# NORTHAMBER

## Report & Accounts

Full year ended 30 June 2008

# Solutions From The Leading Brands

3M
3Com
Adobe
akasa
AMD
APC by Schneider Electric
ASI Ability Software International
astaro internet security
Avocent The Power of Being There
Bell'O simply...beautiful
brainboxes www.brainboxes.com
brother at your side
Canon
CHERRY
CISCO (COBO)
COMRAC
DICOTA www.dicota.com
devolo
FREECOM
FUJIFILM
FUJITSU
FUJITSU COMPUTERS SIEMENS
funkwerk enterprise communications
Jacarta
Kingston Technology
Genius
lenovo
LG Life's Good
LEXMARK
Kodak
KONICA MINOLTA
IBM Business Partner
iomega
LINKSYS A Division of Cisco Systems, Inc.
matrox Graphics for Professionals
MGE An Eaton Brand
Microsoft
MRi
MSI
NUANCE
OLYMPUS
ORACLE
PLANTRONICS World Leader in Communications Headsets
PANDA SECURITY
prism
PHILIPS
RICOH | IBM InfoPrint Solutions Company
RICOH
SII Seiko Instruments Inc.
SIIG, Inc. www.siig.com
SONY
symantec.
TANDBERG DATA Securing your Information
T-Mobile simply closer
TOSHIBA
VERITAS
ViewSonic
WatchGuard
YOSEMITE backup simplified

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## SUMMARY OF LAST FIVE YEARS' TRADING

| | Years ending 30 June | | | | |
|---|---|---|---|---|---|
| | **2008** **£'000** | **2007** **£'000** | **2006** **£'000** | **2005** **£'000** | **2004** **£'000** |
| Turnover | 179,677 | 182,191 | 204,408 | 236,271 | 232,809 |
| Profit Before Tax | 627 | 592 | 434 | 2,613 | 1,812 |
| Earnings Per Share | 1.36p | 3.62p | 0.75p | 5.47p | 3.67p |
| Net Assets Per Share | 90.11p | 100.2p | 98.7p | 102.7p | 99.3p |
| Dividends Per Share(net) | 2.2p | 2.2p | 2.1p | 6.0p | 4.1p |

# CHAIRMAN'S STATEMENT

## Results

Revenues for the year were £179.7 million against £182.2 million for the prior year. After having shown improvement over the first three quarters, the downturn in the general economic climate during our fourth quarter, resulted in a comparative 1.4% fall in revenue against the prior year.

Pre-tax profits of £627,000 (2007: £592,000) were after we maintained gross margins, if at the expense of revenue, and the outcome was assisted by a decrease in overheads including an 8% reduction in logistics costs.

The increase in our administrative costs resulted partly from the decision in a worsening economic climate to insure against a significant increase in customer defaults. The capital reorganisation approved at the EGM on 3 April 2008 and referred to below, contributed to a one off cost increase in administrative costs.

In the current year there was a total tax charge of £222,000 compared with a total tax credit in the previous year of £510,000. The prior year tax credit arose from a cancellation of the deferred tax liability in respect of the possible claw-back of Enterprise Zone Allowances following the sale in 2006 of a lesser, long leasehold interest in the Arbroath investment property. Whilst there remains a contingent exposure to claw-backs for a further nine years, the likelihood of this is considered to be remote and so no amounts are provided in this respect in the financial statements.

Earnings per share for 2008 were 1.36p compared with 3.62p for the previous year. The 3.62p a year ago would have only been 1.31p but for the deferred tax credit referred to above.

My reports usually mention the control of working capital. Working capital ratios can and do vary within fairly narrow margins from year to year. For the year just ended those key ratios all showed small but favourable movements.

Stock turns increased from an average of 14.5 to 16.5 times. Debtor days were decreased from 44 to 39 days and additional cash discounts drove creditor days from 41 to 37 days.

## The Balance Sheet

During the year, the company repurchased and cancelled 1,075,000 of its ordinary shares of 5p each at a cost of £702,000.

Shareholders will be aware that following the EGM last 3rd April, we undertook a capital restructure and effectively returned 10p per share. This was enabled by the sale of a lesser interest in the long leasehold interest in the Arbroath investment property. This also reflected the board's previously advised intention to consider how best to return surplus cash to shareholders.

After both of the above transactions totalling £3.6 million, at year end the group had £13.3 million in cash, compared with the £14.9 million in June 2007 demonstrating the cash generation capability of the business.

The reduction in Net Asset Value  from £30.5 million to £26.48 million was after the re-purchase of shares and the dividends during the year of £646,000.   The total cost of these balance sheet movements in the year was £4.28million.

The resultant 90.1p net assets per share are therefore just over 10p per share lower than the previous year's 100.2p.

## Staff

As will be understood, current circumstances have been and continue to be difficult. The results we have achieved are the result of the focus of all the management and staff of the group, and we can all be very appreciative of their efforts.

## Dividend

In view of the results for the year, combined with the strength of the balance sheet, your board considers it appropriate to recommend an unchanged final dividend of 1.0p per ordinary share which together with the interim dividend of 1.2p,  makes a total for the year of 2.2p (2007: 2.2p).

If approved at the AGM, the proposed final dividend will be payable on 9 January 2009 to members on the register at 5 December 2008.

## Outlook

The expressions of quiet confidence in my statements of prior years, within the present economic uncertainty, is not easily given.  Within an area of largely discretionary expenditure and a lack lustre start to the year, it is simply not possible to provide any guidance, beyond our determination to continue to manage the balance sheet tightly.

D.M.Phillips
Chairman
24 September 2008

# BUSINESS AND FINANCIAL REVIEW

## Operating Review

Northamber is a wholesale distributor of brand vendor's products, our function is to stock and make available those products which our customers within the IT sector require. The brand vendors are now relatively few in number but dominate the industry sector. There are numerous small producers which also require to be represented and actively promoted and which is a further part of our function.

We are in the marketing business, but as the type of products which we distribute affect virtually every business operation in the UK, we and the sector we are in, are directly affected by the movements in the economy as a whole, as well as by factors which are peculiar to our own industry.

As the Chairman, in his report, has stated, the difficulties in the market, referred to in previous reports, have not abated and indeed grow increasingly more difficult. Against this background the sales staff did well to maintain the overall level of sales to within one and a half percentage points of that achieved in the previous year. Moreover the gross margin percentage achieved was marginally better than in the previous year. These returns were the result of our stated policy of seeking margins and contribution rather than volume alone, and targeting manufacturers and product producers with whom we can work to the advantage of them, us and our customers.

## Financial Review

Turnover decreased by some £2.5million (1.4%) compared with the previous year. In the circumstances of the market, as referred to in the Chairman's Statement, this was a creditable performance. Gross margins were maintained at virtually the same level as in the previous year at 6.61% compared with 6.59% for 2007. Pre tax profit increased by £35,000.

During the year the company re-organised its capital structure with the conversion of the Ordinary shares of 5p into C shares of 4p and Ordinary shares of 1p. The C shares were then effectively repurchased by the company and cancelled. Prior to this event, the company had repurchased 1,075,000 Ordinary shares of 5p on the market and cancelled them. The total amount spent on the repurchase of the shares amounted to £3.79m.

With the continuing stringent controls on working capital management, even after the repurchase of shares referred to above, the company retained significant cash balances of £13.3m at the year end (2007: £14.86m) and the balance sheet remains in a strong condition.

Average debtor days were 39 (2007: 44) and average creditor days were 37 (2007: 41).

