

Company Number: 120002

J E Beale plc

Directors' report and financial statements
for the 52 weeks ended 30 October 2004



J E Beale plc

Directors' report and financial statements for the 52 weeks ended 30 October 2004

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J E Beale plc
Report of the directors

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 October 2004.

Principal activities and business review

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

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

Results and dividends	£000
Profit before taxation	139
Taxation	(183)
	<hr/>
Loss for the financial year	(44)
	<hr/>

The directors recommend that a final ordinary dividend of 44.12p per share be paid making, with the interim dividend of 22.07p per share, a total of 66.19 per share for the year (2003: 83.14p per share).

Donations

Donations to charitable organisations during the year amounted to £4,336 (2003: £3,768). There were no donations to political parties (2003 : Nil).

Directors

The directors who served during the year were Allan Alkins, Nigel Beale*, Neil Jones, Mike Killingley* (appointed 1 March 2004), Ken Owst, Tim Rathbone (resigned 27 August 2004), Alison H Richards* and James Sexton* (resigned 31 March 2004) (*non-executive).

Nigel Beale will retire by rotation at the annual general meeting and, being eligible, will offer himself for re-election.

Hilary Santell will be appointed as an executive director on 14 February 2005, and will offer herself for election at the annual general meeting.

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

Directors' interests in contracts with the Company

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

Employees

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

Report of the directors (continued)

Employees (continued)

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

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

Payment practice

The Company's policy is to settle invoices within contractual timescales agreed in advance with suppliers. Settlement terms are agreed at the time of placing orders and at the commencement of business with suppliers. The Company does not follow any code or statement on payment practice. Payment is made in accordance with contractual and legal obligations. There were 43 days (2003:49 days) purchases in trade creditors on 30 October 2004 (based upon the year-end trade creditors as a proportion of year end purchases) .

Auditors

A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming annual general meeting.

By order of the board



Christopher R Varley, Bsc, FCA
Secretary

21 January 2005
Bournemouth

Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to maintain the system of internal control, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of J E Beale plc

We have audited the financial statements of J E Beale plc for the 52 weeks ended 30 October 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report. Our responsibility is to audit the financial statements described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 30 October 2004 and of the loss of the Company for the 52 weeks then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Southampton

21 January 2005
Southampton

J E Beale plc

Profit and loss account for the 52 weeks ended 30 October 2004

	<u>Notes</u>	2004 <u>52 weeks</u> £000	(Restated see note 2) 2003 <u>52 weeks</u> £000
Turnover	2	65,299	69,106
Cost of sales		(31,075)	(33,694)
Gross profit		34,224	35,412
Administrative expenses	3	(33,570)	(34,151)
Profit on ordinary activities before interest	3	654	1,261
Net interest payable and similar charges	4	(515)	(414)
Profit on ordinary activities before taxation		139	847
Tax on profit on ordinary activities	5	(183)	(526)
(Loss)/profit for the financial year		(44)	321
Dividends	7	(677)	(851)
Retained loss for the year	18	(721)	(530)

There is no material difference between the results as disclosed above and the results on an unmodified historical cost basis. All of the results are derived from continuing operations.

Statement of total recognised gains and losses.

	2004 <u>52 weeks</u> £000	2003 <u>52 weeks</u> £000
(Loss)/profit for the financial year	(44)	321
Unrealised surplus on revaluation of properties	-	457
Total recognised (losses)/gains relating to year	(44)	778

J E Beale plc

Balance sheet as at 30 October 2004

	<u>Notes</u>	<u>2004</u> <u>£000</u>	<u>2003</u> <u>£000</u>
Fixed assets			
Intangible assets	8	919	973
Tangible assets	9	15,044	16,603
Investments	10	137	139
		<u>16,100</u>	<u>17,715</u>
Current assets			
Stock		11,440	13,055
Debtors			
- due after one year	11	3,943	3,114
- due after one year	11	6,384	6,868
Total debtors		10,327	9,982
Cash at bank and in hand		109	111
		<u>21,876</u>	<u>23,148</u>
Creditors : amounts falling due within one year	12	(21,336)	(23,667)
Net current assets		<u>540</u>	<u>(519)</u>
Total assets less current liabilities		16,640	17,196
Creditors : amounts falling due after more than one year	13	(3,396)	(3,396)
Provisions for liabilities and charges	15	(1,805)	(1,640)
Net assets		<u>11,439</u>	<u>12,160</u>
Capital and reserves			
Called up share capital	17	1,030	1,030
Revaluation reserve	18	1,146	1,158
Capital redemption reserve	18	188	188
Profit and loss account	18	9,075	9,784
		<u>11,432</u>	<u>12,153</u>
Equity shareholders' funds		7	7
Non-equity shareholders' funds		<u>11,439</u>	<u>12,160</u>
Total shareholders' funds	19	<u>11,439</u>	<u>12,160</u>

