Company No 00120002

# JE Beale plc

# ANNUAL REPORT AND ACCOUNTS 2012

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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
Please note Tony Brown resigned as Chief Executive on 8 February 2013 and Michael Hitchcock was appointed on 9 February 2013 The Chief Executive Statement was drafted by Tony Brown before he left the Group

# Chief Executive's Statement

**Introduction**

The much reported challenging retail environment has continued this year as the government continues to reduce spending, combined with depressed economic growth which saw the economy slip into a double dip recession and a number of high profile retail administrations Our gross sales (including concessions and VAT) were £136m *(2011 £110m)*, although after taking into account the acquisitions and 53rd week our like for like sales actually fell 5 6% A part of this drop can be attributed to the fall off in the electrical market especially TV and Audio sales which fell by 38 3% to £2 6m Whilst I am disappointed at any loss, we have managed to reduce the pre-exceptional loss by 23 4% on last year However we had exceptional charges of £2 1m in respect of restructuring and impairment *(2011 £4 8m exceptional credit)* Actions taken by management such as staff restructuring and improved stock management in the first half of the financial year came through in the second half, with the year 2012/13 expecting to see the full year positive effect
The pre-tax loss for the year was £5 8m It will be noted that last year's £0 5m profit included a £4 8m exceptional profit from the acquisition of the 19 department stores from ARCS

After extensive customer research we introduced our first loyalty programme (Love Rewards) This has been very well received and now has over 160,000 members This gives us a great platform to talk to more of our customers than the store card which had around 35,000 active members Whilst closing the store card was a difficult decision, it has been handled exceptionally well by the team with very few complaints

**Product sales**

The expansion of the Group has provided us with a significant increase in buying power which has provided more opportunities to buy volume lines at better pricing We have also been able to bring more own bought product groups such as small domestic appliances and occasional furniture into the core business and these new areas are continuing to deliver incremental sales

We continue to build and strengthen 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 grown our own label menswear brand, Broadbents & Boothroyds, a casual life style brand which is now our biggest performing menswear brand We continue to add to the successful All Cooks housewares collection expanding into kitchen textiles

We continue to develop our internet sales offering with the introduction of many new ranges The Board sees the continued growth in this sales channel as an important part of our future sales strategy especially as we now have stronger geographical presence in many parts of the country which is improving our brand awareness We will continue to develop our email address base to help grow such internet sales We have invested more resources into our online business and have seen some impressive 230% uplift in sales We do however remain a very small player in this market and are reviewing our options to continue to develop this important aspect of the business's future

We have made the decision to come out of the TV and Audio business in most of our stores and convert the space into more profitable use

We continue to develop the concession business with concessions now accounting for 45 95% *(2011 43 63%)* of gross sales

**Buying in margin**

Our overall buying in margin has been affected by the mix of product in 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 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 We will see an improved margin performance as we reduce the concentration on low margin products in electrical

**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

# Chief Executive's Statement continued

**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 synergies throughout the coming year We have invested in technology within our accounts department, our store card and our procurement methods which has seen some significant cost savings Unfortunately this has resulted in a number of head office redundancies The Board would like to thank those affected for their many years of service

Following the Board's impairment review a charge of £1 4m *(2011 Nil)* has been included in exceptional items where the carrying value of certain store fixed assets exceed the future value expected to be derived from holding the assets

**Principal risks and uncertainties**

The principal risks and uncertainties have not changed from last year and your Board continues to apply mitigating actions 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

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

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
- Review the allocation of Group resource and capital investment

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

The Group may lose further expertise in addition to the Directors who have resigned which 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

# Chief Executive's Statement continued

**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

**Outlook and summary**

Since my last statement, the economic outlook has not changed significantly We continue in a difficult economic environment with the high street becoming more challenging, and 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 the high street that continues to paint a bleak future, the overall UK economic conditions and the possible impact of further financial contagion

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, benefiting our input margins Our balance sheet remains strong As a management team, we are continuously and rigorously focused on improving our business not just for today, but also for 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

I will be leaving the Group on 8th February 2013 to pursue a new opportunity I am grateful for all the support I have received from stakeholders and colleagues over the last 4½ years I wish the Group well for the future

**Michael Hitchcock** (appointed 9 February 2013)
**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 auditor's report, for the 53 weeks ended 3 November 2012

**Principal activities**

The Company is the holding company of the Company whose principal activity is the operation of department stores The Company trades as Beales in Abingdon, Bedford, Bolton, Bournemouth, Beccles, Bishop Auckland, Chipping Norton, Cinderford, Diss, Harrogate, Hexham, Horsham, Keighley, Kendal, Kings Lynn, Lowestoft, Maidstone, Mansfield, Peterborough, Poole, Redcar, Rochdale, Saffron Walden, Skegness, Skipton, Southport, Spalding, St Neots, Tonbridge, Winchester, Wisbech, Worthing and Yeovil Maidstone opened on 1 June 2012 and Skipton closed on 3 November 2012

