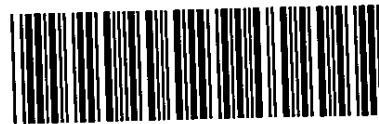


BERTRAM TRADING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2010

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BERTRAM TRADING LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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BERTRAM TRADING LIMITED

COMPANY INFORMATION

DIRECTORS

J M Bunting (Appointed 1 April 2010)
S J Carter
M R Cashmore
N J Gresham (Appointed 1 September 2010)
I A Hendrie
A J Humphrey (Resigned 31 August 2010)
G P Leech
M H Neil (Resigned 24 December 2010)
G A Underhill

SECRETARY

D J Murray (Appointed 24 September 2010, Resigned 14 January 2011)
C A White (Resigned 24 September 2010, Appointed 14 January 2011)

REGISTERED OFFICE

Wakefield House
Pipers Way
Swindon
Wiltshire
SN3 1RF

COMPANY NUMBER

06849888

AUDITORS

Deloitte LLP
Reading, United Kingdom

BANKERS

Barclays Bank PLC
Richmond Branch
8 George Street
Richmond
Surrey
TW9 1JU

The Royal Bank of Scotland PLC
13-19 Derby Road
Nottingham
NG1 5AA

Lloyds TSB Bank PLC
PO Box 72
Bailey Drive
Gillingham Business Park
Gillingham
Kent
ME8 0LS

BERTRAM TRADING LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 August 2010

DATE OF INCORPORATION AND COMPARATIVES

Bertram Trading Limited (the "Company") was incorporated in the prior period on 17 March 2009, with an accounting reference date of 31 August. As a result of this, the comparative information for the profit and loss account and the related notes, which relate to a shorter period, are not directly comparable.

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

This report covers the first full year of trading since the acquisition of the business by the Company on 20 March 2009. The Company is a wholly owned subsidiary of Smiths News Investments Limited. Its ultimate parent company is Smiths News PLC.

The year reported upon represented a satisfactory year of trading against a backdrop of a difficult retail trading period post Christmas.

During the year the Company commenced the process of closing down the Library Services operation located in Leeds and relocating the operational processing to the Norwich Head Office. The preparation for the move required the creation of additional operating space within the Norwich facility, achieved through the construction of an additional mezzanine floor, which was completed to time and to budget during the summer.

The decision to close the Leeds based operation was made following the conclusion of a 90 day consultancy period with the affected staff members. The migration will complete in the new financial year within which the benefits of the relocation will also start to be seen.

Consolidating all of the Company's operations onto one site will deliver multiple benefits to the business including efficiency gains, service lead time improvements and a much reduced environmental footprint.

There are no further matters to report under Section 417 of the Companies Act 2006.

KEY PERFORMANCE INDICATORS (KPI)

The company uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators (KPI).

The key performance indicators are turnover, gross profit, gross margin (%), earnings before interest, tax, depreciation and amortisation (EBITDA), and EBITDA %. These KPI indicate the volume of work the company has undertaken as well as the efficiency and profitability with which this work has been delivered.

The key performance indicators for the year ended 31 August 2010, are set out below.

	Year Ended 31 August 2010	Period Ended 31 August 2009
Turnover (£'000s)	137,109	53,453
Gross profit (£'000s)	25,364	9,353
Gross margin (%)	18.5	17.5
EBITDA (£'000s)	4,668	891
EBITDA %	3.4	1.6

BERTRAM TRADING LIMITED

DIRECTORS' REPORT (CONTINUED)

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 changes in foreign currency exchange rates, credit risk, interest rate risk and liquidity risk. Given the size of the Company the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the Company's finance department.

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.

Interest rate risk:

The Company's external borrowings attract interest at a rate which combines fixed and variable elements.

Liquidity risk:

Current and projected working capital demand is reviewed in conjunction with existing financing facilities to determine cash requirements as part of the routine reporting process. The financing agreement is secured by a book debt debenture on trade debtors assigned to the financing provider.

Currency risk:

The Company has a minimal exposure to translation and transaction foreign exchange risk. This is achieved by invoicing export accounts in sterling and by buying largely from UK suppliers.

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 uncertain. Demand for books however is seen to be relatively resilient against any impact upon discretionary consumer spend, mitigated by the Company strategy to target areas of market growth. It is recognised that reduced public sector spending could impact ongoing expenditure with the library business.

GOING CONCERN

Having considered the principal risks and uncertainties as detailed above, the financial strength of the Group Company which provides the inter-company finance and the current economic environment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

RESULTS

The results for the year ended 31 August 2010 are set out on page 8.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 August 2010 (2009 £nil).