# FINANCIAL RISK MANAGEMENT

## Objectives and policies

The company 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. Where required for supplier payments, foreign currency purchases are subject to close management supervision. 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.

# BUSINESS AND FINANCIAL REVIEW

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
The group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited as counterparties have high credit ratings assigned by international credit rating agencies. The principal credit risk relates to the group's trading receivables.

This risk is managed by stringent controls on credit worthinesss applied to customers and prospective customers. There is a continuous system of review and assessment of debtors to minimise the risk of default. During the year the company entered into insurance arrangements to reduce the probability of a significant increase in customer defaults.

## Other Risks and Uncertainties

Other than the risks stated above and the marketing risk, which is addressed below, in the opinion of the directors, the principal risks and uncertainties are as stated in the section on Internal Control on page 18.

Marketing 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 group, 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 group 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 coversion in calculating its costs so as to minimise the currency conversion risk.

H.W.Matthews
Managing Director

# REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the accounts for the year ended 30 June 2008.

## Principal Activities

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

## Review of Business

The consolidated income statement for the financial year is set out on page 24.

The directors consider that in view of the industry circumstances the level of business for the year was satisfactory and the year end financial position remains strong. The directors cautiously expect that the present level of activity may be sustained for the foreseeable future.

The competitive pressure in the sector is a continuing risk for the company, which could result in it losing sales to its key competitors, but the company manages this risk by providing additional services to its customers in relation to next day deliveries, credit limits, handling queries efficiently and by maintaining a strong relationship with the customer.

The creditor days have decreased to 37 days (2007:41) due mainly to changes in the terms of trade of the major suppliers.

The company debtor days of 39 has decreased over the previous year's (2007: 44 days).

Stock turn for the year was 16.5 times (2007: 14.5), this increase was due in part to changes in the mix of products held at the year end.

## Dividends

The following dividends were paid in the year ended 30 June 2008

| | 2008<br>£'000 | 2007<br>£'000 |
|---|---|---|
| Ordinary dividends: | | |
| Previous years final dividend paid | 294 | 306 |
| Interim paid | 352 | 365 |
| | 646 | 671 |

The final proposed dividend of 1.0p (2007: 1.0p) will be paid on 9 January 2009 to all members on the register at the close of business on 5 December 2008.

## Directors

The current directors of the company are listed on page 21. There have been no changes in directors during the year.

## Share Capital and its re-organisation

Prior to the capital reorganisation of the share capital referred to below, the company repurchased 1,075,000 ordinary shares of 5p each for a consideration (before expenses) of £685,500. This represented 3.5% of the shares at that time.

During the year the company converted the remaining share capital of Ordinary shares of 5p each into C shares of 4p each and Ordinary shares of 1p each. Through a scheme approved by the members on 3 April 2008, the C shares were bought from the shareholders by Walker Crips. Subsequently the company purchased the shares from Walker Crips and cancelled all the C shares. The 29,383,100 C shares were purchased for a consideration (before expenses) of £2,938,310. This represented 80% of the share capital before the transaction.

After the share purchases the company had 29,383,100 Ordinary shares of 1p each issued.

## Substantial Shareholdings

The following shareholders held disclosable interests, as defined by Section 992 of the Companies Act 2006, at 15 September 2008 as detailed below:

| | Ordinary Shares of 1p each |
|---|---|
| D.M. Phillips | 58.91% |
| BNY(OCS) Nominees Limited | 10.77% |
| Quiros Limited | 3.18% |
| H.W.Matthews | 3.42% |

## Purchase of own Shares

At the end of the year, the directors had authority, under the shareholders' resolutions of 16 November 2007 to purchase through the market 3,045,810 of the company's ordinary shares at prices ranging between 5p and 105% of the average middle market quotations for those shares as derived from the Daily Official List of 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 21 November 2008, the date of the next Annual General Meeting.

## Auditors

A resolution to appoint Grant Thornton UK LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

## Creditors' Payment Policy

The group's payment policy is to:
(i) determine terms of payment with suppliers when agreeing the terms of transactions;
(ii) ensure that suppliers are made aware of the terms of payment; and
(iii) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services.

Creditor days of the group and of the company at 30 June 2008 were 37 (2007: 41). It is the company's policy to take full advantage of settlement discounts offered by suppliers. The decrease in the number of Creditor days at the end June 2008 was due mainly to changes in the terms of trade of some major suppliers.

## Employees

Every effort is made to keep staff as fully informed as possible about the operations and progress of the group.

The company 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 as our type of business does not seem to attract such applicants. The company fulfils its obligations towards employees who are disabled or who become so whilst in the employment of the company.

## Donations

During the year the group made charitable donations amounting to £750 (2007: £Nil). No political donations were made in the year (2007: £nil).

By order of the Board

S. Yoganathan ACMA
Company Secretary
24 September 2008

# REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION

## Introduction

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985, the Director's Remuneration Report Regulations 2002 (the "Regulations") and schedule B to the Combined Code relating to directors' remuneration. This report has been approved by the board and, as required by the regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the company's shareholders on certain parts of the Directors' Remuneration Report and to state whether in their opinion these parts of the report have been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

## Unaudited information

## Directors' Remuneration Committee

The directors' remuneration committee comprised the non-executive directors, with Mr R.F.Heath the chairman of the committee. 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:

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

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

a) 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;
b) link individual remuneration packages to the group's performance through target-related bonuses;
c) provide post-retirement benefits through either the group's defined contribution pension scheme or by contributing to personal pension plans; and
d) 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.

## Salaries and Benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for executive directors. The remuneration packages 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 company

## Pensions
The company makes contributions to defined contribution Personal Pension Schemes for all the executive directors. The amounts paid are detailed below.

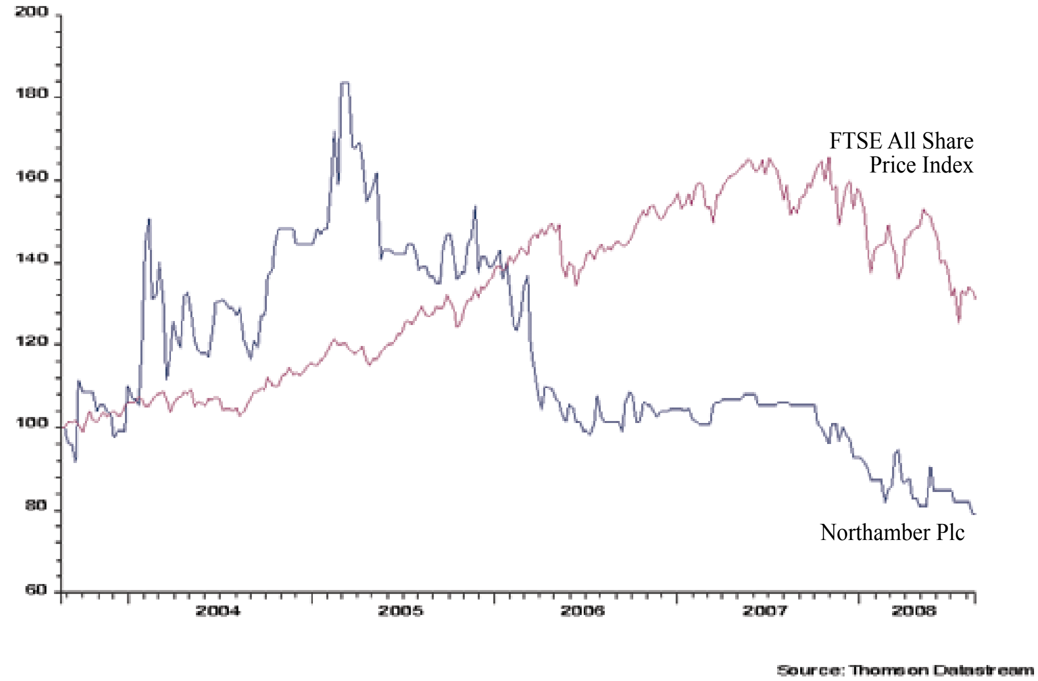
The pension scheme for D.M.Phillips and H.W.Matthews is a small, self-administered scheme that is limited by trust deed and scheme rules. The elements of remuneration that are pensionable are discretionary under the scheme. For the year to 30 June 2008 no contributions were made to the scheme (2007: Nil). The scheme falls outside the Inland Revenue pensions cap and is separate from the main staff pension scheme.

