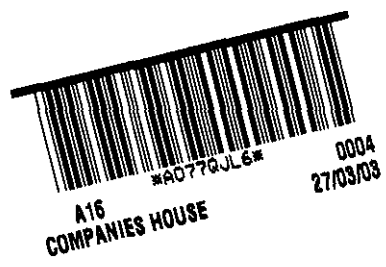


Company Number: 120002

J E Beale plc

Directors' report and financial statements  
for the 52 weeks ended 2 November 2002



**J E Beale plc**

**Directors' report and financial statements for the 52 weeks ended 2 November 2002**

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## **J E Beale plc**

### **Report of the directors**

The directors present their annual report and the audited financial statements for the 52 weeks ended 2 November 2002.

#### **Principal activities and business review**

The principal activity of the Company continues to be the operation of department stores in the UK.

Throughout the year under review, the Company operated department stores in Bedford, Bournemouth, Kendal, Poole, Walton-on-Thames, and Winchester, all trading as Beales, and as Broadbents & Boothroyds in Southport, and, as Denners in Yeovil and as Whitakers in Bolton. The Company acquired stores in Worthing, Ealing and Tonbridge on 11 March 2002, 18 March 2002 and 16 September 2002 respectively.

<b>Profits and dividends</b>	<b>£000</b>
Profit before taxation	<b>2,315</b>
Taxation	<b>(800)</b>
	<hr/>
<b>Profit for the financial year</b>	<b>1,515</b>

The directors recommend that a final ordinary dividend of 83.18p per share be paid making, with the interim dividend of 39.02p per share, a total of 122.20p per share for the year (2001 113.65p per share).

#### **Donations**

Donations to charitable organisations during the year amounted to £5,111 (2001: £6,776). There were no donations to political parties (2001: Nil).

#### **Directors**

The directors during the year were A M Allkins (appointed 1 June 2002), N B E Beale\*, N D Jones, M C H Mitchell (resigned 23 July 2002), A K Owst, T R Rathbone, Alison H Richards\* and J M H Sexton\* (\*non-executive).

A K Owst and J M H Sexton will retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election. A M Allkins was appointed an executive director on 1 June 2002 and will offer himself for election at the annual general meeting

The interests of the directors in the share capital of Beale PLC are disclosed in the board report on directors' remuneration contained in the annual report of Beale PLC. No director had a beneficial interest in the share capital of the Company.

#### **Directors' interests in contracts with the Company**

No director has had an interest in any contract with the Company

#### **Employees**

The Company's policy is to ensure that no disabled applicant or staff member will receive less favourable treatment or be disadvantaged by job requirements or conditions. Where appropriate, retraining or job adjustments are made to assist staff members who become disabled.

## **J E Beale plc**

### **Report of the directors (continued)**

Staff members receive information on the Group and store news through weekly store newsletters. Company results and announcements are also posted on notice boards. Consultation with staff representatives takes place through senior management meetings and individual store councils whose members are then in a position to inform their colleagues.

Following Beale PLC shareholder approval of a Beales Three Year Sharesave Scheme and a Beales Five Year Sharesave Scheme, the parent company, Beale PLC, granted 734,505 share options to qualifying employees on 4 May 1999.

#### **Payment practice**

The Company's policy is to settle invoices within contractual timescales agreed in advance with suppliers. Settlement terms are agreed at the time of placing orders and at the commencement of business with suppliers. The Company does not follow any code or statement on payment practice. Payment is made in accordance with contractual and legal obligations. There were 46 days (2001 40 days) purchases in trade creditors on 2 November 2002 (based upon the year-end trade creditors as a proportion of year end purchases) .

#### **Auditors**

A resolution to reappoint KPMG Audit Plc as auditors to the Company will be proposed at the forthcoming annual general meeting.

