# Northamber Plc
# Report and Accounts

YEAR ENDED 30 JUNE 2011

NORTHAMBER

3M
acer
Adobe
Acronis Software Partner
akasa
Allied Telesis
AMD
APC by Schneider Electric
ASI
ATI
Autodesk
Avocent
brainboxes
brother at your side
Canon
CHERRY
COREL
crucial
CTOUCH
DICOTA
Double-Take by Vision Solutions
EATON Powering Business Worldwide
Enlight
FREECOM
FUJIFILM
FUJITSU
Genius
GIGABYTE
Advanced Business Partner IBM
intel
Intuit
kaviza
Kingston Technology
Kodak
KONICA MINOLTA
Lexar
matrox Graphics for Professionals
matrox Digital Video Solutions
McAfee
Microsoft Authorized Distributor
KEEP IT SECURE
MRi
msi insist on the best
nero simply enjoy
NEWSTAR products
NUANCE
OKI
Panasonic
SWEEX
PANDA SECURITY
PHILIPS
prism
RICOH | IBM InfoPrint Solutions Company
RICOH
roxio
sage
SAMSUNG
Seagate
SII Seiko Instruments Inc.
silex technology
Smart metals
SONY
symantec.
SHARP
TANDBERG DATA Securing your Information
10ZiG TECHNOLOGY
VERITAS
ViewSonic See the difference
vivitek
vmware
Wasp Barcode Technologies
WatchGuard
WD Western Digital

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## SUMMARY OF LAST FIVE YEARS' TRADING

| | ---Years ending 30 June--- | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | 121,083 | 128,481 | 139,275 | 179,677 | 182,191 |
| (Loss)/Profit Before Tax | (106) | 258 | 47 | 627 | 592 |
| (Loss)/Earnings Per Share | (0.34)p | 0.58p | 0.18p | 1.36p | 3.62p |
| Net Assets Per Share | 86.46p | 88.51p | 89.38p | 90.11p | 100.2p |
| Dividends Per Share (net) | 2.0p | 1.6p | 1.6p | 2.2p | 2.2p |

# CHAIRMAN'S STATEMENT

## Results

The £7.4 million (5.8%) reduction in full year sales to £121.1 million (2010: £128.5 million) serves to further confirm the very widely reported decline both in volume product sales in this sector since last January and with that the extreme price erosion driven by the resultant supply/demand excesses.

The pre-tax profit reported at our interim was reversed into what is our first reported full year pre-tax loss for 18 years of (£106,000) compared with last year's £258,000 pre-tax. The early guidance from our position in the overall supply chain, enabled a degree of foresight and with that actions to minimise the exposures.

The Interim Statement shared our concern with the potential impact of the downturn on the UK economy and its effects on our industry in particular. Unhappily those concerns have been realised. Others in our overall sector have already reported year-on-year falls in computer hardware sales of between 17% to 23%. Our own sales activities in our fourth and final quarter could not withstand the downward pressures and were some 10% lower than the previous quarter, during which we had achieved a small like-for-like increase in turnover.

We have consistently maintained our declared commercial stance that we shall avoid "Empty Revenue" despite the price erosion which has been endemic in the sector. With the exception of some selected overhead dilutive actions, we have been able to maintain our gross margins and for the year they increased by 0.15 percent from 6.69% to 6.84%. On reduced sales, the resulting Gross Profit was £8.3 million compared with the £8.6 million in the previous year. A reduction of some £300,000.

The result was then exacerbated by inflationary cost pressures and increases of £243,000, the largest element relating to increased carriage and fuel costs. Areas within our control achieved a reduction and our administration costs were down by £189,000 again reflecting our tight control on costs.

The continuing low level of interest rates achievable on cash deposits failed to assist and resulted in our investment revenue being practically at the same level as last year at £140,000 compared with £142,000.

As set out in the Business and Financial Review on page 7 of this Report, there is a more detailed explanation of our business model. From that it can be seen that the company occupies the middle ground between the manufacturer or European supplier of the products and the reseller.

Our evolving business model is always under either review or levels of re-invention and has served us well and largely continues to do so. However with the very high levels of uncertainty which now pervade the whole economy both nationally and internationally, your Board considers it prudent to carry out a thorough and ongoing strategic review of the business

## Balance sheet

To reassure shareholders in the current overall uncertainty, our balance sheet remains strong and liquid. The fixed assets are represented by quality freehold property to the extent of 94% and current assets of £22.1 million are liquid with a stock turnover of 9.9 times (compared with 11.6 times last year), debtor days at 38 days (2010: 35 days) and creditor days at 40 days (2010: 41 days).

After cash outflows which included £192,000 spent on repurchasing 318,100 of our own shares and the cost of dividends at £578,000, the cash balances at 30 June 2011 were £10.7 million compared with £14.0 million at 30 June 2010, a reduction of £3.3 million in the year. £2.5 million of this was in increased working capital, which reflects current trading and by nature fluctuates from month to month. With a net current assets ratio of 2.4, which has been reasonably consistently maintained over the last few years, liquidity is sound.

# CHAIRMAN'S STATEMENT (continued)

The tax credit for the year arises from a claim for loss relief against the taxable profit of the previous year, thus partly alleviating the earnings per share which showed a loss for the year of 0.34p per share compared with a profit of 0.58p per share for 2009/10.

The Net Assets at 30 June 2011 were 86.5p per share (2010: 88.5p).

## Dividend

Dividend policy against a pre-tax loss, albeit a not material 0.09% of sales, is a conundrum for your Board against our very strong but underperforming cash assets. Having sought over recent years to re-grow the return to our patient investors, it is now proposed to pay a necessarily reduced final dividend of 1.00p making a total of 1.60p for the year (2010: 2.0p)

## Staff

I cannot give adequate thanks for the efforts of our staff against the current difficulties being experienced at almost every level within the economy. They have coped with the problems they have encountered magnificently.

## Outlook

With daily headlines reminding or declaring new found levels of economic uncertainty, it would be far too courageous to provide any guidance.

Market events and our experience during this last year lead to the simple conclusion that it would not be sensible to offer any optimism for the near to medium future. As above, we are undertaking a great deal of work to once again re-focus or re-invent parts of our business model. In the meantime we will continue, as we always have done, to be vigilant, cautious and ever mindful of optimising our opportunities whilst keeping close control of our operations and costs.

D.M.Phillips
Chairman
26 August 2011

# BUSINESS AND FINANCIAL REVIEW

## The Business Model

The company has, since its inception, been involved in the distribution of computer related products to the non domestic market. Initially this was predominantly printers but has been extended over the years to include not only computers themselves but also a wide range of peripheral and ancillary related products and services.