## Contracts of Service
The two executive directors, D.M.Phillips and H.W.Matthews, have service contracts which were renewed with effect from 1 April 2008 as one year rolling contracts.

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 and are available for inspection on request. Non executive directors who have been in service for more than nine years are subject to annual election.

## Performance Graph
The following graph shows the company's performance compared with the FTSE all share index measured by total shareholder return ("TSR"). The all share index has been selected for this comparison as it is the index within which Northamber and other comparable UK quoted companies are classified.

TSR is calculated as the growth or fall in value of a shareholding from the date of initial investments over time, with the assumption that dividends are reinvested to purchase additional shares in the company. The source of the data is Datastream and the figures were provided by Charles Stanley and Company Limited, the company's brokers.



## Audited information

## Directors' detailed emoluments

Details of directors' emoluments are as follows:

| | Salaries and Fees | | Bonus Payments | | Benefits | | Total | | Pension | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| **Executive** | | | | | | | | | | |
| D.M.Phillips | 120 | 128 | - | - | 14 | 25 | 134 | 153 | - | - |
| H.W.Matthews | 200 | 200 | - | - | 34 | 33 | 234 | 233 | - | - |
| **Non-Executive** | | | | | | | | | | |
| A.L.Caplin | 6 | 10 | - | - | - | - | 6 | 10 | - | - |
| R.F.Heath | 10 | 10 | - | - | - | - | 10 | 10 | - | - |
| | 336 | 348 | - | - | 48 | 58 | 384 | 406 | - | - |

For the year ended 30 June 2008, Mr D.M.Phillips has waived £60,000 of his salary (2007: £52,000).

## Directors' interests

## Interests in shares

Directors in office at 30 June 2008 had the following beneficial interests in the shares of the company:

| Ordinary Shares of 1p each (5p each at 30 June 2007) | **30 June 2008** | **30 June 2007** |
|---|---|---|
| D.M.Phillips | 17,308,295 | 17,308,295 |
| H.W.Matthews | 1,004,724 | 1,004,724 |
| A.L.Caplin | 94,000 | 94,000 |
| R.F. Heath | 5,000 | 5,000 |

Between 30 June 2008 and 15 September 2008 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 15 September 2008 was 39.5p. The range of market prices during the year was 41.0p to 55.7p.

S.Yoganathan ACMA
By order of the Board
24 September 2008

# CORPORATE GOVERNANCE

This company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority and for which the board is accountable to shareholders.

The Listing Rules require the company to disclose how it has applied the 14 Principles of Good Governance and to explain the extent to which the Code Provisions have been complied with during the accounting period.

# COMPLIANCE STATEMENT

The UK Listing Authority's Rules require that the board reports on the company's compliance with the Code provisions throughout the accounting year. The directors believe that the company has complied with the Code throughout the year except as detailed below.

The board has not established a Nominations Committee. At the year end the board of the company comprised four directors, two of whom were non-executive. At this size, the board considers that the board as a whole can handle recommendations on all new board appointments in an effective manner.

During the year the Audit Committee comprised the two non executive directors.

The arrangements by which company staff may raise concerns about possible improprieties in matters of financial reporting or other matters were not considered or formalised until after the end of the year. This review has taken place during September 2007.

Non executive directors – during the year to 30 June 2008, the non executive directors comprised Mr A Caplin and Mr R. Heath. Mr A. Caplin has been a non executive director for nine years and has a substantial shareholding in the company. The Board considers that because of Mr Caplin's wide range of other interests in the corporate sector, these facts of themselves have not in any way impeded his independence.

# DIRECTORS

## Board of Directors

The company is led and controlled through the Board of Directors, which during last year comprised two executive and two non-executive directors. Biographical details of each director in office during the year appear on page 21. The roles of the chairman and managing director are separate such that there is an adequate division of responsibilities at senior board level.

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.

As required by the company's articles of association, directors offer themselves for re-election at least once every three years.

## 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.

## Main board responsibilities

The board meets formally at regular intervals during the year. Meetings are chaired by the executive chairman. The board is responsible for the overall direction and strategy of the group to secure optimum performance. The board has specified those areas of operations in the group which are specifically in its domain and may not be delegated; these include the appointment and removal of the company secretary.

All board members receive weekly summary financial information and monthly management accounts. Additional ad hoc reports on other matters are received and considered as appropriate.

## Directors attendance

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

| | Board Meetings | Audit Committee | Remuneration Committee |
|---|---|---|---|
| No. of meetings: | 7 | 3 | 1 |
| David Michael Phillips | 7 | N/A | N/A |
| Henry William Matthews | 7 | N/A | N/A |
| Anthony Caplin | 6 | 3 | 1 |
| Reginald Heath | 6 | 3 | 1 |

## Board Committees

- **Audit Committee**
  The Audit Committee, chaired by Mr R. F. Heath, comprised the non-executive directors. The company secretary acts as secretary to the committee. The audit committee meets with the external auditors at least once a year. The committee's responsibilities include monitoring the relationships with external auditors, reviewing the group's statutory accounts and other published financial information, monitoring compliance with statutory and UK Listing Authority requirements and instigating other projects as it sees fit. 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.

- **Remuneration Committee**
  At the year end the Remuneration Committee comprised both non-executive directors, Mr A. L. Caplin (Chairman) and Mr R. F. Heath. The company secretary acts as secretary to the committee. The committee meets at least once a year and is responsible for setting the remuneration policy and annual salaries that apply to executive directors.

- **Operations Committee**
  The Operations Committee comprises the executive directors and certain senior business managers. It meets weekly under the chairmanship of Mr H.W.Matthews, the managing director, and deals with the major decisions of the group other than those dealt with by the Remuneration and Audit Committees or by the full board.

### Board effectiveness

Under the new Combined Code, the board is required each year to carry out a formal and rigorous evaluation of its own performance and that of its committees and individual directors. In July 2006 the chairman led an evaluation of the board's performance. The evaluation included a review of the role and structure of the board, board and committee meetings, processes, corporate governance issues and an assessment of the contribution of individual directors. The results of the evaluation were presented to the board by the chairman. The board considered the issues identified and during the year to end June 2007 has taken action to address those issues.

## GOING CONCERN BASIS

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 group 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, particularly the chairman, attend meetings with the company's institutional shareholders throughout the year. Formal presentations are made to analysts and institutional shareholders following the announcement of the annual and interim results to discuss issues and obtain feedback.