These financial statements were approved by the board of directors on 21 January 2005 and were signed on its behalf by:

N B E Beale director

A K Owst director

N B E Beale
A K Owst

Notes to the financial statements

1 Accounting policies

The Company prepares its financial statements on the historical cost basis of accounting, modified to include the revaluation of certain tangible fixed assets. The accounting periods are for fifty-two or, when appropriate, fifty-three weeks. The year 2003/2004 was a 52 week year (2002/2003 52 week year). The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Companies Act 1985.

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

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

Goodwill

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

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation and any provision for impairment, as detailed in note 9 of these financial statements. The Company's major freehold is revalued on an existing use basis every three years in accordance with FRS15.

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

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

Fixed asset investments

Quoted fixed asset investments are stated at market value and unquoted fixed asset investments are stated at cost. 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.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements

Stocks

Stocks comprise principally retail items for resale and are valued at the lower of cost and net realisable value; cost being the specific item price or being computed on the basis of the selling price less the appropriate trading margin. Provision is made for obsolete or slow-moving stocks, where appropriate.

Leases

The Company's major leased assets are properties held under operating leases, and annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pension Schemes

The schemes are valued by actuaries every three years and the rates of contribution are adjusted in accordance with their advice.

Contributions to the final salary section of the pension schemes are charged to the profit and loss account so as to produce a level percentage of current and future pensionable payroll. The amount charged against profits in relation to the defined contribution section of the scheme represents the contributions payable to the scheme for the accounting period.

On 30 November 2000, the Accounting Standards Board introduced a new standard, FRS17 "Retirement Benefits", replacing SSAP24 "Accounting for Pension Costs". Certain transitional disclosures are required for the 52 weeks ended 30 October 2004, which are included in note 20 to the Accounts.

Foreign currencies

Transactions in foreign currencies are translated into Sterling at rates ruling at the time of transaction. Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange. All differences arising on translation are included in the profit and loss account.

Related party transactions

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

2. Turnover

Turnover and gross profit are derived from one business activity. Income is recognised on delivery of goods or related services, although provision is made for any returns in accordance with the Group's normal terms of trade. Turnover and gross profit includes interest earned on customers' accounts.

In accordance with requirements of the amendment to FRS5 (Application Note G: Revenue Recognition) issued on 13 November 2003, turnover now excludes the non-commission element of sales where Beales, as the seller, is acting as an agent rather than as a principal. The current and prior year turnover has been adjusted as set out below, with a corresponding adjustment to cost of sales such that there is no impact on reported gross profit.

	52 weeks ended 30 October 2004 £000	52 weeks ended 1 November 2003 £000
Turnover		
Gross sales (inc VAT)	109,598	114,232
VAT adjustment	(15,654)	(16,338)
Turnover prior to restatement	93,944	97,894
Agency sales less commission	(28,645)	(28,788)
Group reported turnover	65,299	69,106

Application Note G has necessitated other changes for retailers. The Board has considered the impact of these for Beales and concluded that they are not material.

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Notes to the financial statements (continued)

	2004 52 weeks £000	2003 52 weeks £000
3. Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation	2,836	2,911
Amortisation of goodwill	54	54
Operating lease rentals – plant and machinery	264	225
Operating lease rentals – land and buildings	4,360	4,391
(Profit)/loss on sale of tangible fixed assets	(7)	4
Profit on sale of fixed asset investments	-	(1)
Auditors' remuneration:		
Audit work	44	42
Other fees paid to the auditors and their associates	30	24
Included within administrative expenses:		
Exceptional business rates rebates	(38)	(21)
	<hr/>	<hr/>
	2004 52 weeks £000	2003 52 weeks £000
4. Net interest payable and similar charges		
<i>Interest receivable:</i>		
Total interest receivable	870	920
Less interest on customers' accounts included in turnover	(859)	(916)
	<hr/>	<hr/>
	11	4
	<hr/>	<hr/>
<i>Interest payable:</i>		
Bank overdraft	(28)	(16)
Other interest payable	(10)	(4)
Holding company loan repayable within 5 years (See note 14)	(488)	(398)
	<hr/>	<hr/>
	(526)	(418)
	<hr/>	<hr/>
Net interest payable	(515)	(414)
	<hr/>	<hr/>