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

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

## Operating Review

An explanation of the business model of the company has been set out above. During the year under review that model did not change. As has been stated previously, the market for the type of products which we sell and distribute is and has been exceedingly difficult for a number of years. Although we sell to the corporate world, those products do in part filter through to the domestic market as well. Thus the total demand is affected both by the corporate market retrenching and reducing the level of replacement of IT equipment and by the domestic market being more cautious in its spending patterns. This trend of deferring replacement is exacerbated by the fact that although IT products are becoming ever faster, with greater capacity and more advanced, such advantages are often seen by the end user as not being so great that there is an urgency to replace what is working quite adequately.

As a result of the factors noted above, turnover for the year fell by £7.4 million (5.8%) compared with the previous year. Although this was disappointing, given the underlying state of the economy and the lack of the feel good factor in the country, it was not unexpected and indeed was not as bad as might have been anticipated.

The pressure on margins is an ever present factor and the fact that we were able to improve our margins compared with those of the previous year, by 0.15% to 6.84% (2010: 6.69%), was again a considerable achievement.

Overheads in total increased in the year only marginally, despite a significant increase in the transport costs, mainly as a result of the large increases in fuel costs during the period which resulted in a 5% increase in our distribution overheads. The reduction in administration overheads of 5% resulted in an overall increase in overheads of only 0.6%.

At the operating level the result was that there was a loss in the year of £246,000 compared with an operating profit in the previous year of £116,000.

## Financial Review

The reduction in turnover offset by the slight improvement in margins meant that the cash flow before working capital movement was virtually break even, showing an inflow of £1,000 compared with an inflow of £397,000 in the previous year. In normal conditions working capital requirements fluctuate from time to time and as at the end of the financial year inventories and receivables were higher than at the same time last year

# BUSINESS AND FINANCIAL REVIEW (continued)



whilst payables decreased. Cash outflow from operating activities was £2.6 million compared with an inflow for the comparative period of £262,000.

The return on cash investments continues to be at a low level so that the investment income was only marginally lower than for the previous year.

With our substantial cash balances available we took the decision to buy back 318,100 of our ordinary shares, of which 203,100 are held in treasury, and the balance have been cancelled. We also paid dividends at the rate of 2.0p per share during the year.

Our cash balance at the end of the financial year was £10.7 million compared with £14.0 million at June 2010, a decrease of £3.3 million.

Some of the key financial indicators, including the debtor and creditor days are shown in the Key Performance Indicators table on page 13.

## Financial Risk Management

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

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

It is the policy of the company 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 company'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 worthiness applied to customers and prospective customers. There is a continuous system of review and assessment of debtors to minimise the risk of default.

## Principal 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 operating risks are as stated in the section on Internal Control on page 21. The risks and uncertainties associated with the business model are set out below.

# BUSINESS AND FINANCIAL REVIEW (continued)

The model depends in part on working closely with the major brand names in the industry as it is often the products from these vendors which form the core of the business, and in part on the development of new vendors particularly for the innovative products which are integral to the IT industry. Co-operation with vendors is therefore key and this risk of attrition is addressed by a combination of mutual co-operation with vendors on the range of products being offered, the pricing of those products and the marketing of those products. By this route the attrition of vendors is kept very low and the experience and reputation of the company enables the number of vendors to be increased from time to time, thus reducing the risk of a major impact on the company should a major vendor decide to withdraw fully or partially from the market or to restrict its distribution partners. The company's continual search for new and improved products, particularly in peripherals, from new vendors also improves the range of products we can offer and thereby attract more customers ourselves which enhances our attraction to the vendors and reduces the risk of loss of vendors.

The existence of the company's facilities such as the warehouse, the sales staff, the control systems and not least the financial soundness of the company means that we can offer a distribution facility which is quick and efficient, an attraction to both vendors and customers. The principal risks involved in these requirements are that the warehouse could be destroyed or made inoperable – the cost of such eventuality is of course covered by insurance, including loss of profits cover, but the operation is such that alternative accommodation could quickly be brought into action, or alternatively – a warehousing function could be subcontracted at very short notice. Although such an event would have costs attached and would cause some disruption in the business, it would be far from catastrophic. All systems within the company, including the control systems, are backed up securely on a daily basis, thus limiting the risk to one day's operations. The financial soundness of the company is a matter which is constantly in the minds of the senior staff and directors of the company. Systems are in place to ensure that any deviation from the norm is immediately brought to the attention of staff and directors. These systems have a proven history as shown in the strength of the balance sheet. Not only has the company sufficient working capital to enable it to meet its requirements, but it believes that it has an untapped resource in borrowing on its substantial asset should it require to do so.

The risks, whilst not insignificant, are not so large or threatening that should a few of them materialise, they would pose a real substantial threat to the continuance of the company.

## Marketing Risk

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

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

The 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.

H.W.Matthews
Managing Director
26 August 2011

# REPORT OF THE DIRECTORS



The directors have pleasure in presenting their report and the accounts for the year ended 30 June 2011.

The financial statements cover the individual entity Northamber PLC as all subsidiaries are dormant and not material to the financial statements for the year to 30 June 2011.

## Principal Activities

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

## Review of Business

The Chairman, in his statement on pages 5 and 6, and the Business and Financial Review on pages 7 to 9 sets out a review of the business. These statements are incorporated into this report by reference to them.

The summary of comprehensive income for the financial year is set out on page 26.

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 creditor days remained steady at 40 days (2010: 41) and the debtor days were 38 days compared with the previous year's 35 days.

Stock turn for the year was 9.9 times (2010: 11.6), this reduction was due in part to changes in the mix of products held at the year end.

## Corporate Governance

The Corporate Governance Report on pages 17 to 21 forms part of the Directors' Report and is incorporated into this report by reference.

## Dividends

The following dividends were paid in the year ended 30 June 2011

| | **2011** | **2010** |
|---|---|---|
| | **£'000** | **£'000** |
| Ordinary dividends | | |
| Previous year's final dividend paid | 405 | 290 |
| Interim paid | 173 | 174 |
| | 578 | 464 |

The final proposed dividend of 1.0p (2010: 1.4p) will be paid on 11 January 2012 to all members on the register at the close of business on 2 December 2011.

## Directors

The current directors of the company are listed on page 23. On 17 December 2010 Mr A.G.K. Hamilton was appointed as a director of the company and Mr A.L. Caplin resigned as a director. There were no other changes in directors during the year.

# REPORT OF THE DIRECTORS (continued)

## Share Capital

The company repurchased 318,100 ordinary shares of 1p each for a consideration (before expenses) of £191,441. Of these 203,100 shares are held in Treasury, the balance were cancelled on repurchase. The total number of shares repurchased during the year represented 1.1% of the shares in issue at 1 July 2010. Shares are repurchased on the open market when it is considered to be in the best interest of those shareholders who wish to sell and in the best interest of the remaining shareholders for the company to use its resources in this way.

