Company No 00120002

JE Beale plc

REPORT AND ACCOUNTS 2011

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JE Beale plc

The Chief Executive Statement below relates to Beale PLC J E Beale plc is Beale PLC's only trading subsidiary

Chief Executive's Statement

Introduction

This year has been a seminal year for Beales with the purchase of 19 stores from the Anglia Regional Cooperative Society Limited (ARCS) The year has seen a much reported challenging retail environment as ongoing retrenchment in government spending takes hold, combined with depressed economic growth and the continued increase in unemployment which has unsettled consumers Our gross sales (including VAT and concessions) for the year, excluding the acquired stores, were £87 4m *(2010 £87 2m)* Sales including the new stores were £110 0m *(2010 £87 2m)* This resulted in a 51 6% increase in gross sales for the second 6 months of trading of the enlarged Group The Group pre-tax profit for the year was £0 5m *(2010 £0 7m loss)* This included the net exceptional income of £4 8m arising from the Transaction and the trading loss from the ARCS stores for the 23 weeks of £1 8m We continue to review our cost base and to strive to realise the synergies from the integration

Product sales

The expansion of the Group has provided the Group with a significant increase in buying power which has provided more opportunities to buy volume lines We have also been able to bring more own bought product groups such as electrical and occasional furniture into the core business and these new areas are delivering incremental sales and performing above management expectations In addition due to our increase in scale, as a result of the Transaction, we have become an increasingly important partner to certain of our concession partners, becoming one of their largest five partnerships This has helped in discussions to open new doors and build closer ties A number of the former ARCS concession partners which were not in core Beales stores have opened in new locations in our existing stores and are performing above management expectations

We continue to build our own label portfolio Whitakers Finest Linens is a high thread-count sheeting and towel range Home Basics provides entry price point towels, sheeting, duvets and pillow ranges In fashions we have introduced two own labels Gem by George Davies and The Collection, which outperformed other own bought fashions and are delivering improving margins We have expanded our Broadbents & Boothroyds formal menswear brand into a casual life style brand which is now our biggest performing menswear brand We continue to add to the successful All Cooks range in kitchen-ware plus have introduced Whitakers Fine Dining into glass and table-ware, and in our Bournemouth store we have launched an American style ice-cream sundae, waffle and pancake parlor

We continue to develop our internet sales with the introduction of many new ranges The Board sees the continued growth in this sales medium as an important part of our future sales strategy especially as we now have stronger geographical presence in many parts of the country We will continue to develop our email address base to help grow such internet sales

Buying in margin

Our buying in margin has been affected by the mix of product of the acquired stores, many of which have large electrical departments which generate higher revenues as a result of the larger ticket prices but operate on considerably lower margins In addition, the core margin has been affected slightly by the increase of VAT impacting on purchase prices early in 2011 However, we continue to exploit opportunities to enhance the achieved margin by the growth in our own label products which has been helped considerably by the increase in scale of our business

Service and people

Customer service is pivotal to our proposition and a core value We have invested considerable time, energy and money in training programmes aimed at improving our levels of customer service We continue to invest in our stores to improve the customer experience whilst shopping with us and our ambition continues to be to deliver levels of service that our customers simply cannot get anywhere else

The Board wishes to thank all of our staff for their hard work and contribution throughout the year and welcomes our new members to the Beales' family

Cost controls

We continue to challenge all our cost areas and it remains uppermost in our minds whilst ensuring that we balance this ambition with maintaining our service levels, sales drive, operating systems and central support We will continue to look for cost savings opportunities and further synergy benefits throughout the coming year

Principal risks and uncertainties

All retailers face a very challenging and competitive trading environment Sound risk management is an essential discipline for running the business efficiently The nature of risk is that no list can be totally comprehensive, though the directors believe the principal risks and uncertainties faced and the mitigating actions taken to manage these risks and uncertainties are as follows

Chief Executive's Statement continued

A sustained economic downturn with the need for increased discounting and promotions adversely impacts on revenues and margins In mitigation we

- Continually review the markets and performances of the trading environment
- Balance our exposure by managing product mix, supplier mix and profit margins
- Regularly monitor strategic key performance indicators
- Seek to enhance our sourcing margins and improve commercial terms

The Group strategy for enhanced profitability from acquisition benefits is delayed In mitigation we

- Undertake regular reviews and reappraisals of integration plans
- Seek to capture the identified synergy benefits from acquisitions
- Continually challenge the supply base to deliver enhanced margins
- Regularly monitor performance to ensure the expected economies of scale are delivered

In uncertain economic conditions the level of resources may be inappropriate to deliver the expected business benefits In mitigation we

- Regularly review the group corporate plan against expectation
- Monitor our cost controls against structured financial plans and act accordingly
- Invest in appropriate systems to cost effectively monitor performance and add value

The Group has inadequate financial resources to deliver the planned business benefits In mitigation we

- Maintain a strong relationship with major stake-holders
- Ensure consistent and disciplined monitoring of working capital
- Maintain a sound relationship with our bank, seeking to renew the term loan facility in 2012
- Review the allocation of Group resource and capital investment

The Group may lose expertise that is key to delivering success In mitigation we

- Seek to motivate all colleagues to fulfil Group targets
- Have an ethos of candid and honest communication
- Relevant review of remuneration appropriate to all areas of the business
- Seek to develop our people to take on greater responsibility

We have continued to work within our banking facilities However, the Group is subject to a number of risks and uncertainties, the principal ones being set out above, which we continually review in determining that the Group continues to operate as a going concern, as explained in the Finance Directors Review on pages 9 to 12

Environment

We believe in working with and supporting the communities in which we operate and we are closely involved with the town centre and councils in many of the towns in which we trade We continue to seek ways to reduce product packaging and bag usage in addition to increasing the recycling of cardboard, plastic and other waste We also continue to pay particular attention to reducing the environmental impact of the Group's carrier bags and with assistance from the Carbon Trust seek opportunities for greater energy efficiency in our stores, service buildings and offices The financial implications of the government policy in relation to the carbon limits will be a continued burden on all businesses, we continue to seek to reduce our carbon footprint by working with the relevant government agencies

Chief Executive's Statement continued

Outlook and summary

Since my last statement, the economic outlook has changed significantly, with the reality of the government's spending now starting to have an effect on the economy We have seen big ticket items such as electrical (i e TVs and white goods and furniture) become more aggressively promoted across the retail sector Quite simply it is very difficult to accurately forecast consumers' attitude to retail spending set against a backdrop of increasing media speculation on jobs losses, the overall UK economic conditions and the possible impact of financial contagion caused by fall-out from the Eurozone

We will therefore focus our attention on what we can control We will continue to monitor our customers' reaction to any changes and adjust our trading strategy accordingly but in my view the uncertain economic environment will continue to make our customers cautious throughout the year Our increased focus on commercial direct purchasing has assisted us to date, benefitting our input margins Our balance sheet remains strong and we continue to enjoy a strong and healthy relationship with our bank, HSBC As a management team, we are continuously and rigorously focused on improving our business not just for today, but also for tomorrow when the economic upturn comes The Board will work hard to deliver the improvement in results, with the ultimate objective of returning the Group to operational profitability in the medium term

Tony Brown
Chief Executive

JE Beale plc

Directors' Report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the 52 weeks ended 29 October 2011

Principal activities

The Company's principal activity is the operation of department stores The Company trades as Beales in Bedford, Bolton, Bournemouth, Hexham, Horsham, Kendal, Poole, Rochdale, Southport, Tonbridge, Winchester and Worthing At the EGM on 17 May 2011 the shareholders approved the acquisition from ARCS and on 22 May 2011 the Group acquired 19 department stores from ARCS in the following locations Abingdon, Beccles, Bishop Auckland, Chipping Norton, Cinderford, Diss, Harrogate, Keighley, Kings Lynn, Lowestoft, Mansfield, Peterborough, Redcar, Saffron Walden, Skegness, Skipton, Spalding, St Neots and Wisbech The stores have since been fully re-branded as Beales stores

Business review

A review of the business of the Company, including a list of the principal risks and uncertainties facing the Company, is set out in the Chief Executive's statement on page1 and 2 The Chief Executive also includes details of expected future developments in the business of the Company

Further to the Beale PLC Chief Executive statement please find below further analysis

Overview of the Year

The year 2011 was most significant in the Company's recent history, the acquisition in May of 19 department stores from Anglia Regional Co-operative Society Limited (ARCS) (the 'Transaction') substantially increased the Company's trading space The new stores vary in trading square footage from 6,000 sq ft in Diss to 94,000 sq ft in Mansfield In total the new stores have increased the trading space for the Group from 550,000 sq ft to in excess of 1,000,000 sq ft This has provided for the scale that the business needed to leverage its central function It is relevant to note that as part of the Transaction ARCS acquired 8 5 million new redeemable preference shares of £1 each in Beale PLC

