

Ottakar's financial performance

1. This appendix examines the financial performance of Ottakar's in the last financial year and the impact this has had on its future plans.
2. Ottakar's told us that its last financial year, ending 28 January 2006, was a tough year financially, particularly in the period since August 2005. Four profits warnings were issued during the year, the latest of which, on 14 December 2005, reported a fall in like-for-like sales of 3.4 per cent over the preceding 45 weeks and a fall of 6.7 per cent over the preceding 19 weeks in the face of 'unprecedented levels of price discounting'.
3. Ottakar's returned a profit before tax, exceptional and other one-off costs of £2.6 million (2004/05: £6.9 million). It attributed the decline in its profitability to a number of factors including market penetration and price competition from Internet retailers and supermarkets.
4. Results for the year show that like-for-like sales fell by 2.8 per cent compared with last year and by [X] per cent when compared with budget (2004/05: increase in like-for-like sales of 3.5 per cent on the previous year). The monthly results are shown in Table 1.

TABLE 1 Financial performance—year ending 28 January 2006

	<i>per cent</i>			
	<i>LFL sales growth</i>	<i>LFL gross profit growth</i>	<i>Total company gross margin 2005/06</i>	<i>Total company gross margin 2004/05</i>
2005	()	()	✂	()
Feb				
Mar				
Apr				
May				
Jun				
Jul				
Aug				
Sep				
Oct				
Nov				
Dec				
2006				
Jan				

Source: Ottakar's January 2006 management accounts.

5. Total gross margin on a month-by-month basis was approximately [✂]. At the same time, like-for-like gross profit growth [✂] per cent. Overall, the gross margin for the year, before one-off costs, was 42.9 per cent, down by 0.1 per cent on the previous year.
6. The Christmas 2005 trading statement showed that, whilst the business had not performed as well as in the same period of the previous year, Ottakar's did manage to protect its margins. This was achieved by reducing costs.
7. Furthermore, Ottakar's told us that [✂]. Like-for-like sales for the eight weeks to 25 March 2006 were down by 8.1 per cent on the previous year, and [✂] budgeted for the period.
8. The continuing financial decline has had a direct impact on the working capital requirements of the company. [✂]
9. [✂]

10. [REDACTED]

11. The steps which have been taken or are to be taken shortly to adapt to the changing competitive environment include:

(a) the opening of four new stores to which the company is already committed;

(b) [REDACTED];

(c) development of an in-house designed stock management system to improve stock control and reduce working capital requirements;

(d) considering the launch of a transactional website;

(e) [REDACTED];

(f) [REDACTED];

(g) [REDACTED]; and

(h) [REDACTED];