J E Beale plc

Notes to the financial statements (continued)

	2004 52 weeks £000	2003 52 weeks £000
5. Tax on profit on ordinary activities		
United Kingdom corporation tax	36	147.
Adjustment in respect of prior years	(18)	73
	<hr/> 18	<hr/> 220
Deferred taxation – origination and reversal of timing differences (see note 16)		
Current year	168	286
Adjustment in respect of prior years	(3)	20
	<hr/> 183	<hr/> 526

The current tax charge for the year is lower (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 52 weeks £000	2003 52 weeks £000
Profit on ordinary activities before tax	<hr/> 139	<hr/> 847
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	42	254
<i>Effects of:</i>		
Goodwill amortisation	16	16
Depreciation on assets not qualifying for capital allowances	166	170
Other	(22)	(7)
Adjustment in respect of prior years	(18)	73
Timing differences:		
Capital allowances in excess of depreciation	73	7
Pension contributions	(251)	(294)
Other	12	1
Total current tax charge	<hr/> 18	<hr/> 220

J E Beale plc

Notes to the financial statements (continued)

	2004	2003
	<u>52 weeks</u>	<u>52 weeks</u>
6. Directors and employees		
The average number (including directors) employed by the Company during the year was:		
Full time	625	689
Part time	962	973
	<u>1,587</u>	<u>1,662</u>
	2004	2003
	<u>52 weeks</u>	<u>52 weeks</u>
	£000	£000
Staff costs for the above:		
Wages and salaries	13,562	14,008
Social security costs	815	819
Other pension costs (see note 20)	776	792
	<u>15,153</u>	<u>15,619</u>

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

	2004	2003
	<u>52 weeks</u>	<u>52 weeks</u>
	£000	£000
7. Dividends		
Ordinary shares:		
Interim paid	22.07p	39.02p
Final proposed	44.12p	44.12p
	<u>66.19p</u>	<u>83.14p</u>

	Goodwill
	£000
8. Intangible fixed assets	
Cost	
2 November 2003 and 30 October 2004	1,070
Amortisation	
2 November 2003	97
Charge for the year	54
30 October 2004	<u>151</u>
Net book value	
30 October 2004	919
1 November 2003	<u>973</u>

J E Beale plc

Notes to the financial statements (continued)

	<u>Freehold land and buildings</u> £000	<u>Short leasehold buildings</u> £000	<u>Plant, fixtures & fittings</u> £000	<u>Total</u> £000
9. Tangible fixed assets				
COST OR VALUATION				
2 November 2003	4,180	1,087	32,961	38,228
Additions	-	3	1,280	1,283
Disposals	-	-	(4,357)	(4,357)
30 October 2004	<u>4,180</u>	<u>1,090</u>	<u>29,884</u>	<u>35,154</u>
REPRESENTED BY:				
Valuation in 1979	-	120	-	120
Valuation in 2000	3,700	-	-	3,700
Valuation in 2003	400	-	-	400
Cost	80	970	29,884	30,934
	<u>4,180</u>	<u>1,090</u>	<u>29,884</u>	<u>35,154</u>
DEPRECIATION				
2 November 2003	6	549	21,070	21,625
Charge for the year	21	40	2,775	2,836
Eliminated in respect of disposals	-	-	(4,351)	(4,351)
30 October 2004	<u>27</u>	<u>589</u>	<u>19,494</u>	<u>20,110</u>
NET BOOK VALUE:				
30 October 2004	<u>4,153</u>	<u>501</u>	<u>10,390</u>	<u>15,044</u>
1 November 2003	<u>4,174</u>	<u>538</u>	<u>11,891</u>	<u>16,603</u>

Freehold land and buildings were revalued at the existing use value on 1 November 2003 by ING Real Estate Management, Chartered Surveyors. The valuation was made in accordance with the RICS Appraisal and Valuation Manual.

At 30 October 2004, the total value of land not being depreciated is £3,136,907 (2003 £3,136,907).