#### **By order of the board**



Christopher R Varley, Bsc, FCA  
Secretary

24 January 2003  
Bournemouth

#### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Independent Auditors' report to the members of J E Beale plc**

We have audited the financial statements on pages 5 to 21.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 2 November 2002 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

24 January 2003  
Southampton

J E Beale plc

Profit and loss account for the 52 weeks ended 2 November 2002

	Notes	2002 52 weeks £000	2002 53 weeks £000
<b>Turnover</b>	1		
Continuing operations		77,379	78,046
Acquisitions	2	11,258	-
		<hr/>	<hr/>
		88,637	78,046
Cost of sales		(56,546)	(49,301)
		<hr/>	<hr/>
<b>Gross profit</b>		32,091	28,745
Administrative expenses	3	(29,423)	(24,890)
		<hr/>	<hr/>
<b>Operating profit</b>			
Continuing operations		2,997	3,855
Acquisitions	2	(329)	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before Interest</b>	3	2,668	3,855
Net interest payable and similar charges	4	(353)	(399)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		2,315	3,456
Taxation	5	(800)	(1,165)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		1,515	2,291
Dividends	7	(1,251)	(1,163)
		<hr/>	<hr/>
<b>Retained profit for the year</b>	18	264	1,128
		<hr/>	<hr/>

There is no material difference between the results as disclosed above and the results on an unmodified historical cost basis. There are no recognised gains and losses, other than the profit for the year as reported above.

J E Beale plc

Balance sheet as at 2 November 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Intangible assets	8	1,047	89
Tangible assets	9	15,890	14,803
Investments	10	137	131
		<b>17,074</b>	<b>15,023</b>
<b>Current assets</b>			
Stock		12,514	7,844
Debtors			
- due after one year	11	2,187	795
- due within one year	11	7,627	6,918
Total debtors		9,814	7,713
Cash at bank and in hand		125	91
		<b>22,453</b>	<b>15,648</b>
<b>Creditors : amounts falling due within one year</b>	12	<b>(22,564)</b>	<b>(14,315)</b>
<b>Net current (liabilities)/assets</b>		<b>(111)</b>	<b>1,333</b>
<b>Total assets less current liabilities</b>		<b>16,963</b>	<b>16,356</b>
<b>Creditors : amounts falling due after more than one year</b>	13	<b>(3,396)</b>	<b>(3,396)</b>
<b>Provisions for liabilities and charges</b>	15	<b>(1,334)</b>	<b>(991)</b>
<b>Net assets</b>		<b>12,233</b>	<b>11,969</b>
<b>Capital and reserves</b>			
Called up share capital	17	1,030	1,030
Revaluation reserve	18	703	709
Capital redemption reserve	18	188	188
Profit and loss account	18	10,312	10,042
Equity shareholders' funds		<b>12,226</b>	<b>11,962</b>
Non-equity shareholders' funds		<b>7</b>	<b>7</b>
<b>Total Shareholders' funds</b>	19	<b>12,233</b>	<b>11,969</b>

These financial statements were approved by the board of directors on 24 January 2003 and were signed on its behalf by

N B E Beale director

A K Owst director



**Notes to the financial statements**

**1 Accounting policies**

The Company prepares its financial statements on the historical cost basis of accounting, modified to include the revaluation of certain tangible fixed assets. The accounting periods are for fifty-two or, when appropriate, fifty-three weeks. The year 2001/2002 was a 52 week year (2000/2001 53 week year). The financial statements have been prepared in accordance with applicable accounting standards and the Companies Act 1985.

The Company has taken advantage of the provisions of the Companies Act 1985 not to prepare Group accounts, on the basis that it is a wholly owned subsidiary of a Company registered in England and Wales (see note 23). The financial statements, therefore, present information about the Company as an individual undertaking and not about its Group.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

**Cashflow statement**

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

**Goodwill**

Goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on the consolidation of subsidiaries and purchased goodwill arising on acquisitions of businesses in respect of acquisitions since 1 November 1998 is capitalised and amortised on a straight line basis over 20 years. On the subsequent disposal or termination of a business acquired since 1 November 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In prior years, goodwill was written off to reserves in the year of acquisition. On the subsequent disposal or termination of a business acquired before 1 November 1998, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken against reserves.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation less depreciation, as detailed in note 9 of these financial statements.

