

Company Number: 120002

J E Beale plc

Directors' report and financial statements  
for the 52 weeks ended 31 October 1998



J E Beale plc

Directors' report and financial statements for the 52 weeks ended 31 October 1998

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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 31 October 1998.

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, Poole, Walton-on-Thames and Winchester, all trading as Beales, a department store in Southport trading as Broadbents & Boothroyds and a department store in Bolton trading as Whitakers.

Profit and dividends	£000
Profit	3,858
Taxation	(1,233)
	<hr/>
Profit for the year	2,625
	<hr/>

The directors recommend that a final ordinary dividend of 213.81p per share be paid making, with the interim dividend of 34.13p per share, a total of 247.94p per share for the year (1997 243.81p per share).

Donations

Donations to charitable organisations during the year amounted to £6,292. There were no donations to political parties.

Directors

The directors during the year were N B E Beale, K H Coates\* (deceased 4 April 1998), M C H Mitchell, A K Owst, T R Rathbone and J M H Sexton\* (\*non-executive).

N B E Beale and T R Rathbone will retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election. Alison H Richards was appointed as a non-executive director on 19 January 1999 and will offer herself for election at the annual general meeting.

Report of the directors (continued)

The interests of the directors in the share capital of Beale PLC are disclosed in the report of the remuneration committee 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.

**Employees**

Details of the average number of persons employed by the Company and their aggregate remuneration are shown in note 5 to the financial statements.

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.

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.

The Company continues to operate a profit related pay scheme so that participating staff benefit directly from the performance of the Company. Legislative changes taking effect during the past year have reduced the benefits of Profit Related Pay schemes. However, the Company will continue to maintain a scheme whilst there is the opportunity to pass benefits to participating staff.

The Company also operates two profit sharing schemes which appropriated a total of 2,029,780 shares (9.9% of the equity on appropriation) in three tranches between March 1995 and April 1996 to 844 staff. Directors were excluded from the share appropriation.

In order to enable staff to participate in the potential profitability of the Company, a sharesave scheme will be introduced during the forthcoming year, subject to Inland Revenue and shareholder approval.

**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 34 days (1997 38 days) purchases in trade creditors on 31 October 1998 (based upon the year end trade creditors as a proportion of average daily purchases).

**Statement of directors' responsibilities**

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

- select suitable accounting policies and then apply them consistently;

Report of the directors (continued)

Statement of directors' responsibilities

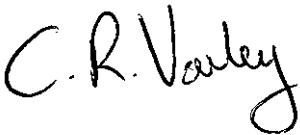
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate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

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

Auditors

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

By order of the board



Christopher R Varley, Bsc, FCA  
Secretary

29 January 1999  
Bournemouth

J E Beale plc

Auditors' report to shareholders of J E Beale plc

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

As described on pages 3 and 4, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 October 1998 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*  
KPMG Audit Plc

Chartered Accountants  
Registered Auditor

29 January 1999  
Southampton

J E Beale plc

Profit and loss account for the 52 weeks ended 31 October 1998

	<u>Notes</u>	<u>1998</u> 52 Weeks £000	<u>1997</u> 52 Weeks £000
Turnover		64,718	62,401
Cost of sales		(41,096)	(39,372)
Gross profit		23,622	23,029
Administrative expenses	1	(19,485)	(18,663)
Operating profit		4,137	4,366
Net interest payable and other similar items	3	(279)	(160)
Profit on ordinary activities before taxation	2	3,858	4,206
Taxation	4	(1,233)	(1,277)
Profit for the financial year		2,625	2,929
Dividends	6	(2,537)	(2,495)
Retained profit for the year	16	88	434

There is no material difference between the results as disclosed above and the results on an unmodified historical cost basis. There are no recognised gains or losses in 1997 and 1998 other than profit for the years as reported above.

A statement of movement on reserves is set out in note 16.

The results of the Company are wholly attributable to continuing operations.

