Registered in England 1499584

# Northamber PLC
# Report and Accounts

## FINANCIAL HIGHLIGHTS

| | Year ended 30th June 2000 | Year ended 30th June 1999 |
|---|---|---|
| | £'000 | £'000 |
| Turnover | 284,270 | 277,727 |
| Operating profit | 7,752 | 6,334 |
| Interest payable (net) | (229) | (296) |
| Profit before taxation | 7,523 | 6,038 |
| Taxation | (2,372) | (1,971) |
| Profit after taxation | 5,151 | 4,067 |
| Dividend | (2,023) | (1,724) |
| Retained profit | 3,128 | 2,343 |
| Earnings per share | 15.1p | 11.8p |
| Diluted earnings per share | 15.0p | 11.7p |
| Net dividend per share | 6.0p | 5.0p |
| Net assets per share * | 101.1p | 91.8p |

The final dividend of 4.0p will be paid on 5th December 2000 to those members on the register at the close of business on 10th November 2000. The ex-dividend date for the shares will be 6th November 2000.

The Annual General Meeting of Northamber plc will be held at 1 Lion Park Avenue, Chessington, Surrey KT9 1ST on 10th November 2000 at 12.00 noon.

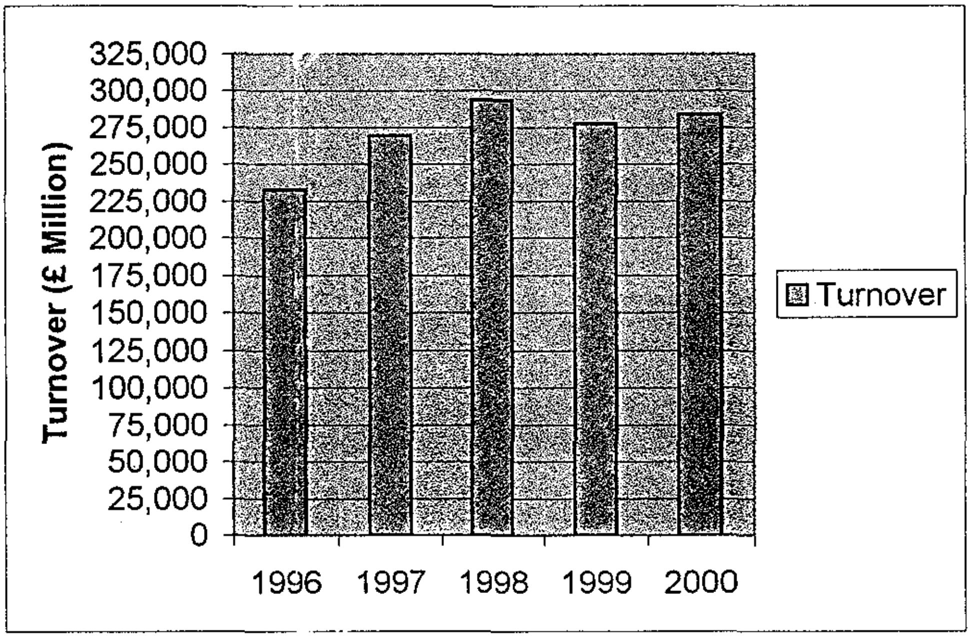
* Number of shares in issue at 30th June 2000 =33,989,000

**CONTENTS**

## SUMMARY OF LAST FIVE YEARS' TRADING

| | ----------12 months---------- | | | 14 months | 12 months |
|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | 284,270 | 277,727 | 293,461 | 314,008 | 232,907 |
| Profit Before Tax | 7,523 | 6,038 | 8,811 | 7,928 | 5,567 |
| Earnings Per Share* | 15.1p | 11.8p | 17.3p | 16.7p | 13.6p |
| Net Assets Per Share* | 101.1p | 91.8p | 85.0p | 72.1p | 58.5p |
| Dividends Per Share(net)* | 6.0p | 5.0p | 4.2p | 3.0p | 1.1p |

* The figures for 1996 have been adjusted for comparative purposes to take into account the 1 for 1 Bonus Share Issue in January 1997.




- The 1997 figures are for the 12 months to 30th June 1997 (Unaudited)

## CHAIRMAN'S STATEMENT

### Results

These strong results together with twenty years experience of IT Distribution, have again clearly and positively differentiated Northamber's trading performance and value added model from that of our peer group. The Technical expertise within our services activities contributing satisfactorily to this outcome.

The 19.14% increase in pre tax profits to £7.52 million compares very favourably with the £6.04 million reported a year ago. This increase was achieved despite the well reported, adverse and then slow IT market - place conditions pre and post the millennium.

At £284.27 million, revenue growth was moderated to 2.36% by the pursuit of improved margins and compares with £277.73 million for the prior year. Contrary to the expectation of the sector, this illustrates our own focus and emphasis on profitable revenue growth. Also reported within these results, is the resultant further increase in our pre-tax margin at 2.64%, compared with last year's 2.27%.

The 28% increase in earnings per share, from 11.8p to 15.1p,clearly illustrates the strengths of Northamber's tight management and financial controls during this adverse period.

At 101.1p Net Assets per share increased by 10.1%, an improvement on last year's 91.8p.

### Dividend

Our established policy is to continue to keep the level of dividend payments under review. It is therefore proposed to increase the final dividend to 4.0p (net per share) making a total of 6.0p net for the year. This is a 20% increase over last year.

### Trading

The first half results were disappointing, restricted by the prolonged downturn and low levels of pre-millennium demand. As already widely reported, the post millennium market-place then failed to produce the full extent of the awaited and anticipated upturn. Whilst sales levels were firm, if unexciting, the launch of Microsoft's Windows 2000 and faster offerings from Intel, also then failed to fuel any new replenishment cycle.

These improved results are the product of the differentiation your Company brings to its market-place. They demonstrate our very high level of technical expertise and added value. It is these core skills over and above the perception of our "A" brand product distribution activities, which enable a worthwhile return on the capital employed.
There was an increased contribution from our high levels of expertise in complex IT network server system and corporate PC's assembly. These coupled with improved efficiencies in stock turns and our fast order processing and delivery, helped to better serve our established customer base, enabling them to better focus on their own local business opportunities and core competence.

