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Northamber plc

Annual Report and Accounts 1997

FINANCIAL HIGHLIGHTS

	14 Month Period ended 30th June 1997	Year ended 30th April 1996
	£'000	£'000
Turnover	314,008	232,907
Operating profit	8,872	6,192
Interest payable (net)	(944)	(625)
Profit before taxation	7,928	5,567
Taxation	(2,173)	(925)
Profit after taxation	5,755	4,642
Dividends	(1,031)	(378)
Retained profit	4,724	4,264
Earnings per share *	16.7p	13.6p
Net dividend per share *	3.0p	1.1p
Net assets per share *†	72.1p	58.5p

The final dividend of 2.4p (net) will be paid on the 6th January 1998 to those members on the register at the close of business on 21st November 1997. The ex-dividend date for the shares will be 17th November 1997.

The Annual General Meeting of Northamber plc will be held at 1 Lion Park Avenue, Chessington, Surrey KT9 1ST on 3rd November 1997 at 12 noon.



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

† Number of shares in issue at 30th June 1997 = 34,368,696

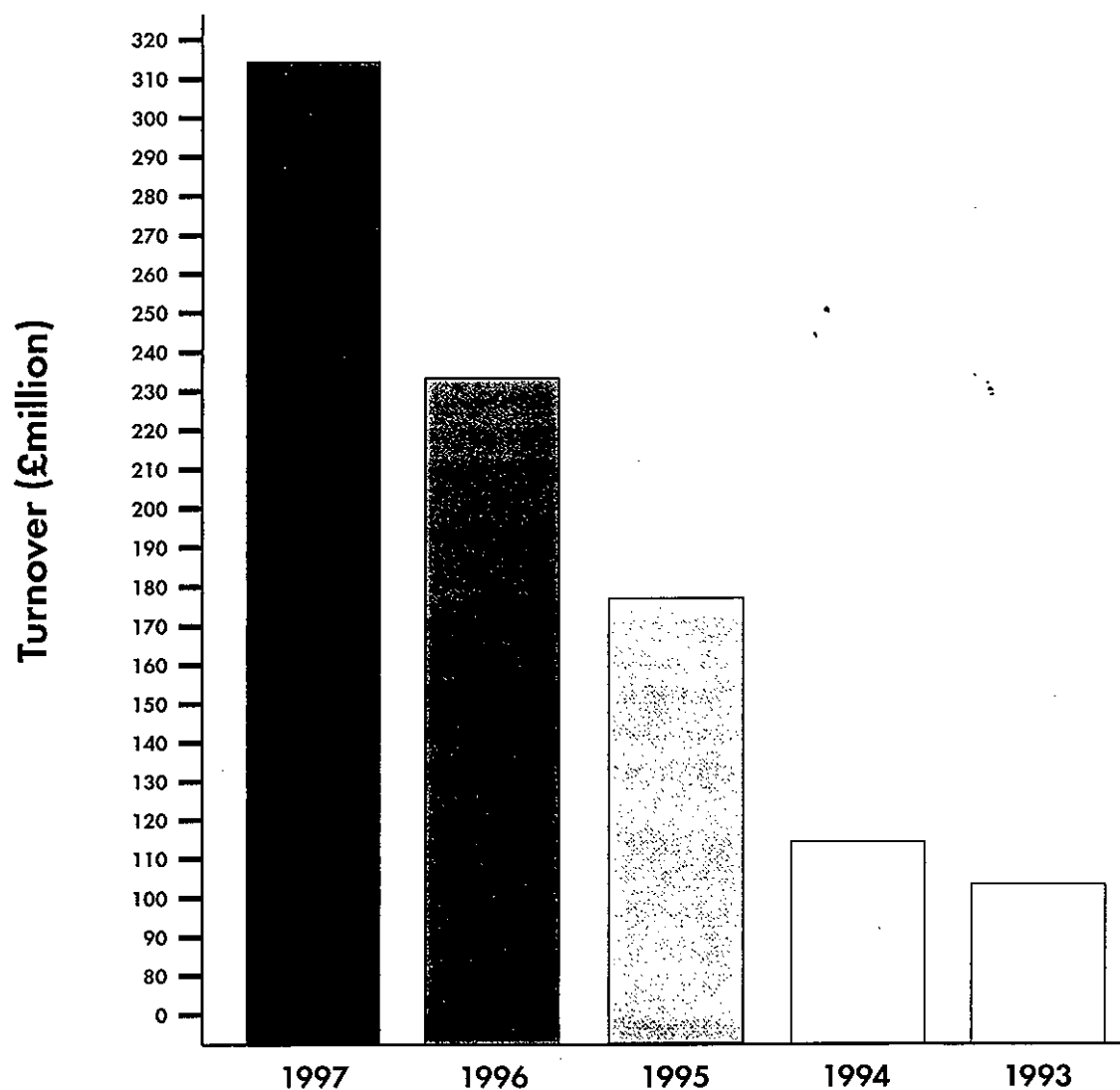
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SUMMARY OF LAST FIVE YEARS' TRADING

	14 Months to 30th June 1997 £'000	12 Months to 30th April			
		1996 £'000	1995 £'000	1994 £'000	1993 £'000
Turnover	314,008	232,907	178,484	114,463	102,956
Profit/(Loss) Before Tax	7,928	5,567	3,107	669	(973)
Earnings/(Loss) Per Share*	16.7p	13.6p	6.2p	1.55p	(1.95p)
Net Assets Per Share*	72.1p	58.5p	47p	41.5p	40p
Dividends Per Share (net)*	3.0p	1.1p	0.85p	0.4p	0.3p

* The figures for 1993 to 1996 have been adjusted for comparative purposes to take account of the 1 for 1 Bonus Share Issue in January 1997



CHAIRMAN'S STATEMENT

Results

Pre-tax profits of £7.93 million were achieved for the period and contrast very favourably with the £5.57 million reported for the previous year's twelve months. *The unaudited comparison is a 38% annual increase compared with the twelve months to 30th April 1997.*

Sales of £314 million for the fourteen month period ended last 30th June 1997, are a worthy improvement over the £233 million reported for our prior year to 30th April 1996. *The unaudited comparative is an increase of 18% for the twelve month period to 30th April 1997.*

Earnings per share improved from 13.6p to 16.7p. Both years benefited from taxation adjustments following the success of our appeal against the Inland Revenue and last year's purchase of a tax efficient, pre-let institutional quality investment property.

