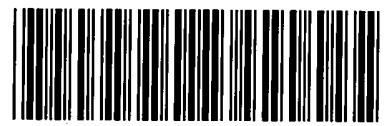


Registered Number: 06849888

Bertram Trading Limited

**Annual Report and Financial Statements
for the year ended 31 August 2017**

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Bertram Trading Limited

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Bertram Trading Limited

Officers and professional advisers

Directors

J M Bunting (resigned 14 February 2018)
M R Cashmore (resigned 14 February 2018)
D G Bauernfeind (resigned 14 February 2018)
J P R Adams
I B M Sheppard (appointed 14 February 2018)
N D Goodwin (appointed 28 March 2018)

Company Secretary

S S Marriner (resigned 14 February 2018)

Registered Office

1 Broadland Business Park,
Norwich,
Norfolk
NR7 0WF

Auditor

Deloitte LLP
Statutory Auditor
Reading
United Kingdom

Bertram Trading Limited

Strategic report

Principal activity

The principal activity of the company is the supply of books and audio visual material to retailers, libraries, schools, colleges and other institutions.

Business review

On 14 February 2018 the company was acquired by Aurelius Omega Limited, a wholly owned subsidiary of Aurelius Equity Opportunities SE & Co KGaA, a listed pan-European mid-market investor. Aurelius Equity Opportunities has a market capitalization of c. EUR 1.7 billion as of December 2017.

The company's loss for the financial year after taxation amounted to £15.8m (2016: Profit £5.3m). The total distribution of dividends for the financial year ended 31 August 2017 will be £nil (2016: £nil).

During the financial year, the company incurred £15.5m of exceptional costs following review of specific areas for impairment including fixed assets, obsolete inventory, specific trade debtors, intercompany debtor provision and dilapidations. See Exceptional Costs Note 5.

Excluding exceptional costs, the company incurred a loss of £0.3m. The books market remains challenging and whilst performance in wholesale markets is improving, the libraries sector continues to be challenging.

There are no further matters to report under s417 of the Companies Act 2006.

Key performance indicators (KPIs)

The company uses a range of KPIs to monitor and manage the business effectively. These are both financial and non-financial.

The financial KPIs are turnover, gross profit, gross margin (%), earnings before interest, tax, depreciation and amortisation and exceptional items (EBITDA), and EBITDA %. Turnover has increased driven by improved UK wholesale business. Gross margin % is in line with expectation, slightly lower than last year due to mix; otherwise the change in EBITDA is largely influenced by the exceptional costs.

The KPIs for the financial year ended 31 August 2017 are set out below:

	2017	2016
Turnover (£'000s)	168,397	149,804
Gross profit (£'000s)	16,081	14,571
Gross margin (%)	9.5	9.7
EBITDA (before exceptional (costs)/income) (£'000s)	470	2,225
EBITDA (before exceptional (costs)/income) %	0.3	1.5
Loss before tax excluding exceptional costs (£'000s)	(390)	(981)
Depreciation and amortisation (£'000s)	849	2,438
Interest (£'000s)	11	768
EBITDA (£'000s)	470	2,225

Risks and uncertainties

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks that include the effects of change in foreign currency exchange rates, credit risk, interest rate risk and liquidity risk. The company has robust internal procedures to monitor sales, costs, profits and risks. The company's Executive Committee reviews the principal strategic and financial risks on a regular basis. The business completes a detailed forecast at least twice a financial year and more regularly if any significant issues arise and these forecasts are reviewed by the Executive Committee.

Bertram Trading Limited

Strategic report (continued)

Risks and uncertainties (continued)

Credit Risk

The company's principal credit risk relates to the recovery of amounts owed by trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history, debts are actively chased by the credit control department.

Currency risk

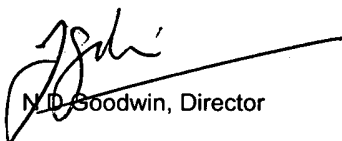
The company has exposure to translation and transaction foreign exchange risk. Whilst the company invoices export accounts in sterling, the level of buying from overseas suppliers has increased.