DIRECTORS

The directors, who with the exception of J M Bunting, N J Gresham, A J Humphrey and M H Neil served throughout the period and up to the date of signing this report, are shown on page 1.

BERTRAM TRADING LIMITED

DIRECTORS' REPORT (CONTINUED)

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 256 of the Companies Act 2006.

The risks faced by the Company are discussed in greater detail above.

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 employs approximately 560 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.

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.

A Corporate Responsibility Committee oversees the management of our CR programme, working to achieve clear objectives which are reviewed annually. The Committee reports to the Executive and gives the Board regular updates on any significant issues. The Board considers a full progress report every year.

The Committee comprises managers with responsibility for our focus areas: community, workplace, marketplace and environment. Its objectives 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 year ended 31 August 2010 totalled £6,664 (2009: £nil).

It is the Company's policy not to make political donations and no political donations were made in the year.

BERTRAM TRADING LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Each of the directors at the date of approval of this report confirms that

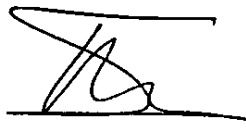
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Deloitte LLP will continue in office as auditors to the Company

This report was approved by the Board on 31 January 2011

By Order of the Board

A handwritten signature in black ink, appearing to be 'I A Hendrie', written over a horizontal line.

I A Hendrie
Director

BERTRAM TRADING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). 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 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, 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BERTRAM TRADING LIMITED

We have audited the financial statements of Bertram Trading Limited for the period ended 31 August 2010, which comprise the profit and loss account, the balance sheet 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 (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As 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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Mark Mullins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom
31 January 2011

BERTRAM TRADING LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 August 2010

	Note	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
Turnover	2	137,109	53,453
Cost of sales		(111,745)	(44,100)
Gross profit		25,364	9,353
Selling and distribution costs		(14,095)	(5,156)
Administrative expenses		(7,253)	(3,565)
Amortisation of goodwill		(1,271)	(549)
Operating profit		2,745	83
Reorganisation costs	5	(622)	-
Net finance costs	6	(739)	(156)
Profit/(loss) on ordinary activities before tax	7	1,384	(73)
Tax on profit/(loss) on ordinary activities	8	(410)	23
Profit/(loss) on ordinary activities after tax	17	974	(50)

All results are derived from continuing operations

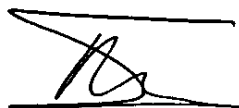
There are no recognised gains or losses for the current period other than as stated in the profit and loss account
Accordingly a statement of total recognised gains and losses has not been provided

BERTRAM TRADING LIMITED

BALANCE SHEET As at 31 August 2010

	Note	31 August 2010 £'000	31 August 2009 £'000
Fixed assets			
Intangible assets - Goodwill	9	7,339	8,610
Tangible assets	10	5,261	4,165
		<u>12,600</u>	<u>12,775</u>
Current assets			
Stocks	11	16,231	17,294
Debtors - due within one year	12	17,911	17,743
Cash at bank and in hand		4,094	4,266
		<u>38,236</u>	<u>39,303</u>
Creditors: amounts falling due within one year	13	<u>(31,063)</u>	<u>(36,027)</u>
Net current assets		<u>7,173</u>	<u>3,276</u>
Total assets less current liabilities		19,773	16,051
Creditors: amounts falling due after more than one year	14	(17,135)	(14,931)
Provisions for liabilities	15	(388)	-
Net assets		<u>2,250</u>	<u>1,120</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	1,250	120
Shareholder's funds		<u>2,250</u>	<u>1,120</u>

These financial statements of Bertram Trading Limited, company number 06849888, were approved by the Board of directors and authorised for issue on 31 January 2011. They were signed on its behalf by



I A Hendrie
Director

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared in compliance with 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 year and the preceeding period.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

In accordance with FRS 1 "Cash Flow Statements" (Revised 1996), a statement of cash flows has not been prepared, as cash flow information has been shown in the financial statements of the ultimate parent company.

Going concern

Having considered the principal risks and uncertainties as in the directors' report, the financial strength of the Group Company which provides the inter-company finance and the current economic environment, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

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 despatched 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 year. Differences between contributions payable in the 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.

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.

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Freehold buildings	-	over 20 years
Short leasehold properties	-	shorter of the lease period and the estimated remaining economic life
Plant, Fixtures and fittings	-	3 to 10 years

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. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow-moving or defective items where appropriate.

