

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

Interim Report for the Six months to 31 December 2020

Chairman’s Statement

Results

We are very pleased to be able to report an operating profit driven by year-on-year gross margin growth and year-on-year revenue growth for the last 6 months despite challenging market conditions.

Our early decision to stay true to our values and prioritise our team and partners by avoiding any furlough or COVID related cuts, evolved during the period and we invested further in growing our teams, all of which has proven fruitful. Revenues increased 13% in the first half from £26.3 million to £29.6 million for the comparative period last year. More significantly, this revenue growth was combined with a significant increase in Gross Margin from 8.8% to 12.8%; the cumulative effect of both was to increase Gross Profit by £1.5m from £2.3 million to £3.8 million, an increase of 65%. The improvement in Gross Margin resulted from our evolving product mix towards higher margin, more technical products through Northamber and AVM.

Previously discussed lockdown challenges have impacted performance in some of our strategic business units and our subsidiary AVM, as site restrictions limited access for higher end projects but we are hopeful of improved performance as these restrictions ease later in 2021 and beyond.

It is clearly pleasing to see a 65% increase in Gross Profit year on year however our focus on efficiency and cost management remains strong; we remain focused on optimising the business for long term results and investing as needed to drive this. Our warehouse changes in the last financial year was a significant undertaking and we are seeing the benefits through an improved cost base, whilst still providing significant capacity to scale the business further.

To support this increase in Gross Profit, and in anticipation of continued growth, our Distribution costs increased year on year from £1.53 million to £2.28 million; part of this costs increase also came from the addition of AVM to the group. Administrative costs also increased marginally from £1.15 million to £1.29 million as we continue to invest to support our future plans.

Financial position

Stock levels are higher than last year at £8.4 million against £4.5 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 derived from Brexit and COVID impacts on supply chains. We see our flexibility on local stock levels as a key driver of our future with our partners, who have recognised the benefits of Northamber’s financial strength in underpinning this.

Cash was £10.8 million at 31 December 2020 compared with £14.7 million at 31 December 2019, reflecting the sale of the Brooklands distribution centre and the purchase of the new Swindon warehouse, the acquisition of AVM and a new office, where AVM is now located. With Fixed Assets at book value at £7.1 million, including three unencumbered freehold properties, the Group’s overall financial position is very sound.

Net Assets at 92.3p per share are considerably in excess of the average price of the ordinary shares throughout the period.

Dividend

As in previous years, your Board has had regard to the strength of our debt free, tangible asset strong balance sheet and is proposing the interim dividend be 0.3p, at a total cost of £81,695. The dividend will be paid on 27 May 2021 to shareholders on the register as at 30 April 2021.

Staff

The Board remain grateful and pleased for how our team continues to pull together to flexibly support our partners and each other through these unprecedented times. We strongly believe that our staff are a key differentiator for our business and we are delighted to be able to continue to grow with them and offer them continued job security. We intend to continue to invest in our evolving business model by continuing to invest in building out the best team in the market to achieve our business evolution.

Outlook

In keeping with the outlook we shared in our recently published full year results, we remain cautiously 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 and allow us to build on our profitable first half. We necessarily remain cautious due to the economic uncertainty, Brexit and the potential further impact of COVID on demand and the supply chain, but feel strongly that our continued focus on strategic higher margin value categories provides a solid road map for the future with profitable growth opportunities and the ability to unlock long term value for shareholders.

The strength of our balance sheet allows us to continue to do what is best for the business strategically and we continue to review organic and non-organic opportunities for growth which meet our strict criteria and add value for our shareholders.

C.M.Thompson
Chairman

12 February 2021

Consolidated Statement of Comprehensive Income
6 months to 31 December 2020

	6 months Ended 31.12.20 £'000 Unaudited	6 months Ended 31.12.19 £'000 Unaudited	Year Ended 30.06.20 £'000 Audited
Revenue	29,679	26,273	52,835
Cost of sales	(25,878)	(23,972)	(47,998)
Gross Profit	<u>3,801</u>	<u>2,301</u>	<u>5,478</u>
Distribution cost	(2,284)	(1,533)	(3,601)
Administrative costs	(1,294)	(1,152)	(2,613)
Administrative costs-Exceptional acquisition costs	-	-	(220)
Other income-Exceptional gain on disposal of property	-	10,203	10,804
Profit from operations	<u>223</u>	<u>9,819</u>	<u>9,848</u>
Investment revenue	7	167	92
Finance cost	-	-	(15)
Profit before Tax	<u>230</u>	<u>9,986</u>	<u>9,925</u>
Tax charge	-	(1,643)	(1,413)
Profit and total comprehensive Income for the period	<u>230</u>	<u>8,343</u>	<u>8,512</u>
Basic and diluted profit per ordinary share	0.84p	30.50p	31.16p