### Financial

Whilst necessarily focusing on cost efficiencies and the controls on high volume and marginal product sales, the value of our stocks at year end is below that of last year. We continue to maintain our policy for the managed avoidance of profitless revenue.

Results were further enhanced by the use of our available cash resource to increase the controlled levels of credit extended to our customers.

During the period, when the Company's share price was unrepresentative of its underlying value, there were several purchases of the Company's issued shares for cancellation. With the financial resource readily available, such share buy-backs will continue with the intention of further enhancing earnings per share.

## CHAIRMAN'S STATEMENT

### Staff

The demonstrated abilities to improve efficiencies have enabled a restriction in the growth of staff related overheads. The average number of staff increased by only 1 from 416 to 417 during this financial year.

These results are, as always, totally dependent upon the efforts of our staff. We extend yours and our own thanks for their strong contribution over the past year.

### The Board

After joining the Company last November, we were pleased to announce on 10th August 2000, that David Ives ACA had been appointed to the role of Finance Director.

David brings to the role many years of both financial and operational experience, in both this industry as well as in retail and service orientated activities.

Peter Fisher, whose home is in Blackburn Lancashire, has been a Non-Executive Director for some two years. Regrettably, Peter has advised that the distances involved have created difficulty in achieving the levels of involved interest that he would seek. As a result, Peter will shortly be leaving the Board and a suitable replacement is currently being sought.

### Outlook

The new trading period has started on a more stable basis and in line with our own expectations. Return on capital and margin retention will continue to remain our primary focus and the Board is confident of a successful outcome for the current year.

David Phillips
Chairman
22nd September 2000

## *Operating and Financial review*

### Operating Review

As outlined in the Chairman's Statement the company has achieved an increase in profitability this year despite the difficulties of the pre and post millennium market place. The very experienced management team has continued to focus on business efficiency to ensure the maximum profit is derived from marginal sales in a very competitive sector.

Our e-commerce activities go beyond the superficial development of a web site for marketing activities; they are designed and intended for the re-enforcing of strong electronic links with our customers and suppliers.

Our expertise has gained us a good position in the UK supply of Hewlett-Packard P.C. and server offerings through the continued development of, and investment in, our Channel Assembly programme. This programme has been particularly effective in achieving our need for high stock turns and also satisfying the very short lead times demanded by the volumes of product purchased via web based resellers. A further benefit has been the improved growth through our software licensing team.

The evolution of products in the market place continues apace combined with the consolidation of major manufacturers through mergers. Northamber's commitment to its customers and suppliers has enabled the company to enhance its competitive position.

### Financial Review

Turnover during the year increased by 2.36% to £284.27 million. This relatively small increase in sales was the result of deflated demand and the refusal of the company to transact business at an unprofitable level. The effect of this policy is shown by the increase in gross margin from 8.7% to 8.9%.

The controls on overhead ensured that the improvements in gross profit were then available to increase in our Profits before Tax by £1.5 million (23.4%) to £7.5 million. This was represented by the increase in our Pre-tax Margin from 2.2% to 2.6%, when combined with our effective control of the balance sheet increased the return on capital employed from 19.1% to 22.1%.

The maintenance of our market share was secured through management of extended credit lines to those of our customers we thought suitable. Resultant debtor days at the year-end increased to 44 from last year's 38. Although stock levels were able to be reduced by £1.6 million, and stock turns increased from 20 to 23 times. The profile of our suppliers has changed towards those with shorter payment terms. This had the effect of decreasing creditor days from last year's 23 to a new low of 19 days. The combined effect of these working capital investments left the company in a cash neutral position at the year-end compared to the £5 million last year.

#### Going Concern

After making appropriate enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

## Operating and Financial review

### Treasury Activities and Financial Instruments

It is the Group's policy not to speculate in derivative financial instruments in either sterling or foreign currencies. Foreign currency purchases where required for supplier payments are subject to close management supervision.

It is the policy of the Group not to have long-term loans or other financial instruments except in particular circumstances when approved by the board of directors.

In April 1996 the long term loan in the balance sheet was taken out to facilitate the purchase of an investment property on a long institutional quality lease to the local authority in Arbroath .

It is the Group's policy not to hedge translation or currency exposure.

There have been no changes in the role of financial instruments during the period.

The maturity and the interest rate profile of any financial instruments are disclosed in the notes to the accounts.

Henry Matthews
Managing Director
22nd September 2000

David Ives, ACA
Finance Director
22nd September 2000

## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the accounts for the year ended 30th June 2000.

### Principal Activities

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

### Review of Business

The consolidated profit and loss account for the financial year is set out on page 24.

Both the level of business and the year end financial position remain satisfactory, and the Directors expect that the present level of activity will be sustained for the foreseeable future.

### Dividends

The Directors have declared or proposed the following dividends in respect of the year ended 30th June 2000.

| | £'000 |
|---|---|
| Ordinary dividends - | |
| Interim Paid | 680 |
| Proposed final | 1,360 |
| | ===== |
| | 2,040 |
| | ===== |

The final dividend will be paid on 5th December 2000 to all members on the register at the close of business on 10th November 2000.

### Directors

The current Directors of the Company are listed on page 19.
Marilyn Lee, Executive Director, resigned on 31st December 1999.
David Ives, Executive Director, was appointed on 10th August 2000.

### Substantial Shareholdings

The following shareholders held disclosable interests, as defined by The Disclosure of Interests in Shares (Amendment) Regulations 1993, at 14th September 2000 as detailed below:

| | Ordinary Shares of 5p each |
|---|---|
| D.M. Phillips | 50.84% |
| Herald Investment Trust plc | 6.81% |

### Purchase of own Shares

During the year the Company purchased 498,696 ordinary shares of 5p each at an average price of 86.98p per share. The total cost of purchase including expenses was £435,462.

### Auditors

A resolution to reappoint the auditors, Deloitte & Touche, will be proposed at the Annual General Meeting.

### Creditors' Payment Policy

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

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

Creditor days of the Group and of the Company at 30th June 2000 were 19 (1999 - 23). It is the Company's policy to take full advantage of settlement discounts offered by suppliers.

## REPORT OF THE DIRECTORS

### Employees

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

The Company encourages its staff to pursue career development and to that end has made available resources for training courses including video and computer training aids.