The final acquisition price of £6 7m and the additional working capital for the acquired stores was financed from resources provided by ARCS through a deal incentive of £2 3m, a five year term loan of £2 5m and a £7 5 million loan from Beale PLC which is repayable on demand In addition to these initial commitments ARCS will continue to make ongoing financial contributions to support the integration of a number of the stores The acquisition was approved by Beale PLC shareholders in an extraordinary general meeting held on 17 May 2011 After taking into account the incentives provided by ARCS to complete the transaction, the fair value of assets and liabilities acquired is greater than the fair value of net consideration paid and incentives received This has resulted in negative goodwill arising of £3 3m, which has been credited to the income statement and is shown net of the exceptional costs of completing the transaction and integrating the two businesses The total net exceptional income for the year of £2 9m is detailed in note 5 to the financial statements

Results

Gross sales (including VAT and concessional sales) for the Company for the 52 weeks ended 29 October 2011 were £110 0m being 26 1% above the previous year (*2010 £87 2m*) This includes £22 7m of gross sales relating to the acquired stores The core stores (excluding the 19 stores acquired in the year) comparison shows a small increase of 0 1% Due to acquisitions of Hexham and Rochdale being made part way through the previous financial year, the like for like gross sales were 8 4% below previous year It should be noted that own bought sales, excluding VAT, in the year increased by 29 3%, while concession sales, excluding VAT, increased by 17 3% Due to the increase in the VAT rate to 20 0% (*2010 17 5%*) in January 2011 the gross sales increase of 26 1% resulted in total sales, excluding VAT, being 23 8% up on previous year This, coupled with an improvement in concession margins, resulted in the revenue increase being 27 6%, as analysed in note 3 of the financial statements The Company revenue was £62 0m, being 27 6% above the previous year (*2010 £48 6m*) The core stores (excluding the 19 stores acquired in the year) revenue increased by 0 1%, like for like revenue was 9 3% below previous year

Gross profit for the year was £31 8m (*2010 £26 1m*) and was achieved at a margin of 51 3% *(2010 53 7%)* This includes the gross profit generated by the acquisitions of £6 0m The acquired stores traded at a lower margin of 45 0% due to the mix of lower margin products, predominantly electrical During the year the Company has continued to work on improving the buying in margins to negate the effect of increases in VAT imposed from 4 January 2011 The core stores gross margin achieved was 53 1%, only marginally down on the previous year despite the variation in VAT rates

Even though the Company has experienced an unprecedented year of growth through acquisition, every effort has been made to maintain a close focus on administrative expense control The total expenses for the year of £35m include £7 8m attributable to the acquired stores The core stores expenses of £27 2m are 5 4% higher than the previous year (*2010 £25 8m*) However this increase includes administrative expenses in relation to operating the acquisitions made in 2010 for a full year As noted above, net exceptional income of £2 9m resulted from the acquisitions in the year Operating loss for the Company was £254,000 (*2010 £264,000 profit*) including the positive impact of absorbing and operating the new acquisitions, attributed to be £1,087,000 (including the exceptional income of £2 9 million) in the 23 weeks of trading

Directors' Report continued

Balance Sheet

The Company's balance sheet takes into account the Company's part of the ARCS Transaction
The balance sheet continues to show negative equity £940,000 *(2010 £879,000)*

Dividends
No dividend was paid during the year *(2010 Nil)*

Capital structure

Details of the issued share capital of the Company are shown in note 21 The Company has one class of ordinary shares which carries no right to fixed income Each share carries the right to one vote at general meetings of the Company

There are no specific restrictions on the size of a holding nor on the transfer of ordinary shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights

No person has any special rights of control over the Company's share capital and all issued shares are fully paid

The Company has one class of management share which carries a fixed non-cumulative dividend at the rate of 5% per annum Each share carries the right to one vote at the general meeting of the Company

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act 2006 and related legislation and the non-executive director agreement with ARCS The Articles themselves may be amended by special resolution of the shareholders

Under its Articles of Association, the Company has authority to issue 1,212,254 ordinary shares and 146,960 management shares

Directors

The directors during the year and to the date of signing this report were Tony Brown, John Chillcott* (appointed 24 August 2011), Keith Edelman*, Mike Killingley* (resigned 8 November 2011), Ken Owst, Tony Richards (appointed 1 September 2011) and William Tuffy* (appointed 8 November 2011) (*Non-executive)

John Chillcott* was appointed as a non-independent non executive director on 24 August 2011 Tony Richards was appointed as trading director on 1 September 2011 William Tuffy was appointed as an independent non-executive director on 8 November 2011 Tony Brown, Keith Edelman and Ken Owst will all offer themselves for re election at the Annual General Meeting

Tony Richards and William Tuffy will offer themselves for election at the Annual General Meeting John Chillcott's appointment is not subject to approval by shareholders

Biographical details of directors, indicating responsibilities and experience, are set out in Beale PLC financial statements

Directors' interests
The interests of the directors in the share capital of Beale PLC, the parent Company, 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

Directors' share options
As at 29 October 2011 and 30 October 2010 there were no share options outstanding

Insurance
The Company maintains directors and officers liability insurance

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 standard on payment practice Company payments are made in accordance with contractual and legal obligations As at 29 October 2011, the Company's creditor days were 38 *(2010 37)* (based upon the year end trade creditors as a proportion of purchases during the year)

Directors' Report continued

Fixed assets
In the opinion of the directors the current open market value of the Company's interests in land and buildings equates to the book value The Company's liability to taxation if land and buildings were sold at that value would be approximately nil *(2010 nil)* This liability to taxation takes into account indexation from date of purchase

Donations
During the year, donations amounting to £14,058 *(2010 £11,585)* were made by the Company to charitable organisations, assisting the communities with which the Company operates

Disabled 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, re-training or job adjustments are made to assist staff members who become disabled

Employee consultation

Staff members receive information about the Group and store news through bi-weekly newsletters and weekly meetings Group results and announcements are also posted on noticeboards 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

Going concern
As noted in the Group Chief Executive's Statement on pages 1 to 3 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Company which are likely to impact its future development, performance and position We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Company Note 25 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk, interest rate risk, market risk and liquidity risk Given the letter of support from Beale PLC referred to in note 1, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For further details see accounting policy note 1

Carbon commitment
The Group is a fully mandated participant in the energy efficiency carbon reduction commitment schemes administered by the Department of Energy and Climate Change The Company continues to look at ways to reduce its carbon footprint

Auditor
In the case of each of the persons who are directors of the Company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) 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 section 418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting of the Company

By order of the Board

C. R. Varley

Chris Varley *BSc FCA*
Secretary

29 February 2012

Registered office
36 Old Christchurch Road
Bournemouth
BH1 1LJ

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 year Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU Under company law the directors must not approve the accounts 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

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

Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Chairman	Finance Director
Keith Edelman	Ken Owst
29 February 2012	29 February 2012

Independent Auditor's Report to the members of JE Beale plc

We have audited the financial statements of J E Beale plc for the year ended 29th October 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 29 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of directors and auditor
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 and express an opinion on 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 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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 29 October 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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

Darren Longley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom
29 February 2012

Income Statement
For the 52 weeks ended 29 October 2011

	Notes	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Gross sales*	3	110,027	*87,247*
Revenue – continuing operations	3	61,969	*48,566*
Cost of sales		(30,158)	*(22,467)*
Gross profit		31,811	*26,099*
Administrative expenses		(34,984)	*(25,835)*
Exceptional item	5	2,919	-
Operating (loss)/profit – continuing operations	6	(254)	*264*
Finance expense	8	(227)	*(162)*
Finance income	9	1	*1*
(Loss)/Profit on ordinary activities before taxation		(480)	*103*
Taxation credit	10	9	*36*
(Loss)/Profit for the period from continuing operations		(471)	*139*

* Gross sales reflect revenue from concession sales and VAT from continuing operations

The notes on pages 13 to 37 form part of these financial statements

JE Beale plc

Balance Sheet

As at 29 October 2011

	Notes	29 October 2011 £000	*30 October 2010 £000*
Non-current assets			
Goodwill	11	**723**	*723*
Property, plant and equipment	13	**12,587**	*11,301*
Financial assets	14	**125**	*125*
		13,435	*12,149*
Current assets			
Inventories	16	**16,462**	*9,495*
Trade and other receivables due within one year	17	**6,429**	*4,155*
Trade and other receivables due after one year	17	**66**	*152*
Cash and cash equivalents		**694**	*420*
		23,651	*14,222*
Total assets		**37,086**	*26,371*
Current liabilities			
Trade and other payables	18	**(15,721)**	*(14,107)*
Borrowings	19	**(8,250)**	-
Tax liabilities		**(15)**	*(15)*
		(23,986)	*(14,122)*
Net current (liabilities)/assets		**(335)**	*100*
Non-current liabilities			
Borrowings	19	**(10,750)**	*(9,000)*
Retirement benefit obligations	27	**(203)**	*(2,482)*
Lease incentives	20	**(2,736)**	*(1,517)*
Deferred tax liabilities	15	**(351)**	*(129)*
		(14,040)	*(13,128)*
Total liabilities		**(38,026)**	*(27,250)*
Net liabilities		**(940)**	*(879)*
Equity			
Share capital	21	**1,030**	*1,030*
Revaluation reserve	22	**1,336**	*1,688*
Capital redemption reserve	22	**188**	*188*
Retained earnings	22	**(3,494)**	*(3,785)*
Total negative equity		**(940)**	*(879)*

