1494384

# Northamber plc

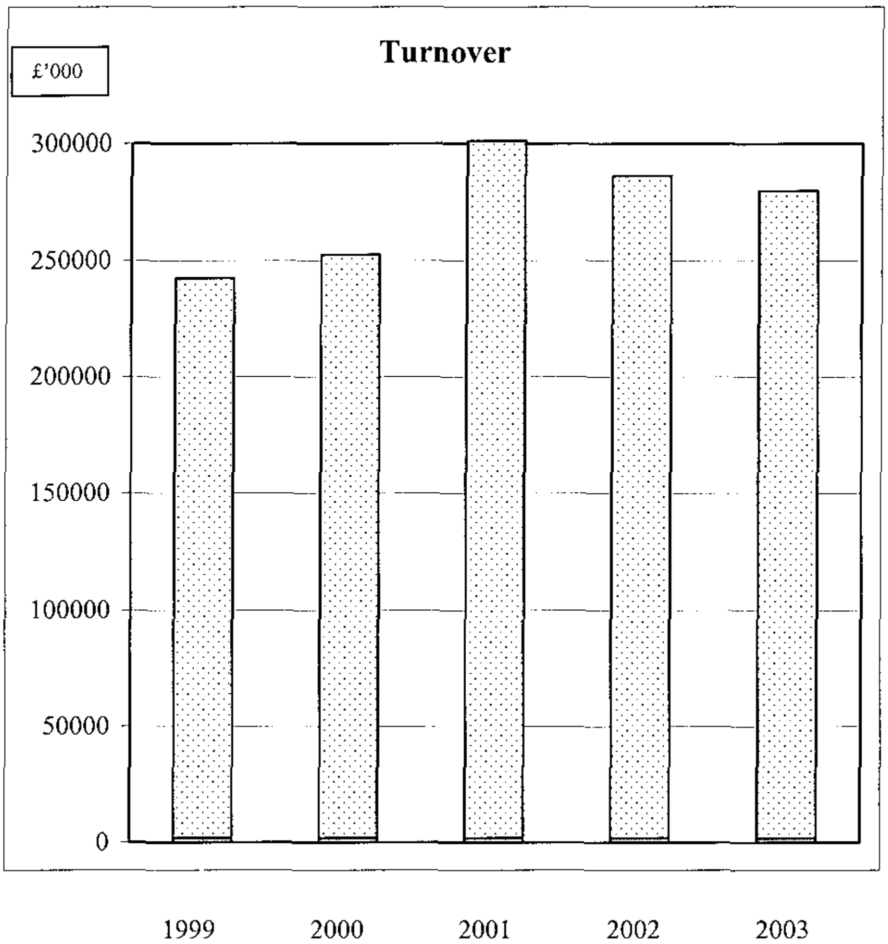
## Full Year Ended 30th June 2003

# REPORT AND ACCOUNTS

## CONTENTS

## SUMMARY OF LAST FIVE YEARS' TRADING

| | ------------------ | ------------------Years ending 30 June | ------------------ | ------------------ | |
|---|---|---|---|---|---|
| | 2003<br>£'000 | 2002<br>£'000 | 2001<br>£'000 | 2000<br>£'000 | 1999<br>£'000 |
| Turnover | 240,481 | 250,410 | 299,170 | 284,270 | 277,727 |
| Profit Before Tax | 422 | 456 | 5,508 | 7,523 | 6,038 |
| Earnings Per Share | 0.94p | 0.91p | 11.3p | 15.1p | 11.8p |
| Net Assets Per Share | 98.3p | 100.7p | 103.7p | 99.0p | 89.8p |
| Dividends Per Share(net) | 3.0p | 4.2p | 6.2p | 6.0p | 5.0p |



## CHAIRMAN'S STATEMENT

### Results

The Board is pleased to report a very strong second half performance by the Group which has resulted in a creditable full year outcome of pre-tax profits of £422,000 (£456,000 including an exceptional profit of £321,000 as at 30th June 2002). Shareholders will recall that at the interim stage the Group reported a disappointing pre-tax loss of £260,000.

Ongoing price erosion reduced sales revenues to £240 million (£250 million: 30th June 2002) negating the growth in our own average unit sales and we believe that we have again increased market share. Overly competitive price and resultant margin pressures continue to prevail and reflect the basic problems within the I.T. hardware sector.

Obscured within the result is our continued avoidance of loss making sales of mere revenue products. This contributed to a modest 0.16% point increase in gross margin and whilst sales fell by some 4%, the Board's close attention to costs has reduced total overheads by 5.2%.

On a positive note, earnings per share increased to 0.94p from the 0.91p of a year ago. At the year end we had a significant £7.165 million cash balance and we continue to remain debt free. Subject to confirmation by shareholders at the AGM, this will enable the Board to recommend a final cash dividend of 2.0p (net), making a total of 3.0p for the full year, (compared with 4.2p last year).