Applications received from disabled persons are given full and equal consideration but are small in number as our type of business does not seem to attract such applicants. The Company fulfils its obligations towards employees who are disabled or who become so whilst in the employment of the Company.

### Donations

During the year the Group made charitable donations amounting to £150 (1999-£450). No political donations were made.

By order of the Board

David Ives ACA
Company Secretary
22nd September 2000

## REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION

**Directors' Remuneration**

The Company has complied throughout the year with Section A of the best practice provisions for Directors' remuneration annexed to the UK Listing Authority's Listing Rules, which concerns the membership and operation of the Remuneration Committee.

The Company's Remuneration Committee decides the remuneration policy that applies to executive Directors. In determining that policy it has given full consideration to Section B of the best practice provisions for Directors' remuneration annexed to the UK Listing Authority's Listing Rules. Further details are given in the report on Corporate Governance on page 15.

**Salaries and Benefits**

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for executive Directors which comprise a base salary and, in the case of H.W. Matthews, for the year just ended, a one-off profit-target related bonus.
The remuneration packages are benchmarked to ensure comparability with companies of a similar size and complexity. The bonuses have regard to personal performance measured against pre-stated objectives and profitability of the Company.

**Share Options**

The Northamber Share Option Scheme expired in September 1995 and so no further options can be issued under this scheme. It has not been replaced by any other share option scheme. Options granted to H.W. Matthews under this scheme are detailed below. The last options to be granted to H.W. Matthews were in July 1995. The granting was not conditional on any performance criteria.

**Pensions**

The Company makes contributions to Personal Pension Schemes for all the executive Directors. The amounts paid are detailed below.

The pension scheme for D.M. Phillips and H.W. Matthews is a small, self-administered scheme that is limited by trust deed and scheme rules. The elements of remuneration that are pensionable are discretionary under the scheme. For the past four years the pension contributions for D.M. Phillips and H.W. Matthews have been set at £5,000 per month each. The scheme falls outside of the Inland Revenue pensions cap and is separate from the main staff pension scheme.

**Contracts of service**

Two of the executive Directors, D.M. Phillips and H.W. Matthews, have fixed term contracts of service which were renewed with effect from 1st April 2000 as one year rolling contracts.

**Directors' detailed emoluments**

Details of Directors' emoluments are as follows:

| | Salaries and Fees | | Bonus Payments | | Benefits | | Total | | Pension | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| **Executives** | | | | | | | | | | |
| D. M. Phillips | 180 | 105 | - | - | 21 | 22 | 201 | 127 | 60 | 60 |
| H. W. Matthews | 200 | 200 | - | - | 24 | 22 | 224 | 222 | 60 | 60 |
| M.D. Lee(up to 31st Dec 99) | 36 | 86 | - | - | - | - | 36 | 86 | 2 | 4 |
| P. Smith(up to 8th Jan 99) | - | 49 | - | - | - | 5 | - | 54 | - | 2 |
| **Non-Executive** | | | | | | | | | | |
| G. Cole | 3 | 11 | - | - | - | - | 3 | 11 | - | - |
| T. Caplin | 20 | 13 | - | - | - | - | 20 | 13 | - | - |
| P. Fisher | 4 | 2 | - | - | - | - | 4 | 2 | - | - |
| | 443 | 466 | - | - | 45 | 49 | 488 | 515 | 122 | 126 |

## REPORT TO SHAREHOLDERS BY THE BOARD ON DIRECTORS' REMUNERATION

**Directors' interests**
**Interests in shares**
Directors in office at 30th June 2000 had the following beneficial interests in the shares of the Company:

| Ordinary Shares of 5p each | 30th June 2000 | 30th June 1999 |
|---|---|---|
| D.M. Phillips | 17,280,442 | 17,280,442 |
| H.W. Matthews | 743,324 | 743,324 |
| G.Cole | 2,000 | 2,000 |
| P. Fisher | 10,000 | 15,000 |

Between 30th June 2000 and 22nd September 2000 there have been no changes in the interests of the Directors in the shares of the Company.

The market price of the Company's shares at 30th June 2000 was 124.5p. The range of market prices during the year was 193.5p to 75.5p.

**Interests in share options**
Details of options held by Directors are set out below:

| Share Options | 30th June 2000 | 30th June 1999 |
|---|---|---|
| H.W. Matthews | 419,600 | 419,600 |

| **Share Options** | **No** | **Exercise Price** | **Exercise Date** |
|---|---|---|---|
| H.W. Matthews | 261,400 | 10.00p | 4th Dec 1995 - 3rd Dec 2002 |
| H.W. Matthews | 158,200 | 73.75p | 12th July 1998 - 11th July 2005 |

T. Caplin
By order of the Board
22nd September 2000

## CORPORATE GOVERNANCE

In June 1998, the London Stock Exchange issued the Combined Code, which sets out the Principles of Good Corporate Governance and Code of Best Practice. The Code stems from the report of the Hampel Committee and consolidates the work and recommendations of this Committee with that of the Cadbury and Greenbury Committees.

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.

## DIRECTORS

### Board of Directors

The Company is led and controlled through the Board of Directors, which comprises three executive and three non-executive Directors. Biographical details of each Director currently in office appear on page 15. The roles of Chairman and Managing Director are separate such that there is an adequate division of responsibilities at senior board level.

All Directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby any Director may seek independent professional advice in the furtherance of his or her duties at the Company's expense.

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

### Non-executive Directors

The Board considers that Mr T. Caplin and Mr P. Fisher were independent non-executive Directors throughout the year. Mr G.Cole can be considered independent as of 1st January 2000 following the resignation of Ms M. Lee,an executive Director of the Company to whom Mr G.Cole is married.
All three non-executive Directors actively contribute to the functioning of the Board and bring a wide 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 one of the non-executive Directors. The Board is responsible for the overall direction and strategy of the Group to secure optimum performance. The Board has specified those areas of operations in the Group which are specifically in its domain and may not be delegated; these include the appointment and removal of the Company Secretary.

