

Northamber PLC
("Northamber" or the "Company" or the "Group")
Interim Report for the Six months to 31 December 2022

Chairman's Statement

Results

We are pleased to have continued to grow revenue year on year by 4.1% from £32.3m to £33.6m whilst maintaining strong gross margins up 10 bps at 13.0% (12.9% prior year) despite challenging market conditions. This served to generate an increase in Gross Profit of £0.2m to £4.4m year on year and reflected our continued focus on evolving our product mix towards higher margin, more technical products through Northamber and AVM.

We are confident that we are investing in the right places and continuing to build a strong long term business around some core technology pillars that require and reward value add from distribution. We are pleased to have evolved over recent years to now be recognized as a destination for Audio Visual technology as well as further developing our already strong Infrastructure Solutions, Document Management and Peripherals business.

We have expanded our Audio Visual (AV) unit into Unified Communications and Collaborations (UC&C) during the first half of the year with a new partnership with Yealink who are a significant brand in the Microsoft Teams Room and Zooms room space. This new partnership allows us to access a significant new UC&C market for our existing reseller customers as well as bring existing products from our Audio Visual and Infrastructure Solutions business units to a wider market. Whilst costs were accrued last half in developing this category we have already seen a promising pipeline and sales from the category and expect to see the results translate to significant returns for the business.

The continued investment in developing our long term strategic areas was unfortunately coupled with significant inflationary pressures and foreign exchange fluctuations, resulting in an increase of 8.6% in distribution and administrative costs year on year from £4.27 million to £4.64 million.

These increased costs outweighed the gross margin growth and resulted in a reduction of EBITDA year on year from £64K last year to negative £28k EBITDA this year. The Group made an operating loss for the six months of £250k versus an operating loss of £116k the year before. We feel strongly, however, that to drive significant long term profitable growth it is important that we continue to invest for the future. We regularly review these investments and all costs to ensure we are generating value.

Financial position

We remain diligent in managing our balance sheet and were pleased to be able to remain debt free. An increased focus on stock levels yielded a reduction in stock levels across the group from £10.6 million to £9.6 million, freeing up additional working capital. We recognize the importance to maintain strong stock holding for our partners as stock availability and supply chains remain fragile at times so we accept fluctuations on stock levels when this makes commercial sense but we actively manage this. We also disposed of an office building in Lightwater in H1 that was no longer core to our operation for a consideration of £1.48 million.

Cash reserves increased to £6.0 million from £4.7 million at 30 June 2022. With Net Assets at £24.2 million, including two unencumbered freehold properties, the Group's overall financial position remains very sound.

Net Assets at 88.8p 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 25 April 2023 to shareholders on the register as at 11 April 2023.

Staff

Our staff remain a key asset for the business and an area we continue to invest in. The team has continued to work hard to support our partners and each other. Our plans remain 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 prior outlooks that we shared, we remain cautiously optimistic that the investments we have made in supporting our partners will allow us to continue to drive growth of strategic business units although some of these investments returns have been hampered by the impact of inflationary issues. We necessarily remain cautious due to the economic uncertainty 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.

We are also investing in new systems for warehousing and Enterprise Resource Planning which we believe will deliver substantial efficiency gains for the future.

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

27 March 2023

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Northamber PLC

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Interim Report for the Six months to 31 December 2022

Consolidated Statement of Comprehensive Income

6 months to 31 December 2022

	6 months Ended 31.12.22 £'000 Unaudited	6 months Ended 31.12.21 £'000 Unaudited	Year Ended 30.06.22 £'000 Audited
Revenue	33,626	32,276	66,260
Cost of sales	(29,251)	(28,123)	(57,791)
	<u>4,375</u>	<u>4,153</u>	<u>8,469</u>

Gross Profit	4,375	4,153	8,469
Distribution cost	(2,878)	(2,670)	(5,556)
Administrative costs	(1,760)	(1,599)	(3,365)
Loss from operations	(263)	(116)	(452)
Finance income	13	-	5
Loss before Tax	(250)	(116)	(447)
Tax charge	-	-	-
Loss and total comprehensive Income for the period	(250)	(116)	(447)
Basic and diluted loss per ordinary share	(0.92p)	(0.43p)	(1.64p)