The resultant net assets per share is an increase to 72.1p, a significant improvement on the 58.5p reported just over a year ago.

The apparent downturn in the rate of profits which can be perceived for May and June 1997, reflect the normal seasonal trading pattern consequent on the relatively lower level of demand in those months.

Dividend

As shareholders are aware, in view of the Company's strong financial position, it has become the Board's policy to increase the distribution ratio. The interim dividend was doubled by the bonus share issue. Your Board intends to continue its progressive dividend policy with an increased final dividend of 2.4p (net). This results in a total dividend of 3.0p (net) for the 14 month period, which compares with 1.1p (net) for the year ended 30th April 1996.

Trading

With the strength of our overall growth, during the eight month second half we were able to further refine our focus on improving our pre-tax margins. These were enhanced from 2.37% in our first half, to 2.64% as a result of a deliberate change in favour of higher margin products. Against this, Group turnover increased to £182 million, which compares with the £132 million for the six month period to 30th April 1996.

Sales in the UK market showed generally slower but sound growth during the first half of 1997. This we attributed to short term confusion, seemingly caused by Intel's New Year launch of their new MMX processor. Also during this period, those Personal Computer brands upon which we major, chose not to fully match a competitive Compaq pricing strategy, and the growth in our PC sales reflects this. In our other supporting product areas, we continued to enjoy the UK market's overall strength.

CHAIRMAN'S STATEMENT (continued)

Of particular note, there have been some significant and far reaching changes to the established wholesale distribution model. Historically, PC manufacturers have sought ways to minimise their levels of loss which result from forecasting and then assembling a committed combination of the recognised major components which finally determine the specification of a PC. However, when available it may then fail to meet either market price or performance expectations.

For those unfamiliar with the workings of a PC or Server, there is a very high degree of commonality between units within a model range. Aside from any application software or accessories, there are relatively few determining factors. Simplistically put, the prime components are the Processor, Memory, Hard Disk and the Operating System Software.

Three years ago Northamber launched for Hewlett Packard its very first Extended Configuration To Order (ECTO) site here in the UK. As the process evolved, we increased our involvement in the proportion of prime components we added to each unit. This approach has proven both its value and opportunity.

Earlier this year, IBM publicly announced their own program, and meeting their very strict criteria, including such as ISO 9002 accreditation, we were then appointed an Authorised Assembly Program (AAP) partner for IBM in the UK.

The growth in the Final Channel Assembly of PCs for Hewlett Packard and IBM continues. For ourselves, the outcome is a significant and growing reduction in the stock levels otherwise needed to cover the very diverse model choices within each model range. For our market, it enables availability of product competitive with those being sold direct. For many of our own larger customers, it provides 48 hour assembly and delivery to the ultimate end-user of a product matched to precise needs or specification.

This change marks a further move towards a more seamless business relationship with our suppliers and also confirms their own commitment to ourselves and the distribution channel. It will also reinforce the relationship with our own customers, allowing us to better and more precisely meet their requirements, remove some cost and also lessen the need for technical overhead within their own business models.

Final PC and Server assembly has also integrated well with our UK collaboration as sole distributor for Mitel on their Computer Telephony (CTi). This is the cost effective, efficient merger of the traditional office telephone switchboard with the increasingly commonplace computer network system in many offices. The result enables the tight systematic integration between the user's customer database and telephone traffic.

Our growing distribution volumes of IBM's mid-range AS/400e computer continues to justify our expansion into this area of higher levels of multi-user technology.

The other and newer growth areas are IBM's diskless NetWork stations, Windows CE Palmtop computers and digital imaging cameras from such as Nikon, Fuji and Olympus.

CHAIRMAN'S STATEMENT (continued)

Financial

Managing the balance sheet areas remains a key priority. Stock turns further improved to circa 18 times, whilst the cost of our debtors was well controlled at an average of 26 trading days.

The added benefit to margins of exploiting early or prompt settlement discounts has been a feature of previous reports to shareholders. The result is an average of less than 19 creditor days, which together with the interest cost for the Investment Property, caused a total net interest charge for the period of £944,000.

Staff

Once again it is to all of our staff that our thanks must go. They having so successfully handled the increased volumes in all areas.

The Board

Keith Sykes joined the board as a non-executive Director in 1989. Having this year decided to retire from his role with Credit Lyonnais Laing, he has also advised that he will not be offering himself for re-election at the AGM. Your Board would like to thank him for his input and expertise over the years.

As already recently reported, Marilyn Lee our Company Secretary, was promoted to the role of Financial Director and has joined the Board.

We feel there is value in adding fresh perspective to the Board. It is proposed that Paul Smith who launched the CTi division and is responsible for our mid range computers and networking product activities be invited to become a Board Director at the AGM.

Outlook

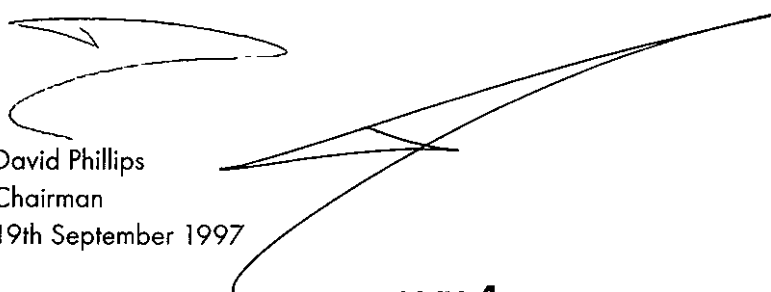
The importance and benefit to our major suppliers such as IBM and Hewlett Packard in their moving the Final Assembly of PCs and Servers to the latest possible stage using ourselves, cannot be understated. Their savings in reducing extended stocks of the many different model variants and risks of price changes to their committed working capital are considerable.

For ourselves, we gain reduced and flexible stockholdings, together with the realistic ability to ensure a maximised competitive edge in the market-place.