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

### Board Committees

- **Operations Committee**
  The Operations Committee comprises the three executive Directors and certain senior business managers. It meets weekly under the Chairmanship of Mr H.W. Matthews, the Managing Director, and deals with the major decisions of the Group other than those dealt with by the Remuneration and Audit Committees or by the full Board.
- **Remuneration Committee**
  The Remuneration Committee comprises two non-executive Directors, Mr T. Caplin (Chairman) and Mr G. Cole. The Committee meets at least once a year and is responsible for setting the remuneration policy and annual salaries that apply to executive Directors.
- **Audit Committee**
  The Audit Committee, chaired by Mr T. Caplin, comprises all non-executive Directors. The Audit Committee meets with the external auditors at least once a year. The Committee's responsibilities include monitoring the relationships with external auditors, reviewing the Group's statutory accounts and other published financial information, monitoring compliance with statutory and UK Listing Authority requirements and instigating other projects as it sees fit.

## CORPORATE GOVERNANCE

### DIRECTORS' REMUNERATION

The Company's Remuneration Committee 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;
(c) the need to ensure executive Directors' commitment to the continued success of the Company by means of incentive schemes.

The Company's remuneration policy for executive Directors is to:

(a) have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality;
(b) link individual remuneration packages to the Group's performance through target related bonuses;
(c) provide post-retirement benefits through either the Group's defined contribution pension scheme or by contributing to personal pension plans;
(d) provide employment-related benefits including the provision of a company car, life assurance, insurance relating to the Director's duties and medical insurance.

The final determination of individual directors' 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. The non-executive Directors do not have service contracts with the Company.

The Report of the Board to the Shareholders on Directors' Remuneration, set out on pages xx to xx, gives details of Directors' pay.

### RELATIONS WITH SHAREHOLDERS

The Directors, particularly the Chairman and Finance Director, attend meetings with the Company's institutional shareholders throughout the year. Formal presentations are made to analysts and institutional shareholders following the announcement of the annual and interim results to discuss issues and obtain feedback.

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

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board believes that its Annual Reports and Accounts represent a balanced and understandable assessment of the Group's and Company's position and prospects whilst also complying with the legal and regulatory requirements for financial reporting relevant to the Company.

### Internal Control

The Group has adopted the transitional approach to the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange to listed companies dated 27th September 1999 and reports as follows:

## CORPORATE GOVERNANCE

### Wider Aspects of Internal Control

The Board expects to have the procedures in place in January 2001 necessary to implement the guidance "Internal Control: Guidance for Directors on the combined code". This takes account of the time that needs to be taken to put in place the procedures which the Board has agreed should be established. These include holding a risk management workshop, attended by all Board members, together with prioritising change issues, the Group's objectives and risks, and determining a control strategy for each of the significant risks, A risk management policy document is also being sent to all senior employees setting out the Board's attitude to risks to the achievement of the business objectives. The monthly management information is also being improved with the addition of some key risk indicators.
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.
The Board has changed its meeting calendar and agenda so that risk management and internal control will be considered on a regular basis during the year and there will be a full risk and control assessment before reporting on the year ending 30th June 2001.

### Internal Financial Control

The Board of Directors has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness.

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

As permitted by the UK Listing Authority the Board has restricted its statements on internal control by reporting on internal financial control in accordance with the guidance for Directors on internal controls and financial reporting that was issued by the Rutterman Working Group in December 1994.

The Group's control systems address key business and financial risks. The Board considers the greatest risks to be related to the realisable value of current assets, principally stock and debtors. Particular attention is paid to all matters relating to purchasing, stock, sales, debtors, cash, capital expenditure and foreign exchange. Comprehensive documented procedures are used and are available to all staff via the extensive computer system.

The Board has reviewed the effectiveness of the system of internal financial control through the monitoring system laid out above. It should be recognised that the system can provide only reasonable and not absolute assurance against material misstatement or loss.

The external auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and the data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial condition of the Group. The external auditors independently report to the Audit Committee.

## 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 period. The Directors believe that the Company has complied with the Code throughout the year except as detailed below.

**CORPORATE GOVERNANCE**

As stated above, the Board considers that Mr G.Cole makes a positive contribution to the workings of the Board and should sit on its two committees, the Remuneration Committee and the Audit Committee. However, the Code requires that the Remuneration Committee should exclusively *comprise independent non-executive Directors. Until 1st January 2000 Mr G.Cole was considered* non- independent, therefore the company did not comply with B2.2 of the Combined Code.Thereafter the Company did comply with B2.2 of the Combined Code. The Audit Committee membership does comply with the Code, as the majority of its members are independent non-executive Directors.

The recommendation in the Code to establish a Nominations Committee does not apply where the Board is small. The term 'small' is not defined. The Board of the Company comprises six Directors, three of whom are 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.

None of the non-executive directors is considered senior to the others and for this reason the company has not seperately identified a senior independent director (A2.1).

**By order of the Board**

David Ives ACA
Company Secretary

22nd September 2000

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The Directors confirm that in preparing the financial statements:

- appropriate accounting policies have been used and applied consistently;
- reasonable and prudent judgements and estimates have been made;
- the financial statements are prepared in accordance with relevant applicable accounting standards; and
- the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's and the Group's systems of internal financial control and for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DIRECTORS AND ADVISERS

### Non-executive Directors

**Tony Caplin** *† (Age 49)
Deputy Chairman
Tony Caplin is non-executive Chairman of Era Plc and William Clowes Ltd, and non-executive director of several companies including Easynet Plc, Jasmin Plc and Ultramind Plc. He is also Chairman of the European Electronic Messaging Association, currently the largest trade association in Europe.

**Graham Cole** *† (Age 54)
Graham Cole was a partner of Coopers & Lybrand and has been involved with Northamber plc for over fourteen years. He is Director of Corporate Finance with Beeson Gregory Ltd.

**Peter Fisher** † (Age 50)
Peter Fisher was a founder director of Skillsgroup plc (formerly P & P), and spent 6 years actively managing that company before moving to a non-executive role in 1985. He resigned as a non-executive director in 1997.

* Member of Remuneration Committee
† Member of Audit Committee

### Executive Directors

**David Michael Phillips** (Age 55)
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 56)
Managing Director
Henry Matthews joined Northamber plc in the early 1980s as Sales Director. He was promoted to Managing Director in 1987.

**David Jonathon Ives, ACA** (Age 44)
Finance Director
David Ives joined Northamber PLC in November 1999. He was appointed Finance Director on 10th August 2000.