After dividend payments and £174,000 spent on the re-purchase of the Company's ordinary shares for cancellation, net assets per share were 98.3p against the 100.7p reported a year ago.

### Trading

Sales of distributed PC's were reported as having fallen over the first half of 2003. Also, the volume market place and inherent lack of commercial profitability over the past year required a review of the Group's operations at the end of 2002 and with it, a strategic change in general direction.

With sales of volume PC's and most accessories continuing to lack adequate commercial returns, it is necessary that we evolve our business model to become more commercially viable. That entails re-enforcing our focus on key relationships, whilst shifting emphasis and investment further up both the technology and value chains. This change was commenced late last year and, albeit slowly, is progressing to plan.

Our existing higher value activities have continued to perform in-line with market conditions. Disappointingly, the malaise of the volume markets has also been somewhat reflected in this area.

### The Balance Sheet

Continued strong cash management during the period enabled the Group to end the year with a very strong £7.17 million (£8.59 million: 30th June 2002) net cash position at year-end, which was again coupled with zero debt.

Net assets of £31.86 million are after the annual depreciation charge of £1.05 million, dividend payments of £977,000 and £174,000 spent on the re-purchase of 326,400 ordinary shares for cancellation.

Stock levels reduced to £13.21 million from £14.59 million and stock turns also benefited with an increase from 16 to 17 times.

**The Board**

After very many years association with the group, Graham Cole advised that his other commitments strained his ability to properly carry out his role as a non-executive director. We shall miss his input and wish his new venture every success.

**Dividend**

Reviewing dividend policy against the current background is difficult. With our strong cash management and net cash position, pending a return to realistic levels of trading, it is proposed that the final dividend be maintained at 2.0p (net). This would be at a cost to our reserves of £648,000. If approved, the proposed dividend will be payable on 9th January 2004 to members on the Register as at 19th December 2003.

**OUTLOOK**

Within any new constraints that might arise within the sector or economy, we have reasonable expectations and your Board is confident in the outcome for the year.

D.M. Phillips
Chairman
18th September, 2003

## Operating and Financial review

### Operating Review

The 2002/03 results reflect the continuing difficult and depressed market conditions in the I.T. hardware sector. Our experienced management team, together with our extensive range of manufacturers and products enabled Northamber to minimise the effect on its results.

Operating as a wholesale distributor for leading computer and peripheral manufacturers, our core products remain personal computers, servers, notebooks, printers, computer components, network products and telephony products.

### Financial Review

As detailed in the Chairman's statement sales fell by some £10 million to £240 million with pre-tax profits of £0.422 million. Actions taken to avoid low margin and loss making turnover meant that gross margin increased over the year from 7.71% to 7.87%.

Controls over overheads meant that operating profit increased from £0.029 million to £0.405 million over the year despite a reduction in gross profit from £19.317 million to £18.918 million.

Stringent control over working capital meant that a significant cash balance was maintained amounting to £7.165 million at the end of the year. Average debtor days were 35 (2002 - 33) and the average creditor days were 27 (2002 – 29)

The company's main objective is to retain a strong balance sheet position, this it has continued to do.

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

Henry Matthews
Managing Director
18th September 2003

## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the accounts for the year ended 30th June 2003.

### Principal Activities

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

### Review of Business

The consolidated profit and loss account for the financial year is set out on page 21.

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.

### Dividends

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

| | 2003 | 2002 |
|---|---|---|
| | £'000 | £'000 |
| Ordinary dividends - | | |
| Interim Paid | 324 | 715 |
| Proposed final | 648 | 649 |
| | 972 | 1,364 |

The final dividend will be paid on 9th January 2004 to all members on the register at the close of business on 19th December 2003.

### Directors

The current Directors of the Company are listed on page 17.
Mr G Cole resigned as a director on 1 July 2003.

### Substantial Shareholdings

The following shareholders held disclosable interests, as defined by The Disclosure of Interests in Shares (Amendment) Regulations 1993, at 29th August 2003 as detailed below:

| | Ordinary Shares of 5p each |
|---|---|
| D.M. Phillips | 53.36% |
| BNY(OCS) Nominees Limited | 8.23% |
| HSBC Global Custody Nominees Ltd | 4.65% |
| R C Greig Nominees Limited | 3.48% |
| H W Matthews | 3.10% |

### Purchase of own Shares

During the year the Company purchased 326,400 ordinary shares of 5p each. These purchases represented 1.0% of the issued share capital at 30th June 2002. The average price of 53.41p per share was paid, the total cost of purchase including expenses being £174,322. The reason for the purchase was to enhance the earnings per share.