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Notes to the financial statements (continued)

9. Tangible fixed assets (continued)

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

	<u>Freehold land and buildings</u> £000	<u>Short leasehold buildings</u> £000	<u>Plant, fixtures & fittings</u> £000	<u>Total</u> £000
Cost	3,288	1,033	29,884	34,205
Accumulated depreciation	(277)	(536)	(19,494)	(20,307)
NET BOOK VALUE				
30 October 2004	3,011	497	10,390	13,898
2 November 2003	3,027	527	11,891	15,445
Capital commitments			2004 £000	2003 £000
Capital expenditure contracted for but not provided for in the financial statements			64	68
			2004 £000	2003 £000
10. Fixed asset investments				
Shares in subsidiaries at cost			109	109
Listed on a recognised UK stock exchange at valuation			11	13
Unlisted investments at cost			17	17
			137	139

At 30 October 2004, 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

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

The market value of listed investments is £11,000 (2003 £13,000).

The cost value of listed investment is £3,000 (2003 £3,000).

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Notes to the financial statements (continued)

	2004 £000	2003 £000
11. Debtors		
Due after one year:		
Trade debtors	76	82
Pension prepayment (see note 20)	3,867	3,032
	<u>3,943</u>	<u>3,114</u>
Due within one year:		
Trade debtors	5,109	5,709
Prepayments and accrued income	1,275	1,159
	<u>6,384</u>	<u>6,868</u>
Total debtors	<u>10,327</u>	<u>9,982</u>
	2004 £000	2003 £000
12. Creditors		
Amounts falling due within one year:		
Bank overdraft	10,428	11,908
Trade creditors	6,537	7,434
Amounts owed to fellow subsidiaries	84	105
Amount owed to holding company	979	988
Amounts owed to subsidiary undertakings	109	109
Corporation tax	59	(37)
Other taxation and social security	285	252
Accruals and deferred income	2,404	2,457
Dividends	451	451
	<u>21,336</u>	<u>23,667</u>
	2004 £000	2003 £000
13. Creditors		
Amounts falling due after more than one year:		
Holding company loan (note 14)	3,396	3,396

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Notes to the financial statements (continued)

	2004	2003
	£000	£000
14. Borrowings		
The aggregate amount of borrowings was as follows:		
Holding company loan (due between 1 and 2 years)	3,396	3,396
Overdraft	10,428	11,908
Total Borrowings	13,824	15,304

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

	Deferred Taxation £000
15. Provisions for liabilities and charges	
At 2 November 2003	1,640
Charge for the year	165
As at 30 October 2004	1,805

	2004	2003
	£000	£000
16. Deferred taxation		
Deferred taxation provided for in the financial statements is analysed as follows:		
Accelerated capital allowances	691	764
Pension timing differences	1,160	912
Short-term timing differences	(46)	(36)
	1,805	1,640

Notes to the financial statements (continued)

	2004 £000	2003 £000
17. Called up share capital		
Authorised		
1,212,254 ordinary shares of £1 each	1,212	1,212
146,960 management shares of 5p each	7	7
	<hr/> 1,219 <hr/>	<hr/> 1,219 <hr/>
 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
	<hr/> 1,030 <hr/>	<hr/> 1,030 <hr/>

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.

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Notes to the financial statements (continued)

	Revaluation Reserve £000	Capital Redemption Reserve £000	Profit and Loss Account £000
18. Reserves			
At 2 November 2003	1,158	188	9,784
Retained loss for the year	-	-	(721)
Transfer	(12)	-	12
At 30 October 2004	1,146	188	9,075

With the exception of £7,000, all reserves of the Company relate to equity interests. Those that may not be distributed under Section 264 of the Companies Act 1985 comprise the capital redemption reserve and the revaluation reserve.

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

With effect from 1 November 1998, any goodwill resulting from an acquisition has been capitalised. Prior to that date, all goodwill was written off to reserves. At 30 October 2004 the cumulative goodwill written off relating to acquisitions prior to 1 November 1998 was £560,000 (2003 £560,000).

	2004 52 weeks £000	2003 52 weeks £000
19. Reconciliation of movements in shareholders' funds		
(Loss)/profit for the financial year	(44)	321
Dividends	(677)	(851)
Revaluation of freehold properties	-	457
Net reduction to shareholders' funds	(721)	(73)
Opening shareholders' funds	12,160	12,233
Closing shareholders' funds	11,439	12,160

Notes to the financial statements (continued)

20. Pension commitments
Beales Pension Scheme

The Beale's pension scheme has a section providing benefits based on final pensionable pay, which was closed to new entrants on 6 April 1997, and a defined contribution section. The assets of the scheme are held separately from the Group in an independently administered fund.