## J E Beale plc

Balance sheet as at 31 October 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible assets	7	11,240	9,902
Investments	8	133	133
		11,373	10,035
Current assets			
Stocks		7,159	6,626
Debtors - due after one year	9	374	491
- due within one year	9	7,247	7,153
Total debtors		7,621	7,644
Cash at bank and in hand		57	2,679
		14,837	16,949
Current liabilities			
Creditors: amounts falling due within one year	10	(12,249)	(13,314)
Net current assets		2,588	3,635
Total assets less current liabilities		13,961	13,670
Creditors: amounts falling due after more than one year	11	(3,396)	(3,396)
Provisions for liabilities and charges	13	(926)	(723)
Net assets		9,639	9,551
Capital and reserves			
Called up share capital	15	1,030	1,030
Revaluation reserve	16	21	23
Capital redemption reserve	16	188	188
Profit and loss account	16	8,400	8,310
Equity shareholders' funds		9,632	9,544
Non-equity shareholders' funds		7	7
Shareholders' funds		9,639	9,551

These financial statements were approved by the board of directors on 29 January 1999 and were signed on its behalf by

N B E Beale director

A K Owst director

*N B E Beale*  
*A K Owst*

## Accounting policies

### Basis of accounting

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 financial statements have been prepared in accordance with applicable accounting standards. The year 1997/98 was a 52 week year. (1996/97 52 week year).

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 21). The financial statements therefore present information about the Company as an individual undertaking and not about its Group.

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

### Cashflow statement

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

### Goodwill

Goodwill arising on acquisitions is written off to reserves in the year of acquisition. On the subsequent disposal or termination of a business, 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

Tangible fixed assets are stated at cost or valuation less depreciation.

### Depreciation

Depreciation is provided on the straight line basis so that assets are written down to residual values over their expected useful life.

The rates principally applied are:

Freehold buildings	1%
Leasehold buildings	Length of lease
Plant	5%
Fixtures and fittings	12.5%
Computer	25%
Motor vehicles	25%
EPOS cash registers	12.5%
Office equipment	10%-25%

### Fixed asset investments

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

### Deferred taxation

The Company provides deferred taxation under the liability method. Provision is made only to the extent that it is probable that a tax liability will crystallize.

Accounting policies (continued)

**Stocks**

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

**Turnover and gross profit**

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

**Leases**

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

**Contributions to the pension scheme**

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

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

**Foreign currencies**

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

**Related party transactions**

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

J E Beale plc

Notes to the financial statements

	1998 52 Weeks £000	1997 52 Weeks £000
<b>1 Administrative expenses</b>		
Staff costs (see also note 5)	9,089	8,560
Occupancy costs	3,855	3,661
Other costs	6,682	6,515
Exceptional business rate rebates	(51)	(5)
Property rental income	(90)	(68)
	<hr/> 19,485 <hr/>	<hr/> 18,663 <hr/>
<b>2 Profit on ordinary activities before taxation</b> is stated after charging:		
Depreciation	1,321	1,133
Operating lease rentals - land and buildings	1,876	1,761
Operating lease rentals - plant and machinery	128	113
Auditor's remuneration:		
Audit work	32	30
Other fees paid to the auditor and its associates	33	19
<b>3 Net interest payable and other similar items</b>		
Interest receivable		
Total interest receivable	932	1,006
Less interest on customers' accounts included in turnover	(875)	(786)
Interest receivable	<hr/> 57 <hr/>	<hr/> 220 <hr/>
<b>Less interest payable</b>		
Bank overdraft	(13)	(17)
Other finance charges payable	(15)	(6)
Holding company loan repayable within 5 years	(308)	(357)
Interest payable	<hr/> (336) <hr/>	<hr/> (380) <hr/>
	<hr/> (279) <hr/>	<hr/> (160) <hr/>
Interest receivable includes £36,000 (1997 £186,000) received from the parent company.		

J E Beale plc

Notes to the financial statements (continued)

	<u>1998</u>	<u>1997</u>
	52 Weeks	52 Weeks
	£000	£000
<b>4 Taxation</b>		
United Kingdom corporation tax at 31% (1997 31.83%)		
Current	1,137	1,338
Adjustments in respect of prior years	(55)	(167)
	<hr/>	<hr/>
Deferred taxation (see note 13)	1,082	1,171
	151	106
	<hr/>	<hr/>
	1,233	1,277
	<hr/>	<hr/>
	<u>1998</u>	<u>1997</u>
<b>5 Directors and employees</b>		
The average number (including directors) employed by the company during the year was:		
Full time	601	578
Part time	433	396
	<hr/>	<hr/>
	1,034	974
	<hr/>	<hr/>
	<u>1998</u>	<u>1997</u>
	52 weeks	52 weeks
	£000	£000
Staff costs for the above:		
Wages and salaries	8,308	7,859
Social security costs	506	464
Other pension costs (see note 18)	275	237
	<hr/>	<hr/>
	9,089	8,560
	<hr/>	<hr/>

J E Beale plc

Notes to the financial statements (continued)

5 Directors and employees (continued)

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 remuneration committee report. Emoluments received from Beale PLC substantially relate to J E Beale plc.

