and equipment	-	-	-
Purchase of property, plant and Equipment	-	(19)	(57)
Net cash from investing activities	79	7	33
Cash flows from financing activities			
Purchase of own shares for cancellation	(225)	-	-
Dividends paid to equity shareholders	-	-	(56)
Net cash used in financing activities	(225)	-	(56)
Net (decrease)/increase in cash and cash equivalents	(2,163)	(2,724)	100
Cash and cash equivalents at beginning of period	5,034	4,934	4,934
Cash and cash equivalents at end of period	2,871	2,210	5,034

Notes to the financial statements

1. Corporate Information

The financial information for the half year ended 31 December 2018 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The group's statutory financial statements for the year ended 30 June 2018 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498(3) of the Companies Act 2006. The interim results are unaudited. Northamber Plc is a public limited company incorporated and domiciled in England and Wales. The company's shares are publicly traded on the London Stock Exchange's AIM market.

2. Basis of preparation

These interim consolidated financial statements are for the six months ended 31 December 2018. They have been prepared in accordance with IAS34 Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group for the year ended 30 June 2018.

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

These interim consolidated financial statements (the interim financial statements) have been prepared in accordance with accounting policies adopted in the last annual financial statements for the year to 30 June 2018 except for the adoption of IAS1 Presentation of Financial Statements (Revised 2007).

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

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

3. Basis of Consolidation

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

4. Segmental Reporting

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

	UK	Other	Total
	£'000	£'000	£'000
6 months to December 2018			
Total Segment revenue	23,967	267	24,234
Year to 30 June 2018			
Total Segment revenue	57,661	475	58,136

One customer accounted for more than 10% of the group's revenue for the period, being £3.6m.

5. Taxation

No tax charge has been provided in the interim consolidated financial statements due to the losses accumulated both in prior years and in the current period.

6. Earnings per Share

The calculation of earnings per share is based on the loss after tax for the six months to 31 December 2018 of £353,000 (2017: loss £201,000) and a weighted average of 27,639,779 (2017: 28,158,735) ordinary shares in issue.

7. Property, Plant and Equipment

There were no significant additions to or disposals of property, plant or equipment in the period to 31 December 2018. The reduction in the total value of property, plant and equipment was primarily due to the depreciation charge for the year.

8. Risks and Uncertainties

The principal risks and uncertainties affecting the business activities of the group are detailed in the strategic report which can be found on pages 7 to 11 of the Annual Report and Accounts for the year ended 30 June 2018 (the Annual Report). A copy of the Annual Report is available on the company's web site at www.northamber.com.

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

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

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

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

9. Related Party Transactions

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

During the six months period, the company paid £235,500 (2017: £300,500) rent to Anitass Limited, a wholly owned subsidiary. At 31 December 2018 Northamber plc owed Anitass Ltd £3,793,000 (2017:£3,259,000).

10. Directors' Confirmation

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