Depreciation is provided for on the straight line basis so that assets are written down to residual values over their expected useful life. Freehold land is not depreciated. Freehold buildings have been depreciated at 2% per annum. The rate applied to computers and motor vehicles is 25%. The rate applied to fixtures and fittings and EPOS cash registers is 12.5%.

Costs incurred in entering a lease and of leasehold improvements are included in fixed assets and amortised on a straight line basis over the life of the lease.

**Fixed asset investments**

Quoted fixed asset investments are stated at market value and unquoted fixed asset investments are stated at cost but provision is made if it is considered that there has been any impairment in value. For listed investments, market value is based on closing mid-market price on a recognised UK stock exchange.



## Notes to the financial statements

**Deferred taxation**

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

**Stocks**

Stocks comprise principally retail items for resale and are valued at the lower of cost and net realisable value; cost being the specific item price or being computed on the basis of the selling price less the appropriate trading margin.

**Turnover and gross profit**

Turnover and gross profit are derived from one business activity. Turnover includes the sales of concession departments and represents amounts received and receivable from goods and services supplied to customers after deduction of value added tax. Turnover and gross profit includes interest earned on customers' accounts.

**Leases**

The Company's major leased assets are properties held under operating leases, and annual rentals are charged to the profit and loss account.

**Contributions to the pension scheme**

The Company's pension scheme has a section providing benefits based on final pensionable pay, which was closed to new entrants on 6 April 1997, and a defined contribution section. The assets of the scheme are held separately from the Company in an independently administered fund. The scheme is valued by actuaries every three years and the rates of contribution are adjusted in accordance with their advice.

Contributions to the final salary section of the pension scheme are charged to the profit and loss account so as to produce a level percentage of current and future pensionable payroll.

The amount charged against profits in relation to the defined contribution section of the scheme represents the contributions payable to the scheme for the accounting period.

**Foreign currencies**

Transactions in foreign currencies are translated into Sterling at rates ruling at the time of transaction. Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange, except in those instances where forward cover has been arranged, in which case the forward rate is used. All differences arising on translation are included in the profit and loss account.

**Related party transactions**

Advantage has been taken of the exemption available under Financial Reporting Standard No. 8 not to disclose details of transactions with Beale Plc or other group undertakings as the consolidated financial statements of Beale Plc, in which the Company is included, are publicly available.

	<b>2002</b>	<b>2001</b>
	<b>52 weeks</b>	<b>53 weeks</b>
	<b>£000</b>	<b>£000</b>
<b>2 Acquisitions</b>		
Operating loss in relation to acquisitions during the year is analysed as follows:		
Turnover	11,258	-
Cost of sales	<u>(7,354)</u>	<u>-</u>
Gross profit	3,904	-
Administrative expenses	<u>(4,233)</u>	<u>-</u>
Operating loss	<u>(329)</u>	<u>-</u>

## Notes to the financial statements (continued)

	2002 <u>52 weeks</u> £000	2001 <u>53 weeks</u> £000
<b>3. Profit on ordinary activities before taxation is stated after charging/(crediting)</b>		
Depreciation	2,488	2,146
Amortisation of goodwill	32	5
Operating lease rentals - land and buildings	3,475	2,662
Operating lease rentals – plant and machinery	177	102
(Profit)/loss on sale of tangible fixed assets	(3)	32
Loss on sale of fixed asset investments	-	4
Auditors' remuneration:		
Audit work	42	38
Other fees paid to the auditors and their associates	26	23
Included within administrative expenses:		
Exceptional business rates rebates	(12)	(64)
	<hr/> 2002 <u>52 weeks</u> £000	<hr/> 2001 <u>53 weeks</u> £000
<b>4. Net interest payable and similar charges</b>		
Interest receivable		
Total interest receivable	954	969
Less interest on customers' accounts included in turnover	(934)	(934)
	<hr/> 20	<hr/> 35
Interest payable		
Bank overdraft	(11)	(12)
Other interest payable	(41)	(10)
Holding company loan repayable within 5 years (See note 14)	(321)	(412)
	<hr/> (373)	<hr/> (434)
<b>Net interest payable</b>	<hr/> (353)	<hr/> (399)