**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 page 1 and 2 The Chief Executive's Report also includes details of expected future developments in the business of the Company

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

**Overview of the Year**

The business has taken great strides this year to re-set the operational cost base to one that is right for the size of the Company and one that concurs with more efficient retail practices Process efficient cost reductions have been made across the business which will see the full year effects in the next year Further work in this area is on-going

In a retail sector materially and adversely affected by abnormal weather, sporting and Jubilee events and the continuing global economic turmoil, the focused management of cash flow and debt balances has been critical, this has been achieved through diligence across the entire business

The refinancing of the group's revolving credit facility in June 2012 provided the business with the opportunity to take the necessary strategic steps to see itself through the on-going recession However it was evident that the softer than expected trading results through the summer, alongside the renewed and arguably restrictive covenant levels that were set at the time, would not allow the business the scope nor the headroom to operate free of continuing bank scrutiny

The refinancing of the group's debt in February 2013 means that there are a number of key strategic expenditure projects that the business can now start to look at with more certainty

**Results**

Gross sales, which includes VAT and concessional sales increased to £136m *(2011 £110m)*, benefiting from the full year contribution of the 19 Anglian Regional Co-operative Society Limited stores which were acquired part way through the prior year The Gross sales in the current year also benefit from an additional trading week at the end of the current year Excluding both the acquired stores and the 53rd week, the 13 core Beales stores gross sales were 5 6% below the prior year, but with an improving trend at the end of the year

Company revenue from continuing operations increased 20 4%, largely reflecting the 19 acquired stores and the extra trading week referred to above and affected adversely with a change in the sales mix shifting in favour of concession sales as opposed to own bought sales

Gross margins have been impacted following the actions to cleanse the stock holding in stores, old stock has been sold through to free up both cash and the ability to buy in fresher more current stock The business continues to make further progress in identifying the optimum and reduced stock carried in the business at any one time

Despite the full year effect of the 19 Anglian Regional Co-operative Society Limited stores, which were acquired part way through the prior year, and the effect of the added week of administrative expenses, the total administrative expense before exceptionals increase was held to 4 79% and represents an improvement as a percentage of gross sales from 34 4% in the prior year to 29 3% in the current year A considerable amount of work has gone into improving the process and structure of the cost base and this has led to reductions in costs with no impact on the customer except for the closure of the store card

The operating loss before exceptionals has reduced markedly by 38 76%, to £1 9m and with the initiatives referred to above, this trend is expected to show a continuing improvement in to the future

Following an impairment review carried out by the directors a charge of £1 4m *(2011 Nil)* has been included in exceptional items where the carrying value of certain individual store fixed assets exceed the future value expected to be derived from holding the assets

JE Beale plc

# Directors' Report continued

**Balance Sheet**

The balance sheet continues to show negative equity £7 1m *(2011 £0 94m)*

**Dividends**
No dividend was paid during the year *(2011 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 issuing this report were Tony Brown (resigned 8 February 2013), John Chillcott, Keith Edelman*, Michael Hitchcock (was appointed on 9 February 2013, prior to 9 February 2013 he was a non-statutory Interim Finance Director), Mike Killingley* (resigned 8 November 2011), Ken Owst (resigned 23 June 2012), Tony Richards and William Tuffy* (appointed 8 November 2011) (*Non-executive)

William Tuffy was appointed as an independent non-executive director on 8 November 2011 Michael Hitchcock was appointed Chief Executive on 9 February 2013 and will offer himself for election at the Annual General meeting

Under the Articles of Association, this year no other director is required to offer himself for re-election at the Annual General Meeting John Chillcott's appointment is not subject to approval by the 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 3 November 2012 and 29 October 2011 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 3 November 2012, the Company's creditor days were 38 *(2011 38)* (based upon the year end trade creditors as a proportion of purchases during the year)

**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 £Nil *(2011 £14,058)* 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 Company and store news through bi-weekly newsletters and weekly meetings Company 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 The new financing facilities concluded post the balance sheet date includes one financial covenant which requires testing at specific dates determined by the lender The Board is aware of the challenging and uncertain economic conditions and the risks and uncertainties facing the Company, and has prepared detailed forecast information for the 2012/13 financial year, and higher level forecasts for financial years to 2016/17 The Company'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 the new facility and in compliance with the covenants and other stated conditions Based upon the forecasts and projections, coupled with the strategies set out in the Chief Executive's Statement and the support of the Group's lenders and other key stakeholders together with the letter of support from Beale PLC referred to in note 1, the Board has a reasonable expectation that 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 For further details see accounting policy note 1

**Carbon commitment**
The Company 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

20 February 2013

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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements 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 | Chief Executive |
| Keith Edelman | Michael Hitchcock |
| 20 February 2013 | 20 February 2013 |

# JE Beale plc

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

We have audited the financial statements of JE Beale plc for the year ended 53 weeks ended 3 November 2012 which comprise Income Statement, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity the Cash Flow Statement, and the related notes 1 to 30  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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit  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 3 November 2012 and of its loss for the 53 weeks 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
20 February 2013