As these trends continue your Company will continue to grow and unlock further opportunities to enhance both margins and returns.

Our new year has started well, with good growth in sales and a further firming of the retained margins. The continuing focus on margins during 1997 has resulted in our current cash position being broadly neutral.

The above and those new product areas I have already mentioned support the Board's confidence for the year ahead.



David Phillips
Chairman

19th September 1997

OPERATING AND FINANCIAL REVIEW

Operating Review

The 1996/97 results reflect the continuing increase in market share across all our key product ranges and further consolidation of our position in the UK distribution sector.

The PC market has shown consistent growth with our PC Channel Assembly programmes contributing to our own success in this area. With major PC manufacturers adopting Channel Assembly as a strategic approach to their individual routes to market, we are well placed to take advantage of the opportunities that this will present over the coming years.

Operating as a wholesale distributor for leading computer and peripheral manufacturers, the business has experienced strong demand from its customer base of computer resellers, dealers, retail outlets and mail order firms. A substantial volume of our business remains within personal computers, servers, notebooks, printers, plotters, computer components, network products and storage.

Northamber supplies these products as a trade-only distributor to over 4,500 customers who re-sell to the ultimate end-users.

During the 14 month period we have welcomed a number of new franchise relationships including Fujitsu, Mitel Telecom Inc., Digital Equipment Corp., Dragon Systems Inc., Nikon, Olympus, Casio, Sanyo, Ricoh, IBM Networking Products and Network Stations, all of which we believe either are or will become market leaders in their chosen field.

Latest opportunities

In our exciting but fast moving sector where innovative products are rapidly developed and deployed, with new markets emerging and maturing, it is necessary to constantly monitor trends and technology to ensure that we are in a position to take full advantage of opportunity. Convergence of established technologies such as the merging of the basic camera and the computer chip to create an electronic camera have created new markets and challenges. The need for our business to recognise these changes is paramount.

Northamber's strategic policy is to use focused teams, able to recognise and understand market trends and plan in advance to develop the required skills. They also seek to form early relationships with market leading manufacturers. A number of initiatives have emerged from this policy that we believe will still further strengthen Northamber's position.

OPERATING AND FINANCIAL REVIEW (continued)

Computer Telephony

In 1995, recognising the convergence of the computer and telephony sectors, Northamber formed CTI Distribution. This is a focused division specialising in the new computer telephony market.

Mid Range Computing

During the financial year, Northamber was also appointed by IBM as their distributor of the IBM AS/400e in the UK. That move further developed our already strong relationship with IBM in the PC environment.

IBM also appointed Northamber to distribute their new Network Stations. These recently announced products deliver low cost computing to the desktop whilst providing powerful standard PC functionality. The innovative design of the Network Station reduces the computer footprint to the size of an A4 book and will be attractive to organisations where space is at a premium.

Digital Imaging

Convergence of conventional camera design with the computer chip has enabled the development of the digital camera. This innovation allows the user to take pictures in the normal way. The pictures are then recorded as high resolution electronic digital images, which can then be transferred to a Personal Computer and printed, using a colour computer printer.

New technologies, as well as convergence, will continue to introduce new market opportunity to Northamber. It is important that we continue to maintain that very high level of awareness to all areas of emerging technology.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Review

Summary

During the 14 month period ended 30th June 1997 the financial performance of the Group continued to show significant improvement. Based on unaudited 12 month figures, sales growth was 18% with a pre-tax profit growth of 38%. Both gross margins and net margins increased. Earnings per share, on a year by year comparative basis, were up by 19%. Good growth in operating profit and continued tight control of working capital contributed to a positive inflow of cash over the 14 month period compared with an outflow in the previous year.

Profit and loss account

To enable better understanding of year on year trends, the unaudited trading figures for the 12 months ended 30th April 1997 are given below.

	Year ended 30th April	
	1997 £'000 (Unaudited)	1996 £'000
Turnover	274,979	232,907
Cost of sales	(254,275)	(216,719)
Gross profit	20,704	16,188
Net operating expenses	(12,217)	(9,996)
Operating profit	8,487	6,192
Interest receivable	116	25
Interest payable	(942)	(650)
Profit on ordinary activities before taxation	7,661	5,567
Taxation	(2,094)	(925)
Profit on ordinary activities after taxation	5,567	4,642
Dividend	(884)*	(378)
Retained profit for the period	4,683	4,264
Earnings per ordinary share	16.2p	13.6p
Dividend per ordinary share	2.6p*	1.1p

* The total dividend, paid and proposed, for the 14 months has been adjusted pro rata for the 12 month period for illustrative purposes only.

OPERATING AND FINANCIAL REVIEW (continued)

Balance sheet

Working capital management remains a key priority with close attention being paid to stock turns and debtor days. Stock turns averaged circa 18 times and average credit extended to customers was circa 26 trading days.

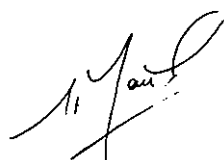
Bank borrowing, net of cash and excluding the loan related to the purchase of the investment property, totalled £4.4 million at the end of the 14 month period. This equates to three and a half days' worth of sales.

- The interest charge includes interest on the investment property loan as well as the interest relating to the financing of working capital. The total net interest charge for the 14 month period was covered 9.4 times.

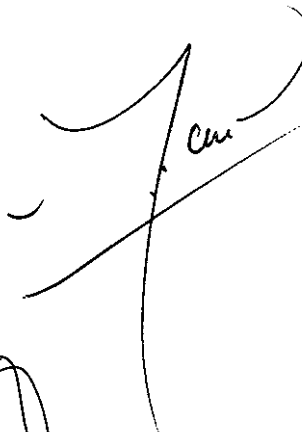
Going concern

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.

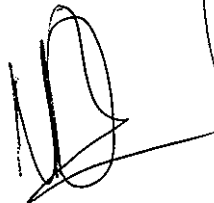
For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.



Henry Matthews
Managing Director
19th September 1997



Marilyn Lee
Financial Director
19th September 1997



REPORT OF THE DIRECTORS

During the year, the Company changed its accounting reference date from 30th April to 30th June. The Directors have pleasure in presenting their report and the accounts for the 14 month period ended 30th June 1997.