The pension cost relating to the final salary section of the scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent actuarial valuation, as at 6 April 2002, recorded that the scheme had assets of approximately £18,255,000 at market value, and that a deficit of £3,104,000 was indicated. The valuation identified a solvency level of 85.5%. The valuation assumed an investment return of 5% per annum for pensioner liabilities and 7% per annum for current active and deferred liabilities, average salary increases of 4.5% per annum compound and present and future pensions increasing at the rate of 5% per annum in respect of pensions with guaranteed increases of 5% per annum, and 3% per annum in respect of pensions receiving limited price indexation.

Following the actuarial valuation as at 6 April 2002, contributions by the Group to the Beales Pension Scheme were revised to 10.8% of pensionable salary plus £828,000 per annum from 1 July 2003. The resultant pension contributions exceeded the pension charge resulting in a prepayment in the balance sheet of £3,864,000 (2003 £3,032,000).

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 Schemes from 1 July 1999. Certain employees opted to do so.

The pension cost relating to the Scheme is assessed every three years in accordance with the advice of a qualified actuary. The most recent valuation, as at 1 May 2003, recorded that the Scheme had assets of approximately £1,667,000 and that a deficit of £487,000 was indicated. The valuation identified a solvency level of 77%.

Following the actuarial valuation as at 1 May 2003 contributions to the Denners Pension Scheme recommenced at £64,800 per annum from 1 May 2004. The resultant pension contributions exceeded the pension charge resulting in a prepayment in the balance sheet of £3,000 (2003 nil).

Summary

The pension charge for the year amounted to £775,873 (2003 £792,494) including matched additional voluntary contributions.

As required by SSAP24, the figures included in the accounts in respect of the pension schemes are based on the most recent actuarial valuations. These do not take into account any impact of the movement in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation, based upon which subsequent pension costs will be determined until the adoption of FRS17.

FRS 17 "Retirement Benefits"

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

For pension purposes, the Company is a member of the Beales Pension Scheme. As the Company is unable to identify its share of the Scheme's assets and liabilities on a consistent and reasonable basis, as permitted by FRS17, Retirement Benefits, the Scheme will be accounted for by the Company when the accounting standard is fully adopted by the Company as if the Scheme was a defined contribution scheme.

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Notes to the financial statements (continued)

20. Pension commitments (continued)

	Long term rate of return expected	Value at 30 October 2004 £000	Value at 2 November 2003 £000	Value at 3 November 2002 £000
Equities	7.5%	12,069	10,516	8,591
Bonds	4.7%	8,689	7,707	7,014
Other	4.0%	657	649	582
Property	7.5%	386	625	707
Annuities	5.5%	773	792	767
Total market value		22,574	20,289	17,661
Present value of scheme liabilities		(29,856)	(24,663)	(24,251)
Deficit in the schemes		(7,282)	(4,374)	(6,590)
Related deferred tax asset		2,185	1,312	1,977
Net pension liability		(5,097)	(3,062)	(4,613)

The pension liability at the year end was calculated using more precise data and methods than used for previous years. Under this revised basis the pension liability was £3,390,000 higher at the current year end than it would have been under the previous approach.

The assumptions used in arriving at this position are as follows:

Rate of increase in salaries	3.5%	(2003 3.5%)	(2002 3.5%)
Rate of increase in pensions in payment	2.5%*	(2003 2.25%*)	(2002 2.25%*)
Discount rate	5.5%	(2003 5.5%)	(2002 5.5%)
Inflation assumption	2.75%	(2003 2.25%)	(2002 2.25%)

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

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

21. Contingent Liabilities

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

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Notes to the financial statements (continued)

22. Commitments under operating leases

	<u>2004</u>		<u>2003</u>	
	Land and Buildings £000	Other £000	<i>Land and Buildings £000</i>	<i>Other £000</i>
The Company had annual commitments under non-cancellable operating leases as follows:				
Expiring within one year	-	70	-	70
Expiring between 1 and 5 years	109	163	109	171
Expiring in more than five years	4,523	-	4,399	-
	<u>4,632</u>	<u>233</u>	<u>4,508</u>	<u>241</u>

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

23. Ultimate holding company

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