At 30 June 2011 the company had 28,620,000 Ordinary shares of 1p each issued. The shares have no special rights and there is no restriction on their voting rights.

## Substantial Shareholdings

The following shareholders held disclosable interests, as defined by SI 2008/410 Sch 7 Para 13, at 12 August 2011 as detailed below:

| | Ordinary Shares of 1p each |
|---|---|
| D.M. Phillips | 60.47% |
| BNY(OCS) Nominees Limited | 11.06% |
| H.W.Matthews | 3.51% |
| Quiros Limited | 3.27% |

## Purchase of own Shares

At the end of the year, the directors had authority, under the shareholders' resolutions of 19 November 2010 to purchase through the market 2,893,810 of the company's ordinary shares at prices ranging between 1p 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 16 November 2011, 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 company'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 at 30 June 2011 were 40, (2010: 41). It is the company's policy to take full advantage of settlement discounts offered by suppliers.

## Social and Community Policy

The company has a policy of being socially responsible. To this end it treats all its stakeholders and its neighbours in a fair and reasonable manner in that all its actions are designed to optimise the benefits and minimise any aggravation to its employees, suppliers and customers as well as those in the community generally. Operations are conducted in a businesslike manner and any nuisance which could possibly arise from such operations are pre-considered and minimised. Such matters as bulk deliveries are scheduled to reduce to a minimum any local congestion and car parking is provided to staff to avoid any on street parking causing any offense.

# REPORT OF THE DIRECTORS (continued)



## Environmental Policy

The main items arising from the company's operations on the environment, apart from the matters stated above relating to traffic, are packaging and waste. Due to the type of operation carried out by the company, i.e. the distribution of computer related products to other than end users, the need for packaging is crucial to the state and quality of the products eventually received by the end user (the consumer). Although excess packaging is discouraged, the company is largely in the hands of its suppliers regarding the packaging actually involved in selling products. Any surplus packaging which remains with the company is disposed of in an environmentally considered manner. The company attempts wherever possible to enforce, as one of its terms of trade with its suppliers, the undertaking to dispose of waste and returned products in accordance with the regulations. Any waste produced by the company is similarly disposed of.

## Amendment of Articles of Association

Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the company's shareholders.

## Appointment and replacement of directors

Unless otherwise determined by the company in general meeting, the directors shall not be less than two nor more than ten.

A director does not require any share holding in the company as qualification shares and there is no restriction on the age of a director.

A director may be appointed by the company by ordinary resolution, or by the board. A director appointed by the board holds office only up to the date of the next following annual general meeting and is then eligible for reappointment. The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate such appointment.
At every annual general meeting of the company whoever has been appointed by the board since the last annual general meeting retires from office but is eligible for reappointment. One third of the directors retire by rotation at each annual general meeting but are eligible for reappointment. Any non executive director who has been a director of the company for nine years or more, retires each year but is eligible for reappointment.

## Power of the directors

Subject to the company's Memorandum of Association, the Articles and any directions given by the company by special resolution, the business of the company will be managed by the board who may exercise all the powers of the company, whether relating to the management of the business or not. In particular the board may exercise all the powers of the company to borrow money, to mortgage or charge any of its undertaking, property or assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the company or of a third party.

## Contractual Relationships

By the nature of its business, the company has contractual relationships with virtually all of its suppliers. Such contracts are entered into and terminated on a regular basis with new suppliers being taken on and with some being terminated either by mutual consent or if, in the opinion of the company, they are no longer viable. Because product development continues to change dramatically over a relatively short period of time, such change is not only inevitable, it is also highly desirable to ensure that the company continues to be able to meet the demands of its customers.

# REPORT OF THE DIRECTORS (continued)

Similarly there are written contracts with all of the company's customers so that they are fully aware of our terms of trade and to safeguard as far as possible against any losses arising from trading with them. During the year to 30 June 2011 there were no significant changes in either the terms of trade encompassed within these contracts nor any significant change in the range and size of our customers.

## Employees

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

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.

# KEY PERFORMANCE INDICATORS (KPIs)

The company has an extensive management reporting system and uses a wide variety of information in its everyday management of the business, including both those of a financial and non financial nature. This information is tailored to the various aspects of the business with individual managers being responsible for variances in movements within their particular sphere of operations to the executive management of the company. The majority of this information is highly sensitive and it is considered by the directors that it would be commercially disadvantageous to the company to identify the information used in a public document such as this Annual Report. Non financial information used by the business is not considered to constitute a KPI as is not information by which the development, performance or position of the company's business can be measured effectively.

Some of the broader KPIs which are used and which have been reported elsewhere in our Annual Reports are the following:-

| Ratio | Format | 2010-11 | 2009-10 |
|---|---|---|---|
| Revenue | £m | 121.1 | 128.5 |
| Gross Profit | % | 6.84 | 6.69 |
| Stock Turn | Times | 9.9 | 11.6 |
| Debtor days | Days | 38 | 35 |
| Creditor days | Days | 40 | 41 |
| Net Assets per share | Pence | 86.46 | 88.52 |

The Revenue and Gross Profit are discussed in the Operating Review.
Stock Turn and Creditor days are discussed in the Review of Business in the Directors Report.
Debtor days have increased due to the change of mix in customers with varying credit terms.
Net Assets per share have fallen due to the loss reported for the period.

## Donations

During the year the company made charitable donations of £550 (2010: £Nil). No political donations were made in the year (2010: £Nil).

By order of the Board

S. Yoganathan ACMA
Company Secretary
26 August 2011

# REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION

### Introduction

This report has been prepared in accordance with section 420 of the Companies Act 2006, SI2008/410 and the UK Corporate Governance Code 2010 relating to directors' remuneration (the "Regulations"). 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 2006 (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 Mr R.F. Heath and Mr A.G.K. Hamilton, with Mr R.F. Heath the chairman of the committee following Mr A.L. Caplin's resignation. 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 company's performance through target-related bonuses which are not considered to be excessive in terms of salary;
c) provide employment-related benefits including the provision of a company car, life assurance, insurance relating to the directors' duties and medical insurance.

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

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

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

### 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. In view of the economic and social climate it was considered that there should be no bonus provision for the year to 30 June 2011 for the executive directors.

# REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION

## Share options

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

## Contracts of service

The two executive directors, D.M. Phillips and H.W. Matthews, have service contracts which were renewed with effect from 1 June 2011. Both contracts are one year rolling contracts and contain no specific provisions in relation to any termination payments over and above the notice periods as stated below.