At the end of the year, the Directors had authority, under the shareholders' resolutions of 15 November 2002 to purchase through the market 2,920,000 of the Company's ordinary shares at prices ranging between 5p and 105% of the average middle market quotations for those shares as derived from the Daily Official List of the London Stock Exchange on the 10 dealing days immediately preceding the day on which the shares are contracted to be purchased. This authority expires on 14th November 2003, the date of the next Annual General Meeting.

### Auditors

On 1st August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1st August 2003 under the provisions of section

26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

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

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

Creditor days of the Group and of the Company at 30th June 2003 were 27 (2002 – 29). 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 £900 (2002 - £250). No political donations were made in the year (2002 - Nil).

By order of the Board

S. Yoganathan ACMA
Company Secretary
18th September 2003

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

## Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of Directors' remuneration in respect of periods ending on or after 31st December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. 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 members on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

## Unaudited information

### *Directors' Remuneration*

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

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

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

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

**Salaries and Benefits**
The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for executive Directors. The remuneration packages are benchmarked to ensure comparability with companies of a similar size and complexity. The bonuses have regard to personal performance measured against pre-stated objectives and profitability of the Company.

**Share Options**
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.

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

The pension scheme for D. M. Phillips and H. W. Matthews is a small, self-administered scheme that is limited by trust deed and scheme rules. The elements of remuneration that are pensionable are discretionary under the scheme. For the years to 30th June 2003 and 30th June 2002 no contributions were made to the scheme for either Director. The scheme falls outside the Inland Revenue pensions cap and is separate from the main staff pension scheme.

**Contracts of service**
The two executive Directors, D. M. Phillips and H. W. Matthews, have service contracts which were renewed with effect from 1st April 2003 as one year rolling contracts.

**Performance graph**

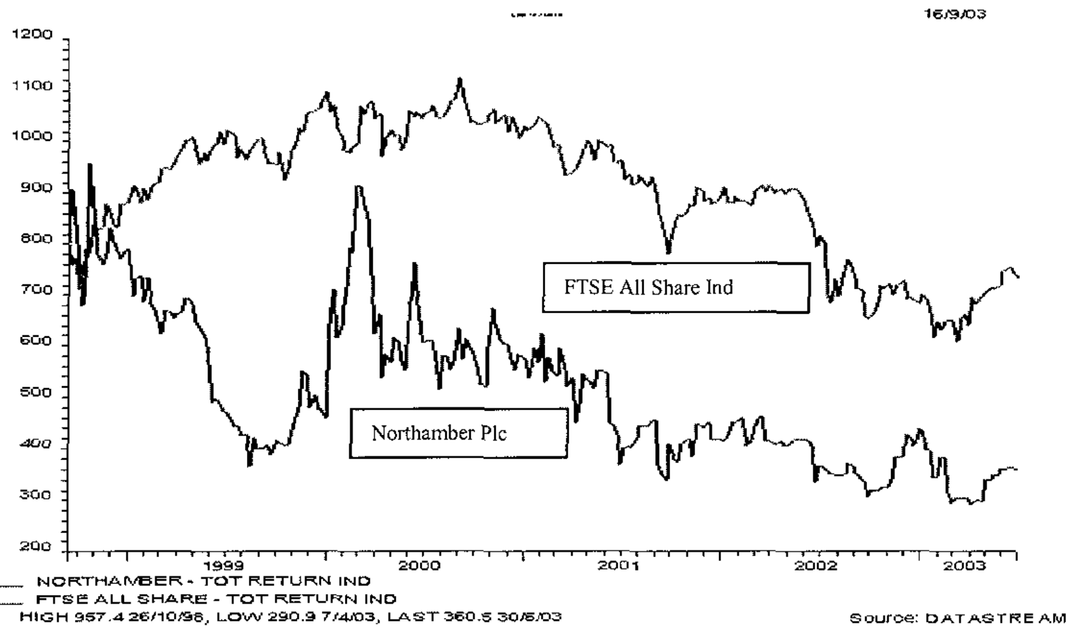



**Figure 1**

## Audited information

**Directors' detailed emoluments**
Details of Directors' emoluments are as follows:

| | Salaries and Fees | | Bonus Payments | | Benefits | | Total | | Pension | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| ***Executives*** | | | | | | | | | | |
| D. M. Phillips | 45 | 180 | - | - | 17 | 26 | 62 | 206 | - | - |
| H. W. Matthews | 200 | 200 | - | - | 29 | 19 | 229 | 219 | - | - |
| **Non-Executive** | | | | | | | | | | |
| G. Cole | 2 | 4 | - | - | - | - | 2 | 4 | - | - |
| A.L. Caplin | 18 | 23 | - | - | - | - | 18 | 23 | - | - |
| M J Aryton | 2 | - | - | - | - | - | 2 | - | - | - |
| | 267 | 407 | - | - | 46 | 45 | 313 | 452 | - | - |

**Directors' interests**

**Interests in shares**

Directors in office at 30th June 2003 had the following beneficial interests in the shares of the Company:

| Ordinary Shares of 5p each | 30th June 2003 | 30th June 2002 |
|---|---|---|
| D.M. Phillips | 17,288,295 | 17,288,295 |
| H.W. Matthews | 1,004,724 | 743,324 |
| G.Cole | 2,000 | 2,000 |
| A.L. Caplin | 94,000 | 94,000 |
| M. J. Ayton | 5,630 | 5,630 * |

* at date of appointment as a director

Between 30th June 2003 and 29th August 2003 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 30th June 2003 was 60p. The range of market prices during the year was 49.5p to 81.5p.