Principal activities

The Group's principal activities are those of specialist supplier 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 14 month financial period is set out on page 22.

Both the level of business and the 14 month period 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 now recommend the following dividends in respect of the 14 month period ended 30th June 1997.

	£'000
Ordinary dividends -	
Interim	206
Proposed final	825
	<hr/>
	1,031
	<hr/>

The final dividend will be paid on 6th January 1998 to all members on the register at the close of business on 21st November 1997.

Directors

The Directors of the Company as at 30th June 1997, are listed on page 17. There were no changes in the Directors of the Company during the 14 month period ended 30th June 1997.

M.D. Lee was appointed Financial Director on the 1st July 1997.

Substantial shareholdings

The following shareholders held disclosable interests, as defined by The Disclosure of Interests in Shares (Amendment) Regulations 1993, at 12th September, 1997 as detailed below:

Material interests	Ordinary Shares of 5p each
D.M. Phillips	50.21%
Non-material interests	
Glyn Mills Nominees (Lombard Street) Limited	7.93%
Royal Bank of Scotland Edinburgh Nominees	6.26%
Bank of Scotland London Nominees Ltd	3.20%
Nutraco Nominees	4.10%

REPORT OF THE DIRECTORS (continued)

Auditors

During the 14 month period Coopers & Lybrand offered their resignation as auditors and Deloitte & Touche were appointed in their place. 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 1997 were 20. It is the Company's policy to take full advantage of settlement discounts offered by suppliers.

Employees

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

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

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

Donations

During the period the Group made charitable donations amounting to £12,421. No political donations were made.

By order of the Board

M.D. Lee
Company Secretary
19th September 1997

REPORT OF THE REMUNERATION COMMITTEE

During the period the Remuneration Committee was comprised exclusively of non-executive Directors. They were as follows:

G. Cole (Chairman)
K. G. Sykes

The Company has complied throughout the period with Section A of the best practice provisions for Directors' remuneration annexed to the London Stock Exchange'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 London Stock Exchange's Listing Rules. 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;
- (c) the need to ensure executive Directors' commitment to the continued success of the Company by means of incentive schemes.

Remuneration of non-executive Directors

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 or in the share option scheme. The non-executive Directors do not have service contracts with the Company.

Remuneration policy for executive Directors

The Company 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 long-term performance through the award of share options and incentive schemes;
- (c) provide post-retirement benefits through the Group's defined contribution pension scheme, but where necessary using unfunded schemes to give broadly similar benefits;
- (d) provide employment related benefits including the provision of a company car, life assurance, insurances relating to the Director's duties and medical insurance.

REPORT OF THE REMUNERATION COMMITTEE (continued)

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 period 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 bonus had 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. Options issued to H.W. Matthews in prior years are detailed on page 13.

Pensions

The Company makes a contribution to the Company's pension scheme for D.M. Phillips and H.W. Matthews. The amounts paid are detailed below. During the 14 month period, for two months, D.M. Phillips and H.W. Matthews waived their entitlement to salary. A pension contribution equivalent to two months' gross salary was paid into the Company's pension scheme.

Contracts of service

The executive Directors, D.M. Phillips and H.W. Matthews, have fixed term contracts of service which were renewed on 7th May 1996 for a further three years.

Directors' detailed emoluments

Details of Directors' emoluments are as follows:

	Salaries and Fees		Bonus Payments		Benefits		Total		Pension	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Executives										
D. M. Phillips	120	116	-	-	21	23	141	139	82	24
H. W. Matthews	144	124	150	-	25	20	319	144	86	24
Non-Executive										
K. G. Sykes	8	10	-	-	-	-	8	10	-	-
G. Cole	7	7	-	-	-	-	7	7	-	-
C. M. Thompson	-	-	-	-	-	-	-	-	-	-
	279	257	150	-	46	43	475	300	168	48

The fees earned by G. Cole in the period were paid to Beeson Gregory Ltd. Mr Cole is a director of Beeson Gregory Ltd.

The bonus payments earned by H.W. Matthews comprise a £70,000 re-signing fee and a £80,000 one-off bonus for the 14 months ended 30th June 1997 for achieving pre-set performance targets.

The pension contributions for D.M. Phillips and H.W. Matthews include payments of £20,000 and £24,000 respectively arising from their waiver of salary payments.

REPORT OF THE REMUNERATION COMMITTEE (continued)

Directors' interests

Interests in shares

Directors in office at 30th June 1997 had the following beneficial interests in the shares of the Company:

Ordinary Shares of 5p each	30th June 1997	30th April 1996
D.M. Phillips	17,257,492	8,664,621
H.W. Matthews	743,324	371,662
C.M. Thompson	2,000	4,766
K.G. Sykes	180,000	40,000
G Cole	2,000	-

Between 30th June 1997 and 19th September 1997 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 1997 was 126p. The range of market prices during the 14 month period was 124.25p to 169.75p.

Interests in share options

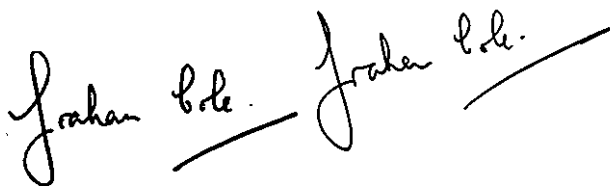
Details of options held by Directors are set out below:

Share Options	30th June 1997	30th April 1996
H.W. Matthews	419,600	209,800

Share Options	No.	Exercise Price	Exercise Date
H.W. Matthews	261,400	10.0p	4th Dec 1995 - 4th Dec 2002
H.W. Matthews	158,200	73.75p	12th July 1998 - 12th July 2005

During the year K.G. Sykes exercised all of his share options, being 100,000 shares, which related to shares owned beneficially by D.M. Phillips and which were granted at a price of 25p under a private arrangement with him.

The number of share options held at 30th June 1997 and the exercise price have been adjusted to reflect the 1 for 1 Bonus Issue in January 1997.