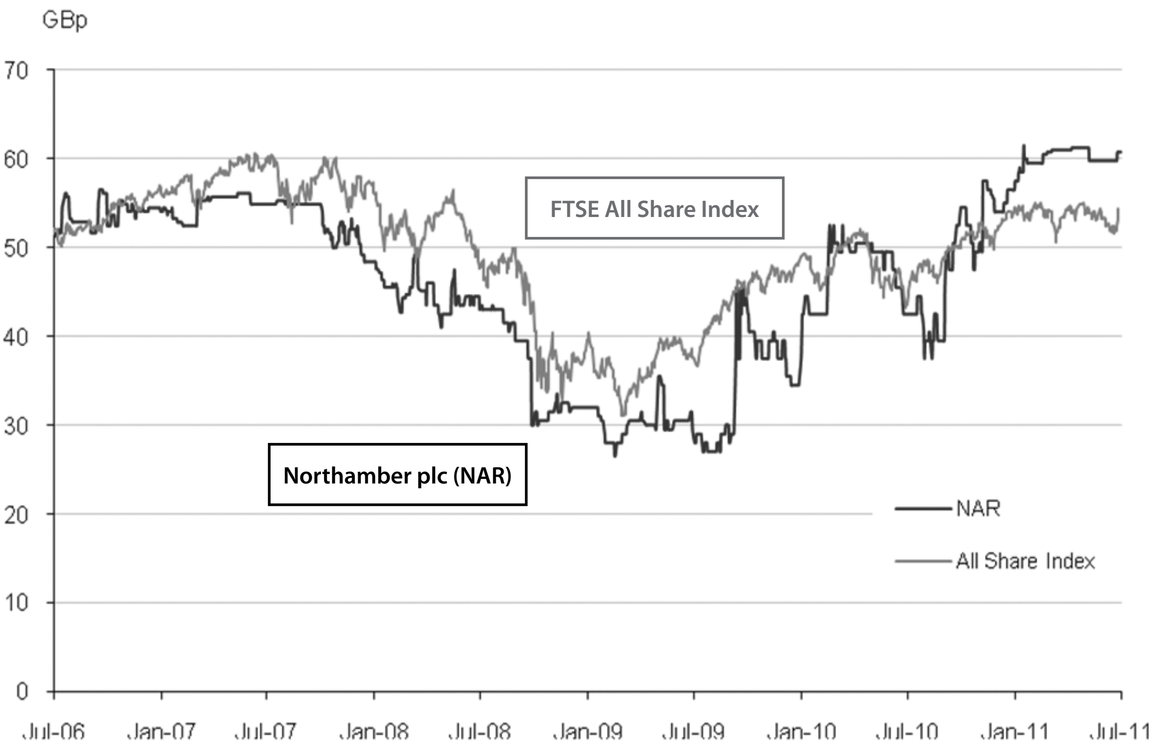
D.M. Phillips - Notice period – six months.
H.W. Matthews – Notice period – three months.

The non-executive directors do not have service contracts with the company. The terms of their appointment are reviewed by the board every two years 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 Fox-Davies Capital Limited, the company's brokers.



# REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION

## Audited information

### Directors' detailed emoluments

Details of directors' emoluments are as follows:

| | Salaries and Fees | | Benefits | | Total | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Executive** | | | | | | |
| D.M. Phillips | 90 | 120 | 17 | 17 | 107 | 137 |
| H.W. Matthews | 90 | 90 | 14 | 14 | 104 | 104 |
| **Non-Executive** | | | | | | |
| A.L. Caplin | - | - | - | - | - | - |
| R.F. Heath | 13 | 10 | - | - | 13 | 10 |
| A.G.K. Hamilton | 7 | - | - | - | 7 | - |
| | 200 | 220 | 31 | 31 | 231 | 251 |

For the year ended 30 June 2011, Mr D.M. Phillips has waived £90,000 of his salary, (2010: £60,000) and Mr A.L. Caplin waived £5,000 of his fees (2010: £10,000).

## **Directors' interests** (not subject to audit)

### Interests in shares

Directors in office at 30 June 2011 had the following beneficial interests in the shares of the company:

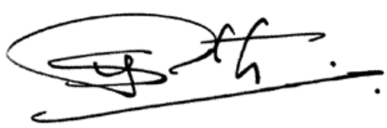
Ordinary Shares of 1p each

| | **30 June 2011** | **30 June 2010** |
|---|---|---|
| D.M. Phillips | 17,308,295 | 17,308,295 |
| H.W. Matthews | 1,004,724 | 1,004,724 |
| R.F. Heath | 5,000 | 5,000 |
| A.G.K. Hamilton * | - | - |

* at appointment

Between 30 June 2011 and 12 August 2011 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 12 August 2011 was 54.5p. The range of market prices during the year was 37.0p to 62.9p.



S.Yoganathan ACMA
By order of the Board
26 August 2011

# CORPORATE GOVERNANCE

The Corporate Governance Report forms part of the Directors' Report included here on pages 10 to 13.

The company is committed to applying the principles of corporate governance. The board is accountable to the company's shareholders for good corporate governance. This report and the Remuneration Report describes how it complies with the provisions of the UK Corporate Governance Code 2010. The UK Corporate Governance Code 2010 is available from the website of the Financial Reporting Council at http://www.frc.org.uk/corporate/ukcgcode.cfm

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.

# CORPORATE GOVERNANCE POLICY

The company's policy on Corporate Governance is published on the company's web site which is www.northamber .com.

# 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. Appointments are made on merit, taking due regard to the benefit of diversity on the board, including gender. The board intends that when a new director is appointed a full and formal induction process will be implemented. During the year one new director was appointed – Mr A.G.K. Hamilton on 17 December 2010. Mr Hamilton, a former audit partner of our former auditors, has a sound understanding of the operations of the company and is currently continuing his review of the company's operations.  Mr A.L. Caplin resigned as a director during the year.

The roles of chairman and CEO are both performed by David Phillips which is not compliant with the code. This is considered appropriate given the size of the company and that the roles of the chairman and the managing director are separate such that there is an adequate division of responsibilities at senior board level.

# DIRECTORS

## Board of Directors

The company is led and controlled through the Board of Directors, which during the year comprised two executive and two non-executive directors. Biographical details of each director in office appear on page 23.

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.