## Income Statement
**For the 53 weeks ended 3 November 2012**

| | Notes | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|---|
| Gross sales* | 3 | 135,549 | *110,027* |
| **Revenue – continuing operations** | 3 | 74,609 | *61,969* |
| Cost of sales | | (36,833) | *(30,158)* |
| **Gross profit** | | 37,776 | *31,811* |
| Administrative expenses | | (39,719) | *(34,984)* |
| Exceptional administration (expenses)/income | 5 | (1,977) | *2,919* |
| Total administration expenses | | (41,696) | *32,065* |
| Operating loss before exceptional items | | (1,943) | *(3,173)* |
| **Operating loss – continuing operations** | 6 | (3,920) | *(254)* |
| Finance expense | 8 | (442) | *(227)* |
| Finance income | 9 | 1 | *1* |
| **Loss on ordinary activities before taxation** | | (4,361) | *(480)* |
| Taxation (charge)/credit | 10 | (99) | *9* |
| **Loss for the period from continuing operations** | | (4,460) | *(471)* |

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

The notes on pages 13 to 36 form part of these financial statements

# JE Beale plc

## Balance Sheet
As at 3 November 2012

| | Notes | 3 November 2012 £000 | *29 October 2011 £000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 11 | **723** | *723* |
| Property, plant and equipment | 13 | **11,393** | *12,587* |
| Financial assets | 14 | **125** | *125* |
| | | **12,241** | *13,435* |
| **Current assets** | | | |
| Inventories | 16 | **15,816** | *16,462* |
| Trade and other receivables due within one year | 17 | **5,218** | *6,429* |
| Trade and other receivables due after one year | 17 | **104** | *66* |
| Cash and cash equivalents | | **454** | *694* |
| | | **21,592** | *23,651* |
| **Total assets** | | **33,833** | *37,086* |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(17,437)** | *(15,721)* |
| Provisions | 18 | **(271)** | - |
| Borrowings | 19 | **(7,750)** | *(8,250)* |
| Tax liabilities | | **(15)** | *(15)* |
| | | **(25,473)** | *(23,986)* |
| **Net current liabilities** | | **(3,881)** | *(335)* |
| **Non-current liabilities** | | | |
| Borrowings | 19 | **(10,125)** | *(10,750)* |
| Retirement benefit obligations | 27 | **(1,171)** | *(203)* |
| Lease incentives | 20 | **(3,790)** | *(2,736)* |
| Deferred tax liabilities | 15 | **(415)** | *(351)* |
| | | **(15,501)** | *(14,040)* |
| **Total liabilities** | | **(40,974)** | *(38,026)* |
| **Net liabilities** | | **(7,141)** | *(940)* |
| **Equity** | | | |
| Share capital | 21 | **1,030** | *1,030* |
| Revaluation reserve | 22 | **1,331** | *1,336* |
| Capital redemption reserve | 22 | **188** | *188* |
| Retained earnings | 22 | **(9,690)** | *(3,494)* |
| **Total negative equity** | | **(7,141)** | *(940)* |

The notes on pages 13 to 36 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 20 February 2013 and were signed on its behalf by

**K Edelman**
Director

**M Hitchcock**
Director

## Statement of Comprehensive (loss)/Income

| | Note | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|---|
| Actuarial (loss)/gain on pension scheme | 27 | (2,236) | *743* |
| Revaluation reserve | | - | *(337)* |
| ARCS Loan Waiver | | 500 | - |
| Tax on revaluation reserve | | 13 | *1* |
| Tax on items taken directly to equity | | (18) | *3* |
| **Net profit recognised directly in equity** | | (1,741) | *410* |
| Loss for the period | | (4,460) | *(471)* |
| **Total recognised income and expense for the period** | | (6,201) | *(61)* |

## Statement of Changes in Equity

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Opening equity | (940) | *(879)* |
| Total recognised income and expense | (6,201) | *(61)* |
| **Closing equity** | (7,141) | *(940)* |

| | Share Capital £000 | Revaluation Reserve £000 | Capital Redemption Reserve £000 | Retained Earning £000 | Total £000 |
|---|---|---|---|---|---|
| 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) |
| **Loss for year** | - | - | - | **(4,460)** | **(4,460)** |
| **Transfer** | - | **(18)** | - | **18** | - |
| **ARCS Loan Waiver** | | | | **500** | **500** |
| **Tax on comprehensive income** | - | - | - | **(18)** | **(18)** |
| **Deferred tax change on Revaluation reserve** | - | **13** | - | - | **13** |
| **Net actuarial loss** | - | - | - | **(2,236)** | **(2,236)** |
| **At 3 November 2012** | **1,030** | **1,331** | **188** | **(9,690)** | **(7,141)** |