G. Cole Remuneration Committee
19th September 1997

CORPORATE GOVERNANCE

The Company has complied throughout the period with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the 'Cadbury Committee') in all instances except paragraphs which would result in a material cost and administrative burden disproportionate to the benefits of compliance, or which are impractical given the size of the Company. Those paragraphs which have not been complied with are:

- establishment of an audit committee
- appointment of non-executive Directors for specified terms
- selection of non-executive Directors through a formal process

Board composition

The Board of Directors comprises three executive and three non-executive Directors. It meets for regular business ten times a year and all Board meetings are chaired by one of the non-executive Directors. The Board is responsible for the overall direction and strategy of the Group and for securing optimum performance from the Group assets.

Board committees

The Operations Committee meets weekly and comprises all executive Directors and, under the chairmanship of Mr H.W. Matthews, it deals with the major decisions of the Group not requiring full Board discussion or approval by other Board committees.

The Remuneration Committee comprises two non-executive directors, Messrs Sykes and Cole. It meets at least once a year and is responsible for setting the remuneration policy and annual salaries that apply to executive Directors.

The Company has not constituted an audit committee as it is considered preferable to continue the present practice under which policies of internal financial control are implemented by the executive Directors who take an active role in the day to day management of the Company. Those matters which would normally be considered by an audit committee are considered by the Board as a whole, chaired by a non-executive Director.

The Company has not constituted a nominations committee. It is considered preferable to continue the present practice under which nominations to the Board are the subject of a formal process which involves the whole Board.

CORPORATE GOVERNANCE (continued)

Internal financial controls

The management of exposure to risk and loss is fundamental to the Group's operation. The greatest risk perceived by the Board is the depreciation of current assets, both stock and debtors. The Group's system of internal financial control, over which the Board has overall responsibility, is a key element in preventing that loss.

The policies of internal financial control are implemented by the executive Directors who take an active role in the day to day management of the Company. In particular they participate in the key decisions surrounding purchasing, stock, sales, debtors, cash, capital expenditure and foreign exchange. Implementation is assisted by comprehensive and documented procedures being available to all staff via the 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.

By order of the Board



M.D. Lee
Company Secretary
19th September 1997

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 period and of the profit 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;
- the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the company 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. They are also responsible for the 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

Colin Mark Thompson

Colin Mark Thompson is a former Technical Director of Northamber plc. He has been involved with the Company for many years and runs his own computer consultancy company.

Graham Cole *

Graham Cole was a partner of Coopers & Lybrand and has been involved with Northamber plc for over ten years. He is Director of Corporate Finance with Beeson Gregory Ltd.

Keith Gordon Sykes *

Until Spring 1997, Keith Gordon Sykes was a senior analyst with Credit Lyonnais Securities Limited.

**Member of Remuneration Committee*

Executive Directors

David Michael Phillips

Executive Chairman

Henry William Matthews

Managing Director

Marilyn Dawn Lee, F.C.A.

Financial Director and Company Secretary

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Bankers

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London W1X 6DN

Stockbrokers

Dresner Kleinwort Benson
Kleinwort Benson Securities Limited
PO Box 560, 20 Fenchurch Street
London EC3P 3DB

REPORT OF THE AUDITORS TO THE MEMBERS OF NORTHAMBER PLC

To the members of Northamber plc

We have audited the financial statements on pages 20 to 35 which have been prepared under the accounting policies set out on pages 20 and 21, and the detailed information disclosed in respect of any directors' remuneration and share option schemes set out in the Report to the Shareholders by the Remuneration Committee on pages 12 and 13.

Respective responsibilities of Directors and Auditors

As described on page 16 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

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 1997 and of the profit of the Group for the 14 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Deloitte & Touche

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

19th September 1997

REPORT OF THE AUDITORS TO NORTHAMBER PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements we have reviewed the Directors' statements on pages 8, 14 and 15 on the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v) which is not disclosed.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control on pages 14 and 15, and going concern on page 8 in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion, the Directors' statement on page 14 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43 (j).

Deloitte & Touche

Deloitte & Touche

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

19th September 1997

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 property held as an investment property. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. This property is not held for consumption but for investment and the Directors consider that to depreciate it 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.

The net liability of the dormant Irish subsidiary denominated in foreign currency is translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of opening net investment in the subsidiary are dealt with through reserves and are reported in the statement of total recognised gains and losses. (The Irish subsidiary has not traded since April 1993.)

Transactions made during the year in foreign currencies are translated into sterling at the rates of exchange at the date 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.

ACCOUNTING POLICIES (continued)

The Company contributes towards the personal pension plans of eligible employees and Directors. These are defined contribution plans and are insured with the 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.

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that it is probable that a liability will arise in the foreseeable future.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 14 month period ended 30th June 1997

	Notes	14 Months ended 30th June 1997 £'000	Year ended 30th April 1996 £'000
Turnover	2	314,008	232,907
Cost of sales		(290,775)	(216,719)
Gross profit		23,233	16,188
Net operating expenses		(14,361)	(9,996)
Operating profit	3	8,872	6,192
Interest receivable		126	25
Interest payable	5	(1,070)	(650)
Profit on ordinary activities before taxation		7,928	5,567
Taxation	6	(2,173)	(925)
Profit on ordinary activities after taxation		5,755	4,642
Equity dividends	7	(1,031)	(378)
Retained profit for period	8	4,724	4,264
Earnings per ordinary share	9	16.7p	13.6p

All operations are continuing

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

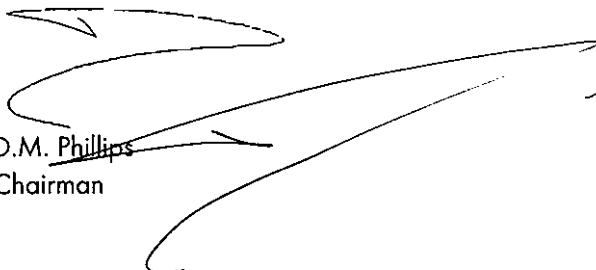
	1997 £'000	1996 £'000
Profit for the financial period	5,755	4,642
Currency translation differences on foreign currency net investments	(2)	(149)
Total recognised gains relating to the period	5,753	4,493