**Consolidated Statement of Financial Position
As At 31 December 2020**

	6 months Ended 31.12.20 £'000 Unaudited	6 months Ended 31.12.19 £'000 Unaudited	Year Ended 30.06.20 £'000 Audited
Non -current assets			
Property, plant and equipment	7,102	5,169	7,184
Goodwill and intangible assets	1,391	-	1,421
	<u>8,493</u>	<u>5,169</u>	<u>8,605</u>
Current assets			
Inventories	8,401	4,458	5,948
Trade and other receivables	8,821	8,137	7,750
Cash and cash equivalents	10,802	14,675	10,968
	<u>28,024</u>	<u>27,270</u>	<u>24,666</u>
Total assets	<u>36,517</u>	<u>32,439</u>	<u>33,271</u>
Current liabilities			
Trade and other payables	(11,372)	(7,461)	(8,356)
Total liabilities	<u>(11,372)</u>	<u>(7,461)</u>	<u>(8,356)</u>
Net assets	<u>25,145</u>	<u>24,978</u>	<u>24,915</u>
Equity			
Share capital	272	273	272
Share premium account	5,734	5,734	5,734
Capital redemption reserve	1,514	1,513	1,514
Treasury shares	-	(7)	-
Retained earnings	17,625	17,465	17,395
Equity shareholders' funds attributable to the owners of the parent	<u>25,145</u>	<u>24,978</u>	<u>24,915</u>

**Company Statement of Financial Position
As At 31 December 2020**

	6 Months Ended 31.12.20 £'000 Unaudited	6 months Ended 31.12.19 £'000 Unaudited	Year Ended 30.06.20 £'000 Audited
Non -current assets			
Property, plant and equipment	1,687	1,730	1,748
Investments	2,135	6,588	2,135
	<u>3,822</u>	<u>8,318</u>	<u>3,883</u>
Current assets			
Inventories	7,748	4,458	5,304
Trade and other receivables	8,248	7,974	7,509
Cash and cash equivalents	7,809	3,012	4,700
	<u>23,805</u>	<u>15,444</u>	<u>17,513</u>
Total assets	<u>27,627</u>	<u>23,762</u>	<u>21,396</u>
Current liabilities			
Trade and other payables	(14,684)	(10,945)	(8,709)
Total liabilities	<u>(14,684)</u>	<u>(10,945)</u>	<u>(8,709)</u>
Net assets	<u>12,943</u>	<u>12,817</u>	<u>12,687</u>
Equity			
Share capital	272	273	272
Share premium account	5,734	5,734	5,734
Capital redemption reserve	1,514	1,513	1,514
Treasury shares	-	(7)	-
Retained earnings	5,423	5,304	5,167
Equity shareholders' funds attributable to the owners of the parent	<u>12,943</u>	<u>12,817</u>	<u>12,687</u>

Consolidated Statement of Changes in Equity
As at 31 December 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury Shares £'000	Retained earnings £'000	Total Equity £'000
Period to 31 December 2019						
Unaudited						
Balance at 1 July 2019	273	5,734	1,513	(7)	9,122	16,635
Dividends	-	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	-	8,343	8,343
Balance at 31 December 2019	273	5,734	1,513	-	17,465	24,978
Period to 31 December 2020						
Unaudited						
Balance at 1 July 2020	272	5,734	1,514	-	17,395	24,915
Dividends	-	-	-	-	-	-
Profit and total comprehensive Income for the period	-	-	-	-	230	230
Balance at 31 December 2020	272	5,734	1,514	-	17,625	25,145
Year to 30 June 2020						
Audited						
Balance at 1 July 2019	273	5,734	1,513	(7)	9,122	16,635
Dividends	-	-	-	-	(164)	(164)
Purchase and cancellation of shares	(1)	-	1	-	(68)	(68)
Purchase of Treasury shares	-	-	-	7	(7)	-
Transactions with owners	(1)	-	1	7	(239)	(232)
Profit and total comprehensive income for the period	-	-	-	-	8,512	8,512
Balance at 30 June 2020	272	5,734	1,514	-	17,395	24,915

Company Statement of Changes in Equity

As at 31 December 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury Shares £'000	Retained earnings £'000	Total Equity £'000
Period to 31 December 2019						
Unaudited						
Balance at 1 July 2019	273	5,734	1,513	(7)	5,587	13,100
Dividends	-	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	-	-	(283)	(283)
Balance at 31 December 2019	273	5,734	1,513	(7)	5,304	12,817
Period to 31 December 2020						
Unaudited						
Balance at 1 July 2020	272	5,734	1,514	-	5,167	12,687
Dividends	-	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	-	256	256
Balance at 31 December 2020	272	5,734	1,514	-	5,423	12,943
Year to 30 June 2020						
Audited						
Balance at 1 July 2019	273	5,734	1,513	(7)	5,587	13,100
Dividends	-	-	-	-	(164)	(164)
Purchase and cancellation of shares	(1)	-	1	-	(68)	(68)
Purchase of Treasury shares	-	-	-	7	(7)	-
Transactions with owners	(1)	-	1	7	(239)	(232)
Loss and total comprehensive loss for the year	-	-	-	-	(181)	(181)
Balance at 30 June 2020	272	5,734	1,514	-	5,167	12,687