The notes on pages 13 to 36 form part of these financial statements

JE Beale plc

## Cash Flow Statement

For the 53 weeks ended 3 November 2012

| | Note | **53 weeks to 3November 2012 £000** | *52 weeks to 29 October 2011 £000* |
|---|---|---|---|
| **Cash flows generated from/(used in) operating activities before interest and tax** | 23 | **2,437** | *(2,843)* |
| Interest paid | | **(442)** | *(227)* |
| Interest received | | **1** | *1* |
| **Net cash flow generated from/(used in) operating activities** | | **1,996** | *(3,069)* |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(1,611)** | *(2,267)* |
| Purchase of new business | | **-** | *(4,390)* |
| **Net cash used in investing activities** | | **(1,611)** | *(6,657)* |
| | | | |
| **Cash flows from financing activities** | | | |
| ARCS loan | | **(625)** | *2,500* |
| New holding company loan | | **-** | *7,500* |
| **Net cash (used in)/generated from financing activities** | | **(625)** | *10,000* |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents in the period** | | **(240)** | *274* |
| Cash and cash equivalents at beginning of period | 24 | **694** | *420* |
| Cash and cash equivalents at end of period | 24 | **454** | *694* |

The notes on pages 13 to 36 form part of these financial statements

## 1 Accounting policies

**General information**
JE Beale plc is a public Company incorporated in the United Kingdom under the Companies Act 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 1 (amendment) Presentation of Financial Statement
- IAS 19 (revised) Employee Benefits
- IFRS 7 (amended) Financial Instruments
- IAS 12 (amended) Income Taxes

The adoption of these Interpretations has not led to any changes in the Company'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) Government Loans
- IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities
- Annual Improvements to IFRSs – (2009 – 2011) Cycle
- IFRS 9 Financial instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 10, IFRS 12 and IAS 27 Investment Entities (amended)
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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 Group except for additional disclosures and some changes to presentation as required when the 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 Group and Company have met their day to day working capital requirements through the use of one principal bank loan of £8 5 million, which was repayable on 31 October 2015, and an overdraft facility of £112,000 which is repayable on demand The total facilities were secured on the freehold properties of the Group The freehold properties were independently revalued at £12 6 million as at 29 October 2011 Additional working capital was provided by ARCS in the form of a £1 37 million term loan (2011 £2 5m)

As noted in the 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 Financial Review contained in Beale PLC financial statements

1 **Accounting policies** continued

On 1 February 2013 the Group set up a new loan facility with Burdale Financial Limited The terms of that loan facility are for up to a £12m senior secured facility The facility is secured by first security interest in liens/charges upon certain present and future assets and undertakings The new bank facilities include one financial covenant which requires the Company shall procure that Trading Cash flow in respect of each review period as set out in the facility agreement and shall not be less than the agreed amounts the Company and the Lender agree are calculated on the basis of financial projections In addition there is condition that for a period of 14 days between 1 December and 31 January each year drawings do not exceed £2 5m 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 2012/13 and 2013/14 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 upon the forecasts and projections, coupled with the strategies set out in the Chairman's and Chief Executive's Statements, the Board has a reasonable expectation that the Group and 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

For this reason, the financial statements continue to be prepared adopting the going concern basis The Director's Statement that the business is a going concern has been prepared in accordance with "Guidance on going concern and liquidity risk guidance for Directors UK companies 2009"

**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

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

# Notes to the financial statements continued

1 **Accounting policies** continued

**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

**Non GAAP measures**

The Company has chosen to show operating profit before and after exceptionals owing to the significant non-cash credit in the prior year Exceptionals are not accounting measures under IFRS We do not regard these non-GAAP measures as a substitute for the measures calculated and presented in accordance with IFRS

**Loyalty scheme**

In May 2012 the Company launched a loyalty card, whereby customers earn points when making purchases in the Group's department stores The full value of points earned by customers from the launch date to the 3rd November 2012 has been charged to the income statement during the year The first issue of vouchers in relation to these points will be in Spring 2013

**Operating loss**

Operating loss is the Company's 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

1 **Accounting policies** continued

**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

**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 Impairment losses are determined by comparing the net book value of the store fixed assets with the future discounted cashflows of the store

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 as its useful life is indefinite Freehold buildings are 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 10% which reflects a change in accounting estimate Prior to 30 October 2011 fixtures and fittings and EPOS cash registers were depreciated at 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 During the year stock write offs were higher than anticipated, consequently there is a degree of uncertainty when determining stock provision

**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

1 **Accounting policies** continued

**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'

***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

1 **Accounting policies** continued

**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

**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 27 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 3 November 2012, the Company's net pension liability was £1 17m compared with £0 2 million as at 29 October 2011 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 Following an impairment review carried out by the directors a charge of £1 4m *(2011 Nil)* has been included in exceptional items where the carrying value of certain individual store fixed assets exceeded the future value expected to be derived from holding the assets