### Registered Office

1-3 Union Street
Kingston upon Thames
Surrey
KT1 1RP

### Registrars

Computershare Services plc
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh
EH11 4BR

## DIRECTORS AND ADVISERS

### Registered Auditors

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

### Bankers

Allied Irish Bank plc
West End Branch
10 Berkeley Square
London
W1X 6DN

### Stockbrokers

Investec Henderson Crosthwaite
2 Gresham Street
London
EC2V 7QP

### Merchant Bankers

Charterhouse Bank Limited
1 Paternoster Row
St. Paul's
London
EC4M 7DH

**AUDITORS' REPORT TO THE MEMBERS OF NORTHAMBER PLC**

We have audited the financial statements on pages 23 to 36 which have been prepared under the accounting policies set out on page 23.

**Respective responsibilities of Directors and auditors**

The Directors are responsible for preparing the Annual Report, including as described on page 18 preparation of the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement on page 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

## AUDITORS' REPORT TO THE MEMBERS OF NORTHAMBER PLC

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

22nd September 2000

## ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with all applicable accounting standards. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, the investment property is not depreciated.

The Group accounts comprise the consolidated results of the Company and its subsidiaries made up to 30th June.

Fixed assets are stated at cost, or valuation, less depreciation.

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated economic lives at the following annual rates:

| | |
|---|---|
| Freehold premises | 2% straight line on buildings |
| Short leasehold improvements | period of lease |
| Long leasehold premises | 2% straight line |
| Plant and machinery | 25% straight line |
| Fixtures and fittings | 25% straight line |
| Motor vehicles | 25% straight line |

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of the freehold properties held as investment property. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. These properties are not held for consumption but for investment and the Directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The Directors consider that this policy results in the accounts giving a true and fair view.

Stocks are valued at the lower of cost and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stocks.

Transactions made during the year in foreign currencies are translated into sterling at the rates of exchange at the dates of the transactions. Exchange differences arising during the year are taken to the profit and loss account.

Costs in respect of operating leases are charged as they become payable.

The Company contributes towards the personal pension plans of eligible employees and Directors. These are defined contribution plans and are insured with Scottish Equitable. Payments to the plans are charged to the profit and loss account in the year in which they are payable.

Turnover represents the total amount invoiced for the provision of goods and services, excluding value added tax.

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is possible that a liability or asset will crystallise in the future.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 30th June 2000

| | Notes | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 284,270 | 277,727 |
| Cost of sales | | ( 259,059) | (253,675) |
| Gross profit | | 25,211 | 24,052 |
| Distribution costs | | (11,080) | (10,887) |
| Administrative expenses | | | |
| Exceptional item | | - | (277) |
| Other administrative costs | | (6,880) | (6,971) |
| Other operating income | | 501 | 417 |
| **Operating profit** | 3 | 7,752 | 6,334 |
| Interest receivable | | 144 | 130 |
| Interest payable | 5 | (373) | (426) |
| **Profit on ordinary activities before taxation** | | 7,523 | 6,038 |
| Tax on profit on ordinary activities | 6 | (2,372) | (1,971) |
| **Profit on ordinary activities after taxation** | | 5,151 | 4,067 |
| Equity dividends | 7 | (2,023) | (1,724) |
| **Retained profit for year** | 18 | 3,128 | 2,343 |
| **Earnings per ordinary share** | 9 | 15.1p | 11.8p |
| **Diluted earnings per share** | 9 | 15.0p | 11.7p |

***All operations are continuing***

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and the historical cost equivalents.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Profit for the financial year | 5,151 | 4,067 |
| Currency translation differences on foreign currency net investments | 2 | - |
| Total recognised gains relating to the year | 5,153 | 4,067 |

**CONSOLIDATED BALANCE SHEET**

At 30th June 2000

| | Notes | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 10 | 2,850 | 3,121 |
| Investments | 11 | 2,833 | 2,833 |
| | | 5,683 | 5,954 |
| **Current assets** | | | |
| Stocks | 12 | 11,262 | 12,896 |
| Debtors - amounts falling due within one year | 13 | 41,294 | 34,216 |
| Cash at bank and in hand | | 1,032 | 4,984 |
| | | 53,588 | 52,096 |
| **Current liabilities** | | | |
| Creditors - amounts falling due within one year | 14 | ( 23,969) | (25,331) |
| **Net current assets** | | 29,619 | 26,765 |
| **Total assets less current liabilities** | | 35,302 | 32,719 |
| Creditors - amounts falling due after more than one year | 15 | ( 944) | (1,053) |
| Provisions for liabilities and charges | 16 | (1) | (9) |
| **Net assets** | | 34,357 | 31,657 |
| **Capital and reserves** | | | |
| Called up share capital | 17 | 1,699 | 1,724 |
| Share premium account | 18 | 5,711 | 5,706 |
| Capital redemption reserve | 18 | 72 | 47 |
| Profit and loss account | 18 | 26,875 | 24,180 |
| **Equity shareholders' funds** | 19 | 34,357 | 31,657 |

The financial statements on pages 23 to 36 were approved by the Board of Directors on 22nd September 2000 and were signed on its behalf by :

D. M. Phillips
Chairman

H.W. Matthews
Managing Director

## COMPANY BALANCE SHEET

At 30th June 2000

| | Notes | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 10 | 2,850 | 3,121 |
| Investments | 11 | 2,833 | 2,833 |
| | | 5,683 | 5,954 |
| **Current assets** | | | |
| Stocks | 12 | 11,262 | 12,896 |
| Debtors - amounts falling due within one year | 13 | 41,228 | 34,262 |
| Cash at bank and in hand | | 1,032 | 4,980 |
| | | 53,522 | 52,138 |
| **Current liabilities** | | | |
| Creditors - amounts falling due within one year | 14 | (23,946) | (25,324) |
| **Net current assets** | | 29,576 | 26,814 |
| **Total assets less current liabilities** | | 35,259 | 32,768 |
| Creditors - amounts falling due after more than one year | 15 | (944) | (1,053) |
| Provisions for liabilities and charges | 16 | ( 1) | (9) |
| **Net Assets** | | 34,314 | 31,706 |
| **Capital and reserves** | | | |
| Called up share capital | 17 | 1,699 | 1,724 |
| Share premium account | 18 | 5,712 | 5,706 |
| Capital redemption reserve | 18 | 72 | 47 |
| Profit and loss account | 18 | 26,831 | 24,229 |
| **Equity shareholders' funds** | | 34,314 | 31,706 |