6 Dividends

Ordinary shares:

Interim paid

Final proposed

34.13p  
213.81p

349  
2,188

30.00p  
213.81p

307  
2,188

247.94p

2,537

243.81p

2,495

Freehold  
Land &  
Buildings  
£000

Short  
Leasehold  
Buildings  
£000

Plant,  
Fixtures &  
Fittings  
£000

Total  
£000

7 Tangible fixed  
assets

COST OR VALUATION:

2 November 1997

3,288

856

14,674

18,818

Additions

-

(2)

2,677

2,675

Disposals

-

-

(69)

(69)

Transfers

-

-

19

19

31 October 1998

3,288

854

17,301

21,443

REPRESENTED BY:

Valuation in 1979

-

120

-

120

Cost

3,288

734

17,301

21,323

3,288

854

17,301

21,443

DEPRECIATION:

2 November 1997

130

260

8,526

8,916

Charge for the year

26

30

1,265

1,321

Eliminated in respect  
of disposals

-

-

(51)

(51)

Transfers

-

-

17

17

31 October 1998

156

290

9,757

10,203

NET BOOK VALUE:

31 October 1998

3,132

564

7,544

11,240

1 November 1997

3,158

596

6,148

9,902

Properties have been valued on an open market basis for their existing use.

## Notes to the financial statements (continued)

	<u>1998</u> £000	<u>1997</u> £000
<b>7 Tangible fixed assets (continued)</b>		
If fixed assets had not been revalued they would have been included at the following historical cost amount:		
Short leasehold building cost	792	794
Aggregate depreciation based on cost	(249)	(221)
	<hr/>	<hr/>
Net book value	543	573
	<hr/>	<hr/>
<b>Capital commitments</b>		
Capital expenditure contracted for but not provided for in the financial statements	21	238
	<hr/>	<hr/>
<b>8 Fixed asset investments</b>		
Shares in subsidiaries at cost	109	109
Listed on a recognised UK stock exchange	8	8
Unlisted investments	16	16
	<hr/>	<hr/>
	133	133
	<hr/>	<hr/>

At 31 October 1998 the Company held, either directly or indirectly, the whole of the issued ordinary share capital in the following dormant subsidiary companies, all of which are incorporated in Great Britain and registered in England and Wales:

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

The market value of listed investments is £8,000 (1997 £10,000)

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

## Notes to the financial statements (continued)

	<u>1998</u> £000	<u>1997</u> £000
<b>9 Debtors</b>		
- Due after one year:		
Trade debtors	374	319
Advance corporation tax	-	172
	<u>374</u>	<u>491</u>
 <b>Debtors</b>		
- Due within one year:		
Trade debtors	6,486	6,584
Prepayments and accrued income	761	569
	<u>7,247</u>	<u>7,153</u>
 <b>Total debtors</b>	<u>7,621</u>	<u>7,644</u>
 <b>10 Creditors</b>		
Amounts falling due within one year:		
Bank overdraft	2,621	733
Trade creditors	3,826	4,059
Holding company loan (note 12)	-	2,228
Amount owed to holding company	494	564
Amounts owed to subsidiary undertakings	109	109
Corporation tax	922	1,221
Other taxation and social security	234	592
Accruals and deferred income	1,855	1,620
Dividends	2,188	2,188
	<u>12,249</u>	<u>13,314</u>
 <b>11 Creditors</b>		
Amounts falling due after more than one year:		
Holding company loan (note 12)	3,396	3,396
	<u>3,396</u>	<u>3,396</u>

## Notes to the financial statements (continued)

	<u>1998</u> £000	<u>1997</u> £000
<b>12 Borrowings</b>		
The aggregate amount of loans was as follows:		
Holding company loan (due within 1 year)	-	2,228
Holding company loan (due between 1 and 2 years)	3,396	3,396
	<u>3,396</u>	<u>5,624</u>

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

	<u>Deferred Taxation</u> £000	<u>Pension Commitments</u> £000	<u>Total</u> £000
<b>13 Provisions for liabilities and charges</b>			
At 2 November 1997	82	641	723
Charge for the year	151	274	425
Utilised during year	-	(222)	(222)
	<u>233</u>	<u>693</u>	<u>926</u>
As at 31 October 1998	<u>233</u>	<u>693</u>	<u>926</u>