J E Beale plc

Notes to the financial statements (continued)

	2002 <u>52 weeks</u> £000	2001 <u>53 weeks</u> £000
<b>5. Taxation</b>		
United Kingdom corporation tax at 30% (2001 30%)	249	924
Deferred taxation – origination and reversal of timing differences (see note 16)		
Current year	614	273
Adjustment in respect of prior years	(63)	(32)
	<u>800</u>	<u>1,165</u>

The current tax charge for the year is lower (2001: lower) than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 <u>52 weeks</u> £000	2001 <u>53 weeks</u> £000
<b>Profit on ordinary activities before tax</b>	<b>2,315</b>	<b>3,456</b>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	695	1,037
<i>Effects of:</i>		
Goodwill amortisation	10	2
Depreciation on assets not qualifying for capital allowances	191	153
Other	(30)	18
Timing differences:		
Capital allowances in excess of depreciation	(196)	(23)
Pension contributions	(429)	(251)
Other	8	(12)
<b>Total current tax charge</b>	<b>249</b>	<b>924</b>

**J E Beale plc**

**Notes to the financial statements (continued)**

	<b>2002</b>	2001
	<b><u>52 weeks</u></b>	<u>53 weeks</u>
	<b>£000</b>	£000
<b>6. Directors and employees</b>		
The average number (including directors) employed by the Company during the year was:		
Full time	<b>646</b>	576
Part time	<b>804</b>	637
	<hr/> <b>1,450</b> <hr/>	<hr/> 1,213 <hr/>

	<b>2002</b>	2001
	<b><u>52 weeks</u></b>	<u>53 weeks</u>
	<b>£000</b>	£000
Staff costs for the above:		
Wages and salaries	<b>12,385</b>	10,785
Social security costs	<b>693</b>	608
Other pension costs (see note 20)	<b>488</b>	375
	<hr/> <b>13,566</b> <hr/>	<hr/> 11,768 <hr/>

No director received any emoluments from J E Beale plc. Emoluments received as directors of Beale PLC are disclosed in that company's financial statements and the board report on directors' remuneration. Emoluments received from Beale PLC substantially all relate to services to J E Beale plc.

	<b>2002</b>		2001
	<b><u>52 weeks</u></b>		<u>53 weeks</u>
	<b>£000</b>		£000
<b>7. Dividends</b>			
Ordinary shares:			
Interim paid	<b>39.02p</b>	<b>400</b>	36.56p
Final proposed	<b>83.18p</b>	<b>851</b>	77.09p
	<hr/> <b>122.20p</b> <hr/>	<hr/> <b>1,251</b> <hr/>	<hr/> 113.65p <hr/>
			<hr/> 1,163 <hr/>

	<b>Goodwill</b>
	<b>£000</b>
<b>8. Intangible fixed assets</b>	
<b>Cost (arising on purchase of businesses)</b>	
4 November 2001	<b>100</b>
Addition	<b>990</b>
2 November 2002	<hr/> <b>1,090</b> <hr/>
<b>Amortisation</b>	
4 November 2001	<b>11</b>
Charge for the year	<b>32</b>
2 November 2002	<hr/> <b>43</b> <hr/>
<b>Net book value</b>	
2 November 2002	<hr/> <b>1,047</b> <hr/>
3 November 2001	<hr/> <b>89</b> <hr/>