Notice of the Annual General Meeting (AGM) is circulated to all shareholders at least 20 working days prior to the meeting. Directors attend the AGM and will be available to answer shareholders' questions

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The board believes that its Annual Reports and Accounts represent a balanced and understandable assessment of the group's and 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 group'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 group.

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 July 2007, a further review of the control procedures and risk factors pertaining to the company was undertaken in April 2008. The conclusions of both these reviews were that the systems and operations of the internal controls remained effective and appropriate to the operations of the company.

By order of the Board

S.Yoganathan ACMA
Company Secretary
24 September 2008

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have chosen to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors 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 to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

D. M. Phillips
Chairman
24 September 2008

# DIRECTORS AND ADVISERS

## Non-executive Directors

**Anthony Caplin** *† (Age 57)
Deputy Chairman and senior independent non-executive director
Anthony Caplin is a non-executive director of several companies including Panmure Gordon & Co Plc, Hand Picked Hotels Limited and Alternative Networks Limited. He is senior non-executive director of Easynet Plc and Chairman of ANT plc and Gladstone plc. He is chairman of Ealing Hospital NHS Trust and is also a commissioner for the Public Works Loan Board.

**Reginald Heath** *† (Age 67) FCIS, FIMI
Reginald Heath has over 30 years experience in the motor trade, formerly being Director of Motor Operations at Inchcape plc.

* Member of Remuneration Committee † Member of Audit Committee

## Executive Directors

**David Michael Phillips** (Age 63)
Executive chairman
David Phillips is the founder of Northamber plc and has been actively involved with the company since its inception in the 1970s.

**Henry William Matthews** (Age 64)
Managing director
Henry Matthews joined Northamber plc in 1981 as Sales Director. He was promoted to Managing Director in 1987.

**Registered Office**
1-3 Union Street
Kingston upon Thames
Surrey
KT1 1RP

**Bankers**
Allied Irish Bank plc
Wimbledon Branch
The Broadway
Wimbledon
SW19 1FF

**Registrars**
Computershare Services plc
PO Box 82
The Pavillions
Bridgwater Road
Bristol
BS99 7NH

**Stockbrokers**
Charles Stanley and
Company Limited
25 Luke Street
London
EC2A 4AR

**Registered Auditors**
Grant Thornton
Chartered Accountants
1 Dorset Street
Southampton
SO15 2DP

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NORTHAMBER PLC

We have audited the group and parent company financial statements (the "financial statements") of Northamber Plc for the year ended 30 June 2008 which comprise the principal accounting policies, the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in members' equity, and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its profit for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
Registered Auditor
Chartered Accountants, Southampton

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

| | Notes | 2008 Total £'000 | 2007 Total £'000 |
|---|---|---|---|
| Continuing operations: | | | |
| **Revenue** | 3 | 179,677 | 182,191 |
| Cost of sales | | (167,801) | (170,174) |
| **Gross profit** | | 11,876 | 12,017 |
| Distribution cost | | (6,283) | (6,835) |
| Administrative expenses | | (5,568) | (5,140) |
| **Profit from operations** | 4 | 25 | 42 |
| Investment revenue | 6 | 602 | 608 |
| Finance costs | 7 | - | (58) |
| **Profit before tax** | | 627 | 592 |
| Tax | | (222) | 510 |
| **Profit for the year from continuing operations** | | 405 | 1,102 |
| **Total basic earnings per ordinary share** | 10 | 1.36p | 3.62p |
| **Total diluted earnings per ordinary share** | 10 | 1.36p | 3.62p |

All profit for the current and prior year arises from continuing operations.

# STATEMENT OF CHANGES IN EQUITY

**Consolidated statement of changes in Equity**
**At 30 June 2008**

| | Share Capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Retained earnings account £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2006 | 1,523 | 5,734 | 264 | 22,557 | 30,078 |
| Profit for the year | | | | 1,102 | 1,102 |
| Total recognised income for the year | - | - | - | 1,102 | 1,102 |
| Dividends | - | - | - | (671) | (671) |
| Balance at 30 June 2007 | 1,523 | 5,734 | 264 | 22,988 | 30,509 |
| Balance at 1 July 2007 | 1,523 | 5,734 | 264 | 22,988 | 30,509 |
| Profit for the year | - | - | - | 405 | 405 |
| Total recognised income for the year | - | - | - | 405 | 405 |
| Dividends | - | - | - | (646) | (646) |
| Purchase of own shares | (1,229) | - | 1,229 | (3,637) | (3,637) |
| Transaction costs of purchase | - | - | - | (154) | (154) |
| Balance at 30 June 2008 | 294 | 5,734 | 1,493 | 18,956 | 26,477 |

**Statement of changes in Equity – Parent Company**
At 30 June 2008

| | Share £'000 | Share premium £'000 | Capital redemption Capital £'000 | Retained earnings account £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2006 | 1,523 | 5,734 | 264 | 22,422 | 29,943 |
| Profit for the year | - | - | - | 1,056 | 1,056 |
| Total recognised income for the year | - | - | - | 1,056 | 1,056 |
| Dividends | - | - | - | (671) | (671) |
| Balance at 30 June 2007 | 1,523 | 5,734 | 264 | 22,807 | 30,328 |
| Balance at 1 July 2007 | 1,523 | 5,734 | 264 | 22,807 | 30,328 |
| Profit for the year | - | - | - | 345 | 345 |
| Total recognised income for the year | - | - | - | 345 | 345 |
| Dividends | - | - | - | (646) | (646) |
| Purchase of own shares | (1,229) | - | 1,229 | (3,637) | (3,637) |
| Transaction costs of purchase | - | - | - | (154) | (154) |
| Balance at 30 June 2008 | 294 | 5,734 | 1,493 | 18,715 | 26,236 |

# CONSOLIDATED BALANCE SHEET

At 30 June 2008

| | Notes | 2008 £'000 | 2007 £'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 11 | 3,267 | 3,562 |
| **Current assets** | | | |
| Inventories | 14 | 10,134 | 11,728 |
| Trade and other receivables | 15 | 22,978 | 26,324 |
| Cash and cash equivalents | 16 | 13,308 | 14,860 |
| | | 46,420 | 52,912 |
| **Total assets** | | **49,687** | **56,474** |
| **Current liabilities** | | | |
| Trade and other payables | 17 | (22,952) | (25,734) |
| Bank overdraft | 18 | - | - |
| Tax liabilities | 19 | (210) | (167) |
| | | (23,162) | (25,901) |
| **Non current liabilities** | | | |
| Deferred tax liabilities | 20 | (48) | (64) |
| **Total liabilities** | | (23,210) | (25,965) |
| **Net assets** | | **26,477** | **30,509** |
| **Equity** | | | |
| Share capital | 21 | 294 | 1,523 |
| Share premium account | 22 | 5,734 | 5,734 |
| Capital redemption reserve | 22 | 1,493 | 264 |
| Retained earnings | 22 | 18,956 | 22,988 |
| **Equity shareholders' funds** | 22 | **26,477** | **30,509** |

The financial statements on pages 24 to 48 were approved by the board of directors on 24 September 2008 and were signed on its behalf by:

D.M. Phillips
Chairman

H.W. Matthews
Managing Director

# COMPANY BALANCE SHEET

At 30 June 2008

| | Notes | 2008<br>£'000 | 2007<br>£'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 11 | 3,267 | 3,562 |
| Investment in Group companies | 13 | - | - |
| | | 3,267 | 3,562 |
| **Current assets** | | | |
| Inventories | 14 | 10,134 | 11,728 |
| Trade and other receivables | 15 | 22,736 | 26,143 |
| Cash and cash equivalents | 16 | 13,308 | 14,860 |
| | | 46,178 | 52,731 |
| **Total assets** | | **49,445** | **56,293** |
| **Current liabilities** | | | |
| Trade and other payables | 17 | (22,954) | (25,734) |
| Bank overdraft | 18 | - | - |
| Tax liabilities | 19 | (207) | (167) |
| | | (23,161) | (25,901) |
| **Non current liabilities** | | | |
| Deferred tax liabilities | 20 | (48) | (64) |
| **Total liabilities** | | (23,209) | (25,965) |
| **Net assets** | | **26,236** | **30,328** |
| Equity | | | |
| Share capital | 21 | 294 | 1,523 |
| Share premium account | 22 | 5,734 | 5,734 |
| Capital redemption reserve | 22 | 1,493 | 264 |
| Retained earnings | 22 | 18,715 | 22,807 |
| **Equity shareholders' funds** | 22 | **26,236** | **30,328** |

D.M. Phillips
Chairman

H.W. Matthews
Managing Director

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Cash inflow from operating activities** | | |
| Operating profit from continuing operations | 25 | 42 |
| Depreciation of property, plant and equipment | 425 | 456 |
| (Profit)/loss on disposal of property, plant and equipment | (10) | 18 |
| Loss/(profit) on sale of investment property | - | 48 |
| Operating profit before changes in working capital | 440 | 564 |
| Decrease/(increase) in inventories | 1,594 | (2,676) |
| Decrease in trade and other receivables | 3,346 | 1,320 |
| (Decrease)/increase in trade and other payables | (2,782) | 5,308 |
| Cash generated from operations | 2,598 | 4,516 |
| Interest paid | - | (58) |
| Income taxes paid | (195) | (145) |
| Net cash from operating activities | 2,403 | 4,313 |
| **Cash flows from investing activities** | | |
| Interest received | 567 | 533 |
| Proceeds from disposal of property, plant and equipment | 14 | 30 |
| Proceeds from disposal of investment property | - | 2,435 |
| Purchase of property, plant and equipment | (134) | (154) |
| Rental income | 35 | 75 |
| Net cash from investing activities | 482 | 2,919 |
| **Cash flows from financing activities** | | |
| Purchase of own shares for cancellation | (3,791) | - |
| Dividends paid to equity shareholders | (646) | (671) |
| Net cash used in financing activities | (4,437) | (671) |
| Net (decrease) / increase in cash and cash equivalents | (1,552) | 6,561 |
| Cash and cash equivalents at beginning of year | 14,860 | 8,299 |
| Cash and cash equivalents at end of year | 13,308 | 14,860 |

Cash and cash equivalents for the purpose of this statement comprise:

| | | |
|---|---|---|
| Cash and cash equivalents | 13,308 | 14,860 |
| Bank overdrafts | - | - |
| | 13,308 | 14,860 |

# COMPANY CASH FLOW STATEMENT

For the year ended 30 June 2008

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Cash inflow from operating activities** | | |
| Operating profit from continuing operations | (38) | (4) |
| Depreciation of property, plant and equipment | 425 | 456 |
| (Profit)/loss on disposal of property, plant and equipment | (10) | 18 |
| Loss/(profit) on sale of investment property | - | 48 |
| Operating profit before changes in working capital | 377 | 518 |
| Decrease/(increase) in inventories | 1,594 | (2,676) |
| Decrease in trade and other receivables | 3,407 | 1,459 |
| (Decrease/increase in trade and other payables | (2,780) | 5,215 |
| Cash generated from operations | 2,598 | 4,516 |
| Interest paid | - | (58) |
| Income taxes paid | (195) | (145) |
| Net cash from operating activities | 2,403 | 4,313 |
| **Cash flows from investing activities** | | |
| Interest received | 567 | 533 |
| Proceeds from disposal of property, plant and equipment | 14 | 30 |
| Proceeds from disposal of investment property | - | 2,435 |
| Purchase of property, plant and equipment | (134) | (154) |
| Rental income | 35 | 75 |
| Net cash from investing activities | 482 | 2,919 |
| **Cash flows from financing activities** | | |
| Purchase of own shares for cancellation | (3,791) | - |
| Dividends paid to equity shareholders | (646) | (671) |
| Net cash used in financing activities | (4,437) | (671) |
| Net (decrease) / increase in cash and cash equivalents | (1,552) | 6,561 |
| Cash and cash equivalents at beginning of year | 14,860 | 8,299 |
| Cash and cash equivalents at end of year | 13,308 | 14,860 |
| Cash and cash equivalents for the purpose of this statement comprise: | | |
| Cash and cash equivalents | 13,308 | 14,860 |
| Bank overdrafts | - | - |
| | 13,308 | 14,860 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

## 1. General information

Northamber plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given in the shareholder information on the inside back cover. The nature of the Group's operations and it's principal activities are set out in the business review and the report of the directors on pages 7 to 10.

## 2. Significant accounting policies

**Basis of accounting**
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared in accordance with IFRS adopted for use in the European Union and IFRS as issued by the IASB and therefore comply with Article 4 of the EU IAS Regulation.
The financial statements have been prepared on the historical cost basis.
The principal accounting policies adopted are set out below.

ADOPTION OF NEW AND REVISED STANDARDS
New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 July 2007 are
IAS1 Presentation of Financial Statements (revised 2007)
IAS23 Borrowing costs (revised 2007)
Amendment to IAS32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liqidation
IAS27 Consolidated and Separate Financial Statements (revised 2008)
Amendment to IFRS2 Share based Payment – Vesting Conditions and Cancellations
IFRS3 Business Combinations (revised 2008)
IFRS8 Operating Segments
IFRIC 11 IFRS2 Group and Treasury Share Transactions
IFRIC 12 Service Concession Arrangements
IFRIC 13 Customer Loyalty Programmes
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
IFRS 7 Financial Instruments: disclosures have been applied for the first time in preparing these financial statements. The adoption of this new standard has not resulted in any change in accounting policy or any change in the financial position as at 30 June 2008 of the results and cashflows of the period then ended.

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

**Basis of consolidation**
The consolidated financial statements incorporate the financial statements of the company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra group transaction, balances, income and expenses are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**Company profit and loss account**
As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company has not been included as part of these accounts. The company's profit for the financial year amounted to £344,000 (2007: £1.05million).

**Revenue recognition**
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.
Sales of goods are recognised when goods are delivered and title has passed.
Interest income is accrued on a time basis in accordance with the effective interest rate method.

**Leasing**
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The group as lessee**
Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.
Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

**Foreign currencies**
Transaction in currencies other than pounds sterling, the entities functional currency, are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non monetary assets and liabilities where the changes in fair value are recognised directly in equity. 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.

**Borrowing costs**
All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Profit from operations**
Profit 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 as they fall due. The group has no defined benefit retirement schemes.

**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 income statement 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 group's liability for current tax is calculated using tax rates that have been enacted, or substantially enacted, by the balance sheet 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, and is accounted for using the balance sheet liability method. 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 balance sheet 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 expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, 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.