**Interests in share options**

Details of options held by Directors are set out below:

| **Share Options** | **30th June 2003** | **30th June 2002** |
|---|---|---|
| H.W. Matthews | 158,200 | 419,600 |

| ***Share Options*** | ***No.*** | ***Exercise Price*** | ***Exercise Date*** |
|---|---|---|---|
| H.W. Matthews | 158,200 | 73.75p | 12th July 1998 - 11th July 2005 |

The last options to be granted to H.W. Matthews were in July 1995. The granting was not conditional on any performance criteria.

On 15th Novermber 2002 Mr H. W. Matthews exercised his option over 261,400 shares at the option price of 10p per share. The quoted share price for that day was 65p, the gain on that date was therefore £143,770. The options were available to be exercised between 4th December 1995 and 3rd December 2002.

S. Yoganathan ACMA
By order of the Board
18th September 2003

## CORPORATE GOVERNANCE

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

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

### DIRECTORS

**Board of Directors**

The Company is led and controlled through the Board of Directors, which durng last year comprised two executive and three non-executive Directors. Biographical details of each Director currently in office appear on page 17. 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 duties at the Company's expense.

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

**Non-executive Directors**

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

**Main Board Responsibilities**

The Board meets formally at regular intervals during the year. Meetings are chaired by 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 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 comprised two non-executive Directors, Mr A.L. 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 A.L. Caplin, comprised all the 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

### GOING CONCERN BASIS

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

### RELATIONS WITH SHAREHOLDERS

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

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

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

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

#### Internal Control

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

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

## CORPORATE GOVERNANCE

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.

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.

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 September 2003

## 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 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 five 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.

**By order of the Board**

S. Yoganathan ACMA
Company Secretary
18th September 2003

## DIRECTORS AND ADVISERS

***Non-executive Directors***

**Tony Caplin** *† (Age 52)
Deputy Chairman and senior independent non executive Director
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 57) Resigned on 1st July 2003.
Graham Cole was a partner of Coopers & Lybrand and has been involved with Northamber plc for over fourteen years.

**Michael Ayrton** *† (Age 59)
Michael Ayrton , an Associate member of the Chartered Institute of Bankers, with over 40 years experience in the corporate banking industry, has held a number of senior executive positions with the AIB Group (UK) plc, including Head of Corporate Banking and Head of Risk Management. He is currently an authorised senior credit officer for the National Commercial Bank in Saudi Arabia.

* Member of Remuneration Committee
† Member of Audit Committee

**Executive Directors**

**David Michael Phillips** (Age 58)
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 59)
Managing Director
Henry Matthews joined Northamber plc in 1981 as Sales Director. He was promoted to Managing Director in 1987.

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

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

**Registered Auditors**
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

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

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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by United Kingdom 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 the 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 system of internal control 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.

Deloitte & Touche

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

We have audited the financial statements of Northamber Plc for the year ended 30th June 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report described as having been audited have been 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 regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

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

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and 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 and the part of the Directors' remuneration report described as having been audited. 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 and the part of the Directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report described as having been audited.

Deloitte & Touche

**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 2003 and of the profit of the Group for the year then ended; and
- the financial statements and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18th September 2003

## 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 2003.

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, or 25% straight line |
| 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. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. 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 tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise 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. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that is it regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th June 2003

| | Notes | 2003 £'000 | 2002 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 240,481 | 250,410 |
| Cost of sales | | (221,563) | (231,093) |
| Gross profit | | 18,918 | 19,317 |
| Distribution costs | | (11,073) | (11,150) |
| Administrative expenses | | (7,660) | (8,610) |
| Other operating income | | 220 | 472 |
| **Operating profit** | 3 | 405 | 29 |
| Exceptional profit on sale of fixed assets in continuing operations | 4 | - | 321 |
| **Profit on ordinary activities before interest** | | 405 | 350 |
| Interest receivable | | 103 | 142 |
| Interest payable | 6 | (86) | (36) |
| **Profit on ordinary activities before taxation** | | 422 | 456 |
| Tax on profit on ordinary activities | 7 | (116) | (160) |
| **Profit on ordinary activities after taxation** | | 306 | 296 |
| Equity dividends | 8 | (977) | (1,353) |
| **Retained loss for year** | 18 | (671) | (1,057) |
| **Earnings per ordinary share** | 10 | 0.94p | 0.91p |
| **Diluted earnings per share** | 10 | 0.94p | 0.90p |