## Notes to the financial statements (continued)

	<u>Freehold land and buildings</u> £000	<u>Short leasehold buildings</u> £000	<u>Plant, fixtures &amp; fittings</u> £000	<u>Total</u> £000
<b>9. Tangible fixed assets</b>				
<b>COST OR VALUATION</b>				
4 November 2001	3,780	1,076	26,543	31,399
Additions	-	9	2,910	2,919
Additions attributable to new business	-	-	742	742
Disposals	-	-	(267)	(267)
2 November 2002	<u>3,780</u>	<u>1,085</u>	<u>29,928</u>	<u>34,793</u>
<b>REPRESENTED BY:</b>				
Valuation in 1979	-	120	-	120
Valuation in 2000	3,700	-	-	3,700
Cost	80	965	29,928	30,973
	<u>3,780</u>	<u>1,085</u>	<u>29,928</u>	<u>34,793</u>
<b>DEPRECIATION</b>				
4 November 2001	23	469	16,104	16,596
Charge for the year	20	39	2,429	2,488
Eliminated in respect of disposals	-	-	(181)	(181)
2 November 2002	<u>43</u>	<u>508</u>	<u>18,352</u>	<u>18,903</u>
<b>NET BOOK VALUE:</b>				
2 November 2002	<u>3,737</u>	<u>577</u>	<u>11,576</u>	<u>15,890</u>
3 November 2001	<u>3,757</u>	<u>607</u>	<u>10,439</u>	<u>14,803</u>

Freehold land and buildings were revalued at the existing use value on 28 October 2000 by Baring Houston & Saunders, Chartered Surveyors. The valuation has been made in accordance with the RICS Appraisal and Valuation Manual.

At 2 November 2002, the total value of land not being depreciated is £2,786,907 (2001 £2,786,907).

## Notes to the financial statements (continued)

## 9. Tangible fixed assets (continued)

If fixed assets had not been revalued, they would have been included at the following historical cost amounts:

	<u>Freehold land and buildings</u> £000	<u>Short leasehold buildings</u> £000	<u>Plant, fixtures &amp; fittings</u> £000	<u>Total</u> £000
Cost	3,288	1,023	29,928	34,239
Accumulated depreciation	(243)	(458)	(18,352)	(19,053)
<b>NET BOOK VALUE</b>				
2 November 2002	3,045	565	11,576	15,186
3 November 2001	3,062	593	10,439	14,094
			<b>2002 £000</b>	<b>2001 £000</b>
<b>Capital commitments</b>				
Capital expenditure contracted for but not provided for in the financial statements			178	45
<b>10. Fixed asset investments</b>				
Shares in subsidiaries at cost			109	109
Listed on a recognised UK stock exchange			11	5
Unlisted investments			17	17
			<b>137</b>	<b>131</b>

At 2 November 2002, the Company held, either directly or indirectly, the whole of the issued ordinary share capital in the following dormant subsidiary companies:

J E Beale (Stores) Limited  
 John Elmes Beale Trust Company Limited  
 Grant-Warden Limited  
 IMS Finance Limited  
 Beale Staff Share Schemes Trustees Limited

In the opinion of the directors the aggregate value of shares in subsidiary companies is not less than aggregate balance sheet value.

The market value of listed investments is £11,000 (2001 £9,000).

## Notes to the financial statements (continued)

	Book value	Revaluation	Fair value
	£000	£000	£000
<b>Fixed assets</b>			
Tangible assets	1,434	(692)	742
<b>Current assets</b>			
Stocks	3,283	-	3,283
Debtors	201	-	201
Deferred taxation	-	208	208
Cash	31	-	31
<b>Total assets</b>	<b>4,949</b>	<b>(484)</b>	<b>4,465</b>
<b>Liabilities</b>	<b>(122)</b>	<b>-</b>	<b>(122)</b>
<b>Net assets</b>	<b>4,827</b>	<b>(484)</b>	<b>4,343</b>
Goodwill			990
<b>Purchase consideration settled for cash and transaction costs</b>			<b>5,333</b>

The three acquired stores were part of a larger entity and, accordingly, profit and loss accounts information for periods prior to their acquisition is not available.