The notes on pages 13 to 37 form part of these financial statements

These financial statements of JE Beale plc, registered number 00120002, were approved and authorised for issue by the Board of directors on 29 February 2012 and were signed on its behalf by

K Edelman
Director

A K Owst
Director

Statement of Comprehensive Income

	Note	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Actuarial gain on pension scheme	27	743	*1,201*
Revaluation reserve		(337)	-
Tax on revaluation reserve		1	-
Tax on items taken directly to equity		3	*29*
Net profit recognised directly in equity		410	*1,230*
(Loss)/Profit for the period		(471)	*139*
Total recognised income and expense for the period		(61)	*1,369*

Statement of Changes in Equity

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Opening equity	(879)	*(2,248)*
Total recognised income and expense	(61)	*1,369*
Closing equity	(940)	*(879)*

	Share Capital £000	Revaluation Reserve £000	Capital Redemption Reserve £000	Retained Earning £000	Total £000
At 1 November 2009	1,030	1,679	188	(5,145)	*(2,248)*
Profit for year	-	-	-	139	*139*
Reversal of deferred liability on Revaluation reserve	-	28	-	1	*29*
Transfer	-	(19)	-	19	-
Net actuarial gain	-	-	-	1,201	*1,201*
At 30 October 2010	**1,030**	**1,688**	**188**	**(3,785)**	**(879)**
Loss for year	**-**	**-**	**-**	**(471)**	**(471)**
Transfer	**-**	**(16)**	**-**	**16**	**-**
Tax on comprehensive income	**-**	**-**	**-**	**3**	**3**
Revaluation	**-**	**(337)**	**-**	**-**	**(337)**
Deferred tax change on Revaluation reserve	**-**	**1**	**-**	**-**	**1**
Net actuarial gain	**-**		**-**	**743**	**743**
At 29 October 2011	**1,030**	**1,336**	**188**	**(3,494)**	**(940)**

The notes on pages 13 to 37 form part of these financial statements

JE Beale plc

Cash Flow Statement

For the 52 weeks ended 29 October 2011

	Note	**52 weeks to 29 October 2011 £000**	*52 weeks to 30 October 2010 £000*
Cash flows from operating activities before interest and tax	23	**(2,843)**	*7,582*
Interest paid		**(227)**	*(162)*
Interest received		**1**	*1*
Net cash flow (used in)/generated from operating activities		**(3,069)**	*7,421*
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,267)**	*(1,627)*
Purchase of new business		**(4,390)**	*(403)*
Net cash used in investing activities		**(6,657)**	*(2,030)*
Cash flows from financing activities			
ARCS loan		**2,500**	-
New holding company loan		**7,500**	-
Net cash generated from financing activities		**10,000**	-
Net increase in cash and cash equivalents in the period		**274**	**5,391**
Cash and cash equivalents at beginning of period	24	**420**	*(4,971)*
Cash and cash equivalents at end of period	24	**694**	*420*

The notes on pages 13 to 37 form part of these financial statements

Notes to the financial statements continued

1 Accounting policies

General information

JE Beale plc is a public Company incorporated in the United Kingdom under the Companies Act 1985 The address of its registered office is included on the inside back cover The principal activity of the Company and its subsidiaries is described in the Directors' Report

In the year under review the following interpretations, amendments and new standards were effective and have been adopted

- IAS 32 (amendment) *Classification of Rights Issues*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- IFRS 1 (amended) *Limited exemption from Comparative IFRS 7 disclosures for first time adopters*
- IFRS 2 (amended) *Share based payment*
- IFRS 3 (amended) *Business Combinations*
- IAS 27 (improvements) *consolidated and separate financial statements*
- IFRIC 19 *extinguishing financial liabilities with equity instruments*

The adoption of these Interpretations has not led to any changes in the Group's accounting policies

At the date of authorisation of these financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

- IFRS 1 (amended) *Severe hyperinflation and removal of fixed dates for first-time adopters*
- IFRS 7 / (amended) *Financial Instrument Disclosures*
- IFRS 9 *Financial instruments*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in other entities*
- IFRS 13 *Fair Value Measurement*
- IAS 1 (amended) *Presentation of financial statements*
- IAS 12 (amended) *Income Taxes*
- IAS 19 (amended) (revised) *Employee Benefits*
- IAS 24 (amended) *Related Party disclosures*
- IAS 27 (revised) *Consolidated and separate financial statements*
- IAS 28 (revised) *Investments in associates and joint ventures*
- IFRIC 20 *Stripping costs in the production phase of a surface mine*
- IAS 34 (amended) *Interim Financial Reporting*
- IFRIC 13 (amended) *Customer Loyalty Programmes*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company except for additional disclosures and some changes to presentation as required when standards become effective The impact of all other Standards and Interpretations not yet applied is not expected to be material

Going Concern

JE Beale plc has received the following letter of support from Beale PLC

"Beale PLC is the parent Company of JE Beale plc After appropriate consideration of the financial resources available to Beale PLC and its Group the directors agree that Beale PLC will continue to provide ongoing financial support to JE Beale plc to enable that Company to meet its liabilities as and when they fall due into the foreseeable future, being not less than twenty four months from 29 October 2011

We confirm that JE Beale plc remains an important part of the future of the Beale PLC Group and continue to consider JE Beale plc as having a role within our long term plans "

The Company meets its day to day working capital requirements through the use of Holding Company loans (see note 19) the Group overdraft facility and the ARCS loan The ARCS loan was received by J E Beale PLC as part of the Transaction on 22 May 2012 J E Beale plc used the loan to help fund finance the consideration payable under the Acquisition Agreement and for general working capital purposes Consequently, the Company is dependent on parent Company funding to remain as a going concern

The Group and Company have met their day to day working capital requirements through the use of one principal bank loan of £9 0 million, which is repayable on 28 February 2013, and an overdraft facility of £112,000 which is repayable on demand The bank loan is in Beale PLC's name with J E Beale plc providing security in relation to its freeholds The total facilities are secured on the freehold properties of the Group The Group freehold properties, were independently revalued at £12 6 million as at 29 October 2011 J E Beale plc is a party to the Loan agreement The finance from the bank loan is in part provided to J E Beale plc by both parent Company loans and movement on the intercompany account Additional working capital was provided by ARCS in the form of a £2 5 million term loan

1 Accounting policies continued

As noted in Beale PLC's Chief Executive's Statement on pages 1 to 3 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Review contained in Beale PLC financial statements

The existing Group bank facilities include a number of financial covenants which require testing at specific dates determined by the bank The major covenants are the operating result after interest and after taxation which will not be tested before the next year end and the loan to value covenant The Board is aware of the challenging and uncertain economic conditions and the risks and uncertainties facing the Group and has prepared forecast information for the 2011/12 and 2012/13 years The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility Based on current forecasts the Group is forecast to breach one of the covenants in its existing facility at 31 October 2012, however the Group's bankers have confirmed to the Board, in writing, that it would not be their intention to enforce any covenant breach at 31 October 2012 should it occur at current forecast levels As noted below the Group is planning to renew its banking facilities prior to the forecast breach occurring

Following a negotiated extension, the current Group banking facilities expire in February 2013 and the directors are in discussion with the Group's bankers regarding the extension and renewal of those facilities, which would incorporate new covenant levels The Group has maintained a strong relationship with HSBC and it anticipates renewing its banking facilities before announcement of the half year results in June 2012

Based upon the Group forecasts and projections, coupled with the strategies set out in the Chief Executive's Statements and the support of the Group's bankers, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Furthermore, given the letter of support from Beale PLC referred to above the Company has adequate resources to continue in operational existence for the foreseeable future On this basis the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation

The financial statements have been prepared on the historical cost basis, except for the revaluation of major properties and long leaseholds The principal accounting policies are set out below

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree Acquisition-related costs are recognised in profit or loss as incurred In determining the fair value of the assets acquired the Company ensures it correctly identifies all assets and all of the liabilities assumed Where after assessment the value paid is less than the fair value of the assets acquired this creates negative goodwill which is credited to profit

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below) All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs Changes in the fair value of contingent consideration classified as equity are not recognised

Where a business combination is achieved in stages, the Company's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i e the date the Company attains control) and the resulting gain or loss, if any, is recognised in profit or loss Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income *Taxes* and IAS 19 Employee Benefits respectively,

- liabilities or equity instruments related to the replacement by the Company of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment, and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