Business risk

The company has relatively secure revenues by performing the majority of trading with established customers, the library business trading under sales contracts with an average term of 3 years.

The general economic environment remains challenging with continued pressure on the UK high street. Demand for books however is seen to be relatively resilient compared with other impacts on discretionary consumer spending. This is further mitigated by the company strategy to target areas of market growth. It is however recognised that there will be continuing pressure on public spending which will be likely to have an ongoing impact on sales to public libraries.

By Order of the Board



N.D. Goodwin, Director

29th May 2018

Bertram Trading Limited

Directors' report

The directors present their annual report and the audited financial statements for the financial year ended 31 August 2017. The financial statements have been prepared under FRS 102.

Going concern

The Company made a loss of £15.8m during the financial year (£0.3m loss excluding exceptional costs) and has net current liabilities of £7.9m as at 31 August 2017. The directors have prepared financial forecasts for Bertram Group and considered the cash requirements of the company for a period of at least twelve months from the signing of these financial statements. As part of the purchase by Aurelius Equity Opportunities the company has put in place an asset-backed finance facility to support its working capital requirements. This facility has a headroom of £25m and the directors are satisfied that the facilities available are adequate to provide the company's finance requirements. The directors therefore have a reasonable expectation that the company will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results

The results for the financial year ended 31 August 2017 are set out on page 9.

Dividends

The directors do not recommend the payment of a dividend for the financial year (2016: £nil).

Directors

The directors, who served during the financial year and up to the date of signing this report, unless otherwise stated, are shown on page 1.

Directors' indemnities

The company maintains liability insurance for its directors, with a cover limit for each claim or series of claims against them in that capacity. The directors have also been granted a qualifying third party provision under section 234 of the Companies Act 2006.

The risks faced by the company are discussed in greater detail in the strategic report.

Supplier payment policy

The company's policy for the payment of suppliers, which complies with the CBI Code of Practice for Buyers, is to agree the terms of payment in advance in line with normal trade practice and, provided a supplier performs in accordance with the agreement, to abide by such terms.

Employees

The company employed on average 360 (2016: 374) people throughout the United Kingdom and has an established system for communicating information on its performance and other significant issues affecting the business. The company's open management style encourages employees to contribute to the development of the business.

The board believes in creating, throughout the company, a culture that is free from discrimination and harassment and will not permit or tolerate discrimination in any form. The company gives proper consideration to applications for employment from disabled people. Should an employee become disabled when working for the company, efforts are made to continue their employment and retraining is provided if necessary.

Bertram Trading Limited

Directors' report

Corporate responsibility

The company takes a positive approach to corporate responsibility ("CR"). We take pride in the way we work and the benefits we bring to the communities we serve. We recognise too that responsible practice brings efficiencies and commercial benefits.

We have clear policies that ensure our day-to-day operation meets agreed standards. These are supplemented by initiatives that aim to improve targeted areas and are aligned with those of our day-to-day operation. This approach ensures that CR is an integral part of how we operate.

Political and charitable donations

Charitable donations during the financial year ended 31 August 2017 totalled £100 (2016: £1,500). It is the company's policy not to make political donations and no political donations were made in the financial year.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP will continue in office as auditor to the company.

By Order of the Board



N D Goodwin
Director

29th May 2018

Bertram Trading Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report to the members of Bertram Trading Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bertram Trading Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of Bertram Trading Limited (continued)

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

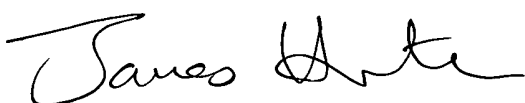
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



James Hunter FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
29th May 2018

Bertram Trading Limited
Profit and loss account for the year ended 31 August 2017

	Note	2017			2016		
		Adjusted	Except- ional	Total	Adjusted	Except- ional	Total
		£'000	£'000	£'000	£'000	£'000	£'000
			Note 5			Note 5	
Turnover	2	168,397	-	168,397	149,804	-	149,804
Cost of sales		(152,316)	-	(152,316)	(135,233)	-	(135,233)
Gross profit		16,081	-	16,081	14,571	-	14,571
Distribution costs		(10,036)	-	(10,036)	(8,556)	-	(8,556)
Administrative costs		(6,424)	(15,530)	(21,954)	(6,228)	5,997	(23)
(Loss)/Profit before interest and tax	7	(379)	(15,530)	(15,909)	(213)	5,997	5,784
Net finance costs	6	(11)	-	(11)	(768)	-	(768)
(Loss)/Profit before taxation		(390)	(15,530)	(15,920)	(981)	5,997	5,016
Tax on (loss)/profit	8	85	-	85	332	-	332
(Loss)/Profit for the year		(305)	(15,530)	(15,835)	(649)	5,997	5,348

All results are derived from continuing operations.