The revaluation adjustments of tangible fixed assets principally relates to IT equipment which was not usable, together with the related tax effect.

## 11. Debtors

## Due after one year:

	2002 £000	2001 £000
Trade debtors	126	165
Pension prepayment (see note 20)	2,061	630
	<u>2,187</u>	<u>795</u>

## Due within one year:

	2002 £000	2001 £000
Trade debtors	6,243	6,162
Prepayments and accrued income	1,384	756
	<u>7,627</u>	<u>6,918</u>
<b>Total debtors</b>	<b>9,814</b>	<b>7,713</b>

## Notes to the financial statements (continued)

	2002 £000	2001 £000
<b>12. Creditors</b>		
Amounts falling due within one year:		
Bank overdraft	9,901	3,579
Trade creditors	7,572	5,237
Amounts owed to fellow subsidiaries	105	85
Amount owed to holding company	902	793
Amounts owed to subsidiary undertakings	109	109
Corporation tax	(42)	542
Other taxation and social security	141	462
Accruals and deferred income	3,025	2,719
Dividends	851	789
	<u>22,564</u>	<u>14,315</u>

The bank overdraft is unsecured.

	2002 £000	2001 £000
<b>13. Creditors</b>		
Amounts falling due after more than one year		
Holding company loan (note 14)	3,396	3,396
	<u>3,396</u>	<u>3,396</u>
<b>14. Borrowings</b>		
The aggregate amount of loans was as follows:		
Holding company loan (due between 1 and 2 years)	3,396	3,396
	<u>3,396</u>	<u>3,396</u>

The holding company loan is secured by a fixed charge on the Company's book debts and certain freehold property and a floating charge over the Company's other assets. The holding company loan due between 1 and 2 years is repayable on one year and one day's notice. Interest on the holding company loan accrues at HSBC's base rate.

	Deferred Taxation £000
<b>15. Provisions for liabilities and charges</b>	
At 4 November 2001	991
Charge for the year	343
As at 2 November 2002	<u>1,334</u>



## Notes to the financial statements (continued)

	<u>2002</u> £000	<u>2001</u> £000
<b>16. Deferred taxation</b>		
Deferred taxation provided for in the financial statements is analysed as follows:		
Accelerated capital allowances	749	852
Pension timing differences	619	186
Short-term timing differences	(34)	(47)
	<u>1,334</u>	<u>991</u>
	<u>2002</u> £000	<u>2001</u> £000
<b>17. Called up share capital</b>		
Authorised		
1,212,254 ordinary shares of £1 each	1,212	1,212
146,960 management shares of 5p each	7	7
	<u>1,219</u>	<u>1,219</u>
Allotted, called up and fully paid		
1,023,254 ordinary shares of £1 each	1,023	1,023
141,960 management shares of 5p each	7	7
	<u>1,030</u>	<u>1,030</u>

**Ordinary shares – equity**

The ordinary shares carry no rights to dividend other than those which may be recommended by the directors and approved by shareholders in general meeting. Ordinary shares have no redemption rights. However, they have an unlimited right to share in the surplus remaining on a winding up, after all liabilities and participation rights of other classes of shares have been satisfied. Ordinary shares have one vote per share.

**Management shares - non-equity**

The management shares carry a fixed non-cumulative dividend at the rate of 5% per annum on capital paid up thereon calculated from the date of issue of such shares and ranking pari passu with any dividend paid on ordinary shares. Beale PLC has waived the dividend. On a winding up, holders are entitled to repayment of the capital paid up thereon in priority to any payment to holders of ordinary shares, but the management shares shall not entitle the holders to any further or other participation in the profits or assets of the Company. Management shares have one vote per share.