**Consolidated Statement of Financial Position
As At 31 December 2022**

	6 months Ended 31.12.22 £'000 Unaudited	6 months Ended 31.12.21 £'000 Unaudited	Year Ended 30.06.22 £'000 Audited
Non -current assets			
Property, plant and equipment	5,516	7,004	6,919
Goodwill and intangible assets	1,279	1,336	1,309
	<u>6,795</u>	<u>8,340</u>	<u>8,228</u>
Current assets			
Inventories	9,588	11,190	10,649
Trade and other receivables	9,701	9,639	11,245
Cash and cash equivalents	6,055	4,737	4,696
	<u>25,344</u>	<u>25,566</u>	<u>26,590</u>
Total assets	<u>32,139</u>	<u>33,906</u>	<u>34,818</u>
Current liabilities			
Trade and other payables	(7,938)	(8,885)	(10,329)
Corporation tax payable	-	(48)	(38)
Total liabilities	<u>(7,938)</u>	<u>(8,933)</u>	<u>(10,367)</u>
Net assets	<u>24,201</u>	<u>24,973</u>	<u>24,451</u>
Equity			
Share capital	272	272	272
Share premium account	5,734	5,734	5,734

Capital redemption reserve	1,514	1,514	1,514
Retained earnings	16,681	17,453	16,931
Equity shareholders' funds attributable to the owners of the parent	24,201	24,973	24,451

Consolidated Statement of Changes in Equity
As at 31 December 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury Shares £'000	Retained earnings £'000	Total Equity £'000
Period to 31 December 2021						
Unaudited						
Balance at 1 July 2021	272	5,734	1,514	-	17,569	25,089
Dividends	-	-	-	-	-	-
Loss and total comprehensive income for the period	-	-	-	-	(116)	(116)
Balance at 31 December 2021	272	5,734	1,514	-	17,453	24,973
Period to 31 December 2022						
Unaudited						
Balance at 1 July 2022	272	5,734	1,514	-	16,931	24,451
Dividends	-	-	-	-	-	-
Loss and total comprehensive Income for the period	-	-	-	-	(250)	(250)
Balance at 31 December 2022	272	5,734	1,514	-	16,681	24,201
Year to 30 June 2021						
Audited						
Balance at 1 July 2021	272	5,734	1,514	-	17,569	25,089
Dividends	-	-	-	-	(191)	(191)
Transactions with owners	-	-	-	-	(191)	(191)
Loss and total comprehensive income for the period	-	-	-	-	(447)	(447)
Balance at 30 June 2022	272	5,734	1,514	-	16,931	24,451

Consolidated Statement of Cash Flows
6 months to 31 December 2022

	6 months Ended 31.12.22 £'000 Unaudited	6 months Ended 31.12.21 £'000 Unaudited	Year Ended 30.06.22 £'000 Audited
Cash from operating activities			
Operating loss from			

continuing operations	(264)	(116)	(452)
Depreciation of property, plant and equipment	194	151	336
Amortisation of intangible assets	30	28	56
Profit on disposal of property, plant and equipment	(84)	-	(15)
Operating (loss)/profit before changes in working capital	(124)	63	(75)
Decrease/(Increase) in inventories	1,061	(2,722)	(2,181)
Decrease/(increase) in trade and other receivables	1,544	1,114	(492)
(Decrease)/increase in trade and other payables	(2,391)	(981)	463
Cash generated/(used) from operations	90	(2,526)	(2,285)
Income taxes paid	(38)	(111)	(120)
Net cash from operating activities	52	(2,637)	(2,405)
Cash flows from investing activities			
Interest received	13	-	5
Proceeds from disposal of property, plant and equipment	1,475	-	60
Purchase of property, plant and Equipment	(181)	(75)	(222)
Net cash from investing activities	1,307	(75)	(157)
Cash flows from financing activities			
Dividends paid to equity shareholders	-	-	(191)
Net cash used in financing activities	-	-	(191)
Net increase/(decrease) in cash and cash equivalents	1,359	(2,712)	(2,753)
Cash and cash equivalents at beginning of period	4,696	7,449	7,449
Cash and cash equivalents at end of period	6,055	4,737	4,696

Notes to the financial statements

1. Corporate Information

The financial information for the half year ended 31 December 2022 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 2022 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 2022. 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 2022.

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 2022 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 2022			
Total Segment revenue	33,385	241	33,626
Year to 30 June 2022			
Total Segment revenue	65,602	658	66,260

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 Loss after tax for the six months to 31 December 2022 of £250,000 (2021: Loss £116,000) and a weighted average of 27,231,586 (2021: 27,231,586) 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 6 to 9 of the Annual Report and Accounts for the year ended 30 June 2022 (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
- Inflationary 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 (2021: £150,000) rent to Anitass Limited, a wholly owned subsidiary. At 31 December 2022 Northamber plc owed Anitass Ltd £9,023,000 (2021: £7,194,000).

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.



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