Consolidated Statement of Cash Flows
6 months to 31 December 2020

	6 months Ended	6 months Ended	Year Ended
	31.12.20	31.12.19	30.06.20
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Cash from operating activities			
Operating profit from continuing operations	223	9,819	9,848
Depreciation of property, plant and equipment	167	62	228
Amortisation of intangible assets	30	-	-
(Profit)/loss on disposal of property, plant and equipment	-	(10,203)	(10,982)
Operating profit/(loss) before changes in working capital	420	(322)	(906)
(Increase)/decrease in inventories	(2,453)	(1,138)	(2,039)
(Increase)/decrease in trade and other receivables	(1,070)	1,355	2,899
Increase/(decrease) in trade and other payables	3,015	(1,616)	(1,172)
Cash (used)/generated from operations	(88)	(1,721)	(1,218)
Income taxes received/(paid)	-	-	-
Net cash from operating activities	(88)	(1,721)	(1,218)
Cash flows from investing activities			
Interest received	7	167	92
Interest paid	-	-	(15)
Proceeds from disposal of property, plant and equipment	-	16,222	16,400
Purchase of property, plant and equipment	(85)	(3,439)	(5,370)
Purchase of AVM Ltd	-	-	(2,135)
Net cash from investing activities	(78)	12,950	8,972
Cash flows from financing activities			
Dividends paid to equity shareholders	-	-	(164)
Purchase of own shares for cancellation	-	-	(68)
Net cash used in financing activities	-	-	(232)
Net (decrease)/increase in cash and cash equivalents	(166)	11,229	7,522
Cash and cash equivalents at beginning of period	10,968	3,446	5,446
Cash and cash equivalents at end of period	10,802	14,675	10,968

Company Statement of Cash Flows
6 months to 31 December 2020

	6 months Ended 31.12.20 £'000 Unaudited	6 months Ended 31.12.19 £'000 Unaudited	Year Ended 30.06.20 £'000 Audited
Cash from operating activities			
Operating profit/(loss) from continuing operations	249	(393)	(198)
Depreciation of property, plant and equipment	68	62	131
Operating profit/(loss) before changes in working capital	<u>317</u>	<u>(331)</u>	<u>(67)</u>
(Increase)/decrease in inventories	(2,444)	(1,138)	(1,984)
(Increase)/decrease in trade and other receivables	(739)	1,518	1,983
Increase/(decrease) in trade and other payables	<u>5,975</u>	<u>(476)</u>	<u>(2,703)</u>
Cash generated/(used) from operations	3,109	(418)	(2,771)
Income taxes received/(paid)	-	-	-
Net cash from operating activities	<u>3,109</u>	<u>(418)</u>	<u>(2,771)</u>
Cash flows from investing activities			
Interest received	7	110	17
Purchase of property, plant and Equipment	(7)	-	(87)
Purchase of AVM Ltd	-	-	(2,135)
Repayment of long term loan held as investment	<u>-</u>	<u>-</u>	<u>6,588</u>
Net cash from investing activities	<u>-</u>	<u>110</u>	<u>4,383</u>
Cash flows from financing activities			
Dividends paid to equity shareholders	-	-	(164)
Purchase of own shares for cancellation	-	-	(68)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>(232)</u>
Net increase/(decrease) in cash and cash equivalents	3,109	(308)	1,380
Cash and cash equivalents at beginning of period	<u>4,700</u>	<u>3,320</u>	<u>3,320</u>
Cash and cash equivalents at end of period	<u>7,809</u>	<u>3,012</u>	<u>4,700</u>

Notes to the financial statements

1. Corporate Information

The financial information for the half year ended 31 December 2020 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The auditor's report on the financial statements for the year ended 30 June 2020 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 2020. 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 2020.

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 2020 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

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.

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 2020			
Total Segment revenue	29,292	387	29,679
Year to 30 June 2020			
Total Segment revenue	52,391	444	52,835

No customer accounted for more than 10% of the Group's revenue during the period.

5. Taxation

No tax charge has been provided in the interim consolidated financial statements due to the availability of carried forward losses.

6. Earnings per Share

The calculation of earnings per share is based on the Profit after tax for the six months to 31 December 2020 of £230,000 (2019:8,343,000) and a weighted average of 27,231,586 (2019: 27,356,586) ordinary shares in issue.

7. 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 10 to 12 of the Annual Report and Accounts for the year ended 30 June 2020 (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
- Brexit risk
- Covid-19 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 A M Phillips is the ultimate controlling party of the Company.

During the six months period, the company paid £150,000 (2019: £12,925) rent to Anitass Limited, a wholly owned subsidiary. At 31 December 2020 Northamber plc owed Anitass Ltd £6,325,000 (2019:£4,510,000).

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.