## Notes to the financial statements (continued)

	Capital Redemption <u>Reserve</u> £000	Revaluation <u>Reserve</u> £000	Profit and Loss <u>Account</u> £000
<b>18. Reserves</b>			
At 4 November 2001	188	709	10,042
Retained profit for the year	-	-	264
Transfer	-	(6)	6
At 2 November 2002	<u>188</u>	<u>703</u>	<u>10,312</u>

All reserves of the Company relate to equity interests. Those that may not be distributed under Section 264 of the Companies Act 1985 comprise the capital redemption reserve and the revaluation reserve.

The transfer from the revaluation reserve to the profit and loss account represents the difference between the depreciation charge for the year based on revalued amounts and the depreciation charge for the year based on historical cost.

With effect from 1 November 1998, any goodwill resulting from an acquisition has been capitalised. Prior to that date, all goodwill was written off to reserves. At 2 November 2002 the cumulative goodwill written off relating to acquisitions prior to 1 November 1998 was £560,000 (2001 £560,000).

	2002 <u>52 weeks</u> £000	2001 <u>53 weeks</u> £000
<b>19. Reconciliation of movements in shareholders' funds</b>		
Profit for the financial year	1,515	2,291
Dividends	(1,251)	(1,163)
Net addition to/(reduction of) shareholders' funds	<u>264</u>	<u>1,128</u>
Opening shareholders' funds	<u>11,969</u>	<u>10,841</u>
Closing shareholders' funds	<u>12,233</u>	<u>11,969</u>

## Notes to the financial statements (continued)

## 20. Pension commitments

### Beales Pension Scheme

The pension cost relating to the final salary section of the scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent actuarial valuation, at 6 April 1999, recorded that the scheme had assets of approximately £17,880,000 at market value, and that a deficit of £774,000 was indicated. The valuation identified a solvency level of 95.8%. The valuation assumed an investment return of 5% per annum for pensioner liabilities and 6.5% per annum for current active and deferred liabilities, average salary increases of 4.5% per annum compound and present and future pensions increasing at the rate of 5% per annum in respect of pensions with guaranteed increases of 5% per annum, and 3% per annum in respect of pensions receiving limited price indexation.

Following the actuarial valuation on 6 April 1999, contributions by the Group to the Beales Pension Scheme were increased to a rate of 9.2% of pensionable salaries plus £471,000 per annum from 1 April 2000.

Following a Minimum Funding Requirement valuation obtained by the trustees at 5 April 2001, contributions by the Group were further increased to 10% of pensionable salaries plus £1,200,000 per annum from 1 December 2001 to 31 March 2007.

The resultant pension contributions exceeded the pension charge resulting in a prepayment in the Company's balance sheet of £2,061,000 (2001 £630,000).

### Denners Scheme

Denners Limited, which was acquired on 8 March 1999, operated a defined benefit pension scheme for eligible employees. The scheme was closed on 30 June 1999. Denners Limited employees were offered the opportunity to transfer into the Beales Pension Schemes from 1 July 1999. Certain employees opted to do so.

### Summary

The pension charge for the year amounted to £488,000 (2001 £375,000) including matched additional voluntary contributions.

### FRS 17 "Retirement Benefits"

Whilst the Company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 "Accounting for Pension costs", under FRS 17 "Retirement Benefits" the following transitional disclosures are required.

The valuations at 5 April 1999 for the Beales Pension Scheme and 1 May 2000 for the Denners Pension Scheme have been updated by the actuaries on an FRS 17 basis as at 2 November 2002. The major assumptions used in both schemes' valuations were:

Rate of increase in salaries	3.5%	(2001 3.5%)
Rate of increase in pensions in payment	2.25%*	(2001 2.25%*)
Discount rate	5.5%	(2001 5.5%)
Inflation assumption	2.25%	(2001 2.25%)

\* Some members of the Beales Pension Scheme are entitled to fixed increases of 5% pa in respect of benefits accrued prior to April 1997.