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 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.

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 audio visual materials.

The analysis of turnover by geographical area is as follows

	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
United Kingdom	114,188	41,628
Rest of the World	22,921	11,825
	<u>137,109</u>	<u>53,453</u>

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

3. EMPLOYEE AND STAFF COSTS

	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
Wages and salaries	9,046	4,646
Social security	754	385
Pension costs	245	118
	<u>10,045</u>	<u>5,149</u>

Total number of employees

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

	Year ended 31 August 2010 Number	Period ended 31 August 2009 Number
Operations	385	395
Support functions	175	179
Total	<u>560</u>	<u>574</u>

4. DIRECTORS' REMUNERATION

	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
Directors' remuneration		
Emoluments	561	616
Company contributions to defined contribution pension schemes	19	8
Remuneration of the highest paid director:		
Emoluments	240	285
Company contributions to defined contribution pension schemes	8	3
	<u></u>	<u></u>

The number of directors who:

Are members of a defined contribution pension scheme	<u>3</u>	<u>3</u>
--	----------	----------

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

Five of the directors are remunerated by other companies within the Smiths News Group, no amount of this remuneration has been allocated to this Company.

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

5. REORGANISATION COSTS

Reorganisation costs of £622,000 (the major part being redundancy costs) relate to the transfer of the business operations of Bertram Library Services (BLS) from Leeds to Norwich as formally committed to on 7 July 2010

This is to enable cost reduction, improvements in customer lead time of order processing within the BLS business, and environmental benefits

Implementation began in July 2010 including preparation of the Norwich site for the BLS warehouse operation and showroom, phased transfer of the BLS warehouse operation to Norwich, transfer of the BLS office function to Bradford and close down of the Leeds site. These activities will complete in FY 2011

6. NET FINANCE COSTS

	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
Interest payable and similar charges		
Interest payable on bank overdrafts and loans	397	37
Interest payable under finance leases	30	22
Interest payable to group undertakings	312	97
	<u>739</u>	<u>156</u>

7. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of owned assets	312	108
Depreciation of assets held under finance leases	340	151
Amortisation of goodwill	1,271	549
Operating lease rentals		
- Plant and machinery	80	38
- Other	898	392
Operating lease rental income - land and buildings	(212)	(91)
Auditors' fees - audit services	35	40
	<u>35</u>	<u>40</u>

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
Current Tax		
UK corporation tax	355	6
Adjustment in respect of previous periods	(6)	-
Total current tax	349	6
Deferred tax		
Origination and reversal of timing differences	3	(29)
Adjustment in respect of previous periods	59	-
Effect of tax rate change on opening balances	(1)	-
Tax on profit/(loss) on ordinary activities	410	(23)

Reconciliation of the current tax charge:

	Year ended 31 August 2010 £'000	Period ended 31 August 2009 £'000
Profit/(loss) on ordinary activities before taxation	1,384	(73)
Tax on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	388	(20)
Effects of		
Expenses not deductible for tax purposes	56	47
Income not taxable	-	(12)
Capital allowances in excess of depreciation	(80)	(30)
Other short term timing differences	(9)	21
Adjustments to tax charge in respect of previous periods	(6)	-
Total current tax charge	349	6

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

9. INTANGIBLE FIXED ASSETS - GOODWILL

	Total £'000
Cost	
At 1 September 2009 and 31 August 2010	9,159
Amortisation:	
At 1 September 2009	(549)
Charge for the year	(1,271)
At 31 August 2010	(1,820)
Net book value	
At 31 August 2010	7,339
At 31 August 2009	8,610

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Leasehold improve- ments £'000	Plant, fixtures & fittings £'000	Total £'000
Cost				
At 1 September 2009	890	1,153	2,381	4,424
Additions	-	-	1,748	1,748
Transfers	-	(1,153)	1,153	-
At 31 August 2010	890	-	5,282	6,172
Accumulated depreciation				
At 1 September 2009	(6)	(25)	(228)	(259)
Charge for the year	(12)	-	(640)	(652)
Transfer	-	25	(25)	-
At 31 August 2010	(18)	-	(893)	(911)
Net book value				
At 31 August 2009	884	1,128	2,153	4,165
At 31 August 2010	872	-	4,389	5,261

Assets held under finance leases within plant, fixtures and fittings category have a net book value of £266,000 (2009 £607,000) The depreciation charge for the period on these assets was £340,000 (2009 £151,000)

Included in freehold land and buildings is freehold land amounting to £250,000 (2009 £250,000) which has not been depreciated