There are no comprehensive income or expenses for the current financial year and preceding financial year other than as stated in the profit and loss account and accordingly a statement of other comprehensive income has not been presented.

Bertram Trading Limited

Balance sheet as at 31 August 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Goodwill	9	-	-
Intangible assets	10	730	707
Tangible assets	11	3,792	3,434
Investment in subsidiary	12	-	-
		<u>4,522</u>	<u>4,141</u>
Current assets			
Stocks	13	19,646	17,412
Debtors – due within one year	14	25,196	40,695
		<u>44,842</u>	<u>58,107</u>
Creditors: amounts falling due within one year	15	<u>(56,814)</u>	<u>(54,180)</u>
Net current liabilities		<u>(11,972)</u>	<u>3,927</u>
Total assets less current liabilities		(7,450)	8,068
Provisions for liabilities	16	<u>(458)</u>	<u>(141)</u>
Net liabilities		<u>(7,908)</u>	<u>7,927</u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Profit and loss account	17	<u>(8,909)</u>	<u>6,927</u>
Shareholder's funds		<u>(7,908)</u>	<u>7,927</u>

The financial statements of Bertram Trading Limited, registered number 06849888, were approved by the Board of Directors and authorised for issue on 29th May 2018. These were signed on its behalf by:


N. D. Goodwin
Director

Bertram Trading Limited**Statement of changes in equity as at 31 August 2017**

	Share Capital £'000	Profit and loss account £'000	Total Equity £'000
At 1 September 2015	1,000	1,579	2,579
Profit for the financial year	-	5,348	5,348
At 31 August 2016	<u>1,000</u>	<u>6,927</u>	<u>7,927</u>
Loss for the financial year	-	(15,835)	(15,835)
At 31 August 2017	<u>1,000</u>	<u>(8,908)</u>	<u>(7,908)</u>

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017

1. Accounting policies

Accounting convention

The financial statements are prepared in compliance with FRS 102, the Companies Act 2006 and in accordance with applicable United Kingdom law and Accounting Standards. The principal accounting policies are summarised below. They have been applied consistently throughout the financial year and the preceding financial year.

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and are presented in Pound Sterling rounded to £'000s unless otherwise stated. Bertram Trading Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3. The functional currency of Bertram Trading Limited is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the company operates. These financial statements present information for the company as an individual undertaking and not as a group. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements for the year ended 31 August 2017 as for that year it was a wholly owned subsidiary of Connect Group PLC and its results are included in the consolidated financial statements of Connect Group PLC., a listed entity. The consolidated financial statements of Connect Group PLC for the year ended 31 August 2017 are available from Rowan House, Cherry Orchard North, Kembrey Park, Swindon, Wiltshire, SN2 8UH. As discussed in the strategic report on page 2, Bertram Trading Limited is no longer a wholly owned subsidiary of Connect Group PLC.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash-flow statement, intra-group transactions and remuneration of key management personnel.

Going concern

The Company made a loss of £3.8m during the financial year (£0.3m loss excluding exceptional costs) and has net current assets of £0.04m as at 31 August 2017. The directors have prepared financial forecasts for Bertram Group and considered the cash requirements of the company for a period of at least twelve months from the signing of these financial statements. As part of the purchase by Aurelius Equity Opportunities the company has put in place an asset-backed finance facility to support its working capital requirements. This facility has a headroom of £25m and the directors are satisfied that the available facilities are adequate to provide the company's finance requirements. The directors therefore have a reasonable expectation that the company will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Related parties

The company has taken advantage of the exemption not to disclose details of its transactions with its parent company and with other group companies.