**All operations are continuing**

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

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30th June 2003

| | 2003 £'000 | 2002 £'000 |
|---|---|---|
| Profit for the financial year | 306 | 296 |
| Currency translation differences on foreign currency net investments | (26) | - |
| Total recognised gains relating to the year | 280 | 296 |
| Total recognised gains and losses since last report | 280 | 296 |

## CONSOLIDATED BALANCE SHEET

At 30th June 2003

| | Notes | 2003 | 2002 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Fixed assets** | | | |
| Tangible assets | 11 | 5,575 | 6,289 |
| Investments | 12 | 2,837 | 2,837 |
| | | 8,412 | 9,126 |
| **Current assets** | | | |
| Stocks | 13 | 13,214 | 14,590 |
| Debtors - amounts falling due within one year | 14 | 27,249 | 27,023 |
| Cash at bank and in hand | | 7,165 | 8,587 |
| | | 47,628 | 50,200 |
| **Current liabilities** | | | |
| Creditors - amounts falling due within one year | 15 | (23,324) | (25,743) |
| **Net current assets** | | 24,304 | 24,457 |
| **Total assets less current liabilities** | | 32,716 | 33,583 |
| Provisions for liabilities and charges | 16 | (859) | (882) |
| **Net assets** | | 31,857 | 32,701 |
| **Capital and reserves** | | | |
| Called up share capital | 17 | 1,620 | 1,623 |
| Share premium account | 18 | 5,724 | 5,711 |
| Capital redemption reserve | 18 | 165 | 148 |
| Profit and loss account | 18 | 24,348 | 25,219 |
| **Equity shareholders' funds** | 19 | 31,857 | 32,701 |

The financial statements on pages 20 to 34 were approved by the Board of Directors on 18th September 2003 and were signed on its behalf by :

D. M. Phillips
Chairman

H.W. Matthews
Managing Director

## COMPANY BALANCE SHEET

At 30th June 2003

| | Notes | 2003 | 2002 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Fixed assets** | | | |
| Tangible assets | 11 | 5,575 | 6,289 |
| Investments | 12 | 2,837 | 2,837 |
| | | 8,412 | 9,126 |
| **Current assets** | | | |
| Stocks | 13 | 13,214 | 14,590 |
| Debtors - amounts falling due within one year | 14 | 27,216 | 26,959 |
| Cash at bank and in hand | | 7,164 | 8,529 |
| | | 47,594 | 50,078 |
| **Current liabilities** | | | |
| Creditors - amounts falling due within one year | 15 | ( 23,570) | (25,950) |
| **Net current assets** | | 24,024 | 24,128 |
| **Total assets less current liabilities** | | 32,436 | 33,254 |
| Provisions for liabilities and charges | 16 | ( 859) | (882) |
| | | 31,577 | 32,372 |
| **Net Assets** | | | |
| **Capital and reserves** | | | |
| Called up share capital | 17 | 1,620 | 1,623 |
| Share premium account | 18 | 5,724 | 5,711 |
| Capital redemption reserve | 18 | 165 | 148 |
| Profit and loss account | 18 | 24,068 | 24,890 |
| **Equity shareholders' funds** | | 31,577 | 32,372 |

D.M. Phillips
Chairman

H.W. Matthews
Managing Director

18th September 2003

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June 2003

| | Notes | 2003 £'000 | 2002 £'000 |
|---|---|---|---|
| **Cash (outflow)/inflow from continuing operating activities** | 20 | (365) | 10,525 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 103 | 142 |
| Interest paid | | (86) | (36) |
| Income from fixed asset investments | | 219 | 255 |
| **Net cash inflow from returns on investments and servicing of finance** | | 236 | 361 |
| **Taxation** | | | |
| UK corporation tax received/(paid) | | 179 | (913) |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (408) | (1,090) |
| Sale of tangible fixed assets | | 62 | 1,361 |
| **Net cash (outflow)/inflow from capital expenditure and financial investment** | | (346) | 271 |
| Equity dividends paid | | (978) | (2,015) |
| **Cash (outflow)/inflow before financing** | | (1,274) | 8,229 |
| **Financing** | | | |
| Purchase of shares | | (174) | (214) |
| Issue of ordinary share capital | | 26 | - |
| Debt due beyond a year : | | | |
| Repayment of secured loan | | - | (831) |
| **Net cash outflow from financing** | | (148) | (1,045) |
| **(Decrease)/increase in cash in the year** | 20 | (1,422) | 7,184 |

## 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 | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | £'000 | £'000 | £'000 | £'000 |
| Dealing in computers, computer printers and peripheral equipment | 240,481 | 250,410 | 422 | 456 |