D.M. Phillips, Chairman

H.W. Matthews, Managing Director

22nd September 2000

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June 2000

| | Notes | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| **Cash inflow from continuing operating activities** | 20 | 554 | 7,803 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 144 | 130 |
| Interest paid | | (363) | (495) |
| Income from fixed asset investments | | 200 | 189 |
| **Net cash outflow from returns on investments and servicing of finance** | | (19) | (176) |
| **Taxation** | | | |
| UK corporation tax paid | | (2,487) | (2,812) |
| ACT paid | | - | (51) |
| | | (2,487) | (2,863) |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (557) | (1,104) |
| Sale of tangible fixed assets | | 31 | 165 |
| **Net cash outflow from capital expenditure and financial investment** | | (526) | (939) |
| Equity dividends paid | | (1,870) | (1,552) |
| **Cash (Outflow)/inflow before financing** | | (4,348) | 2,273 |
| **Financing** | | | |
| Purchase of shares | | (435) | (26) |
| Issue of ordinary share capital | | 5 | - |
| Debt due beyond a year : | | | |
| Repayment of secured loan | | (109) | (98) |
| **Net cash outflow from financing** | | (539) | (124) |
| **(Decrease)/increase in cash in the period** | 20 | (4,887) | 2,149 |

## NOTES TO THE ACCOUNTS

### 1. Company profit and loss account

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements.

### 2. *Turnover and profit on ordinary activities before taxation*

| | Turnover | | Profit on ordinary activities before taxation | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | £'000 | £'000 | £'000 | £'000 |
| Dealing in computers, computer printers and peripheral equipment | 284,270 | 277,727 | 7,523 | 6,038 |

The Group operates in one market sector and within UK and Europe. Therefore, turnover, profit on ordinary activities before tax and net assets do not need to be separately analysed.

### 3. Operating profit

*Operating profit is stated after (crediting)/ charging:*

| | 2000 | 1999 |
|---|---|---|
| | £'000 | £'000 |
| Other operating income | (501) | (417) |
| Income from fixed asset investment | (200) | (189) |
| Profit on exchange | (72) | (106) |
| Staff costs (see note 4) | 10,893 | 10,035 |
| Rentals under other operating leases - land and buildings | 611 | 611 |
| Depreciation of tangible fixed assets | 817 | 867 |
| Profit on sale of tangible fixed assets | (23) | (25) |
| Auditors' remuneration (Group and Company) -audit services | 54 | 52 |
| other services | 7 | 30 |

## NOTES TO THE ACCOUNTS

### 4. Directors and employees

The average monthly number of persons (including Directors) employed by the Group during the year was:

| | 2000<br>Number | 1999<br>Number |
|---|---|---|
| Sales | 142 | 153 |
| Administration | 96 | 96 |
| Warehouse | 95 | 101 |
| Engineering | 84 | 66 |
| | 417 | 416 |

| | | |
|---|---|---|
| Staff costs: | £'000 | £'000 |
| Wages and salaries | 9,589 | 8,890 |
| Social security costs | 1,113 | 959 |
| Other pension costs | 191 | 186 |
| | 10,893 | 10,035 |

Details of Directors' remuneration are set out in the Report to the shareholders by the Board on Directors' Remuneration on pages 12 to 13.

### 5. Interest payable

| | | |
|---|---|---|
| On bank overdrafts | 282 | 326 |
| On bank loans | 91 | 100 |
| | 373 | 426 |

### 6. Taxation on ordinary activities

| | | |
|---|---|---|
| United Kingdom corporation tax: | | |
| Current at 30% (1999 - 31%) | 2,371 | 2,035 |
| Deferred tax | (8) | (26) |
| Adjustment in respect of prior years | 9 | (38) |
| | 2,372 | 1,971 |

### 7. Dividends

| | 2000<br>£'000 | 1999<br>£'000 |
|---|---|---|
| Ordinary interim dividend paid of 2.0p per share (1999: 1.5p per share) | 680 | 517 |
| Ordinary final dividend proposed of 4.0p per share (1999: 3.5p per share) | 1,360 | 1,207 |
| Over provision of 1998 final dividend | (17) | - |
| | 2,023 | 1,724 |

## NOTES TO THE ACCOUNTS

| **8. Profit for the year** | **£'000** | **£'000** |
|---|---|---|
| Dealt with in the accounts of the Company | 5,060 | 4,032 |
| | ======= | ======= |

**9. Earnings per ordinary share**

The calculation of earnings per ordinary share is based on the profit after taxation of £5,151,400 (1999: £4,067,000) and on 34,131,038 ordinary shares (1999: 34,496,613). The number of ordinary shares in issue during the years ended 30th June 2000 and 30th June 1999 are the weighted average in issue during each year.

Computation of Earnings per share for 2000

| | Per share | Earnings | Shares |
|---|---|---|---|
| Net profit for year | | £5,151,400 | |
| Weighted average shares outstanding during year | | | 34,131,038 |
| Basic earnings per share | 15.1p | | |
| Dilutive effect of options | | | 323,314 |
| Diluted earnings per share | 15.0p | £5,151,400 | 34,454,352 |

**10. Tangible fixed assets**

**Group and Company**

| | Freehold premises £'000 | Short leasehold improvements £'000 | Long leasehold premises £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| At 1st July 1999 | 1,058 | 1,316 | 17 | 2,364 | 120 | 1,051 | 5,926 |
| Additions | - | 77 | - | 290 | 12 | 178 | 557 |
| Disposals | - | - | - | (514) | - | (131) | (645) |
| At 30th June 2000 | 1,058 | 1,393 | 17 | 2,140 | 132 | 1,098 | 5,838 |
| Depreciation | | | | | | | |
| At 1st July 1999 | 103 | 587 | 8 | 1,483 | 83 | 541 | 2,805 |
| Charge for the year | 15 | 143 | 1 | 429 | 17 | 212 | 817 |
| Eliminated on Disposals | - | - | - | (512) | - | (122) | (634) |
| At 10th June 2000 | 118 | 730 | 9 | 1,400 | 100 | 631 | 2,988 |
| Net book value At 30th June 2000 | 940 | 663 | 8 | 740 | 32 | 467 | 2,850 |
| | ===== | ====== | ===== | ======= | ====== | ==== | ===== |
| Net book value At 30th June 1999 | 955 | 729 | 9 | 881 | 37 | 510 | 3,121 |
| | ===== | ====== | ===== | ======= | ====== | ==== | ===== |