**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 controllable by the Company On the 17th November 2012 the Group closed its store card facility It has maintained a consistent method of bad debt provisioning as adopted in previous year However, with the closure of the store card there is probably a higher degree of uncertainty than in previous years During the year restructuring provisions have been made in relation to the store card, the accounts department and Wallisdown warehouse There is a degree of uncertaintyas to the final outcome of such provisions

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

**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

**Business combination**

A key area of judgement during the prior year was the business combination The directors were required to determine fair values for the assets acquired, liabilities incurred or assumed, the consideration paid and financial instruments issued included the preference shares and the derivative Details of the bases used to determine the fair values are set out in note 12 IFRS 3 permits adjustments to items recognised in the original accounting for a business combination, for a maximum of one year after the acquisition date, when new information about facts and circumstances existing at the acquisition date is obtained The directors have re-assessed the fair values attributed to the assets and liabilities of the 19 department stores acquired from ARCS on 22 May 2011 and have concluded based on current information no change is required to any of these fair values

**Inventory valuation**

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 During the year stock write offs were higher than anticipated, consequently there is a degree of uncertainty when determining stock provision

## 3 Revenue

The Company's entire revenue is derived from retail sales made in the UK Revenue includes the commission earned on sales made by concession outlets

| | **53 weeks to 3 November 2012 £000** | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Gross sales | **135,549** | *110,027* |
| VAT | **(22,207)** | *(17,579)* |
| Gross sales (exc VAT) | **113,342** | *92,448* |
| Agency sales less commission | **(38,733)** | *(30,479)* |
| Revenue | **74,609** | *61,969* |

Analysis of gross sales (excluding VAT) and revenue

| | | **53 weeks to 3 November 2012** | | *52 weeks to 29 October 2011* |
|---|---|---|---|---|
| | **Gross sales £000** | **Revenue £000** | *Gross sales £000* | *Revenue £000* |
| Own bought sales | **60,893** | **60,893** | *51,734* | *51,734* |
| Concession sales | **52,081** | **13,348** | *40,334* | *9,855* |
| Interest on customer accounts | **368** | **368** | *380* | *380* |
| | **113,342** | **74,609** | *92,448* | *61,969* |

## 4 Segmental information

The Board have reviewed the requirements of IFRS 8 Segment Reporting 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 for financial reporting purposes

## 5 Net Exceptional (expense)/income

In the year the following net exceptional (expenditure)/income resulted

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Negative goodwill credited directly to the income statement (note 12) | - | *3,286* |
| Exceptional cost associated with acquisition (professional fees) | - | *(81)* |
| Exceptional cost associated with integration of acquired stores | - | *(286)* |
| Fixed Asset Impairment | (1,410) | - |
| Exceptional store card closure and redundancy costs | (501) | - |
| Other exceptional costs | (66) | - |
| Total net exceptional (expense)/income | (1,977) | *2,919* |

## 6 Operating Loss

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Operating loss is arrived at after charging/(crediting) | | |
| Cost of inventories recognised as an expense | 36,833 | *30,158* |
| Depreciation of property, plant and equipment | | |
| - owned assets | 1,395 | *1,640* |
| Exceptional item (note 5) | 1,977 | *(2,919)* |
| Rentals chargeable under operating leases | | |
| - property | 6,466 | *5,493* |
| - plant & equipment | 293 | *206* |
| Staff costs (note 7) | 18,522 | *16,459* |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | | |
| - statutory audit | 60 | *60* |
| | 60 | *60* |
| Fees payable to the Company's auditor and their associates for other services to the Company | | |
| Tax services | | |
| - compliance services | 12 | *15* |
| - advisory services | 2 | *2* |
| | 14 | *17* |
| Auditor's remuneration total | 74 | *77* |

## 7 Information regarding directors and employees

| | 2012 | 2011 |
|---|---|---|
| The average number of persons (including directors) employed by the Company during the year was | | |
| Full time | 622 | 570 |
| Part time | 1,015 | 905 |
| | 1,637 | 1,475 |

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Staff costs for the above | | |
| Wages and salaries | 17,250 | *15,191* |
| Social security costs | 856 | *839* |
| Pension – current service cost ( see note 27) | 207 | *230* |
| Pension – Defined Contribution | 209 | *199* |
| | 18,522 | *16,459* |

The directors are paid by the immediate parent company Beale PLC and the amounts paid for their services to Company are shown in the accounts of Beale PLC for the period and prior period The directors serving at 3 November 2012 received total emoluments of £619,000 *(29 October 2011 £732,000)* 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

# Notes to the financial statements continued

## 8 Finance expense

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| On bank overdrafts | (4) | *(2)* |
| ARCS loan interest payable | (101) | *(53)* |
| Other interest payable | 10 | *(1)* |
| Holding Company loan repayable within 5 years | (347) | *(171)* |
| Net interest payable | (442) | *(227)* |

## 9 Finance Income

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Interest receivable on customers' accounts and prior rate rebates | 369 | *381* |
| Less interest on customers' accounts included in revenue | (368) | *(380)* |
| Total interest receivable | 1 | *1* |