The Group operates in one market sector, 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:

| | 2003 | 2002 |
|---|---|---|
| | £'000 | £'000 |
| Other operating income | (220) | (472) |
| Income from fixed asset investment | (219) | (255) |
| Staff costs (see note 5) | 10,272 | 10,644 |
| Rentals under other operating leases - land and buildings | 893 | 901 |
| Depreciation of tangible fixed assets | 1,054 | 1,054 |
| Loss on sale of Fixed Assets | 7 | 27 |
| Auditors' remuneration (Group and Company) -audit services | 60 | 60 |
| other services | 7 | 7 |

### 4. Exceptional profit on sale of fixed assets

| | 2003 | 2002 |
|---|---|---|
| | £'000 | £'000 |
| Profit on sale of properties | - | 252 |
| Exceptional profit on sale of motor vehicle | - | 69 |
| | - | 321 |

## NOTES TO THE ACCOUNTS

### 5. Directors and employees

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

| | 2003 Number | 2002 Number |
|---|---|---|
| Sales | 128 | 126 |
| Administration | 100 | 95 |
| Warehouse | 77 | 82 |
| Engineering | 30 | 47 |
| | 335 | 350 |

| Staff costs: | £'000 | £'000 |
|---|---|---|
| Wages and salaries | 9,194 | 9,426 |
| Social security costs | 923 | 1,061 |
| Other pension costs | 155 | 157 |
| | 10,272 | 10,644 |

At the year end there were no accruals or prepayments in respect of the defined contribution pension schemes.

Details of Directors' remuneration are set out in the Report to the shareholders by the Board on Directors' Remuneration on page 11.

### 6. Interest payable

| | | |
|---|---|---|
| On bank overdrafts | 85 | 21 |
| On bank loans | - | 14 |
| Other | 1 | 1 |
| | 86 | 36 |

### 7. Taxation on ordinary activities

| | | |
|---|---|---|
| Current taxation | | |
| UK corporation tax: charge for the year | 210 | 79 |
| Adjustments in respect of prior years | (71) | 3 |
| Total current taxation | 139 | 82 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (23) | 114 |
| Adjustment in respect of prior years | - | (36) |
| Tax on profits on ordinary activities | 116 | 160 |

## NOTES TO THE ACCOUNTS

The standard rate of corporation tax is 30% (2002 30%). The actual tax charge for the current and the previous year exceeds the standard rate for the reasons set out in the following reconciliation.

| | **2003** | **2002** |
|---|---|---|
| | **£'000** | **£'000** |
| Profit on ordinary activities before tax | 422 | 456 |
| Tax on profit on ordinary activities at standard rate | 127 | 136 |
| Factors affecting charge for the year: | | |
| Depreciation for period in excess/(short of) of Capital alowances | 105 | (114) |
| Unitisation of tax losses | - | (10) |
| Expenses not deductible for tax purposes | 5 | 117 |
| Marginal relief | (20) | (5) |
| Profit/(loss) on sale of fixed assets | 2 | (66) |
| Capitalised revenue expenditure | ( 9) | (9) |
| Capital gains | - | 30 |
| Adjustments to tax charge in respect of prior years | (71) | 3 |
| Total actual amount of current tax | 139 | 82 |

### 8. Dividends

| | | |
|---|---|---|
| Ordinary interim dividend paid of 1.0p per share (2002: 2.2p per share) | 324 | 715 |
| Ordinary final dividend proposed of 2.0p per share (2002: 2.0p per share) | 648 | 649 |
| Under/(Over) provision of previous year's final dividend | 5 | (11) |
| | 977 | 1,353 |

### 9. Profit for the year

| | | |
|---|---|---|
| Dealt with in the accounts of the Company | 329 | 301 |

### 10. Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit after taxation of £306,000 (2002: £296,000) and on 32,511,604 ordinary shares (2002: 32,524,260). The number of ordinary shares in issue during the years ended 30th June 2003 and 30th June 2002 were the weighted average in issue during each year.

Computation of Earnings per share for 2003

| | Per share | Earnings | Shares |
|---|---|---|---|
| Net profit for year | | £306,000 | |
| Weighted average shares outstanding during year | | | 32,511,604 |
| Basic earnings per share | 0.94p | | |
| Dilutive effect of options | | | 14,282 |
| Diluted earnings per share | 0.94p | £306,000 | 32,525,886 |