# CORPORATE GOVERNANCE (continued)



## Non-executive Directors

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

## 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 company to secure optimum performance. The board has specified those areas of operations in the company which are specifically in its domain and may not be delegated; these matters include:-

- determination of the company's objectives and strategy
- all financial information which is published, including the interim results and management statements and the annual report and all other corporate communications
- decisions and recommendations on dividends
- changes in the company's business, its capital and corporate structure or its risk profile
- changes in the scope or operation of the company's internal control structure
- all board changes or changes in the company secretary
- the remuneration policy of the senior executives

All board members receive weekly summary financial information and monthly management accounts. All financial information which is to be published is also circulated for discussion and approval prior to publication. Information on other matters, as required, is also circulated by the company secretary. Any board member may request the company secretary to report on any specific matter and prepare information for discussion at the board meetings.

The board of the company comprises only four members and whilst formal board meetings are held at regular intervals, many of the matters are also discussed informally throughout the year. The managing director chairs the operations committee of the company which holds weekly meetings. It is at these meetings that the decisions of the board are communicated to the senior management who also sit on the operations committee. It is also this forum which reports back, through the managing director to the board, on the implementation of the decisions of the board. The operations committee also raises matters which they consider should be communicated to the board on any aspect of the business which comes within the matters reserved for the board.

## 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: | 5 | 4 | 1 |
| David Michael Phillips | 5 | N/A | N/A |
| Henry William Matthews | 4 | N/A | N/A |
| Anthony Lindsay Caplin | 2 | 3 | 1 |
| Reginald Frank Heath | 5 | 4 | 1 |
| Alexander Gordon Kelso Hamilton | 2 | 1 | - |

## Board Committees

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

Non executive directors – during the year to 30 June 2011, the non executive directors comprised Mr A.L. Caplin, who resigned on 17 December 2010, Mr R.F. Heath and Mr A.G.K. Hamilton who was appointed on 17 December 2010.

# CORPORATE GOVERNANCE (continued)

## Audit Committee

The Audit Committee, currently chaired by Mr A.G.K. Hamilton, comprised the two non-executive directors, both of whom are considered by the board to be independent and to have sufficient recent and relevant financial experience to discharge the committee's duties. The company secretary, who is also the chief financial officer of the company, acts as secretary to the committee.

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

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

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

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

The audit committee is required to report to the board its findings identifying any matters which it considers requires that action or improvement is required and to make recommendations on the steps to be taken. The committee's terms of reference include all relevant matters required by the Disclosure and Transparency Rules and the relevant code provisions. The terms of reference of the audit committee have been reviewed and are available on request by writing to the company secretary at the registered address.

## Overview of the actions taken by the audit committee to discharge its duties

During the year the audit committee:-

- reviewed the June 2011 annual report and financial statements and the December half yearly and financial report. As part of the review the committee received a report from the external auditors on their audit of the annual report and financial statements
- reviewed the effectiveness of the company's internal controls
- reviewed and agreed the scope of the audit work to be undertaken by the external auditors
- agreed the fees to be paid to the external auditors for their audit of the 2011 report and financial statements
- reviewed the whistle blowing procedures in place to enable staff to raise concerns in confidence about possible wrongdoing
- considered the requirement for an internal audit function in the company and decided to recommend to the board that such a function was not necessary at this stage
- recommended that the board reappoint the external auditors

## Remuneration Committee

At the year end the Remuneration Committee comprised both non-executive directors and was chaired by Mr A.L. Caplin until the date of his resignation and subsequently by 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.

# CORPORATE GOVERNANCE (continued)

## 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 company other than those dealt with by the Remuneration and Audit Committees or by the full board.

## Board Effectiveness

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

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

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

## GOING CONCERN BASIS

The company's activities together with the factors likely to affect its future development, performance and position are set out in the Business and Financial Review and the Director's Report on pages 7 to 13.

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

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

## RELATIONS WITH SHAREHOLDERS

The directors are available to meet with the company's institutional shareholders throughout the year at request.

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

## ACCOUNTABILITY AND AUDIT

## Financial Reporting

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

# CORPORATE GOVERNANCE (continued)

## Internal Control

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

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

The company'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 financial statements are subject to review by the directors to ensure that they are in agreement with the accounting records.

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 February 2011. The conclusion of this review was that the systems and operations of the internal controls including financial, operational and compliance controls remained effective and appropriate to the operations of the company.

## Other matters

The Directors have published the company's Corporate Governance policies which the directors consider are relevant to the company on the company's website. As part of this process the evaluation of the board's performance has been carried out. There has also been an appraisal of the chairman's performance carried out by the non executive directors, which will be repeated each year.

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

By order of the Board

S.Yoganathan ACMA
Company Secretary
26 August 2011

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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

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 management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

D. M. Phillips
Chairman
26 August 2011

# DIRECTORS AND ADVISERS

## Non-executive Directors

**Alexander Gordon Kelso Hamilton** *† (Age 66) FCA
Senior independent non executive director.
Non executive director of Beazley plc, Barloworld Ltd and Fairbairn Private Bank Ltd.
Gordon Hamilton was a partner in Deloitte & Touche LLP (and predecessor practices) for more than 30 years and retired as a senior audit partner in 2006.

**Reginald Frank Heath** *† (Age 70) FCIS, FIMI
Non executive director.
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 66)
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 66)
Managing director
Henry Matthews joined Northamber plc in 1981 as Sales Director. He was promoted to Managing Director in 1987.

**Registered Office**
23 Davis Road
Chessington
Surrey
KT9 1HS

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

**Registered Auditors**
Grant Thornton UK LLP
Chartered Accountants
No.1 Dorset Street
Southampton
SO15 2DP

**Bankers**
Bank of Ireland
Bow Bells House
1 Bread Street
London
EC4M 9BE

Barclays Bank Limited
6 Clarence Street
Kingston upon Thames
Surrey
KT1 1NY

**Stockbrokers**
Fox-Davies Capital Limited
1 Tudor Street
London
EC4Y 0AH

## Independent auditor's report to the members of Northamber Plc

We have audited the financial statements of Northamber plc for the year ended 30 June 2011 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

## Independent auditor's report to the members of Northamber Plc

Under the Listing Rules, we are required to review:
the directors' statement, set out on page 20, in relation to going concern;
the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
certain elements of the report to the shareholders by the Board on directors' remuneration.