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

11. STOCKS

	31 August 2010 £'000	31 August 2009 £'000
Raw materials and consumables	124	98
Work in progress	564	735
Finished goods and goods for resale	15,543	16,461
	<u>16,231</u>	<u>17,294</u>

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

12. DEBTORS

	31 August 2010 £'000	31 August 2009 £'000
Amounts falling due within one year:		
Trade debtors	16,748	16,474
Amounts owed by group undertakings	320	244
Other debtors	153	55
Prepayments and accrued income	641	941
Corporation tax asset	49	-
Deferred tax (note 15)	-	29
	<u>17,911</u>	<u>17,743</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 August 2010 £'000	31 August 2009 £'000
Bank overdraft	-	522
Amounts owed under finance leases	240	320
Trade creditors	28,590	32,407
Corporation tax liability	-	6
Other taxation and social security	418	390
Accruals and deferred income	1,815	2,382
	<u>31,063</u>	<u>36,027</u>

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

14. CREDITORS. AMOUNTS FALLING DUE AFTER ONE YEAR

	31 August 2010 £'000	31 August 2009 £'000
Amounts owed under finance leases	-	240
Amounts owed to group undertakings	17,135	14,691
	<u>17,135</u>	<u>14,931</u>

The borrowings noted above are with Smiths News Trading Limited, a subsidiary of Smiths News PLC

	31 August 2010 £'000	31 August 2009 £'000
The maturity of obligations under finance leases is as follows		
In one year or less	240	320
Between one and two years	-	240
	<u>240</u>	<u>560</u>

Obligations under finance leases are secured on the assets concerned and included in note 10

15. PROVISIONS FOR LIABILITIES

	Deferred Taxation £'000	Other £'000	Total £'000
As at 1 September 2009	29	-	29
Charged to profit and loss account	(61)	(356)	(417)
As at 31 August 2010	<u>(32)</u>	<u>(356)</u>	<u>(388)</u>

Deferred tax

Deferred tax is provided as follows,

	31 August 2010 £'000	31 August 2009 £'000
Accelerated capital allowances	(120)	(30)
Other short term differences	88	21
Share based payments	-	38
Deferred tax (liability)/asset (note 8)	<u>(32)</u>	<u>29</u>

Other provisions relate to a restructuring provision for redundancy costs relating to the reorganisation costs, as disclosed in note 5, all of which will be utilised within the first half of FY 2011

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16 CALLED UP SHARE CAPITAL

	31 August 2010 £'000	31 August 2009 £'000
Authorised, allotted, called-up and fully paid 1,000,001 ordinary shares of £1 each	1,000	1,000

17. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share Capital £'000	Profit and loss account £'000	31 August 2010 Total £'000	31 August 2009 Total £'000
At start of period	1,000	120	1,120	-
Issue of share capital	-	-	-	1,000
Profit/(loss) for the financial year	-	974	974	(50)
Recognition of share based payments	-	156	156	170
At end of period	1,000	1,250	2,250	1,120

18. ANNUAL COMMITMENTS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings £'000	2010 Equip- ment and vehicles £'000	Total £'000	Land and Buildings £'000	2009 Equip- ment and vehicles £'000	Total £'000
Within one year	-	9	9	-	25	25
Within two to five years	-	45	45	-	62	62
In more than five years	884	-	884	884	-	884
Total	884	54	938	884	87	971

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19. SHARE-BASED PAYMENTS

The Smiths News Group operates share schemes for its employees. The Company recognised total expenses of £156,000 (2009 £170,000) in relation to equity-settled share-based payment transactions.

Average share price throughout the period was 114 5p (2009 84 9p)

Sharesave Scheme

Under the terms of the Smiths News Sharesave Scheme, the Board of Smiths News PLC may grant options to purchase ordinary shares in the Company 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 per cent 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.

	Number of options	2010 Weighted average exercise price	Number of options	2009 Weighted average exercise price
Outstanding at beginning of the period	173,557	79 2p	-	-
Granted	33,582	98 4p	173,557	79 2p
Exercised	(789)	79 2p	-	-
Forfeited	(41,223)	79 2p	-	-
Outstanding at the end of the period	165,127	83 1p	173,557	79 2p
Exercisable at the end of the period	-	-	-	-

Outstanding options granted under the Sharesave Schemes as at 31 August 2010 are as follows

