

## Financial background

### Introduction

1. This appendix sets out further financial background information on the main parties and summary information on the companies that bid for Bertram.

### EUK

2. Set out in Table 1 is a summary of the financial performance of EUK for the five years ended 3 February 2007. Key points of note are that operating profits of EUK have been broadly stable through the period, with a trough of £21 million in 2006 and a peak of £25 million in 2004, and that gross profit margins dropped in 2005/06 but have since increased, and net assets have increased throughout the period.

TABLE 1 EUK summary financial information

	£'000				
	2003	2004	2005	2006	2007
Period length (weeks)	52	52	52	52	53
Period ended	1 Feb	31 Jan	29 Jan	28 Jan	3 Feb
<b>Turnover</b>	<b>963,336</b>	<b>1,064,980</b>	<b>1,164,700</b>	<b>1,120,863</b>	<b>1,090,417</b>
Cost of sales	-851,777	-941,628	-1,044,520	-1,003,748	-963,554
Gross profit	111,559	123,352	120,180	117,115	126,863
<i>Distribution</i>	-56,781	-64,687	-63,217	-63,010	-68,314
<i>Administration</i>	-31,350	-33,519	-34,520	-32,683	-33,730
<b>Operating profit (EBIT*)</b>	<b>23,428</b>	<b>25,146</b>	<b>22,443</b>	<b>21,422</b>	<b>24,819</b>
<i>EBITDA</i> †	30,143	32,177	29,784	28,235	34,466
PBT‡	23,527	24,055	21,903	21,777	26,356,
Net assets	61,227	77,563	91,822	106,995	126,131
<i>Of which stock</i>	88,342	86,883	101,879	91,636	111,079
Total assets less current liabilities	61,638	78,219	92,692	107,728	126,131
<b>Gross profit/turnover (%)</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>12</b>
Operating profit/turnover (%)	2	2	2	2	2
Stock days	37.9	33.7	35.6	33.3	42.1

Source: Entertainment UK Limited Annual Reports.

\*Earnings before interest and tax.

†Earnings before interest, tax, depreciation and amortization.

‡Profit before tax.

Note: Stock days calculated as stock/cost of sales × 365.

3. In the 53 weeks ended 3 February 2007, books represented approximately [x] per cent of EUK's turnover, and approximately [x] per cent of its gross margin. EUK said that the higher gross margin percentage reflected the higher operating costs associated with books, compared to HEPs, its main line of business.
  
4. As at February 2007, EUK's book stock amounted to £[x] million, compared with its book cost of sales for that year of approximately £[x] million. This suggests that EUK's book stock days were approximately [x] days.

## **THE**

5. Woolworths told us that financial data for AMP reflected the total THE group activities and turnover. Set out in Table 2 is the group financial data of AMP for the four years ended 3 June 2006 (AMP was incorporated in May 2002). There was a drop in AMP's net assets from 2004 to 2005 due to a bank loan taken up in 2005 of just over £7 million. This coincided with a dividend payment of £7.4 million (although in that year AMP made less than £1 million profit before tax).

TABLE 2 AMP summary financial information

	£'000			
	2003	2004	2005	2006
Period length (weeks)	54 wks	12 mths	12 mths	12 mths
Period ended	31 May	31 May	4 Jun	3 Jun
<b>Turnover</b>	<b>259,003</b>	<b>287,077</b>	<b>288,488</b>	<b>302,461</b>
Cost of sales	-228,862	-255,298	-259,707	-270,552
Gross profit	30,141	31,779	28,781	31,909
Distribution	-12,350	-15,063	-17,916	-16,833
Administration	-10,693	-8,691	-9,546	-10,427
<b>Operating profit (EBIT)</b>	<b>7,098</b>	<b>8,025</b>	<b>1,319</b>	<b>4,649</b>
<i>EBITDA</i>	7,514	8,460	1,757	5,314
PBT	6,987	7,837	417	3,790
Net assets	10,549	11,568	4,987	5,232
<i>Of which stock</i>	11,330	19,079	18,605	16,549
Total assets less current liabilities	11,549	12,568	4,987	5,232
<b>Gross profit/turnover (%)</b>	<b>12</b>	<b>11</b>	<b>10</b>	<b>11</b>
Operating profit/turnover (%)	3	3	0	2
Stock days	18.1	27.3	26.1	22.3

Source: Statutory Annual reports of AMP.

**Notes:**

1. AMP incorporated on 17 May 2002.
2. Stock days calculated as stock/cost of sales × 365.
3. 2004 data has been restated. Stock is now valued at its weighted average historical cost (in line with FRS 18).

6. In the year to May 2007, [x] per cent of revenue and [x] per cent of THE's gross margin came from books. THE said that the higher gross margin percentage reflected the higher operating costs associated with books, compared to HEPs, its main line of business. Its supermarkets business made up approximately half its books sales until this was transferred to EUK.

## Bertram

7. Set out in Table 3 is a summary financial statement for Bertram.

TABLE 3 Bertram summary financial information

	£'000				
	2003	2004	2005	2006	2007
Period length (months)	12	12	12	12	6
Period ended	31 Jul	31 Jul	31 Jul	31 Jul	31 Jan
<b>Turnover</b>	<b>98,620</b>	<b>97,006</b>	<b>103,724</b>	<b>107,540</b>	
Cost of sales	-80,732	-79,659	-82,385	-84,209	
Gross profit	17,888	17,347	21,339	23,331	
Distribution	-9,466	-8,557	-10,383	-11,414	
Administration	-8,311	-7,606	-8,384	-8,490	
<b>Operating profit (EBIT)</b>	<b>111</b>	<b>1,184</b>	<b>2,572</b>	<b>3,427</b>	
<b>EBITDA</b>	<b>2,416</b>	<b>3,415</b>	<b>4,829</b>	<b>5,625</b>	
PBT	-1,779	-1,545	23	659	
Net assets	8,019	11,850	-12,608	-12,529	
Of which stock	8,908	7,575	9,783	14,129	
Total assets less current liabilities	28,910	26,152	26,158	28,202	
<b>Gross profit/turnover (%)</b>	<b>18</b>	<b>18</b>	<b>21</b>	<b>22</b>	
Operating profit/turnover (%)	0	1	2	3	
Stock days	40.3	34.7	43.3	61.2	

Source: Bertram Group Limited Statutory Accounts.

**Notes:**

1. 2007 is only a six-month period.
2. Stock days calculated as stock/cost of sales × 365 (2007 figures have been doubled to reflect six-month period).

8. Other than BLS, Bertram's major customers are independent retailers, and Amazon. Some 15 per cent of revenue comes from exports. Sales to [REDACTED] appear to return the highest margins to Bertram.

### Potential purchasers of Bertram

9. In addition to EUK, Bertram told us that several purchasers expressed an interest in acquiring Bertram including foreign wholesalers (all of which requested confidentiality). These were:

[REDACTED]

10. [REDACTED] and EUK were the only companies to proceed to the final (third) round of the bidding process. EUK was ultimately selected as preferred bidder because Hg Capital considered that its offer was more deliverable and had fewer conditions.