Turnover

Turnover represents amounts receivable for goods provided net of VAT and discounts and excludes the sales value of estimated returns. The turnover is recognised at the point at which the company has fulfilled its obligation with respect to the sale, which occurs at the point at which goods are delivered to the customer.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the financial year. Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at the applicable rate on the carrying amount.

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

1. Accounting policies (continued)

Leases

Rental costs under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and depreciation is provided in accordance with the Company's accounting policy for that class of asset. The capital element of future lease obligations are recorded as liabilities, whilst the interest elements are charged to the profit and loss account over accounting periods based on the outstanding capital element of the lease.

Intangible assets

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 7.5 years. Provision is made for any impairment as appropriate.

Capitalisation of internally generated development costs

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

Such costs relate to expenditure on developed software which is capitalised when the company is able to demonstrate all of the following: the technical feasibility of the resulting asset; the ability (and intention) to complete the development and use it; how the asset will generate probable future economic benefits; and the ability to measure reliably the expenditure attributable to the asset during its development. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally generated development costs are amortised over their estimated useful economic life of 3 years.

Software

Software is amortised over its useful economic life (over 3 years).

Tangible assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant, fixtures and fittings	-	3 to 10 years
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Stocks

Stocks comprise goods for resale and are stated at the lower of cost and net realisable value. Cost is the purchase price of the stock valued on a first-in-first-out basis. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow-moving or defective items where appropriate.

Share based payments

Some employees of the company receive part of their remuneration in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

1. Accounting policies (continued)

Share based payments (continued)

Equity-settled share-based schemes are measured at fair value at the date of grant. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The profit and loss account charge is then adjusted to reflect expected and actual levels of vesting based on non-market performance related criteria.

Taxation

Current tax is provided at amounts expected to be recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more than likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in the profit and loss account for the period in which they arise.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates are associated assumptions and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources.

The directors have reviewed the estimates and assumptions used in the preparation of the financial statements.

The directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial period due to changes in the estimates or assumptions used.

Exceptional items

Exceptional items are material items of income or expense excluded in arriving at operating profit to enable a more representative view of underlying performance. These include certain amortisation of intangibles, goodwill impairment, integration costs, business restructuring costs and network re-organisation costs including those relating to strategy changes which are not normal operating costs of the underlying business. They are disclosed and described separately in the financial statements where necessary to provide further understanding of the financial performance of the company.

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

2. Turnover

Turnover, which is attributable to the principal activity of the company, represents the value of sales invoiced excluding value added tax. Turnover is generated from the supply of books and other media products.

The analysis of turnover by type is as follows:

	2017	2016
	£'000	£'000
Wholesale	161,669	141,606
Library Services	6,728	8,198
	<u>168,397</u>	<u>149,804</u>

The analysis of turnover by geographical area is as follows:

	2017	2016
	£'000	£'000
United Kingdom	144,113	119,013
Rest of the World	24,284	30,791
	<u>168,397</u>	<u>149,804</u>

3. Employee and staff costs

	2017	2016
	£'000	£'000
Wages and salaries	7,723	7,434
Social security	610	587
Pension costs	261	287
	<u>8,594</u>	<u>8,308</u>

Total number of employees

The average total number of employees (including executive directors) was:

	2017	2016
	No.	No.
Operations	233	255
Support functions	127	119
Total	<u>360</u>	<u>374</u>

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

4. Directors' remuneration

	2017 £'000	2016 £'000
Directors' remuneration:		
Emoluments	301	430
Company contributions to defined contribution pension schemes	44	63
	345	493
Remuneration of the highest paid director:		
Emoluments	301	271
Company contributions to defined contribution pension schemes	44	46
	345	317
The number of directors who:		
Are members of a defined contribution pension scheme	1	2
Had awards receivable in the form of shares under a long-term incentive scheme	1	2

The highest paid director is a member of the company's defined contribution pension scheme. There were no other transactions with directors.

Three of the directors are remunerated by other companies within Connect Group PLC, which was the owner of the company throughout the year ended 31st August 2017. No amount of remuneration has been allocated to this company.