## NOTES TO THE ACCOUNTS

### 11. Investments

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | **2000** | **1999** | **2000** | **1999** |
| | | ***£'000*** | ***£'000*** | ***£'000*** | ***£'000*** |
| Shares in Group companies | a) | - | - | - | - |
| Loan to Group company | b) | - | - | - | - |
| Freehold investment properties | c) | 2,833 | 2,833 | 2,833 | 2,833 |
| | | 2,833 | 2,833 | 2,833 | 2,833 |

a) **Shares in Group companies**

Northamber plc has two trading subsidiaries, Solution Technology Limited and Xitan Limited, which are incorporated in Great Britain, are wholly owned and distribute computer software and computer peripherals allied to their computer graphics software. All other subsidiaries are dormant.

| | Company | |
|---|---|---|
| | **2000** | **1999** |
| | **£'000** | **£'000** |
| Shares in Group companies at cost | | |
| Balance brought forward | 32 | 33 |
| Disposal | - | (1) |
| Balance carried forward | 32 | 32 |
| Provision | | |
| Balance brought forward | (32) | (33) |
| Disposal | - | (1) |
| Balance carried forward | (32) | (32) |
| | - | - |

b) **Loan to Group company**

| | | |
|---|---|---|
| Loan | 815 | 815 |
| Provision | (815) | (815) |
| | - | - |

c) **Freehold investment properties**
**Group and Company**

| | | |
|---|---|---|
| Balance brought forward | 2,833 | 2,483 |
| Transfer from Fixed Assets | - | 350 |
| | 2,833 | 2,833 |

In the opinion of the Directors there was no significant difference between the open market value and the book value of the investment properties as at 30th June 2000.

## NOTES TO THE ACCOUNTS

### 12. Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | £'000 | £'000 | £'000 | £'000 |
| Stocks comprise: | | | | |
| Goods for resale | 11,262 | 12,896 | 11,262 | 12,896 |

## NOTES TO THE ACCOUNTS

### 13. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | £'000 | £'000 | £'000 | £'000 |
| **Amounts falling due within one year** | | | | |
| Trade debtors | 40,718 | 33,656 | 40,241 | 33,500 |
| Amount owed by subsidiaries | - | - | 411 | 202 |
| Other debtors | 25 | 3 | 25 | 3 |
| Prepayments and accrued income | 551 | 298 | 551 | 298 |
| Advance corporation tax | - | 259 | - | 259 |
| | 41,294 | 34,216 | 41,228 | 34,262 |

### 14. Creditors

| | | | | |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Bank overdraft (secured see note 23) | 936 | 1 | 936 | 1 |
| Trade creditors | 16,397 | 19,288 | 16,380 | 19,286 |
| Corporation tax | 1,691 | 2,057 | 1,691 | 2,057 |
| Other taxation and social security payable | 2,192 | 1,793 | 2,192 | 1,793 |
| Other creditors | 5 | 1 | 5 | 1 |
| Accruals and deferred income | 1,388 | 984 | 1,382 | 979 |
| Dividend payable | 1,360 | 1,207 | 1,360 | 1,207 |
| | 23,969 | 25,331 | 23,946 | 25,324 |

### 15. Creditors

| | | | | |
|---|---|---|---|---|
| ***Amounts falling due after more than one year*** | | | | |
| Mortgage secured on the investment property and the income therefrom repayable by 2004. | | | | |
| Fixed rate at 7.82% | 944 | 980 | 944 | 980 |
| Variable at 1% above LIBOR | - | 73 | - | 73 |
| | 944 | 1,053 | 944 | 1,053 |

The above Sterling loan represents the sole financial instrument of the Group as short term debtors and creditors have been excluded as permitted by FRS13.The fair value of the loan is deemed not to be materially different from the carrying value. Narrative disclosures relating to the Group's treasury activities and financial instruments, which are in sterling, have been included in the Financial Review on page 9.

*NOTES TO THE ACCOUNTS*

## 16. Provisions for liabilities

**Deferred tax movement**

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Opening balance | 9 | 35 |
| Current year credit | (8) | (26) |
| Closing balance | 1 | 9 |

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

| Group | Provided 2000 £'000 | 1999 £'000 | Unprovided 2000 £'000 | 1999 £'000 |
|---|---|---|---|---|
| Capital allowances in excess of depreciation. | 1 | 9 | 703 | 703 |
| Other losses | - | - | (53) | (57) |
| | 1 | 9 | 640 | 646 |

| Company | Provided 2000 £'000 | 1999 £'000 | Unprovided 2000 £'000 | 1999 £'000 |
|---|---|---|---|---|
| Capital allowances in excess of depreciation. | 1 | 9 | 703 | 703 |
| Other losses | - | - | - | - |
| | 1 | 9 | 703 | 703 |

## 17. Called up share capital

| | 2000 Number of ordinary shares | 1999 Number of ordinary shares | 2000 £'000 | 1999 £'000 |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of 5p each | 40,000,000 | 40,000,000 | 2,000 | 2,000 |
| Allotted, called up and fully paid: | | | | |
| Ordinary shares of 5p each | 33,989,000 | 34,473,696 | 1,699 | 1,724 |

During the year share options for 14,000 shares were excercised as noted below

| | Number of ordinary shares | Nominal value | Consideration £ |
|---|---|---|---|
| Employee share option scheme at £0.3875 | 14,000 | 700 | 5,425 |
| | 14,000 | 700 | 5,425 |

## NOTES TO THE ACCOUNTS

At 30th June 2000, options over 459,600 ordinary shares of 5p each remained outstanding. The aggregate value of subscription prices of these options is £163,738.

The options outstanding at 30th June 2000 include options for a Director of 419,600 ordinary shares disclosed in the Directors' Report. They are exercisable at prices between 10p and 73.75p per share between 4th December 1995 and 11th July 2005.

During the year the Company purchased 498,696 ordinary shares of 5p each at a total cost including expenses of £435,642.