Notes to the financial statements continued

1 Accounting policies continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year

Goodwill

The assets and liabilities of subsidiary undertakings and businesses acquired are incorporated at their fair value at the date of acquisition Goodwill is measured at cost, being the excess of the consideration paid for the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised Provisional fair values are finalised within 12 months of the acquisition An acquirer's initial calculation may indicate that the acquisition has resulted in a bargain purchase in that the net assets acquired exceed the purchase considerations If after reassessment that the Company has identified all the assets acquired and all the liabilities assumed the Company's interest in the fair value of the acquiree's net assets exceeds the value paid the excess negative goodwill is recognised immediately in the profit and loss account as a bargain purchase gain Goodwill arising on acquisition is held on the balance sheet at cost and is subject to annual impairment reviews Any impairment is recognised immediately in the income statement and is not subsequently reversed Any negative goodwill resulting from the net fair value being greater than the consideration paid is credited to the income statement Prior to the transition to IFRS, goodwill was amortised over 20 years From 29 October 2004 goodwill has been frozen subject to impairment reviews

Impairment of tangible and intangible assets including investments excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets including investments to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

The recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

Revenue

Revenue represents the amount receivable by the Company arising from the supply of goods and services to customers net of VAT, discounts and estimated returns and includes the profit contribution earned on agency sales (including concession departments) and interest on customers' accounts Revenue is recognised when goods are delivered and title has passed Gross sales reflect revenue inclusive of concession sales and VAT

Operating loss

Operating loss/profit is the Company's profit/loss after charging and crediting all cost and revenues except interest payable, interest receivable and taxation

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessor All other leases are classified as operating leases

Finance leases

Assets funded through finance leases are capitalised as fixed assets and depreciated on a straight line basis over the shorter of their useful economic life and the lease term

1 **Accounting policies** continued

Operating leases
Minimum lease payments, incorporating any pre-determined rental increase, are charged to income on a straight line basis over the life of the lease

Lease incentives and contributions
Lease incentives, rent free periods and capital contributions received from Landlords are amortised to the income statement over the life of the lease on a straight-line basis

Property, plant and equipment
All tangible assets are held at cost or, in the case of freehold and long leasehold property, at market value based on a previous revaluation, less accumulated depreciation and any recognised impairment loss Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset

Depreciation on revalued buildings is charged to income On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings 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 are depreciated at 2% per annum The annual rate applied to computers and motor vehicles is 25% The annual 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 depreciated on a straight line basis over the life of the lease The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

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

Inventories
Inventories are stated at the lower of cost and net realisable value Cost comprises purchase price including any rebates and, where applicable, those costs that have been incurred in bringing the inventories to their present location and condition Net realisable value represents the estimated selling price Advertising and promotional stock is expensed at the time of purchase

Financial instruments
Financial assets and financial liabilities relating to financial instruments are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value

Financial assets are classified into the following specified categories financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Trade receivables
Trade receivables are measured at fair value Appropriate allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'

Notes to the financial statements continued

1 **Accounting policies** continued

Bank and other borrowings

Interest-bearing bank and other loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Trade payables

Trade payables are measured at fair value

Tax

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit is accounted for using the liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, and is not discounted Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

The Company offsets deferred tax assets and deferred tax liabilities if, and only if

(a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either,

(i) the same taxable company, or

(ii) Different taxable companies which intend either to settle current tax liabilities and assets on a net Basis, or to realise the asses and settle the liabilities simultaneously, in each future period in which Significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

Retirement benefit costs

The Company participates in the Beales pension scheme and the Denners pension scheme which provide members with benefits relating to salary and service Payments are made into pension trusts, which are financially separate from the Company, in accordance with advice from consulting actuaries in relation to the final salary schemes

Final Salary Section

The current service cost, being the cost of benefits accrued and pension scheme expenses in the reporting period is recognised in operating expenses Interest accrued on pension liabilities and the expected return on assets held by the scheme are also charged or credited within operating expenses in the income statement

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested

Actuarial gains and losses are recognised in full in the year in which they occur They are recognised outside profit or loss and presented in the Statement of Comprehensive Income

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of scheme assets at the previous year end date

b) Defined Contribution Section

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

1 **Accounting policies** continued

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date

2 **Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the Company's accounting policies, which are described in Note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below

Retirement benefits

Retirement benefits are accounted for under IAS 19 'Employee Benefits' For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value

Because of changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions The plan assets are partially comprised of equity and fixed-income instruments Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations Also, higher or lower withdrawal rates or longer or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future

The interest rate used to discount post-employment benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds at the balance sheet date These generally include AA-rated securities The discount rate is based on the yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation

Pension and other post-retirement benefits are inherently long term, and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges' Note 24 to the financial statements describes the principal discount rate, earnings increase, and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19 The calculation of any charge relating to 'retirement benefits' is clearly dependent on the assumptions used, which reflects the exercise of judgement The assumptions adopted are based on prior experience, market conditions and the advice of scheme actuaries

At 29 October 2011, the Company's net pension liability was £203,000 compared with £2 5 million as at 30 October 2010 Further details of the accounting policy on retirement benefits are provided in note 27

Impairment of stores' property, plant and equipment and goodwill

Stores' property, plant and equipment and goodwill are reviewed for impairment on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable Such circumstances or events could include a pattern of losses involving the store asset, a decline in the market value for a particular store asset, and an adverse change in the business or market in which the store asset is involved Determining whether impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgement

Provisions

Provision is made in respect of legal and other matters Provisions are recognised when management can make a reliable estimate and are satisfied that the liability is probable However, such liabilities depend on the actions of third parties and on the specific circumstances pertaining to each obligation, neither of which is fully controlled by the Company

Property valuation

Property valuations conform to international valuation standards and are based on recent market transactions on arm's length terms for similar properties The estimate is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and the general economic conditions more challenging, further details are provided in note 13

2 **Critical accounting judgements and key sources of estimation uncertainty** continued

Business combination
A key area of judgement during the year was the business combination The directors are required to determine fair values for the assets acquired, liabilities incurred or assumed, the consideration paid and financial instruments issued Full details of the bases used to determine the fair values are set out in note 12

Inventory valuation
Inventories are stated at the lower of cost and net realisable value, as set out in the accounting policy in note 1 Provisions against inventory reduce the value below cost and are therefore subject to the judgements of the directors Changes in customer demand could give rise to future changes in the value of the inventory held

3 **Revenue**
The entire Company's revenue is derived from retail sales made in the UK Revenue excludes the non-commission element of sales made by concession outlets

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Gross sales	**110,027**	*87,247*
VAT	**(17,579)**	*(12,551)*
Gross sales (exc VAT)	**92,448**	*74,696*
Agency sales less commission	**(30,479)**	*(26,130)*
Revenue	**61,969**	*48,566*

Analysis of gross sales (excluding VAT) and revenue

	Gross sales £000	**Revenue £000**	*Gross sales £000*	*Revenue £000*
Own bought sales	**51,734**	**51,734**	*39,911*	*39,911*
Concession sales	**40,334**	**9,855**	*34,394*	*8,264*
Interest on customer accounts	**380**	**380**	*391*	*391*
	92,448	**61,969**	*74,696*	*48,566*

4 **Segment information**

The Board have reviewed the requirements of IFRS 8 The individual department stores have similar economic characteristics, products and services, class of customer, method of service provision and regulatory environment Consequently the Directors consider the individual stores can be aggregated into one segment

Notes to the financial statements continued

5 Exceptional income

In the year as a result of the acquisition transaction the following exceptional income resulted

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Negative goodwill taken to profit (note 12)	**3,286**	-
Exceptional cost associated with acquisition	**(81)**	
Exceptional cost associated with integration	**(286)**	-
Total exceptional income	**2,919**	-

6 Operating (loss)/profit

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Operating (loss)/profit is arrived at after charging/(crediting)		
Cost of inventories recognised as an expense	**30,158**	*22,467*
Depreciation of property, plant and equipment		
- owned assets	**1,640**	*1,699*
Exceptional item (note 5)	**(2,919)**	-
Rentals chargeable under operating leases		
- property	**5,493**	*4,482*
- plant & equipment	**206**	*207*
Staff costs (note 7)	**16,459**	*11,500*
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
- statutory audit	**60**	*41*
	60	*41*
Fees payable to the Company's auditor and their associates for other services to the Company		
Tax services		
- compliance services	**15**	*10*
- advisory services	**2**	*1*
	17	*11*
Auditors' remuneration total	**77**	*52*

7 Information regarding directors and employees

	2011	*2010*
The average number of persons (including directors) employed by the Company during the year was		
Full time	**570**	*415*
Part time	**905**	*681*
	1,475	*1,096*

7 **Information regarding directors and employees** continued

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Staff costs for the above		
Wages and salaries	15,191	*10,459*
Social security costs	839	*647*
Pension – current service cost (see note 27)	230	*219*
Pension – Defined Contribution	199	*175*
	16,459	*11,500*

The directors are paid by the immediate parent company Beale PLC and the amounts paid for their services to the Company are shown in the accounts of Beale PLC for the period and prior period The directors serving at 29 October 2011 received total emoluments of £732,000 *(30 October 2010 £471,000)* from Beale PLC during the period, but it is not practicable to allocate this between their services as directors of Beale PLC and their services as directors of the Company