**Property, plant and equipment**
Land and buildings held for use in the production or supply of goods and services, or for administrative purposes, are stated in the balance sheet at their cost.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.
Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight line method, on the following bases:

| | |
|---|---|
| Freehold premises | 4% on buildings |
| Short leasehold improvements | period of lease or 25% straight line |
| Long leasehold premises | 2% straight line |
| Plant and equipment | 25% straight line |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

**Investment property**
Investment property, is property held to earn rentals and is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

No depreciation is provided in respect of the freehold properties held as an investment property. Depreciation is only one amongst many factors reflected in the annual valuation of properties and according the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider this policy results in the accounts giving a true and fair view.

**Impairment of tangible assets**
At each balance sheet date, the group reviews the carrying amounts of its tangible 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 group 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.

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and 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. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula.

**Investments**
Investment in subsidiaries is held at cost less any provision for impairment.

**Financial instruments**
Financial assets are classified as  loans and receivables.  The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument.  Financial assets are recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.  Trade receivables are classified as loans and receivables.  Loans and receivables are initially recognised at fair value. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment.  Any change in their value through impairment or reversal of impairment is recognised in the income statement. Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables.  The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.
An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition.  A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients.  A financial asset that is transferred qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the asset, or if the group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

**Financial liabilities**
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance charges in the income statement.  Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period  in which they arise.
A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand, demand deposits and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**Equity**
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.
Retained Earnings – represents retained earnings.

The transaction costs of an equity tansaction 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.

**Capital management**
The group manages its equity as capital. Equity comprises the items detailed within the principal accounting policy for equity and financial details can be found in the group consolidated balance sheet. The group adheres to the capital maintenance requirements set out in the Companies Act.

## 3. Turnover and profit on ordinary activities before taxation

The group only has one business segment and operates out of one geographic segment, the UK.

## 4. Profit from operations

Group operating profit is stated after (crediting) / charging:

| | **2008** | **2007** |
|---|---|---|
| | **£'000** | **£'000** |
| Foreign exchange gains | 179 | 285 |
| Depreciation of property plant and equipment | 425 | 456 |
| Amounts written off stock | 9 | 19 |
| Profit/(loss) on disposal of property, plant and equipment | 10 | (18) |
| Operating lease charges – land and buildings | 650 | 650 |
| Staff Costs (see note 5) | 6,846 | 7,090 |
| Auditors' remuneration – audit of the parent company | 40 | 36 |
| - tax services | 2 | 2 |

## 5. Staff costs

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

| | 2008 Number | 2007 Number |
|---|---|---|
| Sales | 55 | 58 |
| Administration | 70 | 77 |
| Warehouse | 57 | 58 |
| Engineering | 8 | 10 |
| | 190 | 203 |

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Their aggregate renumeration comprised: | | |
| Staff costs: | | |
| Wages and salaries | 5,981 | 6,200 |
| Social security costs | 665 | 679 |
| Other pension costs | 200 | 211 |
| | 6,846 | 7,090 |

Included in the above is director's remuneration of £336,000 (2007: £348,000). Full details of directors' remuneration are set out in the report to the shareholders by the board on directors' remuneration on page 15. The group has identified the key management personnel as the executive directors.

## 6. Investment revenue

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Rental income | 35 | 75 |
| Bank interest receivable | 567 | 518 |
| Other interest receivable | - | 15 |
| | 602 | 608 |

## 7. Finance costs

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Interest payable on bank overdrafts | - | 58 |
| | - | 58 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

## 8. Tax on profit on ordinary activities

| | Group and Company | |
|---|---|---|
| | 2008 | 2007 |
| | £'000 | £'000 |
| **Current taxation** | | |
| UK corporation tax: charge for the year | 239 | 185 |
| Deferred tax | | |
| Charge/(credit) for the year | 34 | (695) |
| Adjustment in respect of prior periods | (51) | - |
| | 222 | (510) |

The deferred tax credit on 2007 relates to the release of a provision relating to an Enterprise Zone. (See note 20).

The charge for the year can be reconciled to the profit per the income statement as follows:

| | 2008 | 2007 |
|---|---|---|
| | £'000 | £'000 |
| Profit on ordinary activities before tax | 627 | 592 |
| Tax at the UK corporation tax rate of 29.5% average (2007:30%) | 185 | 178 |
| Expenses not deductible for tax purposes | 89 | 14 |
| Effect of corporation tax rate change | (1) | - |
| Adjustment in respect of prior periods | (51) | - |
| Release of deferred tax provision related to an Enterprise Zone | - | (702) |
| Total actual amount of charge/(credit) for the year | 222 | (510) |

## 9. Dividends

Amounts recognised as distribution to equity holders in the period:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Pence Per share | | Pence per share | |
| **Dividends paid in year** | | £'000 | | £'000 |
| Final – for year ended 30 June 2007 | 1.00 | 294 | 1.00 | 305 |
| Interim – for year ended 30 June 2008 | 1.20 | 352 | 1.20 | 366 |
| | 2.20 | 646 | 2.20 | 671 |
| Proposed final for the year ended 30 June 2008 | 1.00 | 294 | 1.00 | 305 |

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. Earnings per ordinary share

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

| | 2008 | 2007 |
|---|---|---|
| Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent company | £'000 | £'000 |
| | 405 | 1,102 |
| Earnings for the purpose of diluted earnings per share | 405 | 1,102 |

| | 2008 | 2007 |
|---|---|---|
| **Number of shares** | **Number** | **Number** |
| Weighted average number of ordinary shares For the purpose of basic earnings per share | 29,809,125 | 30,458,100 |
| Share options | - | - |
| Weighted average number of ordinary shares For the purpose of diluted earnings per share | 29,809,125 | 30,458,100 |

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. For diluted earnings per share the weighted average number of shares is adjusted on the assumption that all potential conversion of shares have been so converted.

## 11. Property, plant and equipment

| Group and Company | Land and Buildings £'000 | Plant and Equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2007 | 4,303 | 2,175 | 6,478 |
| Additions | - | 134 | 134 |
| Disposals | - | (287) | (287) |
| At 30 June 2008 | 4,303 | 2,022 | 6,325 |
| **Depreciation** | | | |
| At 1 July 2007 | 1,263 | 1,653 | 2,916 |
| Depreciation charge for the year | 172 | 253 | 425 |
| Disposals | - | (283) | (283) |
| At 30 June 2008 | 1,435 | 1,623 | 3,058 |
| **Net book value at 30 June 2008** | **2,868** | **399** | **3,267** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| Group and Company | Land and Buildings £'000 | Plant and Equipment £'000 | Total £'000 |
|---|---|---|---|
| Cost | | | |
| At 1 July 2006 | 4,705 | 2,610 | 7,315 |
| Additions | 11 | 143 | 154 |
| Disposals | (413) | (578) | (991) |
| At 30 June 2007 | 4,303 | 2,175 | 6,478 |
| Depreciation | | | |
| At 1 July 2006 | 1,493 | 1,911 | 3,404 |
| Depreciation charge for the year | 183 | 273 | 456 |
| Disposals | (413) | (531) | (944) |
| At 30 June 2007 | 1,263 | 1,653 | 2,916 |
| **Net book value at 30 June 2007** | **3,040** | **522** | **3,562** |

## 12. Investment property – held for sale

| Group and Company | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Fair value at beginning of accounting period | - | 2,483 |
| Disposals | | (2,483) |
| Fair value at end of accounting period | - | - |

The property was a freehold interest in a warehouse and office block in a Scottish Enterprise Zone, acquired in 1996.

The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounted to £Nil (2007: £35,000).There were no direct operating expenses in relation to the property in the year (2007: £Nil).
A long lease interest was sold during the year ended 30 June 2007.