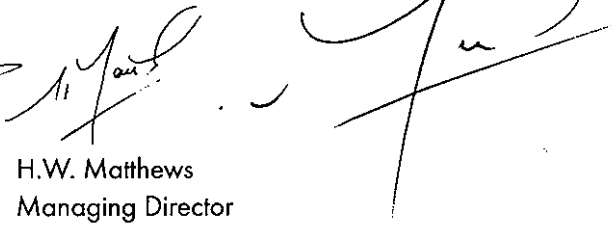
CONSOLIDATED BALANCE SHEET

At 30th June 1997

	Notes	At 30th June 1997 £'000	At 30th April 1996 £'000
Fixed assets			
Tangible assets	10	3,848	3,890
Investments	11	2,483	2,483
		<u>6,331</u>	<u>6,373</u>
Current assets			
Stocks	12	15,093	16,331
Debtors - amounts falling due after more than one year	13	206	69
Debtors - amounts falling due within one year	13	33,016	34,712
Cash at bank and in hand		625	329
		<u>48,940</u>	<u>51,441</u>
Current liabilities			
Creditors - amounts falling due within one year	14	29,246	36,354
Net current assets		<u>19,694</u>	<u>15,087</u>
Total assets less current liabilities		26,025	21,460
Creditors - amounts falling due after more than one year	15	1,241	1,398
Net Assets		<u>24,784</u>	<u>20,062</u>
Capital and reserves			
Called up share capital	17	1,718	859
Share premium account	18	5,662	6,521
Capital redemption reserve		46	46
Profit and loss account	18	17,358	12,636
Equity Shareholders' Funds		<u>24,784</u>	<u>20,062</u>

The financial statements on pages 20 to 35 were approved by the Board of Directors on 19th September 1997 and were signed on its behalf by:


D.M. Phillips
Chairman


H.W. Matthews
Managing Director

COMPANY BALANCE SHEET

At 30th June 1997

	Notes	At 30th June 1997 £'000	At 30th April 1996 £'000
Fixed assets			
Tangible assets	10	3,848	3,890
Investments	11	2,691	2,691
		<u>6,539</u>	<u>6,581</u>
Current assets			
Stocks	12	15,093	16,331
Debtors - amounts falling due after more than one year	13	206	69
Debtors - amounts falling due within one year	13	32,738	34,647
Cash at bank and in hand		602	318
		<u>48,639</u>	<u>51,365</u>
Current liabilities			
Creditors - amounts falling due within one year	14	29,183	36,450
Net current assets		<u>19,456</u>	<u>14,915</u>
Total assets less current liabilities		25,995	21,496
Creditors - amounts falling due after more than one year	15	1,241	1,398
Net Assets		<u>24,754</u>	<u>20,098</u>
Capital and reserves			
Called up share capital	17	1,718	859
Share premium account	18	5,662	6,521
Capital redemption reserve		46	46
Profit and loss account	18	17,328	12,672
Equity Shareholders' Funds		<u>24,754</u>	<u>20,098</u>

D.M. Phillips
Chairman

19th September 1997

H.W. Matthews
Managing Director

CONSOLIDATED CASH FLOW STATEMENT

For the 14 months ended 30th June 1997

	14 Months ended 30th June 1997 £'000	Year ended 30th April 1996 £'000
	Notes	
Cash flow from continuing operating activities	20 3,238	2,536
Returns on investments and servicing of finance		
Interest received	126	25
Interest paid	(1,008)	(646)
Income from fixed asset investments	199	-
Net cash outflow from returns on investments and servicing of finance	(683)	(621)
Taxation		
UK corporation tax paid	(929)	(693)
UK corporation tax refund	449	-
ACT refund	16	-
	(464)	(693)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,188)	(1,887)
Sale of tangible fixed assets	418	161
Purchase of fixed asset investments	-	(2,483)
Net cash outflow from capital expenditure and financial investment	(770)	(4,209)
Equity dividends paid	(481)	(307)
Cash inflow/(outflow) before financing	840	(3,294)
Financing		
Issue of ordinary share capital	-	47
Debt due beyond one year :		
New secured loan repayable 2004	-	1,398
Repayment of secured loan	(157)	-
Net cash (outflow)/inflow from financing	(157)	1,445
Increase/(decrease) in cash in the period	20 683	(1,849)

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	
	14 Months ended	Year ended	14 Months ended	Year ended
	30th June 1997	30th April 1996	30th June 1997	30th April 1996
	£'000	£'000	£'000	£'000
Dealing in computers, computer printers and peripheral equipment	314,008	232,907	7,928	5,567

There are no significant different classes of business or geographical segments that the Group operates in. Therefore, turnover, profit on ordinary activities before tax and net assets do not need to be separately analysed.

3. Operating profit

	14 Months ended 30th June 1997 £'000	Year ended 30th April 1996 £'000
Other operating income	(2,007)	(1,756)
Income from fixed asset investment	(199)	-
Profit on exchange	(79)	(171)
Staff costs (see note 4)	9,311	6,799
Depreciation of tangible fixed assets	831	497
Profit on sale of tangible fixed assets	(19)	(17)
Auditors' remuneration - audit services	72	40
other services	8	8

Auditors' remuneration in respect of audit services includes £27,000 paid to the Group's previous auditors, and in respect of other services includes £3,000 paid to the Group's previous auditors.

NOTES TO THE ACCOUNTS

4. Directors and employees

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

	14 Months ended 30th June 1997 Number	Year ended 30th April 1996 Number
Sales	144	125
Administration	85	80
Warehouse	74	63
Engineering	34	33
	<u>337</u>	<u>301</u>
Staff costs:	£'000	£'000
Wages and salaries	8,140	5,850
Social security costs	880	664
Other pension costs	291	285
	<u>9,311</u>	<u>6,799</u>

Details of Directors' remuneration are set out in the Report of the Remuneration Committee on pages 11 to 13.