**Norman Armstrong**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SOUTHAMPTON
26 August 2011.

# STATEMENT OF COMPREHENSIVE INCOME



For the year ended 30 June 2011

| | Notes | 2011 Total £'000 | 2010 Total £'000 |
|---|---|---|---|
| **Revenue** | 3 | 121,083 | 128,481 |
| Cost of sales | | (112,795) | (119,885) |
| **Gross profit** | | 8,288 | 8,596 |
| Distribution costs | | (4,720) | (4,477) |
| Administrative expenses | | (3,814) | (4,003) |
| **Loss)/profit from operations** | 4 | (246) | 116 |
| Investment revenue | 6 | 140 | 142 |
| **(Loss)/profit before tax** | | (106) | 258 |
| Tax credit/(charge) | 7 | 7 | (88) |
| **(Loss)/profit for the year and total comprehensive income** | | (99) | 170 |
| **Total basic and diluted (loss)/earnings per ordinary share** | 9 | (0.34)p | 0.58p |

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# STATEMENT OF CHANGES IN EQUITY



Statement of changes in Equity
At 30 June 2011

| | Share Capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2009 | 290 | 5,734 | 1,496 | 18,430 | 25,950 |
| Dividends | - | - | - | (464) | (464) |
| Purchase of own shares | (1) | - | 1 | (42) | (42) |
| Transactions with owners | (1) | - | 1 | (506) | (506) |
| Profit and total comprehensive income for the year | - | - | - | 170 | 170 |
| Balance at 30 June 2010 | 289 | 5,734 | 1,497 | 18,094 | 25,614 |
| Balance at 1 July 2010 | 289 | 5,734 | 1,497 | 18,094 | 25,614 |
| Dividends | - | - | - | (578) | (578) |
| Purchase of own shares | (3) | - | 3 | (192) | (192) |
| Transactions with owners | (3) | - | 3 | (770) | (770) |
| Loss and total comprehensive income for the year | - | - | - | (99) | (99) |
| Balance at 30 June 2011 | 286 | 5,734 | 1,500 | 17,225 | 24,745 |

# STATEMENT OF FINANCIAL POSITION

At 30 June 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 10 | 2,527 | 2,695 |
| **Current assets** | | | |
| Inventories | 12 | 11,415 | 10,322 |
| Trade and other receivables | 13 | 16,670 | 15,679 |
| Cash and cash equivalents | 14 | 10,701 | 14,013 |
| Tax assets | 16 | 80 | - |
| | | 38,866 | 40,014 |
| **Total assets** | | **41,393** | **42,709** |
| **Current liabilities** | | | |
| Trade and other payables | 15 | (16,603) | (17,040) |
| Tax liabilities | 16 | - | (18) |
| | | (16,603) | (17,058) |
| **Non current liabilities** | | | |
| Deferred tax liabilities | 17 | (45) | (37) |
| **Total liabilities** | | (16,648) | (17,095) |
| **Net assets** | | **24,745** | **25,614** |
| **Equity** | | | |
| Share capital | 18 | 286 | 289 |
| Share premium account | | 5,734 | 5,734 |
| Capital redemption reserve | | 1,500 | 1,497 |
| Retained earnings | | 17,225 | 18,094 |
| **Equity shareholders' funds** | | **24,745** | **25,614** |

The financial statements on pages 26 to 43 were approved by the board of directors on 26 August 2011 and were signed on its behalf by:

D.M. Phillips
Chairman

H.W. Matthews
Managing Director

Company Registration number: 01499584

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Cash inflow from operating activities** | | |
| Operating (loss)/profit from continuing operations | (246) | 116 |
| Depreciation of property, plant and equipment | 247 | 283 |
| (Profit) on disposal of property, plant and equipment | - | (2) |
| Operating profit before changes in working capital | 1 | 397 |
| (Increase) in inventories | (1,093) | (3,149) |
| (Increase)/decrease in trade and other receivables | (991) | 4,433 |
| (Decrease) in trade and other payables | (437) | (1,345) |
| Cash (used in)/generated from operations | (2,520) | 336 |
| Income taxes paid | (83) | (74) |
| Net cash (used in)/from operating activities | (2,603) | 262 |
| **Cash flows from investing activities** | | |
| Interest received | 140 | 142 |
| Proceeds from disposal of property, plant and equipment | - | 12 |
| Purchase of property, plant and equipment | (79) | (21) |
| Net cash from investing activities | 61 | 133 |
| **Cash flows from financing activities** | | |
| Purchase of own shares for cancellation | (192) | (42) |
| Dividends paid to equity shareholders | (578) | (464) |
| Net cash used in financing activities | (770) | (506) |
| Net (decrease) in cash and cash equivalents | (3,312) | (111) |
| Cash and cash equivalents at beginning of year | 14,013 | 14,124 |
| Cash and cash equivalents at end of year | 10,701 | 14,013 |
| Cash and cash equivalents for the purpose of this statement comprise: | | |
| Cash and cash equivalents | 10,701 | 14,013 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 1. General information

Northamber plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the shareholder information on the inside back cover. The nature of the company's operations and its principal activities are set out in the business review and the report of the directors on pages 7 to 13.

## 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.
- The financial statements have been prepared on the historical cost basis.
- The financial statements cover the individual entity Northamber PLC as all subsidiaries are dormant and not material to the financial statements for the year to 30 June 2011 or 30 June 2010.
- 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 2011 are:

IFRS 9 Financial Instruments (effective 1 January 2013)
IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
IFRS 11 Joint Arrangements (effective 1 January2013)
IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS13 Fair Value Measurement (effective 1 January 2013)
IAS 24 (Revised 2009), Related Party Disclosures (effective 1 January 2011)
IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011)
Improvements to IFRS issued May 2010 (Note: some changes are effective 1 July 2010, though not yet EU adopted; others effective 1 January 2011)
Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)
Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)

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 company.

### Key sources and estimation uncertainty and critical accounting judgements

### Estimation uncertainty

### Provisions

The directors consider that no estimates made within these financial statements carry a significant risk of resulting in a material adjustment within the next financial year.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## Critical accounting judgements

The directors consider that there are no critical accounting judgements which need to be applied in the preparation of the financial statements.

## 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 Company as lessee

Rentals payable under operating leases are charged to profit or loss 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

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

## Loss from operations

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

## Retirement benefit costs

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

## Taxation

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

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax which relates to items recognised in other comprehensive income is recognised in other comprehensive income.

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 cost less accumulated depreciation and impairment losses.

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 of assets less any residual value, other than land, over their estimated useful lives, using the straight line method, on the following bases:

| | |
|---|---|
| **Land and Buildings:** | |
| Freehold premises | 4% on buildings |
| Short leasehold improvements | period of lease or 25% straight line |
| | |
| Plant and equipment | 25% straight line |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.
Material residual value estimates are updated as required, but at least annually.

## Impairment of tangible assets

At each balance sheet date, the company 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 company estimates the recoverable amount of the cash generating unit to which the asset belongs.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 is on the FIFO basis and 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.

## 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. 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 plus transaction costs. 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 profit or loss.

Provision against trade receivables is made when there is objective evidence that the company 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 discounted at the original effective interest rate.
An assessment for impairment is undertaken at least at each reporting date.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 company 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 company transfers substantially all the risks and rewards of ownership of the asset, or if the company 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 company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value plus transaction costs. Financial liabilities subsequent to initial recognition 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.