5. Exceptional costs/(income)

During the financial period, the company incurred the following exceptional costs based on the policy for exceptional items:

	2017 £'000	2016 £'000
Obsolete stock	1,438	-
Intangible fixed asset impairment (see note 10)	183	-
Tangible fixed asset impairment (see note 11)	408	-
Specific debtor provision	552	-
Intercompany debtor provision	12,008	-
Dilapidations provision for Norwich site (see note 16)	453	-
Legal costs for vendor dispute	111	-
Profit on disposal of Wordery.com	-	(5,970)
Preparation for disposal of Bertram Group	60	-
Other	317	(27)
	15,530	(5,997)

Following a restructuring exercise and strategic review of the business conducted during the year, exceptional write-offs were incurred in respect of obsolete stock (£1.4m), and receivables (£0.6m), intercompany debtor provision (£12m) together with impairments over the carrying value of intangible fixed assets (£0.2m), and tangibles fixed assets (£0.4m), and a dilapidation provision charge in respect of the Norwich site (£0.5m). The Directors consider these items of income and expense to be separately presented on the face of the profit and loss account to enable the reader of the accounts to understand the underlying performance of the Company in line with their policy for such items.

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

6. Net finance costs

	2017 £'000	2016 £'000
Interest payable and similar charges:		
Interest payable to group undertakings	5	652
Exchange loss on foreign currency borrowings	6	116
	<u>11</u>	<u>768</u>

7. (Loss)/Profit on ordinary activities before tax

	2017 £'000	2016 £'000
(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting):		
Inventories recognised as an expense	152,316	135,233
Depreciation/amortisation of owned assets	849	1,221
Amortisation of goodwill	-	1,217
Operating lease rentals:		
- Plant and machinery	60	48
- Other	899	892
Operating lease rental income – land and buildings	(222)	(222)
Auditor's fees – statutory audit	<u>58</u>	<u>59</u>

Amortisation of intangibles is included within administration costs.

Inventories recognised as an expense in the financial year have been restated to include intercompany transactions with other companies within the group.

In the financial year ended 31 August 2017, fees payable to Deloitte LLP and their associates for the audit of the company's annual financial statements were paid by another entity within Connect Group Plc. Connect Group was the owner of the company throughout that financial year.

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

8. Taxation on (loss)/profit

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	-	(158)
Adjustment in respect of previous periods	15	(89)
Total current tax charge/(credit)	15	(247)
Deferred tax:		
Origination and reversal of timing differences	(82)	23
Impact of tax rate change	(2)	(7)
Adjustment in respect of previous periods	(16)	(101)
Total deferred tax credit	(100)	(85)
Total tax credit on (loss)/profit	(85)	(332)

8. Tax on (loss)/profit (continued)

Reconciliation of the total tax charge:

The Finance (No.2) Act 2015, which provides for a reduction in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017, and from 19% to 18%, effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the current year calculation of deferred tax. A further rate reduction to 17% effective from 1 April 2020 was announced in the Finance Bill 2016. As this has not been substantively enacted at the balance sheet date, it has not been reflected in the calculation of deferred tax at the balance sheet date.

During the financial period beginning 1 September 2017, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the financial period by £31k due to the expectation that share options will be exercised.

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £'000	2016 £'000
(Loss)/profit before taxation	(15,920)	5,016
Tax at effective UK corporation tax rate of 19.6% (2016: 20.0 %)	(3120)	1,003
Effects of:		
Expenses not deductible for tax purposes	2,385	192
Non-taxable income	-	(1,330)
Share based payments	(14)	-
Impact of tax rate change	6	(7)
Group relief surrendered for nil consideration	137	-
Tax losses not recognised as deferred tax assets	522	-
Adjustments in respect of prior periods	(1)	(190)
Total tax credit	(85)	(332)

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

9. Goodwill

	£'000
Cost	
At 1 September 2016 and 31 August 2017	9,159
Amortisation	
At 1 September 2016 and 31 August 2017	(9,159)
Net book value	
At 31 August 2017	-
At 31 August 2016	-