The grant of a 175 year lease in the enterprise zone investment property during the year to 30 June 2007, enabled the release of the related deferred tax provision of £702,000 in that year. The group retains the freehold interest which has a negligible value and a contingent liability of £702,000 exists in respect of potential tax clawback and this is disclosed in Note 28.

## 13. Investment in group companies

Northamber plc has one significant trading subsidiary, Solution Technology Limited, which is incorporated in Great Britain, is wholly owned and distributes computer software and computer peripherals allied to its computer graphics software. All other subsidiaries are non-trading or dormant.

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Shares in group companies | | |
| At cost | 32 | 32 |
| Provision for impairment | (32) | (32) |
| | - | - |

The company has one operating subsidiary, Solution Technology Limited a company incorporated in England and wholly owned, and the following dormant subsidiaries:

| Name | Country of Incorporation | % owned |
|---|---|---|
| Complex I.T. Limited | England | 100 |
| C.T.I. Distribution Limited | England | 100 |
| Meganet Limited | England | 50 |
| NV3 Limited | England | 100 |
| Peripherals Distribution Limited | England | 99 |
| Solution Point Limited | England | 99 |
| The London Photocopying Company Limited | England | 100 |
| Thripple Thrift Limited | England | 100 |
| Xitan Limited | England | 100 |

## 14. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Goods for resale | 10,134 | 11,728 | 10,134 | 11,728 |

Cost of sales include £166,977K (2007: £169,219K) inventory expensed in the year's income statement.

## 15. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Trade receivables | 22,874 | 26,427 | 22,632 | 26,143 |
| Less provision for impairment of receivables | (342) | (567) | (342) | (567) |
| Net receivables | 22,532 | 25,860 | 22,290 | 25,576 |
| Other receivables | 87 | 94 | 87 | 94 |
| Prepayments | 359 | 370 | 359 | 370 |
| Inter group debtors | - | - | - | 103 |
| | 22,978 | 26,324 | 22,736 | 26,143 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £342,000 (2007: £567,000). The allowance has been determined by assessing each individual debtor as well as making assessments based on past experience and knowledge of the customers and the prevailing economic conditions.

The group is exposed to credit risk on its trade and other receivables due to the credit terms offered to its customers, this risk is managed as set out in the accounting policy notes (Note 2). In the opinion of the directors there is no particular credit risk in any one customer. It is confirmed that the fair value of trade receivables is not materially different from the carrying value. Trade receivables are not interest bearing.

The average days credit is 39 days (2007: 44 days). The company uses a rigorous and detailed assessment of each prospective customer before supplying goods up to a pre-determined credit level, and customers are regularly re-assessed to determine current levels of credit limits. The group carries credit insurance in respect of a proportion of its total trade receivables.

In the opinion of the directors the provision made for bad debts, as shown below, is appropriate and that no further provision is required. In the opinion of the directors the fair value of the trade receivables are not materially different from the amounts disclosed.

**Trade receivables older than credit terms**
Aging of past due but not impaired receivables is as follows:

| | As at 30 June 2008 | | As at 30 June 2007 | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| 30 – 60 days past due | 296 | 296 | 175 | 175 |
| 60 – 90 days past due | 254 | 254 | 35 | 35 |
| 90+ days past due | 160 | 160 | 299 | 299 |
| Total | 710 | 710 | 509 | 509 |

**Trade and other receivables allowance for doubtful debts**

| | As at 30 June 2008 | | As at 30 June 2007 | |
|---|---|---|---|---|
| | **Group** | **Company** | **Group** | **Company** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Balance at beginning of period | 567 | 567 | 647 | 647 |
| Amounts written off as uncollectable | (544) | (544) | (203) | (203) |
| Potential impairment recognised | 319 | 319 | 123 | 123 |
| Balance at end of period | 342 | 342 | 567 | 567 |

Aging of potentially impaired receivables is as follows:

| | | | | |
|---|---|---|---|---|
| 60 – 75 days | 14 | 14 | 113 | 113 |
| 75 – 90 days | 44 | 44 | 38 | 38 |
| 90+ days | 284 | 284 | 416 | 416 |
| Total | 342 | 342 | 567 | 567 |

## 16. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Bank balances and cash in hand | 13,308 | 14,860 | 13,308 | 14,860 |
| Cash & cash equivalents in statement of cash flows | 13,308 | 14,860 | 13,308 | 14,860 |

## 17. Trade and other payables Group Company

| | **2008** | **2007** | **2008** | **2007** |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Trade payables | 20,748 | 23,128 | 20,748 | 23,128 |
| Amount owed to group companies | - | - | 2 | - |
| Other payables | 117 | 413 | 117 | 413 |
| VAT | 1,163 | 1,283 | 1,163 | 1,283 |
| Other tax and social security | 175 | 208 | 175 | 208 |
| Accruals and deferred income | 749 | 702 | 749 | 702 |
| | 22,952 | 25,734 | 22,954 | 25,734 |

The financial liabilities shown above are those which were outstanding at 30 June 2008. The average credit period taken for trade payables is 37 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

## 18. Bank overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank overdraft | - | - | - | - |

Bank overdrafts are repayable on demand. Overdrafts of Nil (2007: Nil) have been secured by a charge over the Group's assets as disclosed in Note 25. The average effective interest rate on bank overdrafts approximates to 0% (2007: 6.875%) per annum.

## 19. Tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Corporation tax | (210) | (167) | (207) | (167) |

## 20. Deferred tax liabilities Group and Company

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting period.

| | Capital Allowances in excess of depreciation | Other temporary differences Enterprise Zone allowances | Total |
|---|---|---|---|
| At 1 July 2006 | 57 | 703 | 760 |
| Charge/(credit) to income | 7 | (703) | (696) |
| At 1 July 2007 | 64 | - | 64 |
| Charge/(credit) to income | (16) | - | (16) |
| As 30 June 2008 | 48 | - | 48 |

No tax assets and liabilities have been offset.

## 21. Share capital

| | Number | £'000 |
|---|---|---|
| Authorised | | |
| Ordinary shares of 5p each | | |
| At 30 June 2007 | 40,000,000 | 2,000 |

During the year there was a restructure of the share capital with the Ordinary shares of 5p each being coverted into C shares of 4p each, and Ordinary shares of 1p each

| | Number | £'000 |
|---|---|---|
| Issued and fully paid | | |
| At 1 July 2007 | 30,458,100 | 1,523 |
| Ordinary shares of 5p purchased | | |
| for cancellation in year to 30 June 2007 | (1,075,000) | (54) |
| Leaving | 29,383,100 | 1,469 |
| These shares were then split into | | |
| C shares | 29,383,100 | 1,175 |
| All of which were bought and cancelled | (29,383,100) | (1,175) |
| Leaving issued C shares | - | - |
| and | | |
| Ordinary shares of 1p each | 29,383,100 | 294 |
| As at 30 June 2008 | 29,383,100 | 294 |

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

**Capital redemption reserve**
The capital redemption reserve relates to the cancellation of the company's own shares.

**Share Premium account**
The share premium account relates to the excess of the issue price of shares over its nominal value.