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

## Capital management

The company manages its equity as capital. The company's policy is to not have external debt finance and pay dividends as appropriate whilst maximising the long term return to stakeholders.

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

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011



## Going Concern basis

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

## 3. Segmental Reporting

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

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

| | **UK** | **Austria** | **Sweden** | **Other** | **Total** |
|---|---|---|---|---|---|
| **Year to 30 June 2010** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Total Segment revenue | 105,633 | 8,875 | 4,636 | 9,337 | 128,481 |
| **Year to 30 June 2011** | | | | | |
| Total Segment revenue | 102,506 | 2,433 | 7,839 | 8,305 | 121,083 |

No one customer accounted for 10% or more of the company's revenue for the year.

## 4. Profit from operations

Operating profit is stated after (crediting)/charging:

| | **2011** | **2010** |
|---|---|---|
| | **£'000** | **£'000** |
| Foreign exchange (gains) | (145) | (86) |
| Depreciation of property plant and equipment | 247 | 283 |
| Amounts written off stock | 155 | 178 |
| (Profit) on disposal of property, plant and equipment | - | (2) |
| Operating lease charges – land and buildings | 602 | 602 |
| Staff Costs (see note 5) | 5,200 | 5,063 |
| Auditors' remuneration – audit of the company | 41 | 39 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 5. Staff costs

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

| | 2011 Number | 2010 Number |
|---|---|---|
| Sales | 47 | 41 |
| Administration | 55 | 57 |
| Warehouse | 38 | 39 |
| Engineering | 5 | 6 |
| | 145 | 143 |

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Their aggregate remuneration comprised: | | |
| Staff costs: | | |
| Wages and salaries | 4,538 | 4,416 |
| Social security costs | 487 | 471 |
| Other pension costs | 175 | 176 |
| | 5,200 | 5,063 |

Included in the above is key management personnel compensation of £254,000 (2010: £278,000) Full details of director's remuneration are set out in the report to the shareholders by the board on directors' remuneration on page 16. The company has identified the key management personnel as the executive and non-executive directors and all their remuneration received amounts to short-term employment benefits.

## 6. Investment revenue

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Bank interest receivable | 140 | 125 |
| Other interest receivable | - | 17 |
| | 140 | 142 |

## 7. Tax on loss/profit on ordinary activities

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Current taxation | | |
| UK corporation tax: charge for the year | - | 49 |
| Adjustment in respect of prior periods | (10) | 3 |
| Loss relief against prior year | (5) | - |
| Deferred tax: | | |
| Charge for the year | 8 | 36 |
| (Credit)/charge for the year | (7) | 88 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | (106) | 258 |
| Tax at the UK corporation tax rate of 21% average (2010:21%) | (22) | 54 |
| Expenses not deductible for tax purposes | 25 | 31 |
| Effect of corporation tax rate change | - | - |
| Adjustment in respect of prior periods | (10) | 3 |
| Total actual amount of (credit)/charge for the year | (7) | 88 |

## 8. Dividends

Amounts recognised as distribution to equity holders in the period:

| **Dividends paid in year** | 2011 Pence Per share | £'000 | 2010 Pence per share | £'000 |
|---|---|---|---|---|
| Final – for year ended 30 June 2010 | 1.40 | 405 | 1.00 | 290 |
| Interim – for year ended 30 June 2011 | 0.60 | 173 | 0.60 | 174 |
| | 2.00 | 578 | 1.60 | 464 |
| Proposed final for the year ended 30 June 2011 | 1.00 | 289 | 1.40 | 405 |

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.

## 9. Earnings per ordinary share

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

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Earnings for the purpose of basic and diluted earnings per share being (loss)/profit for the year attributable to equity holders of the parent company | (99) | 170 |

| Number of shares | 2011 Number | 2010 Number |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share. | 28,881,475 | 29,002,552 |

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. Net assets per share is calculated by taking the net assets of £24,745,000 (2010: £25,614,000) divided by 28,620,000 (2010: 28,938,100) being the number of fully paid shares in issue at the year end.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 10. Property, plant and equipment

| | Land and Buildings £'000 | Plant and Equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2009 | 4,303 | 1,868 | 6,171 |
| Additions | - | 21 | 21 |
| Disposals | (49) | (540) | (589) |
| At 30 June 2010 | 4,254 | 1,349 | 5,603 |
| At 1 July 2010 | 4,254 | 1,349 | 5,603 |
| Additions | 8 | 71 | 79 |
| Disposals | - | (49) | (49) |
| At 30 June 2011 | 4,262 | 1,371 | 5,633 |
| **Depreciation** | | | |
| At 1 July 2009 | 1,602 | 1,601 | 3,203 |
| Depreciation charge for the year | 161 | 122 | 283 |
| Disposals | (49) | (529) | (578) |
| At 30 June 2010 | 1,714 | 1,194 | 2,908 |
| At 1 July 2010 | 1,714 | 1,194 | 2,908 |
| Depreciation charge for the year | 161 | 86 | 247 |
| Disposals | - | (49) | (49) |
| At 30 June 2011 | 1,875 | 1,231 | 3,106 |
| **Net book value at 30 June 2010** | **2,540** | **155** | **2,695** |
| **Net book value at 30 June 2011** | **2,387** | **140** | **2,527** |

## 11. Investment in group companies

The company has no operating subsidiaries but the following dormant subsidiaries:

| Name | Country of Incorporation | % owned |
|---|---|---|
| Solution Point Limited | England | 99 |
| Solution Technology Limited | England | 100 |
| Thripple-Thrift Limited | England | 100 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011



## 12. Inventories

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Goods for resale | 11,415 | 10,322 |

Cost of sales include £112,574,000 (2010: £115,934,000) inventory expensed in the year's statement of comprehensive income. In the opinion of the directors the net realisable value of inventories held at 30 June 2011 against which provision has been made was £6,245,000 net of the provision. (2010: £2,122,813).

## 13. Trade and other receivables

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Trade receivables | 15,177 | 14,604 |
| Less provision for impairment of receivables | (193) | (322) |
| Net receivables | 14,984 | 14,282 |
| VAT receivable | 1,397 | 1,105 |
| Other receivables | 12 | 7 |
| Prepayments | 277 | 285 |
| | 16,670 | 15,679 |

An allowance has been made for estimated at risk amounts from the sale of goods of £193,000 (2010: £322,000). 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. 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 38 days (2010: 35 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.

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.

All financial assets that are neither past due nor impaired are considered to be fully recoverable.