## 10 Tax

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Current tax | | |
| Current year | - | - |
| Adjustment in respect of prior years | - | - |
| | - | - |
| Deferred tax (note 15) | | |
| Current year | (10) | *(11)* |
| Adjustment in respect of prior year | 109 | *2* |
| | 99 | *(9)* |
| Charge/(Credit) for taxation on loss for period | 99 | *(9)* |

The tax charge for the period is different from the standard rate of corporation tax in the UK of 24 82% *(2011 26 83%)* The differences are explained below

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Loss on ordinary activities before tax | (4,361) | *(480)* |
| Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 24 82% *(2011 26 83%)* | (1,082) | *(129)* |
| **Tax on loss on ordinary activities** Effects of | | |
| Expenses not deductible for tax purposes - goodwill | - | *(204)* |
| Prior year deferred tax | 109 | *2* |
| Impact of deferred tax asset not recognized | 1,003 | *555* |
| Non qualifying depreciation | 128 | *165* |
| Pension Contribution | (194) | *(412)* |
| Other | 135 | *14* |
| Total tax credit | 99 | *(9)* |

## 10 Tax continued

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

| | 53 weeks to 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| **Current tax** | | |
| | | |
| **Deferred tax** | | |
| Arising on income and expense recognised in other comprehensive income | | |
| Revaluation of property | - | *(10)* |
| Rate change on revaluation reserve | 11 | *11* |
| Other | (16) | *3* |
| Total income tax recognised in other comprehensive income | (5) | *4* |

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013 These rate reductions became substantively enacted in March 2012 and July 2012 respectively The UK government also proposed to further reduce the standard rate of UK corporation tax to 22% effective 1 April 2014, but this change has not been substantively enacted For the 53 week period ended 3 November 2012, as the reduction in statutory rate by 2% has been substantively enacted, deferred tax has been recognised on the balance sheet at 23% As at 3 November 2012 the Company had carried forward tax losses (on which deferred tax was not recognised) of £2,125,060 *(2011 £1,094,000)*

## 11 Goodwill

| | £000 |
|---|---|
| Carrying amount at 30 October 2010 | 723 |
| Carrying amount at 29 October 2011 | 723 |
| **Carrying amount at 3 November 2012** | **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

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

| | Goodwill carrying value 2012 £000 | *Goodwill carrying value 2011 £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 cash flows 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 cash flows 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 -1 4% and 5 7% growth per annum for each of the department stores The discount rate of 10% *(2011 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 2015 by approximately 5% per annum would result in the carrying value of goodwill being approximately reduced to its recoverable amount

## 12 Business combination

In the previous financial year the Group acquired the trade, certain fixed assets, inventory, cash, other debtors and other creditors of 19 department stores purchased from ARCS 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 was credited directly to the income statement in the prior year 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 on 29 October 2011 and 22 May 2012 and this reassessment confirmed the fair values of the assets and liabilities acquired and the net consideration paid

| | *Provisional and final fair value of assets acquired 2011 £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* |

## 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 30 October 2010 | 4,830 | 1,317 | 27,954 | 34,101 |
| Revaluation | (460) | - | - | (460) |
| Additions | - | 146 | 2,121 | 2,267 |
| Acquisition | - | - | 996 | 996 |
| At 29 October 2011 | 4,370 | 1,463 | 31,071 | 36,904 |
| Additions | - | 15 | 1,596 | 1,611 |
| **At 3 November 2012** | **4,370** | **1,478** | **32,667** | **38,515** |
| **Accumulated depreciation and impairment** | | | | |
| 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 |
| Charge for year | 34 | 64 | 1,297 | 1,395 |
| Impairment | - | 146 | 1,264 | 1,410 |
| At 3 November 2012 | **34** | **983** | **26,105** | **27,122** |
| **Net book value at 3 November 2012** | **4,336** | **495** | **6,562** | **11,393** |
| 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* |

## 13 Property, plant and equipment continued

The Company has pledged freeholds having a carrying amount of approximately £4 34 million (*2011 £4 37 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

Following an impairment review carried out by the directors a charge of £1 4m (*2011 Nil*) has been included in exceptional items where the carrying value of certain individual store fixed assets exceed the future value expected to be derived from holding the assets

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** | | | | |
| **3 November 2012** | **2,881** | **495** | **6,562** | **9,938** |
| *29 October 2011* | 2,898 | 690 | 7,527 | 11,115 |
| *30 October 2010* | *2,914* | *602* | *5,954* | *9,470* |

| | 2012 £000 | *2011 £000* |
|---|---|---|
| **Capital commitments** | | |
| Capital expenditure contracted for but not provided for in the financial statements | **11** | *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

| | 2012 £000 | *2011 £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 matured on 12 December 2012 at a value of £36,965

At 3 November 2012 and 29 October 2011 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 3 November 2012 £000 | *52 weeks to 29 October 2011 £000* |
|---|---|---|
| Deferred tax liabilities | **(415)** | *(351)* |
| | **(415)** | *(351)* |