8 **Finance expense**

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
On bank overdrafts	(2)	*(3)*
ARCS loan interest payable	(53)	-
Other interest payable	(1)	-
Holding Company loan repayable within 5 years	(171)	*(159)*
Net interest payable	(227)	*(162)*

9 **Finance Income**

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Interest receivable on customers' accounts and prior rate rebates	381	*392*
Less interest on customers' accounts included in revenue	(380)	*(391)*
Total interest receivable	1	*1*

10 **Tax**

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Current tax		
Current year	-	-
Adjustment in respect of prior years	-	-
	-	-
Deferred tax (note 15)		
Current year	(11)	*(65)*
Adjustment in respect of prior year	2	*29*
	(9)	*(36)*
Credit for taxation on loss for period	(9)	*(36)*

Notes to the financial statements continued

10. Tax continued

The tax credit for the period is different from the standard rate of corporation tax in the UK of 26 83% *(2010 28%)* The differences are explained below

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
(Loss)/Profit on ordinary activities before tax	**(480)**	*103*
(Loss)/Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 26 83% *(2010 28%)*	**(129)**	*29*
Tax on loss on ordinary activities		
Effects of		
Expenses not deductible for tax purposes - goodwill	**(204)**	-
Prior year deferred tax	**2**	*29*
Impact of deferred tax asset not recognized	**555**	*(240)*
Non qualifying depreciation	**165**	*119*
Pension Contribution	**(412)**	*(253)*
Other	**14**	*280*
Total tax credit	**(9)**	*(36)*

In addition to the amount chargeable the following amounts relating to tax have been recognised in other comprehensive income

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Current tax	-	-
Deferred tax		
Arising on income and expense recognised in other comprehensive income		
Revaluation of property	**10**	*(16)*
Rate change on revaluation reserve	**(11)**	*(6)*
Other	**(3)**	*(7)*
Total income tax recognised in other comprehensive income	**(4)**	*(29)*

The Provisional Collection of Taxes Act was substantively enacted on 29 March 2011 and included legislation to reduce the main rate of corporation tax to 26% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 and are expected to be enacted separately each year For the 52 week period ended 29 October 2011, as the reduction in statutory rate by 2% has been substantively enacted, deferred tax has been recognised on the balance sheet at 25% As at 29 October 2011 the Company had carried forward tax losses on which deferred tax was not recognised of £1,094,000 *(2010 £566,000)*

11 Goodwill

	£000
Carrying amount at 31 October 2009	723
Carrying amount at 30 October 2010	723
Carrying amount at 29 October 2011	**723**

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired The Company prepares discounted cashflows derived from the most recent financial estimates and projections which are approved by the Board

11 Goodwill continued

The carrying amounts of goodwill allocated to the cash generating units are shown as follows

	Goodwill carrying value 2011 £000	*Goodwill carrying value 2010 £000*
Kendal	74	*74*
Tonbridge	285	*285*
Worthing	364	*364*
	723	*723*

The goodwill recoverable amount is based on the value in use and the key assumptions relate to the estimation of expected future cashflows of each of the stores and these are set out for each store in the corporate plan Revenue at each store is the key assumption to which the recoverable amount is most sensitive

The assumptions used in determining the estimated future cashflows are based on a mixture of past experience, the effect of past refurbishments and other department stores' performance

The Board have projected forward over 3 years and revenue increases/decreases projected for the three years ended October 2014 vary between -4 47% and 3% growth per annum for each of the department stores The discount rate of 10% *(2010 10%)* was applied to the cashflow projections The Board has conducted a sensitivity analysis on the impairment test and does not perceive that a reasonable change in key assumptions would cause the recoverable amount to be less than its carrying amount An annual reduction in forecast revenues for the two years ended October 2014 by approximately 8% per annum would result in the carrying value of goodwill being approximately reduced to its recoverable amount

12 Business combination

On 22 May 2011 the Group acquired the trade and assets of 19 department stores owned by the ARCS and ARCS acquired 8 5 million £1 new redeemable preference shares in Beale PLC The consideration for the acquisition was financed entirely by ARCS

The Company acquired the trade, certain fixed assets, inventory, cash, other debtors and other creditors of 19 department stores purchased from ARCS on 22 May 2011 for a cash consideration of £6 69m The fair value of consideration provided by the Company, net of incentives of £2 3m was £4 39m The primary reason for acquiring the 19 department stores from ARCS was to give the business critical mass that would help it be more profitable Negative goodwill of £3 29m has been credited directly to the income statement as an exceptional item (see note 5)

The Board carried out a fair value exercise in relation to all the assets and liabilities acquired from ARCS and the fair value of the consideration paid The initial assessment indicated that a 'bargain purchase' had occurred The Board then re-assessed the fair values and this reassessment confirmed the fair values of the assets and liabilities acquired and the net consideration paid

	Provisional fair value of assets acquired £000
Inventories	6,798
Fixtures, fitting and equipment	996
Cash	180
Other debtors/creditors	(63)
Deferred tax on fixtures and fitting	(235)
	7,676
Net consideration paid (see below)	4,390
Total negative goodwill arising	3,286
Net consideration paid	**£000**
Cash paid	6,690
Incentives received	(2,300)
Net consideration paid	4,390

12 Business combination continued

As part of the fair value exercise the Board concluded that no intangible assets were acquired Following the acquisition all 19 acquired stores were rebranded under the 'Beales' name

In relation to 7 of the stores where the leases are short or can be terminated at short notice, the directors felt it appropriate that no value be assigned to the fixtures, fitting and equipment For the remaining 12 stores the fair value of fixed assets of £996,000 was determined by reference to the net book value of the fixtures, fitting and equipment recorded in the ARCS fixed asset register as at 22 May 2011, which the directors concluded would be equivalent to their depreciated replacement cost A significant proportion of the value relates to two of the stores which have recently been refurbished Deferred tax was recorded relating to the temporary differences arising on the accelerated capital allowances on the fixtures, fittings and equipment acquired

The fair value of the inventories acquired was established by including the carrying value of the inventories for a stock provision for age, reflecting the future costs of disposal and a reasonable profit allowance for the selling effort based on profit for similar merchandise

The Company has assumed various leases on the 19 stores The directors have determined having taken professional advice that after taking into account various incentives that the leases had been acquired at a fair market rental ARCS have also agreed to retain responsibility for certain repairs required to the stores and as a consequence, the directors also concluded that there were no dilapidation provisions required Other than the sundry debtors/creditors mentioned above following an extensive review the directors have concluded that no other assets or liabilities arise on the transaction that should be reflected in the calculation above

The cash consideration paid to ARCS was £6 69m The Company also received a cash incentive of £2 3m from ARCS This results in a total fair value of net consideration paid of £4 39m

The profitability of the 19 stores acquired from ARCS for 23 weeks ended 29 October 2011 is set out below

	22 May 2011 to 29 Oct 2011 £000
Revenue	**13,355**
Gross profit	**6,016**
Expenses	**(7,848)**
Operating loss before exceptional items	**(1,832)**
Exceptional income (note 5)	**2,919**
Operating profit	**1,087**

Based on the experience to date of trading the acquired stores, if the 19 stores acquired from ARCS had traded for the full 52 weeks ended 29 October 2011, combined Company revenue would have been estimated to be £79 0m and pre tax loss would have been estimated to be £1 79m after exceptional income of £2 91m

13 Property, plant and equipment

	Freehold land & buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation				
At 1 November 2009	4,830	1,126	26,372	32,328
Additions	-	191	1,582	1,773
At 30 October 2010	4,830	1,317	27,954	34,101
Additions	-	146	2,121	2,267
Acquisition	-	-	996	996
Revaluation	(460)	-	-	(460)
At 29 October 2011	**4,370**	**1,463**	**31,071**	**36,904**
Accumulated depreciation and impairment				
At 1 November 2009	47	675	20,379	21,101
Charge for year	38	40	1,621	1,699
At 30 October 2010	85	715	22,000	22,800
Charge for year	38	58	1,544	1,640
Revaluation	(123)	-	-	(123)
At 29 October 2011	-	**773**	**23,544**	**24,317**
Net book value at 29 October 2011	**4,370**	**690**	**7,527**	**12,587**
Net book value at 30 October 2010	4,745	602	5,954	*11,301*
Net book value at 31 October 2009	4,783	451	5,993	*11,227*

The Company has pledged freeholds having a carrying amount of approximately £4 37 million (*2010 £4 75 million)* as part of the security for bank loan facilities granted to the Group

Land and buildings were revalued at 29 October 2011 by Collier International UK plc, chartered surveyors not connected with the Company, on the basis of market value The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties The estimate is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging

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

	Freehold land & buildings £000	Short leasehold Buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Net book value				
29 October 2011	**2,898**	**690**	**7,527**	**11,115**
30 October 2010	*2,914*	*602*	*5,954*	*9,470*
31 October 2009	*2,930*	*451*	*5,993*	*9,374*

	2011 £000	*2010 £000*
Capital commitments		
Capital expenditure contracted for but not provided for in the financial statements	**300**	-