	<u>Amount Provided</u> <u>1998</u> £000	<u>1997</u> £000	<u>Amount Unprovided</u> <u>1998</u> £000	<u>1997</u> £000
<b>14 Deferred taxation</b>				
Deferred taxation provided for in the financial statements and the amounts unprovided, are as follows:				
Accelerated capital allowances	508	388	-	-
Short term timing differences	(275)	(306)	-	-
	<u>233</u>	<u>82</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements (continued)

	<u>1998</u> £000	<u>1997</u> £000
<b>15 Called up share capital</b>		
Authorised		
1,212,254 ordinary shares of £1 each	1,212	1,212
146,960 management shares of 5p each	7	7
	<u>1,219</u>	<u>1,219</u>
Allotted, called up and fully paid		
1,023,254 ordinary shares of £1 each	1,023	1,023
146,960 management shares of 5p each	7	7
	<u>1,030</u>	<u>1,030</u>

**Ordinary shares - equity**

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

**Management shares - non-equity**

The management shares carry a fixed non-cumulative dividend at the rate of 5% per annum on capital paid up thereon calculated from the date of issue of such shares and ranking pari passu with any dividend paid on ordinary shares. Beale PLC has waived the dividend. On 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.

	<u>Capital Redemption Reserve</u> £000	<u>Revaluation Reserve</u> £000	<u>Profit and Loss Account</u> £000
<b>16 Reserves</b>			
At 2 November 1997	188	23	8,310
Retained profit for the year	-	-	88
Transfer	-	(2)	2
	<u>188</u>	<u>21</u>	<u>8,400</u>
At 31 October 1998	188	21	8,400

## Notes to the financial statements (continued)

**16 Reserves (continued)**

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.

All goodwill written off to reserves arises in connection with the acquisition of businesses rather than subsidiary undertakings.

The cumulative amount of goodwill written off to reserves at 31 October 1998 was £560,000 (1997 £560,000).

	<u>1998</u> 52 weeks £000	<u>1997</u> 52 weeks £000
<b>17 Reconciliation of movements in shareholders' funds</b>		
Profit for the financial year	2,625	2,929
Dividends	(2,537)	(2,495)
	<hr/>	<hr/>
Net addition to shareholders' funds	88	434
Opening shareholders' funds	9,551	9,117
	<hr/>	<hr/>
Closing shareholders' funds	9,639	9,551
	<hr/>	<hr/>

**18 Pension commitments**

The Group operates both a pension scheme providing benefits based on final salary with a money purchase underpin and a money purchase section. Entry to the final salary section of the scheme was closed from 6 April 1997. The assets of the scheme are held separately from those of the Group, being invested principally through the purchase of units in managed funds.

## Notes to the financial statements (continued)

## 18 Pension commitments (continued)

The pension cost relating to the final salary section of the scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent actuarial valuation, at 1 April 1996, recorded that the scheme had assets of approximately £12,590,000 at market value, and that a surplus of £1,941,000 was indicated. This valuation identified a solvency level of 131% which means that the scheme's assets were sufficient to meet its liabilities and that the reserves of the scheme are likely to meet in full the liabilities as they fall due. The valuation assumed an investment return of 9% per annum compound, average salary increases of 7% per annum compound and present and future pensions increasing at the rate of 5% per annum for past service and 4.5% per annum for future service.

Following the actuarial valuation, the directors have been advised that a proportion of Company contributions relating to the final salary part of the scheme may be suspended until the next triennial valuation. In accordance with statement of standard account practice, 24 the benefit of this pensions holiday is recognised in the financial statements over a period of years. The pension charge included in these financial statements amounted to £275,000 (1997 £237,000), including matched additional voluntary contributions.

## 19 Contingent liabilities

The Company has no contingent liabilities.

	<u>1998</u>		<u>1997</u>	
	<u>Land &amp; Buildings</u>	<u>Other</u>	<u>Land &amp; Buildings</u>	<u>Other</u>
	£000	£000	£000	£000
20 Commitments under operating leases				
At 31 October 1998 the Company had annual commitments under non-cancellable operating leases as follows:				
Expiring within one year	-	16	9	2
Expiring between one and five years	12	116	12	120
Expiring in more than five years	1,977	2	2,039	-
	<u>1,989</u>	<u>134</u>	<u>2,060</u>	<u>122</u>

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

Notes to the financial statements (continued)

21 Ultimate holding company

The Company's parent and ultimate holding company is Beale PLC, a company registered in England and Wales. It is the only Company to prepare consolidated financial statements, copies of which may be obtained from the registered office, The Granville Chambers, 21 Richmond Hill, Bournemouth, BH2 6BJ.