## NOTES TO THE ACCOUNTS

### 11. 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 2002 | 3,047 | 2,511 | 17 | 3,150 | 187 | 686 | 9,598 |
| Additions | 14 | 65 | - | 285 | 1 | 43 | 408 |
| Disposals | - | (76) | (4) | (718) | (59) | (125) | (982) |
| At 30th June 2003 | 3,061 | 2,500 | 13 | 2,717 | 129 | 604 | 9,024 |
| Depreciation | | | | | | | |
| At 1st July 2002 | 151 | 651 | 11 | 2,077 | 81 | 338 | 3,309 |
| Charge for the year | 177 | 233 | 2 | 469 | 44 | 129 | 1,054 |
| Eliminated on Disposals | - | (66) | (4) | (704) | (59) | (81) | (914) |
| At 30th June 2003 | 328 | 818 | 9 | 1,842 | 66 | 386 | 3,449 |
| Net book value At 30th June 2003 | 2,733 | 1,682 | 4 | 875 | 63 | 218 | 5,575 |
| Net book value At 30th June 2002 | 2,896 | 1,860 | 6 | 1,073 | 106 | 348 | 6,289 |

### 12. Investments

| | Notes | Group 2003 £'000 | Group 2002 £'000 | Company 2003 £'000 | Company 2002 £'000 |
|---|---|---|---|---|---|
| Shares in Group companies | a) | - | - | - | - |
| Loan to Group company | b) | - | - | - | - |
| Freehold investment properties | c) | 2,833 | 2,833 | 2,833 | 2,833 |
| Other Investments | d) | 4 | 4 | 4 | 4 |
| | | 2,837 | 2,837 | 2,837 | 2,837 |

a) **Shares in Group companies**

Northamber plc has two significant 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.

NOTES TO THE ACCOUNTS

| **Company** | **2003 £'000** | **2002 £'000** |
|---|---|---|
| Shares in Group companies | | |
| At cost | 32 | 32 |
| Provision | (32) | (32) |
| Book value brought and carried forward | - | - |

| | **2003 £'000** | **2002 £'000** |
|---|---|---|
| **b) Loan to Group company** | | |
| Loan | 815 | 815 |
| Provision | (815) | (815) |
| | - | - |

**Group and Company**

| | **2003 £'000** | **2002 £'000** |
|---|---|---|
| **c) Freehold investment properties** | | |
| Balance brought and carried forward | 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 2003.

| | **2003 £'000** | **2002 £'000** |
|---|---|---|
| **d) Other Investments, other than loans** | | |
| Balance brought and carried forward | 4 | 4 |

**13. Stocks**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2003 £'000** | **2002 £'000** | **2003 £'000** | **2002 £'000** |
| Stocks comprise: | | | | |
| Goods for resale | 13,214 | 14,590 | 13,214 | 14,590 |

**14. Debtors**

| **Amounts falling due within one year** | | | | |
|---|---|---|---|---|
| Trade debtors | 26,837 | 26,525 | 26,768 | 26,461 |
| Amount owed by subsidiaries | - | - | 36 | - |
| Other debtors | - | 8 | - | 8 |
| Prepayments and accrued income | 412 | 490 | 412 | 490 |
| | 27,249 | 27,023 | 27,216 | 26,959 |

## 15. Creditors

| | Group 2003 £'000 | Group 2002 £'000 | Company 2003 £'000 | Company 2002 £'000 |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Trade creditors | 19,792 | 22,259 | 19,775 | 22,248 |
| Amount owed to subsidiaries | - | - | 269 | 232 |
| Corporation tax | 202 | (116) | 201 | (125) |
| Other taxation and social security payable | 1,811 | 1,818 | 1,811 | 1,818 |
| Other creditors | 142 | 1 | 137 | 1 |
| Accruals and deferred income | 729 | 1,132 | 729 | 1,127 |
| Dividend payable | 648 | 649 | 648 | 649 |
| | 23,324 | 25,743 | 23,570 | 25,950 |

## 16. Provisions for liabilities

**Deferred tax movement**

| | Group 2003 £'000 | Group 2002 £'000 | Company 2003 £'000 | Company 2002 £'000 |
|---|---|---|---|---|
| Balance at 1st July 2002 | 882 | 804 | 882 | 804 |
| Profit and loss (credit)/charge | (23) | 78 | (23) | 78 |
| Balance at 30th June 2003 | 859 | 882 | 859 | 882 |

Provision for deferred taxation consists of the following amounts:

| | Group 2003 | Group 2002 | Company 2003 | Company 2002 |
|---|---|---|---|---|
| Capital allowances in excess of depreciation | 156 | 179 | 156 | 179 |
| Other timing differences, Enterprise Zone allowances | 703 | 703 | 703 | 703 |
| | 859 | 882 | 859 | 882 |

## 17. Called up share capital

| | 2003 Number of ordinary shares | 2002 Number of ordinary shares | 2003 £'000 | 2002 £'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 | 32,399,000 | 32,464,000 | 1,620 | 1,623 |

At 30th June 2003, options over 198,200 ordinary shares of 5p each remained outstanding. The aggregate value of subscription prices of these options is £132,173.
The options outstanding at 30th June 2002 include options for a Director of 158,200 ordinary shares disclosed in the Directors' Report. They are exercisable at a price of 73.75p per share between 12th July 1998 and 11th July 2005.
On 15th November 2002 options over 261,400 ordinary shares of 5p each were exercised at a subscription price of 10p per share.
During the year the Company purchased 326,400 ordinary shares of 5p each at a total cost including expenses of £174,322.