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets including investments to determine whether there is any indication that those assets have suffered an impairment loss

14 Financial assets

	2011 £000	*2010 £000*
Shares in subsidiaries at cost	109	*109*
Available for sale		
Held to maturity investments carried at cost		
Unlisted investment - Debenture	16	*16*
	125	*125*

The unlisted investment relates to a debenture in Associated Independent Stores Ltd

The debenture returns interest at 5 per cent per annum payable annually and matures on 12 December 2012

At 29 October 2011 and 30 October 2010 the Company held, either directly or indirectly, the whole of the issued ordinary share capital in the following dormant subsidiary companies which are incorporated in England and Wales

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

15 Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Deferred tax liabilities	(351)	*(129)*
	(351)	*(129)*

The following are the major deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period

Deferred tax liabilities	Rolled over gains £000	Accelerated tax depreciation £000	Revaluation gains £000	Property £000	Other £000	Total £000
At 30 October 2010	*(288)*	*(140)*	*(145)*	-	*444*	*(129)*
Charge to exceptional item	-	-	-	*(235)*	-	*(235)*
Credit/(Charge) to income	21	12	6	-	(30)	9
Credit to equity	-	-	1	-	3	4
As at 29 October 2011	**(267)**	**(128)**	**(138)**	**(235)**	**417**	**(351)**

16 Inventories

	2011 £000	*2010 £000*
Finished goods and goods for resale	16,462	9,495

Finished goods for resale are stated after deducting a stock provision of £935,000 *(2010 £472,000)* An amount of £10,000 *(2010 £8,000 credited)* was debited to cost of sales as a result of increasing *(2010 decreasing)* the stock provision A stock provision of £453,000 was recorded against the finished goods acquired as part of the acquisition of 19 department stores All finished goods for resale are disclosed at the lower of cost and net realisable value

17 Trade and other receivables

	2011 £000	*2010 £000*
Amounts due within one year		
Trade receivables	3,037	*3,024*
Allowance for doubtful debts	(69)	*(68)*
	2,968	*2,956*
Prepayments and accrued income	2,609	*1,199*
Amount owed by Holding Company	852	-
	6,429	*4,155*
Amounts due after one year		
Trade receivables	66	*152*
Total receivables	6,495	*4,307*

Trade receivables
Trade receivables consist of store card and interest free balances

Due to the nature of the business, credit risk is not considered to be significant and anticipated losses are included in the provision above During the year £20,000 (*2010 £37,000)* of bad debts were written off

Store card holders are required to pay 5% of the account balance, or £5 if greater, on a monthly basis Interest charged at 24 9% APR and 22 5% APR (if payment by direct debit)

Before accepting most new customers the Company uses an external company to assist in determining a customer's credit quality

Ageing of the total balance past due but not Impaired receivables

	2011 £000	*2010 £000*
60 – 90 days	12	*12*
	12	*12*

Movement in allowance for doubtful debts

	2011 £000	*2010 £000*
Balance at beginning of period	68	*88*
Amounts written off as uncollectable	50	*74*
Amount recovered during the year	(30)	*(37)*
Impairment losses recognised	(20)	*(37)*
Decrease in provision	1	*(20)*
Balance at end of period	69	*68*

In determining the allowance for doubtful debt, the Company treats the total balance of all accounts that are more than two months in arrears as a doubtful debt It treats 70% of all balances which are two months in arrears as a doubtful debt The credit risk is limited due to the customer base being homogenous in nature Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts

Ageing of the total balance of impaired receivables

	2011 £000	*2010 £000*
60 – 90 days	27	*29*
90 – 120 days	6	*10*
120+ days	36	*29*
	69	*68*

18 Trade and other payables

	2011 £000	*2010* *£000*
Amounts falling due within one year		
Trade payables	8,258	*5,524*
Other taxation and social security	726	*448*
Amounts owed to holding company	-	*5,600*
Accruals and deferred income	6,544	*2,342*
Amounts owed to subsidiary undertakings	109	*109*
Amounts owed to fellow subsidiaries	84	*84*
	15,721	*14,107*

The fair values of the liabilities above are considered to approximate to the above values The Group has financial risk management policies in place to ensure that all liabilities are paid within the credit period as stated in the Director's Report

19 Borrowings

	2011 £000	*2010* *£000*
Borrowings		
ARCS loan	2,500	-
Bank overdrafts	-	-
Holdings Company Loans	16,500	*9,000*
	19,000	*9,000*
The borrowings are repayable as follows		
On demand or within one year	8,250	-
In the second year	9,500	-
In third to fifth year	1,250	*9,000*
Less amount due for settlement within 12 months	8,250	-
Amount due for settlement after 12 months	10,750	*9,000*

(i) The intercompany borrowing from the Parent Company is dependant on the Group's banking facilities.

The Group has banking facilities consisting of a £112,000 overdraft facility which is repayable on demand and a £9 0 million revolving loan facility which following a negotiated extension, has an expiry date of 28 February 2013 The facilities are secured over the Group's freehold interests The bank facilities contain a number of key covenants Based on current forecasts the Group is forecast to breach one of the covenants in its existing facility at 31 October 2012, however the Group's bankers have confirmed in writing that it would not be their intention to enforce any covenant breach at 31 October 2012 should it occur at current forecast levels The loan interest on the facilities is 3 0% above Libor rate

(ii) Bank overdrafts are repayable on demand Overdrafts of £Nil *(2010 £Nil)* have been secured by a charge over the Company's freehold The average effective interest rate on bank overdrafts approximates 3 59% per cent *(2010 3 5%)* per annum and is determined based on 3% over libor from 6 September 2010

(iii) A loan of £16 5 million *(2010 £9 0 million)* from the Holding Company is in place £3,396,000 of the loan was set up in 1994, with £5,604,000 being loaned in 2005 and the balancing £7,500,000 was set up on 23 May 2011 £9 0 million of this Holding Company loan is repayable on one year and one day's notice The loan carries interest at base rate The £7 5 million loan set up on 23 May 2011 is repayable on demand and is charged at 3% per annum over libor

ARCS term loan agreement

Under the terms of the Term Loan Agreement with ARCS, a loan facility of £2 5 million was provided to J E Beale PLC and was fully drawn down by it on Completion of the ARCS transaction on 22 May 2011 J E Beale PLC is only permitted to use the proceeds of the term loan to help it finance the consideration payable to ARCS under the Acquisition Agreement and for general working capital purposes

19 Borrowings continued

The principal amount owing on the ARCS term loan is repayable over a period of five years in installments of £250,000 made at six monthly intervals commencing on 31 October 2011 J E Beale plc will be permitted to repay earlier either in full or in an amount of at least (and in integral multiples of) £250,000 together with accrued interest if it so elects There will be no penalty for early repayment of the Term Loan and, to the extent that J E Beale plc makes any such prepayment, its obligations to make the next successive repayment(s) owing will be deemed satisfied to the extent necessary up to (but not exceeding) the relevant prepayment amount

Interest will be charged quarterly in arrears with effect from completion at the rate of 4 per cent per annum over the applicable LIBOR rate increasing to 6 per cent per annum over LIBOR in the event of a default that is not remedied within 12 months The directors view 4 per cent over LIBOR as being market rate, based on the terms of this loan

The average effective rate of interest on the ARCS loan during the year was approximately 4 83% per annum

20 Lease Incentives

	2011 £000	*2010 £000*
Lease incentives	**2,736**	*1,517*

The above represents lease incentives, rent free periods and capital contributions which have been received from landlords and are amortised to the income statement over the period of the lease

21 Called up share capital

	2011 £000	*2010 £000*
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*
	1,030	*1,030*

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

22 Reserves
For details on the movement of reserves see the statement of changes in equity
Share premium account
The share premium account represents the excess over nominal value paid for equity

Revaluation reserve
The revaluation reserve represents the excess of fixed asset valuation over cost The revaluation reserve is shown net of deferred tax The Company freehold held was revalued at 29 October 2011

Capital redemption reserve
The capital redemption reserve results from a previous purchase and cancellation of shares in 1983

Retained earnings
The retained earnings represents the Companies accumulated undistributed earnings

All reserves of the Company relate to equity interests Those reserves of the Company that may not be distributed under Section 831 of the Companies Act 2006 comprise the capital redemption reserve and the revaluation reserve

The transfer from the revaluation reserve to the income statement 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

23 Reconciliation of operating loss to net cash flow from operating activities

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Operating (loss)/profit	**(254)**	*264*
Adjustments for		
Depreciation	**1,640**	*1,699*
Negative goodwill	**(3,286)**	*-*
Increase in inventories	**(169)**	*(968)*
(Increase)/decrease in trade and other receivables	**(2,138)**	*735*
Increase in trade and other payables	**2,900**	*6,702*
Cash disbursement of pension obligation (net of charge included within the income statement)	**(1,536)**	*(850)*
Net cash (used)/generated from operations	**(2,843)**	*7,582*