5. Interest payable

On bank overdrafts	587	490
On bank loans	131	-
On short term financing from suppliers	352	160
	<u>1,070</u>	<u>650</u>

NOTES TO THE ACCOUNTS

6. Taxation on ordinary activities

United Kingdom corporation tax:

Current at 31% (1996 - 33%)	2,582	925
Over provision in respect of prior years	(409)	-
	<u>2,173</u>	<u>925</u>

The corporation tax charge for 1996 was £925,000 after a reduction of £912,000, following a claim for Industrial Buildings Allowance relief.

7. Equity dividends

	14 Months ended 30th June 1997 £'000	Year ended 30th April 1996 £'000
Ordinary interim dividend paid of 0.6p per share (1996: 0.3p per share)	206	103
Ordinary final dividend proposed of 2.4p per share (1996: 0.8p per share)	825	275
	<u>1,031</u>	<u>378</u>

8. Profit for the period

Dealt with in the accounts of the Company	<u>5,687</u>	<u>4,652</u>
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9. Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit after taxation of £5,755,000 (1996: £4,642,000) and on 34,368,696 ordinary shares (1996: 34,149,862), being the number of ordinary shares in issue during the year taking into account the 1 for 1 Bonus Issue in January 1997.

NOTES TO THE ACCOUNTS

10. Tangible fixed assets

	Freehold premises £'000	Leasehold improvements £'000	Long Leasehold premises £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Group							
Cost							
At 1st May 1996	1,000	845	675	3,104	164	869	6,657
Additions	46	231	-	518	16	377	1,188
Disposals	-	-	-	(735)	(11)	(312)	(1,058)
At 30th June 1997	1,046	1,076	675	2,887	169	934	6,787
Depreciation							
At 1st May 1996	64	191	26	2,110	128	248	2,767
Charge for the year	9	124	5	407	17	269	831
Eliminated on disposals	-	-	-	(513)	(11)	(135)	(659)
At 30th June 1997	73	315	31	2,004	134	382	2,939
Net book value							
At 30th June 1997	973	761	644	883	35	552	3,848
Net book value At 30th April 1996	936	654	649	994	36	621	3,890
Company							
Cost							
At 1st May 1996	1,000	845	675	3,086	153	869	6,628
Additions	46	231	-	518	16	377	1,188
Disposals	-	-	-	(717)	-	(312)	(1,029)
At 30th June 1997	1,046	1,076	675	2,887	169	934	6,787
Depreciation							
At 1st May 1996	64	191	26	2,092	117	248	2,738
Charge for the year	9	124	5	407	17	269	831
Eliminated on disposals	-	-	-	(495)	-	(135)	(630)
At 30th June 1997	73	315	31	2,004	134	382	2,939
Net book value							
At 30th June 1997	973	761	644	883	35	552	3,848
Net book value At 30th April 1996	936	654	649	994	36	621	3,890

NOTES TO THE ACCOUNTS

11. Investments

	Notes	Group At 30th June 1997 £'000	Group At 30th April 1996 £'000	Company At 30th June 1997 £'000	Company At 30th April 1996 £'000
Shares in Group companies	a)	-	-	-	-
Loan to Group company	b)	-	-	208	208
* Freehold investment property	c)	2,483	2,483	2,483	2,483
		<u>2,483</u>	<u>2,483</u>	<u>2,691</u>	<u>2,691</u>

a) Shares in Group companies

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

	Company At 30th June 1997 £'000	At 30th April 1996 £'000
Shares in Group companies at cost	33	33
Provision	(33)	(33)
	<u>-</u>	<u>-</u>

b) Loan to Group company

Loan	815	815
Provision	(607)	(607)
	<u>208</u>	<u>208</u>

c) Freehold investment property

The investment property was bought on 26th April 1996 at a cost of £2,483,000. In the opinion of the Directors there was no significant difference between the open market value and the book value of the investment property as at 30th June 1997.

NOTES TO THE ACCOUNTS

12. Stocks

	Group		Company	
	At 30th June 1997 £'000	At 30th April 1996 £'000	At 30th June 1997 £'000	At 30th April 1996 £'000
Stocks comprise:				
Goods for resale	15,093	16,331	15,093	16,331

13. Debtors

Amounts falling due after more than one year

Advance corporation tax	206	69	206	69
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Amounts falling due within one year

Trade debtors	32,006	34,042	31,617	33,600
Amount owed by subsidiaries	-	-	123	377
Other debtors	522	430	522	430
Prepayments and accrued income	367	224	355	224
Advance corporation tax	121	16	121	16
	33,016	34,712	32,738	34,647

14. Creditors

Amounts falling due within one year

Bank overdraft (secured see note 23)	4,980	5,367	4,980	5,367
Trade creditors	15,720	27,517	15,714	27,513
Amount owed to subsidiaries	-	-	-	214
Corporation tax	2,781	967	2,736	866
Advance corporation tax	206	69	206	69
Other taxation and social security payable	3,046	1,054	3,046	1,054
Other creditors	365	74	365	74
Accruals and deferred income	1,323	1,031	1,311	1,018
Dividend payable	825	275	825	275
	29,246	36,354	29,183	36,450

15. Creditors repayable in five years or more

Bank loans and overdrafts

Mortgage secured on the investment property and the income therefrom repayable by 2004.

Fixed rate at 7.82%	980	980	980	980
Variable at 1% above LIBOR	261	418	261	418
	1,241	1,398	1,241	1,398

NOTES TO THE ACCOUNTS

16. Deferred taxation

The full potential deferred tax liability for which no provision is considered necessary, calculated under the liability method at a rate of 31% is

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Excess of tax allowance over depreciation	715	789	719	789
Losses to carry forward	(45)	-	-	-
	<u>670</u>	<u>789</u>	<u>719</u>	<u>789</u>

17. Called up share capital

	At 30th June 1997	At 30th April 1996	At 30th June 1997	At 30th April 1996
	Number of ordinary shares	Number of ordinary shares	£'000	£'000
Authorised:				
Ordinary shares of 5p each	<u>40,000,000</u>	<u>21,000,000</u>	<u>2,000</u>	<u>1,050</u>
Allotted, called up and fully paid:				
Ordinary shares of 5p each	<u>34,368,696</u>	<u>17,184,348</u>	<u>1,718</u>	<u>859</u>

A special resolution to increase the authorised share capital of the Company from £1,050,000 to £2,000,000 by the creation of 19,000,000 new ordinary shares of 5p each was passed at an Extraordinary General Meeting of the Company held on 9th January 1997. At the same meeting, a 1 for 1 Bonus Issue was approved.