**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 2002 | 5,711 | 25,219 | 5,711 | 24,890 |
| Amount transferred from rerserves | - | (671) | - | (648) |
| Purchase of own shares | - | (174) | - | (174) |
| Issue of Shares | 13 | - | 13 | - |
| Loss on Exchange | - | (26) | - | - |
| At 30th June 2003 | 5,724 | 24,348 | 5,724 | 24,068 |

| | Group Capital redemption reserve £'000 | Company Capital redemption reserve £'000 |
|---|---|---|
| At 1st July 2002 | 148 | 148 |
| Transfer from share Capital account | 17 | 17 |
| At 30th June 2003 | 165 | 165 |

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

| | 2003 £'000 | 2002 £'000 |
|---|---|---|
| Profit for the financial year | 306 | 296 |
| Dividends | (977 ) | (1,353) |
| | (671) | (1,057) |
| Other recognised loss relating to the year (net) | (26) | - |
| Decrease in share capital | (3) | (15) |
| Increase in Share Premium Account | 13 | - |
| Increase in Capital Redemption Reserve Fund | 17 | 15 |
| Net decrease in shareholders' funds | (670) | (1,057) |
| Opening equity shareholders' funds | 32,701 | 33,972 |
| Purchase of own shares | (174) | (214) |
| Closing equity shareholders' funds | 31,857 | 32,701 |

## NOTES TO THE ACCOUNTS

### *20. Cash flow*

a) Reconciliation of operating profit to operating cash flows

| | Group | |
|---|---|---|
| | **2003** | **2002** |
| | **£'000** | **£'000** |
| **Continuing operations** | | |
| Operating profit | 405 | 29 |
| Loss on sale of fixed assets | 7 | 27 |
| Income from fixed assets investments | (219) | (255) |
| Depreciation of tangible fixed assets | 1,054 | 1,054 |
| Decrease in stocks | 1,376 | 354 |
| (Increase)/decrease in trade debtors | (338) | 6,119 |
| Decrease/(increase) in other debtors | 8 | (1) |
| Decrease/(increase) in prepayments and accrued income | 78 | (116) |
| (Decrease)/increase in trade creditors | (2,467) | 3,467 |
| Decrease in other taxation and social security | ( 7) | (205) |
| (Decrease)/increase in accruals and deferred income | (403) | 54 |
| Increase/(decrease) in other creditors | 141 | (2) |
| Net cash (outflow)/inflow from continuing operating activities | (365) | 10,525 |

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

| | | |
|---|---|---|
| (Decrease)/increase in cash in the year | (1,422) | 7,184 |
| Cash outflow from changes in debt | - | 831 |
| Change in net debt resulting from cash flows and the movement in net debt in the year | (1,422) | 8,015 |
| Net funds brought forward | 8,587 | 572 |
| Net funds carried forward | 7,165 | 8,587 |

c) Analysis of net funds

| | At 1st July 2002<br>£'000 | Cash Flow<br>£'000 | At 30th June 2003<br>£'000 |
|---|---|---|---|
| Cash at bank and in hand | 8,587 | (1,422) | 7,165 |

### 21. Capital commitments

There were no capital commitments at 30th June 2003 (2002- £35,000).

## NOTES TO THE ACCOUNTS

### 22. Financial commitments

*At 30th June 2003 the Group had annual commitments under non-cancellable operating leases as follows :*

| | 2003 Land and Buildings £'000 | 2002 Land and Buildings £'000 |
|---|---|---|
| Expiring within one year | - | - |
| Expiring between two and five years | - | - |
| Expiring in over five years | 997 | 997 |
| | 997 | 997 |

### 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 on all book debts and a floating charge over all other assets. As at 30th June 2003 the aggregate of overdrafts relating to these companies was £Nil (2002- £Nil)

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 23 Davis Road, Chessington, Surrey KT9 1HS on 14th November 2003 at 3.00p.m. for the following purposes:-

1. To receive and adopt the Company's accounts for the year ended 30th June 2003 and the Directors' and auditors' reports thereon.
2. To receive and approve the Report to Shareholders by the Board on Director's Remuneration.
3. To declare a dividend on the ordinary shares of the Company.
4. Re-elect Mr M. J. Ayrton as a Director.
5. Re-elect Mr T. Caplin as a Director.
6. To reappoint Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration.

ORDINARY RESOLUTION

7 (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 £210,594 provided that this authority (unless previously revoked or renewed) shall expire on 14th November 2004 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

7 (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 14th February 2005 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 7(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 £9,910;

and the power conferred by this resolution 7(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.

7 (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 3,239,900 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

S. Yoganathan ACMA ,
Secretary
18th September 2003

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.