24 Analysis of net debt

	30 October 2010 £000	**Cash flow £000**	*29 October 2011 £000*
Cash at bank and in hand	420	**274**	694
	420	**274**	694
Debt due within one year	-	**(8,250)**	(8,250)
Debt due after one year	(9,000)	**(1,750)**	(10,750)
	(8,580)	**(9,726)**	(18,306)

25 Financial instruments and risk management

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance During the year ARCS provided additional funding in the form of a £2 50 million term loan, fair valued at £2 50m

The capital structure of the Company consists of debt, which includes borrowings disclosed in note 19, cash and cash equivalents and share capital, share premium account, revaluation reserve, capital redemption reserve and retained earnings

The Group is subject to a capital requirement under the HSBC loan agreement and a number of covenants Failure to comply with most covenants allows the bank to appoint Monitoring Accountants In January 2012 the Group arranged to extend the HSBC loan agreement to 28 February 2013 The directors meet the objectives of managing their capital by monitoring cashflows and balance sheets on a regular basis

	2011 £000	*2010 £000*
Overdrafts	**-**	*-*
Debt	**19,000**	*9,000*
Cash and cash equivalents	**(694)**	*(420)*
Net debt	**18,306**	*8,580*
Equity (Shareholders deficit)	**(940)**	*(879)*
Net debt to equity ratio	**(1947%)**	*(976%)*

25 **Financial instrument and risk management** continued

Categories of financial instruments

	2011 £000	*2010 £000*
Financial assets		
Loans and receivables (note 17)	**5,643**	*4,307*
Cash and bank balances	**694**	*420*
Held-to-maturity investments (note 14)	**16**	*16*
Inter Company balance (note 17)	**852**	-
	7,205	*4,743*
Financial liabilities		
Parent Company loan (note 19)	**(16,500)**	*(9,000)*
ARCS Loan (note 19)	**(2,500)**	-
Trade and other payables (note 18)	**(15,528)**	*(8,314)*
Inter Company balances (note 18)	**(193)**	*(5,793)*
	(34,721)	*(23,107)*

Financial risk management objectives
The Company's Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes The Corporate Treasury function reports to the Board regularly

Market risk
The Company's activities do not expose it to changes in foreign currency exchange rates as nearly all imports are purchased in sterling Amounts purchased in foreign currency are not material The Company has not entered into any forward foreign currency exchange contracts during the year Accordingly no sensitivity analysis is disclosed

Interest rate risk management
The Company is exposed to interest rate risk because entities in the Company borrow funds from third parties the interest rates on which are linked to LIBOR and base rates

Given the above and assuming that going forward the base rate is relatively stable, the Company's exposure to interest rate movement is limited To mitigate against the interest rate exposure risk the board could choose to use interest rate swap contracts Alternatively the Company could adjust its working capital structure to reduce borrowings, for example by increasing credit payment terms with suppliers

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates

If interest rates had been 1% higher and all other variables were held constant, the Company's loss *(2010 profit)* for the year ended 29 October 2011 would increase by £135,000 *(2010 decrease by £123,000)*
If interest rates had been 1% lower and all other variables constant, the Company's loss/(profit) for the year ended 29 October 2011 would decrease by £90,000 *(2010 increase £78,000)* This is attributable to the Company's exposure to interest rates on its borrowings

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient information where appropriate, as a means of mitigating the risk of financial loss from defaults This information is supplied by credit rating agencies where appropriate The Company's exposure of its counterparties are continuously monitored Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit control

The Company exposure to credit risk is extremely low The Company's main lending relates to lending to the public in the form of the store card debtors and interest free credit debtors The Company does carry out credit evaluation on a fair proportion of credit accounts opened The Board regard credit risk to the Company as very low as no one individual debtor is material

25 Financial instrument and risk management continued

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements The Company relies on loans from Beale PLC and is included within the Group banking facilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the date on which the Group can be required to pay

29 October 2011	Average Interest rate	Less than 1 month £000	1-3 Months £000	3 month to 1 year £000	1-5 years £000	More than 5 years £000	Total £000
ARCS loan	4 83%	250	-	602	1,919	-	2,771
Parent Company loan	0 5%	-	-	-	9,045	-	9,045
Parent Company loan	3 5%	7,500	-	-	-	-	7,500
Inter Company	-	193	-	-	-	-	193
		7,943	-	602	10,964	-	19,509
30 October 2010							
Parent Company loan	0 5%	-	-	-	*9,045*	-	*9,045*
Inter Company	-	*5,793*	-	-	-	-	*5,793*
		5,793	-	-	*9,045*	-	*14,838*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

29 October 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at FVTPL (Fair value through profit or loss)				
Non-derivative financial assets held for trading	-	-	7,189	7,189
Available for sale financial assets	-	-	16	16
Total	-	-	7,205	7,205
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	-	-	34,721	34,721
Total	-	-	34,721	34,721

30 October 2010	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at FVTPL				
Non-derivative financial assets held for trading	-	-	*4,727*	*4,727*
Available for sale financial assets	-	-	*16*	*16*
Total	-	-	*4,743*	*4,743*
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	-	-	*(23,107)*	*(23,107)*
Total	-	-	*(23,107)*	*(23,107)*

26 Commitments under operating leases

	2011 Land & buildings £000	2011 Other £000	*2010 Land & buildings £000*	*2010 Other £000*
Company				
At 29 October 2011 the Company had total commitments under non-cancellable operating leases as follows				
Within one year	**6,672**	**275**	*4,968*	*127*
Between two and five years	**25,767**	**514**	*19,430*	*58*
More than five years	**76,887**	**-**	*69,311*	*-*
	109,326	**789**	*93,709*	*185*

The lessee's significant leasing arrangements relate to the leasing of department stores None of the leases give the Company a purchase option The Company's leases of land and buildings are subject to rent reviews at intervals between one and five years None of the department store leases has a fixed escalation clause

27 Pensions

The Group operates the Beales and Denners pension schemes Actuarial gains and losses are recognised in full in the period in which they occur The Group has adopted the revised version of IAS 19 (Employee Benefits) published in December 2004 As permitted by the revised standard, actuarial gains and losses are recognised outside the consolidated income statement and presented in the statement of changes in equity The liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of plan assets The cost of providing benefits is determined using the Projected Unit Credit Method

Beales Pension Scheme

The Beales Pension Scheme has sections providing benefits on both a defined benefit and defined contribution basis The defined benefit section was closed to new entrants on 6 April 1997 and was closed to further accrual on 30 April 2009 New entrants to the pension scheme join the defined contribution section Final salary actives who ceased accruing pension in the final salary scheme were invited to join the defined contribution section Final salary actives who stay in service after 30 April 2009 until their usual retirement date have their final salary pension based on the greater of i) the final pensionable salary at the point of a individual taking their pension or ii) the final pensionable salary at 30 April 2009 revalued in line with statutory requirements A similar calculation is applied to actives who becomes deferred and who does not stay up to retirement The scheme funds are administered by trustees and are independent of the Group's finances Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser

Denners Pension 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 Scheme from 1 July 1999 Certain employees opted so to do

Defined benefit plans

For some of the employees of Beale PLC, the Group operates a funded pension plan providing benefits for its employees based on final pensionable emoluments The assets of the plan are held in a separate trustee administered fund

The most recent triennial valuation of the Beales pension scheme for funding purposes was performed as at 30 October 2010 Under the funding schedule agreed with the scheme trustees, the Group aimed to eliminate the current deficit by November 2017 The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the trustees every three years, based on actuarial valuations The Group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period

The most recent triennial valuation of the Denners pension scheme for funding purposes was performed as at 1 November 2008 Under the funding schedule agreed with the scheme trustees, the Group aims to eliminate the current deficit by February 2011 The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the trustees every three years, based on actuarial valuations The next triennial valuation is drawn up as at 29 October 2011 The Group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period

The results of the Beales Pension Scheme formal actuarial valuation as at 30 October 2010 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19 As required by IAS 19, the value of the defined benefit obligation and current service cost has been measured using the Projected Unit Credit Method

27 **Pensions** continued

The pension cost of the Denners Scheme is assessed every three years in accordance with the advice of a qualified actuary The most recent valuation was as at 1 November 2008 and was carried out by professionally qualified consulting actuary, Legal & General

As required by IAS 19, an independent actuary determined the value of the defined benefit obligation and current service cost, this has been measured using the Projected Unit Credit Method

The expected rate of return on assets for the financial year ending 29 October 2011 was 6 2% per annum (*2010 6 2% per annum*) This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 30 October 2010 The estimated amount of contributions expected to be paid to the Beales and Denners plans during 2011/12 in respect of final salary benefits is £1,550,004 *(2010 £1,574,004)* As at 29 October 2011 there is a contribution creditor within the defined benefit plans of £129,167 *(2010 £135,167)*

Defined contribution

Company contributions to the defined contribution scheme totalled £199,000 (*2010 £175,000*)

Principal actuarial assumptions

The pension information below is a combination of both the Beales pension scheme and the Denners pension scheme As at 29 October 2011 the Beales pension scheme had a deficit of £752,000 *(2010 £2,927,000)* and the Denners pension scheme had a surplus of £549,000 *(2010 £445,000)*