10. Intangible fixed assets

	Software	Internally generated development costs	Total
	£'000	£'000	£'000
Cost			
At 1 September 2016	395	3,010	3,405
Additions	259	287	546
Disposals	(330)	(2,599)	(2,929)
At 31 August 2017	324	698	1,022
Amortisation and impairment			
At 1 September 2016	(315)	(2,383)	(2,698)
Charge for the year	(18)	(124)	(142)
Impairment	15	168	183
Disposals	300	2,065	2,365
At 31 August 2017	(18)	(274)	(292)
Net book value			
At 31 August 2017	306	424	730
At 31 August 2016	80	627	707

During the financial year, the company reviewed intangible assets for impairment and performed an exceptional write off resulting in an impairment of £183k (see Note 5)

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

11. Tangible fixed assets

	Plant, fixtures and fittings
	£'000
Cost	
At 1 September 2016	7,305
Additions	1,273
Disposals	<u>(2,569)</u>
At 31 August 2017	<u>6,009</u>
Accumulated depreciation and impairment	
At 1 September 2016	(3,871)
Charge for the year	(501)
Impairment	408
Disposals	<u>1,747</u>
At 31 August 2017	<u>(2,217)</u>
Net book value	
At 31 August 2017	<u><u>3,792</u></u>
At 31 August 2016	<u><u>3,434</u></u>

During the financial year, the company reviewed tangible fixed assets for impairment and performed an exceptional write off resulting in an impairment of £408k (see Note 5).

12. Investment in subsidiary

The company directly owns 100% of the ordinary share capital of the following subsidiary undertaking:

Name	Place of registration
Dawson Books Limited	1 Broadland Business Park, Norwich, Norfolk, NR7 0WF

The company owns 100% of the share capital of Dawson Books Limited at a cost of £1.

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

13. Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	246	191
Finished goods and goods for resale	19,400	17,221
	<u>19,646</u>	<u>17,412</u>

The directors do not consider the replacement cost of stock to be materially different from the value stated above.

14. Debtors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade debtors	18,884	18,492
Amounts owed by group undertakings	5,169	21,388
Corporation tax	143	158
Other debtors	502	408
Prepayments and accrued income	498	249
	<u>25,196</u>	<u>40,695</u>

The amounts owed by group undertakings are not interest bearing and are payable on demand.

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	41,625	37,284
Bank overdraft	13,573	15,139
Amounts owed to group undertakings	362	759
Other taxation and social security	315	264
Accruals and deferred income	939	734
	<u>56,814</u>	<u>54,180</u>

In the year to 31 August 2017 the company met its borrowing requirements by having access to Connect Group's borrowing facilities. As at 31 August 2017, Connect Group had £230m of committed bank facilities in place (2016: £250m).

As part of the purchase by Aurelius Equity Opportunities on 14 February 2018, these facilities, with the bank overdraft, were replaced by an asset-backed finance facility with a headroom of £25m. Going forward any amounts previously classified as owed to group undertakings will be reclassified as Trade creditors.

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

16. Provisions for liabilities

	Dilapidation £'000	Deferred taxation £'000	Other £'000	Total £'000
As at 1 September 2016	-	(60)	(81)	(141)
(Charge)/credit to income	(453)	100	36	(317)
As at 31 August 2017	<u>(453)</u>	<u>40</u>	<u>(45)</u>	<u>(458)</u>

Other provision mainly relates to costs accrued from the continued restructure of the Library Services business.

Deferred tax

Deferred tax is provided as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	(8)	(67)
Share based payments	38	-
Other timing differences	10	7
Deferred tax asset/(liability)	<u>40</u>	<u>(60)</u>

The company has capital losses carried forward of £79k (2016: £79k). These capital losses have no expiry date. Deferred tax assets have not been recognised in respect of the capital losses carried forward due to the uncertainty of their utilisation.

The company has tax losses carried forward of £2,665k (2016: £nil). These tax losses have no expiry date. Deferred tax assets have not been recognised in respect of the tax losses carried forward due to the uncertainty of their utilisation.

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

17. Called up share capital and reserves

	2017 £'000	2016 £'000
Allotted, called-up and fully paid		
1,000,001 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

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

The company's other reserve is comprised of the profit and loss account reserve which represents cumulative profits or losses.