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 29 October 2011 | (267) | (128) | (138) | (235) | 417 | (351) |
| Charge to operating expenses | - | - | - | 40 | - | 40 |
| (Charge)/Credit to income | - | (120) | 3 | - | 18 | (99) |
| Credit to equity | 22 | 10 | 11 | - | (48) | (5) |
| **As at 3 November 2012** | **(245)** | **(238)** | **(124)** | **(195)** | **387** | **(415)** |

**16 Inventories**

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Finished goods and goods for resale | **15,816** | *16,462* |

Finished goods for resale are stated after deducting a stock provision of £935,000 *(2011 £935,000)* An amount of £Nil *(2011 £10,000 debited)* was debited to cost of sales as a result of increasing *(2011 increasing)* 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**

| | 2012 £000 | *2011 £000* |
|---|---|---|
| **Amounts due within one year** | | |
| Trade receivables | **2,260** | *3,037* |
| Allowance for doubtful debts | **(72)** | *(69)* |
| | **2,188** | *2,968* |
| Prepayments and accrued income | **3,030** | *2,609* |
| Amount owed by Holding Company | **-** | *852* |
| | **5,218** | *6,429* |
| **Amounts due after one year** | | |
| Trade receivables | **104** | *66* |
| **Total receivables** | **5,322** | *6,495* |

**Trade receivables**

Trade receivables consist of store card balances and interest-free credit 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 £25,000 *(2011 £20,000)* 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 is charged at 24 9% APR and 22 5% APR (if payment is by direct debit) Before accepting most new customers the Company uses an external company to assist in determining a customer's credit quality The Company closed its in house credit business on 17 November 2012 The store card and interest free balances will continue to be collected by the customer accounts department over the coming months We will continue to issue statements to customers on a monthly basis as part of this collection process

**17 Trade and other receivables** continued

**Ageing of the total balance past due but not impaired receivables**

| | 2012 £000 | 2011 £000 |
|---|---|---|
| 60 – 90 days | 13 | 12 |
| | 13 | 12 |

**Movement in allowance for doubtful debts**

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Balance at beginning of period | 69 | 68 |
| Additional provision made | 53 | 50 |
| Amount recovered during the year | (28) | (30) |
| Impairment losses recognised | (25) | (20) |
| Increase in provision | 3 | 1 |
| **Balance at end of period** | 72 | 69 |

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**

| | 2012 £000 | 2011 £000 |
|---|---|---|
| 60 – 90 days | 28 | 27 |
| 90 – 120 days | 10 | 6 |
| 120+ days | 34 | 36 |
| | 72 | 69 |

**18 Trade and other payables**

| | 2012 £000 | 2011 £000 |
|---|---|---|
| **(a) Amounts falling due within one year** | | |
| Trade payables | 8,168 | 8,258 |
| Other taxation and social security | 763 | 726 |
| Amounts owed to holding company | 2,973 | - |
| Accruals and deferred income | 5,340 | 6,544 |
| Amounts owed to subsidiary undertakings | 109 | 109 |
| Amounts owed to fellow subsidiaries | 84 | 84 |
| | 17,437 | 15,721 |

**b) Provision**

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Restructuring Cost | 271 | - |
| Current provision | 271 | - |
| Non current provision | - | - |
| | 271 | - |

The fair values of the liabilities above are considered to approximate to the above values The Company 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

| | 2012 £000 | *2011 £000* |
|---|---|---|
| **Borrowings** | | |
| ARCS loan | 1,375 | *2,500* |
| Bank overdrafts | - | - |
| Holdings Company Loans | 16,500 | *16,500* |
| | 17,875 | *19,000* |
| The borrowings are repayable as follows | | |
| On demand or within one year | 7,750 | *8,250* |
| In the second year | 9,250 | *9,500* |
| In third to fifth year | 875 | *1,250* |
| Less amount due for settlement within 12 months | 7,750 | *8,250* |
| Amount due for settlement after 12 months | 10,125 | *10,750* |

(a) 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 31 October 2015 The facilities are secured over the Group's freehold interests The bank facilities contain a number of key covenants, the covenant with least headroom being earnings before interest, tax, depreciation and amortisation which is measured every 6 months The loan interest on the facilities is 3 0% above Libor rate up to 28 June 2012 increasing from to 5% above LIBOR The rate falls over the life of the facility reducing to 3% by June 2014

(b) Bank overdrafts are repayable on demand Overdrafts of £Nil *(2011 £Nil)* have been secured by a charge over the Company's freehold The average effective interest rate on bank overdrafts approximates 4 29% per cent *(2011 3 59%)* per annum and is determined based on 3% over LIBOR from 30 October 2011 to 28 June 2012 and then increasing to 5% over LIBOR From 1 February 2013 there was no overdraft facitlity

(c) A loan of £16 5 million *(2011 £16 5 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