The Denners pension scheme surplus is treated as an asset as on wind up of the Denners pension scheme any surplus is repayable to the Group As the principal employer of both the Beales Pension Scheme and the Denners Pension scheme is J E Beale plc, and the similarity in the profile of the two schemes, the two schemes have been netted off in the figures below Both schemes have adopted the same key assumptions set out below

The principal assumptions based on advice from, and used by, the independent qualified actuaries in updating the latest valuations of the schemes for IAS 19 purposes were

	2011	*2010*	2009
Retail price inflation	**2.90%**	*3 20%*	3 20%
Consumer price index	**2 20%**	*2 60%*	n/a
Discount rate	**5.20%**	*5 40%*	5 60%
Pension increases (fixed 5%)	**5 00%**	*5 00%*	5 00%
Pension increases (LPI)	**2 70%**	*3 00%*	3 00%
General salary increases	**2 20%**	*3 20%*	3 20%
Expected return on assets	**5 90%**	*6 20%*	6 20%
Life expectancy of male/female pensioner aged 65	**22 2/25 0**	*22 1/25 0*	22 0/24 8
Life expectancy of male/female member from the age of 65 currently aged 50	**23.0/25 8**	*22 9/25 7*	22 8/25 7

	2011 £000	*2010 £000*
The amounts recognised as income in respect of defined benefit schemes		
Employer's part of current service cost	**230**	*219*
Interest cost	**2,063**	*2,079*
Expected return on plan assets	**(2,249)**	*(2,042)*
Total expense recognised in income statement	**44**	*256*

	2011 £000	*2010 £000*
Movements in present value of defined benefit obligations were as follows		
Opening defined benefit obligations	**39,050**	*38,041*
Employer's part of current service cost	**230**	*219*
Interest cost	**2,063**	*2,079*
Actuarial (gain)/loss	**(842)**	*556*
Benefits paid	**(1,711)**	*(1,845)*
Closing defined benefit obligations	**38,790**	*39,050*

27 **Pensions** continued

	2011 £000	2010 £000
Movements in the fair value of scheme assets were as follows:		
Opening fair value of plan assets	**36,568**	*33,508*
Expected return on plan assets	**2,249**	*2,042*
Actuarial (losses)/gains	**(99)**	*1,758*
Contributions by the employer	**1,580**	*1,105*
Benefits paid	**(1,711)**	*(1,845)*
Closing fair value of plan assets	**38,587**	*36,568*

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £0007
Combined Schemes					
Present value of defined benefit obligations	**38,790**	*39,050*	*38,041*	*29,573*	*34,974*
Fair value of plan assets	**(38,587)**	*(36,568)*	*(33,508)*	*(28,204)*	*(32,670)*
Deficits	**203**	*2,482*	*4,533*	*1,369*	*2,304*
Beales Pension Scheme					
Present Value of defined benefit obligations	**36,810**	*37,037*	*36,022*	*27,909*	*32,929*
Fair Value of plan assets	**(36,058)**	*(34,110)*	*(31,218)*	*(26,266)*	*(30,303)*
Deficit	**752**	*2,927*	*4,804*	*1,643*	*2,626*
Denners Pension Scheme					
Present Value of defined benefit obligations	**1,980**	*2,013*	*2,019*	*1,664*	*2,045*
Fair Value of plan assets	**(2,529)**	*(2,458)*	*(2,290)*	*(1,938)*	*(2,367)*
Surplus	**(549)**	*(445)*	*(271)*	*(274)*	*(322)*

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows

	Expected return			**Fair value of assets**		
	2011	*2010*	*2009*	**2011**	*2010*	*2009*
	% pa	*% pa*	*% pa*	**£000**	*£000*	*£000*
Equity instruments	**7 9**	*8 1*	*8 1*	**14,578**	*13,915*	*12,331*
Bonds	**4 6**	*4 9*	*5 0*	**22,545**	*21,096*	*19,598*
Other	**3 4**	*4 1*	*4 1*	**17**	*93*	*66*
Property	**5 4**	*6 1*	*6 1*	**150**	*150*	*200*
Annuities	**5 2**	*5 6*	*5 6*	**1,297**	*1,314*	*1,313*
				38,587	*36,568*	*33,508*

Scheme assets
The weighted-average asset allocations at the respective year ends were as follows

Asset category	**2011**	*2010*	*2009*
Equities	38%	38%	*37%*
Bonds	58%	58%	*58%*
Property	-	-	*1%*
Insured pension asset	4%	4%	*4%*
Other	-	-	-
Total	100%	100%	*100%*

27 Pensions continued

Expected rate of return

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other assets classes in which the portfolio is invested and the expectations for future returns of each asset class

Weighted average assumptions used to determine benefit obligations at	**29 October 2011**	*30 October 2011*
Discount rate	**5 2%**	5 4%
Rate of compensation increase	**2 9%**	3 2%
Weighted average assumptions used to determine net pension cost for period ended	**29 October 2011**	*30 October 2011*
Discount rate	**5 4%**	5 6%
Expected long-term return on scheme assets	**6 2%**	6 2%
Rate of compensation increase	**2 9%**	3 2%

Sensitivity analysis

The sensitivity of the 2011 year-end results to changes in two key assumptions is shown below

Funding position	**Discount rate movement of - 0 25%**	**RPI movement of + 0.25%**
Impact on balance sheet deficit	Deficit up by £1 3m	Deficit up by £0 5m
Impact on 2010/2011 Income Statement	Income Statement profit up by £0 02m	Income Statement profit down by £0 03m

The sensitivity of the 2010 year end results to changes in two key assumptions is shown below

Funding position	**Discount rate movement of - 0 25%**	**RPI movement of + 0.25%**
Impact on balance sheet deficit	Deficit up by £1 4m	Deficit up by £0 6m
Impact on 2009/10 Income Statement	Income Statement profit up by £0 02m	Income Statement profit down by £0 03m

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*	*52 weeks to 29 October 2009 £000*	*52 weeks to 1 November 2008 £000*	*53 weeks to 3 November 2007 £000*
Actual return on plan assets	**2,150**	*3,800*	*5,858*	*(4,572)*	*2,135*
Difference between actual and expected return on scheme assets					
- Amount of (gain) and loss	**99**	*(1,758)*	*(3,767)*	*6,674*	*(265)*
- Percentage of scheme assets	**0.26%**	*(4 81%)*	*(11 24%)*	*23 66%*	*(0 81%)*
Experience (gains) and losses on scheme liabilities					
- Amount	**(850)**	*(1)*	*(5)*	*808*	*206*
- Percentage of Scheme liabilities	**2.19%**	-	-	*2 7%*	*0 6%*

28 Related party transactions

Related party transactions were made on terms equivalent to those that prevail in any arms length transaction

During the year the Company paid the following to Beale PLC rent of £295,000 *(2010 £295,000)*, interest of £171,578 (*2010 £158,923)*, and a management charge of £Nil (*2010 £Nil)*

At the year end there was a £16 5 million loan (*2010 £9 million)* from Beale PLC to the Company The £9 million loan (*2010 £9 million)* is repayable on 366 days notice and £7 5 million *(2010 Nil)* was repayable on demand In addition, at 29 October 2011, the Company owed £Nil (*2010 £5,600,000)* to Beale PLC As at 29 October 2011 the Company was owed £852,096 (*2010 £Nil)* by Beale PLC

Furthermore, the Company owed a fellow subsidiary and subordinate subsidiaries a total of £193,000 (*2010 £193,000)*

On 22 July 2011 Multitrust Property Investments Limited a subsidiary of Panther Securities PLC who own 29 72% of Beale PLC purchased 5 freeholds from ARCS for £7 1 million J E Beale plc is the tenant in relation to the five freeholds During the period from 22 July 2011 to 29 October 2011 no rent was payable by J E Beale plc as the leases held had rent free periods Multitrust Property Investment Limited purchased a further three freeholds from ARCS for £2 25 million on 24 February 2012 where JE Beale plc is the tenant ARCS owns 8 5 million £1 preference shares in Beale PLC and J E Beale plc has a £2 5 million loan from ARCS

The remuneration of the Directors, who are key management personnel of the Company are set out in the Remuneration Report of Beale PLC

29 Ultimate holding company and controlling party

The directors consider Beale PLC to be the controlling party The Company's immediate parent and ultimate holding Company is Beale PLC, a Company registered in England and Wales Beale PLC is quoted on the London Stock Exchange and as such, no individual shareholder is the ultimate controlling party 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

Officers & Advisors

Directors	Mike Killingley (Resigned 8 November 2011) John Chillcott (Appointed 24 August 2011) Keith Edelman Tony Brown Ken Owst Tony Richards (Appointed 1 September 2011) William Tuffy (Appointed 8 November 2011)
Company Secretary	Chris Varley
Auditor	Deloitte LLP, Southampton
Bankers	HSBC Bank plc, Southampton
Solicitors	Blake Lapthorn, Southampton
Registered office	36 Old Christchurch Road Bournemouth BH1 1LJ