### 18. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | Share Premium Account £'000 | Profit and Loss Account £'000 | Share Premium Account £'000 | Profit and Loss Account £'000 |
| At 1st July 1999 | 5,706 | 24,180 | 5,706 | 24,229 |
| Profit for year | - | 3,128 | - | 3,038 |
| Purchase of own shares | - | (435) | - | (435) |
| Issue of Shares | 5 | - | 5 | - |
| Net Exchange Differences | - | 2 | - | - |
| At 30th June 2000 | 5,711 | 26,875 | 5,711 | 26,832 |

| | Group Capital redemption reserve £'000 | Company Capital redemption reserve £'000 |
|---|---|---|
| At 1st July 1999 | 47 | 47 |
| Transfer from share Capital account | 25 | 25 |
| At 30th June 2000 | 72 | 72 |

### 19. Reconciliation of movements in equity shareholders' funds

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Profit for the financial period | 5,151 | 4,067 |
| Dividends | (2,023) | (1,724) |
| | 3,128 | 2,343 |
| Other recognised profit relating to the period (net) | 2 | - |
| Decrease in share capital | (25) | (1) |
| Increase in share premium account | 5 | - |
| Net increase in shareholders' funds | 3,110 | 2,342 |
| Opening equity shareholders' funds | 31,657 | 29,340 |
| Purchase of own shares | (410) | (25) |
| Closing equity shareholders' funds | 34,357 | 31,657 |

## NOTES TO THE ACCOUNTS

### 20. Cash flow

a) Reconciliation of operating profit to operating cash flows

| | Group | |
|---|---|---|
| | **2000** | **1999** |
| | **£'000** | **£'000** |
| **Continuing operations** | | |
| Operating profit | 7,752 | 6,334 |
| Income from fixed assets investments | (200) | (189) |
| Depreciation of tangible fixed assets | 817 | 867 |
| Profit on sale of tangible fixed assets | (23) | (25) |
| Decrease in stocks | 1,634 | 920 |
| (Increase) / decrease in trade debtors | (7,063) | 1,792 |
| (Increase) / decrease in other debtors | (22) | 36 |
| (Increase) / decrease in prepayments and accrued income | (253) | 82 |
| (Decrease) / increase in trade creditors | (2,891) | 302 |
| Increase / (decrease) in other taxation and social security | 399 | (2,163) |
| Increase / (decrease) in accruals and deferred income | 404 | (430) |
| Exceptional Item | - | 277 |
| Net cash inflow from continuing operating activities | 554 | 7,803 |

b) Reconciliation of net cash flow to movement in net funds

| | | |
|---|---|---|
| Decrease / (increase) in cash in the period | (4,887) | 2,149 |
| Cash outflow from changes in debt | 109 | 98 |
| Change in net debt resulting from cash flows and the movement in net debt in the period | (4,778) | 2,247 |
| Net funds brought forward | 3,930 | 1,683 |
| **Net (debt)/funds carried forward** | **(848)** | **3,930** |

c) Analysis of net debt

| | At 1st July 1999<br>£'000 | Cash Flow<br>£'000 | At 30th June 2000<br>£'000 |
|---|---|---|---|
| Cash at bank and in hand | 4,984 | (3,952) | 1,032 |
| Overdrafts | (1) | (935) | (936) |
| | 4,983 | (4,887) | 96 |
| Debt due after more than one year | (1,053) | 109 | (944) |
| Total | 3,930 | (4,778) | (848) |

## NOTES TO THE ACCOUNTS

### 21. Capital commitments

There were capital commitments at 30th June 2000 of £1,342,326 (1999- £nil).

### 22. Financial commitments

At 30th June 2000 the Grot p had annual commitments under non-cancellable operating leases as follows :

| | 2000 Land and Buildings £'000 | 1999 Land and Buildings £'000 |
|---|---|---|
| Expiring within one year | 171 | - |
| Expiring between two and five years | 55 | 226 |
| Expiring in over five years | 935 | 385 |
| | 1,161 | 611 |

### 23. Guarantees

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

The above guarantee is secured by a legal mortgage on the Company's leasehold and freehold properties, a fixed charge o.1 all book debts and a floating charge over all other assets. As at 30th June 2000 the aggregate of overc rafts relating to these companies was £936,401 (1999- £1,454).

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

### 24. Related party transactions

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

**NOTICE OF MEETING**

Notice is hereby given that the Annual General Meeting of Northamber plc will be held at 1, Lion Park Avenue, Chessington, Surrey KT9 1ST on 10th November 2000 at 12.00 noon for the following purposes:-

1. To receive and adopt the Company's accounts for the year ended 30th June 2000 and the Directors' and auditors' reports thereon.
2. To declare a dividend on the ordinary shares of the Company.
3. To re-elect Mr P Fisher as a Director.
4. To appoint Mr T Caplin as Deputy Chairman
5. To reappoint Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration.

ORDINARY RESOLUTION

6 (1) THAT, in accordance with Section 80 of the Companies Act 1985 ("the Act"), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Act) up to an aggregate nominal amount of £276,315 provided that this authority (unless previously revoked or renewed) shall expire on 10th November 2000 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

6 (2) THAT, conditionally upon the passing of the resolution numbered 6(1) above, in accordance with section 95 (1) of the Companies Act 1985 ("the Act"), the Directors be and are hereby given power for the period commencing on and with effect from the date of adoption of this resolution and expiring on the earlier of 10th February 2001 and the date of the next Annual General Meeting of the Company to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by the resolution numbered 6(1) above as if Section 89 (1) of the Act did not apply to such allotment provided that the power hereby conferred shall be limited to:-

(a) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange; and

(b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) hereof) up to a maximum nominal value of £23,680;

and the power conferred by this resolution 5(2) shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would require such equity securities to be allotted after such expiry.

6 (3) THAT the Company be and is hereby unconditionally and generally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 5p in the capital of the Company, provided that:

(a) the maximum number of shares hereby authorised to be acquired is £3,447,369 representing 10 per cent of the present issued share capital;

(b) the minimum price which may be paid for such shares is 5p per share (exclusive of all expenses);

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

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

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

By Order of the Board

David Ives, ACA Secretary
22nd September 2000

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

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

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

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

(a) copies of the executive Directors' service agreements with the Company; and

(b) the Register of Directors' Interests.