Date of grant	Number of options	Weighted average exercise price	2010 Weighted average remaining contract- ual life (years)	Number of options	Weighted average exercise price	2009 Weighted average remaining contract- ual life (years)
24 June 2009 (3 Years)	113,762	79 2p	2 8	124,158	79 2p	2 8
24 June 2009 (5 Years)	17,783	79 2p	3 8	49,399	79 2p	4 8
2 June 2010 (3 Years)	23,786	98 4p	2 8	-	-	-
2 June 2010 (5 Years)	9,796	98 4p	4 8	-	-	-
	165,127	83 1p	3 0	173,557	79 2p	3 2

BERTRAM TRADING LIMITED

NOTES TO THE ACCOUNTS

31 August 2010

19 SHARE-BASED PAYMENTS (CONTINUED)

LTIP

Under the terms of the Smiths News LTIP, executive directors and key senior executives may be awarded each year conditional entitlements to ordinary shares in Smiths News PLC (in the form of nil cost options) or, in order to retain flexibility and at the discretion of Smiths News PLC, a cash sum linked to the value of a notional award of shares up to a value of 200 per cent of base salary. The vesting of awards is subject to the satisfaction of a performance condition, which is determined by the Remuneration Committee of Smiths News PLC at the time of grant.

	2010 Number of options	2009 Number of options
Outstanding at beginning of the period	799,390	-
Granted	167,163	799,390
Outstanding at the end of the period	966,553	799,390
Exercisable at the end of the period	-	-

Outstanding awards granted under the LTIP as at 31 August 2010 are as follows

Date of grant	Number of awards 2010	Weighted average remaining contractual life (years) 2010	Number of awards 2009	Weighted average remaining contractual life (years) 2009
30 April 2009	799,390	8.7	799,390	9.7
26 November 2009	167,163	9.2	-	-
	966,553	8.8	799,390	9.7

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19. SHARE-BASED PAYMENTS (CONTINUED)

Executive Share Option Scheme

Under the terms of the Smiths News Executive Share Option Scheme, the Board of Smiths News PLC may grant options to purchase ordinary shares in Smiths News PLC to executives up to an annual limit of 200 per cent of base salary. The exercise of options is conditional on the achievement of a performance target, which is determined by the Remuneration Committee of Smiths News PLC at the time of grant.

	Number of options 2010	Weighted average exercise price 2010	Number of options 2009	Weighted average exercise price 2009
Outstanding at beginning of the period	-	-	-	-
Granted	131,036	107.5p	-	-
Outstanding at the end of the period	131,036	107.5p	-	-
Exercisable at the end of the period	-	-	-	-

Outstanding options granted under the Executive Share Option Scheme as at 31 August 2010 are as follows

Date of grant	Number of options 2010	Weighted average exercise price 2010	Weighted average remaining contractual life (years) 2010	Number of options 2009	Weighted average exercise price 2009	Weighted average remaining contractual life (years) 2009
26 November 2009	131,036	107.5p	9.2	-	-	-
	131,036	107.5p	9.2			

Sharesave Scheme and Executive Share Option Scheme

The share options granted during each period have been valued using a Black-Scholes model.

The inputs to the Black-Scholes model are as follows

	Sharesave Scheme		Executive share options	
	2010	2009	2010	2009
Share price - pence	119.5	85.0	110.0	63.3
Exercise price - pence	98.4	79.2	110.0	63.3
Expected volatility – per cent	38.0	38.0	40.0	40
Expected life - years	3.0-5.0	3.0-5.0	3.0	3.0
Risk free rate – per cent	2.7	2.5	2.5	2.5
Dividend yield – per cent	5.7	6.8	6.4	6.7
Weighted average fair value - pence	30.3	29.3	18.2	11.7

Expected volatility was based on the median three-year share price volatility of 42 FTSE Support Services Companies.

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19. SHARE-BASED PAYMENTS (CONTINUED)

Awards

The fair values of the LTIP awards granted in 2010 were measured by reference to the share price at date of grant discounted at the estimated dividend yield per cent

The inputs into this calculation were as follows

	2010	2009
Share price – pence	107.5	100.2
Dividend yield – per cent	6.4	6.7
Weighted average fair value – pence	<u>88.2</u>	<u>81.4</u>

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions granted by paragraph 3(c) of FRS 8, Related Party Disclosures, not to disclose transactions between Smiths News Group companies

21. PARENT AND CONTROLLING COMPANY

The ultimate parent and controlling company is Smiths News 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 is Smiths News Investments Limited. Copies of the group financial statements are available from

The Company Secretary
Smiths News PLC
Wakefield House
Pipers Way
Swindon
SN3 1RF