## Trade receivables older than credit terms

Aging of past due but not impaired receivables is as follows

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| 30 - 60 days past due | 92 | 100 |
| 60 - 90 days past due | 16 | 26 |
| 90+ days past due | 1 | 5 |
| Total | 109 | 131 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## Trade and other receivables allowance for doubtful debts

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Balance at beginning of period | 322 | 405 |
| Amounts written off as uncollectable | (79) | (38) |
| Potential impairment reduction | (50) | (45) |
| Balance at end of period | 193 | 322 |

## 14. Cash and cash equivalents

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Bank balances and cash in hand | 10,701 | 14,013 |
| Cash and cash equivalents in statement of cash flows | 10,701 | 14,013 |

## 15. Trade and other payables

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Trade payables | 14,920 | 16,268 |
| Other payables | 120 | 111 |
| VAT | 1,004 | - |
| Other tax and social security | 140 | 125 |
| Accruals and deferred income | 419 | 536 |
| | 16,603 | 17,040 |

The financial liabilities shown above are those which were outstanding at 30 June 2011. The average credit period taken for trade payables is 40 days (2010: 41days).
The directors consider that the fair values of trade and other payables are not materially different from those disclosed above. Trade payables are not interest bearing.

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

## 16. Tax liabilities

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Corporation tax receivable/(payable) | 80 | (18) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 17. Deferred tax liabilities

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 £'000** |
|---|---|
| At 1 July 2009 | 2 |
| Charge to income | 35 |
| At 1 July 2010 | 37 |
| Charge to income | 8 |
| As 30 June 2011 | 45 |

No tax assets have been offset.

## 18. Share capital

| | **Number** | **£'000** |
|---|---|---|
| Authorised | | |
| At 30 June 2011 and 2010 | 80,000,000 | 2,000 |
| Issued and fully paid shares of 1p each | | |
| At 30 June 2010 | 28,938,100 | 289 |
| Ordinary shares of 1p each purchased by the company during the year to 30 June 2011 | (318,100) | (3) |
| At 30 June 2011 | 28,620,000 | 286 |

At 30 June 2011 203,100 (2010: Nil) shares were held by the entity in Treasury.

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

## 19. Capital commitments

There were no capital commitments at 30 June 2011 (2010: £Nil).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 20. Operating lease arrangements

| The company as lessee | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised in profit or loss for the year | 601 | 606 |

At 30 June 2011 the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| One year | 601 | 600 |
| Between one and five years | 1,352 | 1,950 |
| | 1,953 | 2,550 |

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

## 21. Related party transactions

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

During the year Mr D.M. Phillips made temporarily available to the company occasional use of part of his personal foreign currency funds which resulted in a total saving to the company of £3,968. Of the amounts loaned during the year nothing remained outstanding at the year end. No interest has been charged and there are no terms or conditions attached to these transactions.

During the year the company paid £30,000 as salary to the company payroll and personnel manager Samantha Matthews, the wife of the managing director Mr H.W. Matthews. In the directors' opinion the payments are at an arms length basis. No amounts were outstanding at year end.

## 22. Post balance sheet events

There were no post balance sheet events which materially affect the results for the year to 30 June 2011.

## 23. Contingent liabilities

During the year to 30 June 2007 the company granted a 175 year lease for an enterprise zone investment property in Arbroath.

The company 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 24. Financial instruments exposure

The interest rate exposure of the financial assets and liabilities of the company as at 30 June 2011 is shown in the table below. The table includes trade receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

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

Note 13 above refers to further matters relating to credit risk as does the Business and Financial Review under the heading of Financial Risk Management.

| | **Floating £'000** | **Zero £'000** | **Total £'000** |
|---|---|---|---|
| Financial assets | | | |
| Cash and cash equivalents: | | | |
| Sterling | 10,382 | - | 10,382 |
| US Dollars (Sterling equivalent) | 102 | - | 102 |
| Euros (Sterling equivalent) | 217 | - | 217 |
| Trade and other receivables | - | 14,997 | 14,997 |
| Total | 10,701 | 14,997 | 25,698 |

| | **Floating £'000** | **Zero £'000** | **Total £'000** |
|---|---|---|---|
| Financial liabilities | | | |
| Trade payables: | | | |
| Sterling | - | 11,912 | 11,912 |
| US Dollar (Sterling equivalent) | - | 1,616 | 1,616 |
| Euros (Sterling equivalent) | - | 554 | 554 |
| Other payables | - | 907 | 907 |
| Total | - | 14,989 | 14,989 |

The directors estimate that an increase or decrease in annual average interest rates of 0.5% would increase/decrease profit before tax by approximately £50,000.

### Type of Financial Instrument

All financial assets are classified as loans and receivables and all financial liabilities are held at amortised cost.

### Maturity of Financial Instruments

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

# 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 16 November 2011 at 12 noon for the following purposes:-

1. To receive and adopt the company's accounts for the year ended 30 June 2011 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 2011 be received and approved.
3. To declare a dividend on the ordinary shares of the company.
4. Re-elect H.W. Matthews as a director.
5. Re-elect R.F. Heath as a director.
6. Elect A.G.K. Hamilton 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, the directors be generally and unconditionally authorised to allot equity securities (as defined by Section 560 of the Companies Act 2006 ("the Act"), up to an aggregate nominal amount of £190,801 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 8.2 below) in connection with an offer by way of a rights issue:

(a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
(b) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,
but subject to such exclusions or other arrangements as the board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

## SPECIAL RESOLUTIONS

8 (2) THAT, the directors be authorised to allot equity securities pursuant to Resolution 8 (1) above up to an aggregate nominal amount of £95,399 as if Section 561 of the Companies Act 2006 (existing shareholders' rights of pre-emption)

(a) did not apply to the allotment, or
(b) applied to the allotment with such modifications as the directors may determine
(c) provided that this authority shall, unless renewed, varied or revoked by the company, expire on the 16 February 2013 or, if earlier, the date of the next Annual General Meeting of the company save that the company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.:-

8 (3) THAT the company be and is hereby unconditionally and generally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006 of ordinary shares of 1p in the capital of the company, provided that:

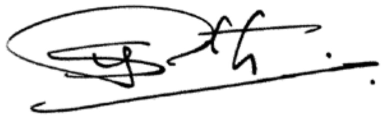
(a) the maximum number of shares hereby authorised to be acquired is 2,862,000 representing 10 per cent of the present issued share capital;
(b) the minimum price which may be paid for such shares is 1p per share (exclusive of all expenses);
(c) the maximum price which may be paid for such shares is, 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;

# NOTICE OF MEETING (Continued)

(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,
Company Secretary
Registered office:
23 Davis Road,
Chessington,
Surrey,
KT9 1HS

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.

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NORTHAMBER

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