18. Operating lease commitments

Minimum payments under operating leases are as follows:

	Land and buildings £'000	2017 Equipment and vehicles £'000	Total £'000	Land and buildings £'000	2016 Equipment and vehicles £'000	Total £'000
Within one year	892	59	951	892	48	940
Within two to five years	3,566	208	3,774	3,566	14	3,580
In more than five years	<u>2,526</u>	<u>-</u>	<u>2,526</u>	<u>3,417</u>	<u>-</u>	<u>3,417</u>
Total	<u>6,984</u>	<u>267</u>	<u>7,251</u>	<u>7,875</u>	<u>62</u>	<u>7,937</u>

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

19. Share-based payments

The Connect Group operates various share schemes for its employees, as described below. In the year ended 31st August 2017 the company took part in the group share-based payment plans and recognised and measured its allocation of the share-based payment expense based on individual entitlement or by pro rata basis in respect of the Sharesave scheme. Bertram Trading Limited recognised total expenses of £144k in 2017 (2016: £207k) related to the equity-settled share-based payment transactions.

The share incentive schemes operated by Connect Group PLC are described below:

Sharesave Scheme	Under the terms of the Connect Group Sharesave Scheme, the Connect Group Board may grant options to purchase ordinary shares in Connect Group PLC to eligible employees who enter into an HM Revenue & Customs approved Save-As-You-Earn ("SAYE") savings contract for a term of three or five years. Options are granted at a 20% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract.
Executive share option schemes (ESOS)	Under the terms of the Connect Group's Executive Share Option Scheme, the Connect Group Board may grant options to purchase ordinary shares in Connect Group PLC to executives up to an annual limit of 200% of base salary. The exercise of options is conditional on the achievement of a three year performance target, which is determined by the Remuneration Committee at the time of grant. Provided that the target is met, options are normally exercisable until the day preceding the 10 th anniversary of the date of grant.
LTIP	Under the terms of the Connect Group LTIP, executive directors and key senior executives may be awarded each financial period conditional entitlement to ordinary shares in Connect Group PLC (in the form of nil cost options) or, in order to retain flexibility and at Connect Group's discretion, a cash sum linked to the value of a notional award of shares up to a value of 200% of base salary. The vesting of awards is subject to the satisfaction of a three year performance condition, which is determined by the Remuneration Committee at the time of grant. Subject to the satisfaction of the performance condition, awards are normally exercisable until the 10 th anniversary of the date of grant.
Deferred Bonus Plan (DBP)	Under the terms of the Connect Group Deferred Bonus Plan, executive directors and key senior executives may be granted each financial period share awards (in the form of nil cost options) dependent on the achievement of the Annual Bonus Plan and Economic Profit Plan performance targets. Awards are normally exercisable after two years subject to continued employment.

The Sharesave and ESOS options granted during each period have been valued using a Black-Scholes model, the LTIP and DBP schemes are valued by reference to the share price at the date of grant discounted by the estimated dividend yield per cent.

20. Contingent liabilities and capital commitments

At 31 August 2017 the bank held a letter of cross guarantee between the company and its parent undertakings. Capital expenditure authorised, but not included in the financial statements, is £nil (2016: £nil).

Bertram Trading Limited

Notes to the financial statements for the year ended 31 August 2017 (continued)

21. Parent and controlling company

At 31 August 2017 the ultimate parent and controlling company was Connect Group PLC, a public company incorporated in England and Wales with registration number 5195191, which is the only group to prepare consolidated financial statements. The immediate parent company was Smiths News Investments Limited. Copies of the group financial statements as at 31 August 2017 are available from:

The Company Secretary
Connect Group PLC
Rowan House
Cherry Orchard North
Kembrey Park
Swindon
Wiltshire
SN2 8UH

As discussed in the strategic report on page 2, on 14 February 2018 the company was acquired by Aurelius Omega Limited, a wholly owned subsidiary of Aurelius Equity Opportunities SE & Co KGaA, a listed pan-European mid-market investor. Aurelius Equity Opportunities SE & Co KGaA is now the ultimate parent and controlling company; Aurelius Omega Limited is the immediate parent company.