No share options were exercised during the 14 month period ended 30th June 1997.

At 30th June 1997, options over 623,600 ordinary shares of 5p each remained outstanding. This includes 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 January 1994 and 13th July 2005. The aggregate value of subscription prices of these options is £221,863.

18. Reserves

	Group		Company	
	Share Premium	Profit and Loss	Share Premium	Profit and Loss
	Account	Account	Account	Account
	£'000	£'000	£'000	£'000
At 1st May 1996	6,521	12,636	6,521	12,672
Net exchange differences	-	(2)	-	-
Profit for year	-	4,724	-	4,656
Premium utilised for Bonus Issue	(859)	-	(859)	-
At 30th June 1997	<u>5,662</u>	<u>17,358</u>	<u>5,662</u>	<u>17,328</u>

NOTES TO THE ACCOUNTS

19. Reconciliation to movements in shareholders' funds

	At 30th June 1997 £'000	At 30th April 1996 £'000
Profit for the financial period	5,755	4,642
Dividends	(1,031)	(378)
	<u>4,724</u>	<u>4,264</u>
Other recognised losses relating to the period (net)	(2)	(149)
Increase in share capital	859	9
(Decrease) / increase in share premium account	(859)	38
	<u>4,722</u>	<u>4,162</u>
Net increase in shareholders' funds	20,062	15,900
Opening shareholders' funds	<u>24,784</u>	<u>20,062</u>
Closing shareholders' funds	<u>24,784</u>	<u>20,062</u>

20. Cash flow

a) Reconciliation of operating profit to operating cash flows

	14 Months ended 30th June 1997 £'000	Group Year ended 30th April 1996 £'000
Continuing operations		
Operating profit	8,872	6,192
Income from fixed assets investments	(199)	-
Depreciation on tangible fixed assets	831	496
Gain on sale of tangible fixed assets	(19)	(17)
Decrease/(increase) in stocks	1,238	(5,417)
Decrease/(increase) in trade debtors	2,036	(4,059)
Increase in other debtors	(92)	(127)
(Increase)/decrease in prepayments and accrued income	(143)	57
(Decrease)/increase in trade creditors	(11,797)	4,760
Increase in other taxation and social security	1,992	574
Increase in accruals and deferred income	521	226
Exchange difference	(2)	(149)
Net cash inflow from continuing operating activities	<u>3,238</u>	<u>2,536</u>

NOTES TO THE ACCOUNTS

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

	14 Months ended 30th June 1997 £'000	Group Year ended 30th April 1996 £'000
Increase/(decrease) from cash in the period	683	(1,849)
Cash outflow/(inflow) from changes in debt	157	(1,398)
Change in net debt resulting from cash flows and the movement in net debt in the period	840	(3,247)
Net debt as at 1st May 1996	(6,436)	(3,189)
Net debt at 30th June 1997	(5,596)	(6,436)

c) Analysis of net debt

	At 1st May 1996 £'000	Cash Flow £'000	At 30th June 1997 £'000
Cash at bank and in hand	329	296	625
Overdrafts	(5,367)	387	(4,980)
	(5,038)	683	(4,355)
Debt due after more than one year	(1,398)	157	(1,241)
	(6,436)	840	(5,596)

21. Capital Commitments

There were no capital commitments at 30th June 1997 and 30th April 1996.

NOTES TO THE ACCOUNTS

22. Financial Commitments

At 30th June 1997 the Group had annual commitments under non-cancellable operating leases as follows :

	At 30th June 1997 £'000	At 30th April 1996 £'000
Expiring within one year	-	-
Expiring between two and five years	171	171
Expiring in over five years	385	385
	<u>556</u>	<u>556</u>

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 1997 the aggregate of overdrafts relating to these companies was £4,979,923.

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 C.M. Thompson is a director and 100% shareholder of Tomorrow's Solutions Ltd. During the normal course of business, Tomorrow's Solutions Ltd purchased product from the Company on an arms length basis. Total purchases in the 14 months ended 30th June 1997 amounted to £6,000. The Company purchased product from Tomorrow's Solutions Ltd, on an arms length basis, at a total cost of £20,000 in the 14 months ended 30th June 1997.

During the 14 months ended 30th June 1997, Mr C.M. Thompson undertook consultancy work on IT related matters for the Company in his capacity as an employee of Tomorrow's Solutions Ltd. This work, for a total of £23,000, was invoiced to the Company by Tomorrow's Solutions Ltd.

Over the period the Company paid amounts totalling circa £7,000 to Carnegie Peripherals Ltd for the use of a flat by a Director whilst on Company business in New York. Carnegie Peripherals Ltd is controlled by the wife of that Director.

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

The Company is taking advantage of the exemption granted by FRS 8 not to disclose transactions with Group companies which are related parties.

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 3rd November 1997 at 12 noon for the following purposes:-

1. To receive and adopt the Company's accounts for the 14 month period ended 30th June 1997 and the Directors' and auditors' reports thereon.
2. To declare a dividend on the ordinary shares of the Company.
3. To re-elect Mr D.M. Phillips as a Director.
4. To re-elect Ms M.D. Lee as a Director.
5. To elect Mr P. Smith as a Director.
6. To reappoint Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration.

ORDINARY RESOLUTION

(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 £281,565 provided that this authority (unless previously revoked or renewed) shall expire on 2nd November 1998 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

(2) THAT, conditionally upon the passing of the resolution numbered 5(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 2nd February 1999 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 5(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 £31,180;

NOTICE OF MEETING

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.

(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 3,436,870 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;

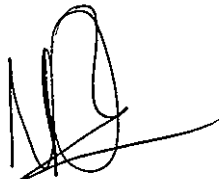
(d) the authority hereby conferred shall (subject to sub-clause (e) below) expire on the date of the next Annual General Meeting of the Company after the passing of this resolution; and

(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



M.D. Lee, Secretary
19th September 1997



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

NOTICE OF MEETING

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