**Profit and loss account**
The profit and loss account relates to the accumulated retained profit of the company and of the group respectively.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

## 22. Reconcilation of movements in consolidated equity shareholders's funds

| | Group 2008 £'000 | Company 2008 £'000 | Group 2007 £'000 | Company 2007 £'000 |
|---|---|---|---|---|
| Recognised income and expense | 405 | 345 | 1,102 | 1,056 |
| Purchase of own shares for cancellation | (3,791) | (3,791) | - | - |
| Dividends to equity shareholders | (646) | (646) | (671) | (671) |
| | (4,032) | (4,092) | 431 | 385 |
| Opening equity shareholders' funds | 30,509 | 30,328 | 30,078 | 29,943 |
| Closing equity shareholders' funds | 26,477 | 26,236 | 30,509 | 30,328 |

**Reconciliation of Equity is as follows**

| | Group and Company | | | |
|---|---|---|---|---|
| | Share Premium £'000 | Redemption Reserve £'000 | Group Profit and Loss £'000 | Company Profit and Loss £'000 |
| At 1 July 2007 | 5,734 | 264 | 22,988 | 22,807 |
| Profit for year | - | - | 405 | 345 |
| Dividends paid | - | - | (646) | (646) |
| Purchase of own shares | - | 1,229 | (3,637) | (3,637) |
| Transaction costs of purchase | - | - | (154) | (154) |
| At 30 June 2008 | 5,734 | 1,493 | 18,956 | 18,715 |

## 23. Capital commitments

There were no capital commitments at 30 June 2008: (2007: £nil).

## 24. Operating lease arrangements

**The group as lessee**

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised in income for the year | 650 | 650 |

At 30 June 2008 the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows :

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| One year | 650 | 650 |
| Between one and five years | 2,525 | 2,575 |
| Over five years | 150 | 750 |
| | 3,325 | 3,975 |

Operating lease payments represent rentals payable by the group for its warehouse and car parking premises. Leases are negotiated for an average term of 15 years and rentals are fixed for an average of 5 years.

**The group as lessor**
Property rental income earned during the year was £Nil (2007: £35,791).

## 25. Guarantees

On 1 November 1994 Northamber plc and its subsidiary companies entered into an unlimited cross guarantee and debenture arrangement with the group's bankers, Allied Irish Bank plc.

The above guarantee is secured by a legal mortgage on the company's leasehold and freehold properties, a fixed charge on all book debts and a floating charge over all other assets. As at 30 June 2008 the aggregate of overdrafts relating to these companies was £nil (2007: £nil). The fair value of the guarantee given by Northamber plc in respect of its subsidiaries is £nil at both 30 June 2008 and at 30 June 2007.

In the ordinary course of business the company has given a guarantee to H.M. Revenue & Customs in respect of deferred value added tax and duty.

## 26. Related party transactions

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

During the year the company paid £47,304 as salary and £8,278 as benefit to the company payroll and personnel manager Samantha Matthews, the wife of the managing director Mr H. Matthews. In the directors' opinion the payments are at an arms length basis.

During the year non-executive director A.L.Caplin purchased products to the value of £2,140 at market value.

## 27. Post balance sheet events

There were no post balance sheet events which materially affect the results for the year to 30 June 2008.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

## 28. Contingent liabilities

During the previous year the group granted a 175 year lease in the enterprise zone investment property in Arbroath (see Note 12).

The Group retains the freehold interest, which has a negligible value, and a contingent liability of £702,000 exists in respect of the clawback of enterprise zone tax allowances which will only occur if the retained freehold interest is disposed of before 2017. The directors believe that any realisation of this liability has an extremely low level of probability.

## 29. Financial instruments exposure

The interest rate exposure of the financial assets and liabilities of the group as at 30 June 2008 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.

| | Floating £'000 | Zero £'000 | Total £'000 |
|---|---|---|---|
| Financial assets | | | |
| Cash and cash equivalents: | | | |
| Sterling | 10,902 | - | 10,902 |
| US Dollars (Sterling equivalent) | 2,216 | - | 2,216 |
| Euros (Sterling equivalent) | 190 | - | 190 |
| Trade and other receivables | - | 22,619 | 22,619 |
| Total | 13,308 | 22,619 | 35,927 |
| Financial liabilities | | | |
| Trade and other payables: | | | |
| Sterling | - | 18,511 | 18,511 |
| US Dollar (Sterling equivalent) | - | 2,095 | 2,095 |
| Euros (Sterling equivalent) | - | 142 | 142 |
| Total | - | 20,748 | 20,748 |

The directors estimate that an increase or decrease in annual average interest rates of 0.5% would increase/decrease profit before tax by approximately £70,000.

# NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Northamber plc will be held at 23 Davis Road, Chessington, Surrey KT9 1HS on 21 November 2008 at 12 noon for the following purposes:-

1. To receive and adopt the company's accounts for the year ended 30 June 2008 and the directors' and auditors' reports thereon.
2. To propose the following ordinary resolution: That the directors' remuneration report for the year ended 30 June 2008 be received and approved.
3. To declare a dividend on the ordinary shares of the company.
4. Re-elect A.L. Caplin as a director.
5. Re-elect D. M. Phillips as a director.
6. Re-elect H. W. Matthews as a director.
7. To re-appoint Grant Thornton UK as auditors and to authorise the directors to fix their remuneration.

ORDINARY RESOLUTION

8 (1)THAT, in accordance with Section 80 of the Companies Act 1985 ("the Act"), the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in Section 80 of the Act) up to an aggregate nominal amount of £14,692 provided that this authority (unless previously revoked or renewed) shall expire on 21 November 2009 save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

8 (2) THAT, conditionally upon the passing of the resolution numbered 8(1) above, in accordance with section 95 (1) of the Companies Act 1985 ("the Act"), the directors be and are hereby given power for the period commencing on and with effect from the date of adoption of this resolution and expiring on the earlier of 21 February 2010 and the date of the next Annual General Meeting of the company to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by the resolution numbered 8(1) above as if Section 89 (1) of the Act did not apply to such allotment provided that the power hereby conferred shall be limited to:-

(a) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange; and the power conferred by this resolution 8(2) shall allow and enable the directors to make an offer or agreement before the expiry of that power which would require such equity securities to be allotted after such expiry.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

8 (3)That the company be and is hereby unconditionally and generally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 1p in the capital of the company, provided that:

(a) the maximum number of shares hereby authorised to be acquired is 2,938,310 representing 10 per cent of the present issued share capital;

(b) the minimum price which may be paid for such shares is 1p per share (exclusive of all expenses);

(c) the maximum price which may be paid for such shares is, in respect of a share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 105 per cent of the average middle market quotations of the ordinary shares of the company as derived from the Daily Official List of The London Stock Exchange on the 10 dealing days immediately preceding the day on which the shares are contracted to be purchased;

(d) the authority hereby conferred shall (subject to sub-clause (e) below) expire on the date of the next Annual General Meeting of the company after the passing of this resolution; and

(e) the company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will, or may be, executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contracts.

By Order of the Board

S. Yoganathan ACMA ,
Secretary

Registered office: 1-3 Union Street,
Kingston upon Thames,
Surrey, KT1 1RP

Notes:
(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the company. Completion and return of a form of proxy will not prevent a member from attending and voting at the meeting.

(2) The instrument appointing a proxy and the power of attorney (if any) under which it is signed must be deposited at the offices of the registrars of the company, not less than forty-eight hours before the time of the meeting.

(3) There will be available for inspection at the registered office of the company during normal business hours from the date of this Notice until the date of the Annual General Meeting and, at the place of the Annual General Meeting, from at least fifteen minutes prior to and until the conclusion of the Annual General Meeting:

(a) copies of the executive directors' service agreements with the company; and
(b) the Register of Directors' Interests.


Enter

**NORTHAMBER**

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