## Notes to the financial statements (continued)

## 20. Pension commitments (continued)

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cashflow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected	Value at 2 November 2002	Long term rate of return expected	Value at 3 November 2001
		£000		£000
Equities	7.5%	9,187	7.5%	11,389
Bonds	4.7%	7,137	4.7%	5,233
Other	4.0%	667	4.0%	640
Property	7.5%	707	7.5%	640
Annuities	5.5%	767	5.5%	666
Total market value		18,465		18,568
Present value of scheme liabilities		(25,055)		(23,888)
Deficit in the schemes		(6,590)		(5,320)
Related deferred tax asset		1,977		1,596
Net pension liability		(4,613)		(3,724)

The amount of this net pension liability would also be included in the Company's profit and loss reserve.

Had FRS17 been adopted in full, the following amounts would have been included in the financial statements:

	2002 £000	2001 £000
<b>Net assets</b>		
Net assets excluding pension liability	12,233	11,969
Write off current asset	(2,061)	(630)
Deferred taxation on asset write off	618	189
Pension liability	(4,613)	(3,724)
<b>Net assets including pension liability</b>	<b>6,177</b>	<b>7,804</b>
<b>Reserves</b>		
Profit and loss reserve excluding pension liability	10,312	10,042
Write off current asset	(2,061)	(630)
Deferred taxation on asset write off	618	189
Pension liability	(4,613)	(3,724)
	<b>4,256</b>	<b>5,877</b>

## Notes to the financial statements (continued)

## 20. Pension commitments (continued)

	2002 £000
<b>Analysis of the amount charged to operating profit</b>	
Current service cost	481
Past service cost	-
Settlements/curtailments	20
Total operating charge	501
	2002 £000
<b>Analysis of the amount credited to other finance income</b>	
Expected return on pension scheme assets	1,201
Interest on pension scheme liabilities	(1,297)
	(96)
	2002 £000
<b>Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)</b>	
Actual return less expected return on pension scheme assets	(2,474)
Experience gains and losses arising on the scheme liabilities	342
Changes in assumptions underlying the present value of the scheme liabilities	-
Actuarial loss recognised in STRGL	(2,132)
	2002 £000
<b>Experience gains and losses</b>	
Difference between the expected and actual return on the scheme assets:	2,474
Percentage of scheme assets at 2 November 2002	13.4%
Experience gains and losses on scheme liabilities:	342
Percentage of scheme liabilities at 2 November 2002	1.4%
Total actuarial loss recognised in statement of total recognised gains and losses:	2,132
Percentage of scheme liabilities at 2 November 2002	8.5%
	2002 £000
<b>Movement in deficit during the year</b>	
Deficit in schemes at beginning of the year	(5,320)
Movement in year:	
Current service costs	(481)
Contributions	1,459
Other finance income	(96)
Actuarial loss	(2,132)
Settlements/curtailments	(20)
Deficit in schemes at end of the year	(6,590)

## Notes to the financial statements (continued)

## 21. Contingent Liabilities

The Company has an unlimited multilateral guarantee with HSBC in relation to Beale PLC and Grant Warden Limited. There is a Guarantee for £100,000 in favour of Combined Independent (Holding) Ltd.

	<u>2002</u>		<u>2001</u>	
	<u>Land and Buildings</u>	<u>Other</u>	<u>Land and Buildings</u>	<u>Other</u>
	£000	£000	£000	£000
<b>22. Commitments under operating leases</b>				
The Company had annual commitments under non-cancellable operating leases as follows:				
Expiring within one year	-	87	-	2
Expiring between one and five years	-	122	16	95
Expiring in more than five years	4,444	-	2,646	2
	<u>4,444</u>	<u>209</u>	<u>2,662</u>	<u>99</u>

The Company's leases of land and buildings are subject to rent review periods of between one and ten years.

## 23. Ultimate holding company

The Company's immediate parent and ultimate holding company is Beale PLC, a company registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by Beale PLC. The consolidated financial statements of this Group are available to the public and may be obtained from The Granville Chambers, 21 Richmond Hill, Bournemouth, BH2 6BJ.