(d) The Group agreed a new secured loan with Burdale Financial Limited on 1 February 2013

**ARCS term loan agreement**

Under the terms of the Term Loan Agreement with ARCS, a loan facility of £2 5 million was provided to JE Beale plc and was fully drawn down by it on completion of the ARCS transaction on 22 May 2011 As part of the Group refinancing in June 2015 ARCS agreed to waive £500,000 of the loan and reduced the 6 monthly installments to £125,000 Under IFRS the waiver of £500,000 on the ARCS loan is accounted for through the consolidated statement of Comprehensive (Loss)/Income This is because ARCS is treated as an equity holder as under certain circumstances the ARCS preference shares are convertible into up to 10% of the ordinary shares in issue Further conditions are attached which could increase the level of installment JE 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 JE 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 percent per annum over the applicable LIBOR rate increasing to 6 percent per annum over LIBOR in the event of a default that is not remedied within 12 months The directors view 4 percent 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 95% *(2011 4 83%)* per annum

## 20 Lease Incentives

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Lease incentives | 3,790 | 2,736 |

## 21 Called up share capital

| | 2012 £000 | 2011 £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 freeholds held were 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 represent 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

| | 53 weeks to 3 November 2012 £000 | 52 weeks to 29 October 2011 £000 |
|---|---|---|
| Operating loss | (3,920) | (254) |
| *Adjustments for* | | |
| Depreciation | 1,395 | 1,640 |
| Fixed Asset impairment | 1,410 | - |
| Negative goodwill | - | (3,286) |
| Decrease/(Increase) in inventories | 646 | (169) |
| Decrease/(Increase) in trade and other receivables | 1,173 | (2,138) |
| Increase in trade and other payables | 3,001 | 2,900 |
| Cash disbursement of pension obligation (net of charge included within the income statement) | (1,268) | (1,536) |
| **Net cash generated from/(used in) operations** | 2,437 | (2,843) |

## 24 Analysis of net debt

| | *29 October 2011 £000* | **Cash flow £000** | *3 November 2012 £000* |
|---|---|---|---|
| Cash at bank and in hand | 694 | **(240)** | 454 |
| | 694 | **(240)** | 454 |
| Debt due within one year | (8,250) | **500** | (7,750) |
| Debt due after one year | (10,750) | **625** | (10,125) |
| | (18,306) | **885** | (17,421) |

## 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

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 June 2012 the Group arranged to extend a new loan with HSBC which runs to 31 October 2015 As explained on page 14 the Group signed a new loan facility with Burdale Financial Limited on 1 February 2013 The directors meet the objectives of managing their capital by monitoring cashflows and balance sheets on a regular basis

| | **2012 £000** | *2011 £000* |
|---|---|---|
| Overdrafts | **-** | - |
| Debt | **17,875** | *19,000* |
| Cash and cash equivalents | **(454)** | *(694)* |
| Net debt | **17,421** | *18,306* |
| Equity (Shareholders deficit) | **(7,141)** | *(940)* |
| Net debt to equity ratio | **(244%)** | *(1947%)* |

**Categories of financial instruments**

| | **2012 £000** | *2011 £000* |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (note 17) | **5,322** | *5,643* |
| Cash and bank balances | **454** | *694* |
| Held-to-maturity investments (note 14) | **16** | *16* |
| Inter Company balance (note 17) | **-** | *852* |
| | **5,792** | *7,205* |
| **Financial liabilities** | | |
| Holding Company loan (note 19) | **(16,500)** | *(16,500)* |
| ARCS Loan (note 19) | **(1,375)** | *(2,500)* |
| Trade and other payables (note 18) | **(14,271)** | *(15,528)* |
| Inter Company balances (note 18 and 19) | **(3,166)** | *(193)* |
| | **(35,312)** | *(34,721)* |

**Financial instruments and risk management** continued

25

**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 the Company borrows 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 *(2011 loss)* for the year ended 3 November 2012 would increase by £198,000 *(2011 increase by £135,000)*
If interest rates had been 1% lower and all other variables constant, the Company's loss for the year ended 3 November 2012 would decrease by £133,000 *(2011 decrease £90,000)* 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 regards credit risk to the Company as very low as no one individual debtor is material

**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

25 **Financial instruments and risk management** continued

| 3 November 2012 | 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 | 4.96% | - | - | 315 | 1,136 | 128 | 1,579 |
| Parent Company long term loan | 0.5% | - | - | - | 9,045 | - | 9,045 |
| Parent Company loan | 3 96% | 7,500 | - | - | - | - | 7,500 |
| Inter Company | - | 3,166 | - | - | - | - | 3,166 |
| | | 10,666 | - | 315 | 10,181 | 128 | 21,290 |
| **29 October 2011** | | | | | | | |
| 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* |

**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)

| 3 November 2012 | 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** | | | **5,776** | **5,776** |
| **Available for sale financial assets** | | | **16** | **16** |
| **Total** | | | **5,792** | **5,792** |
| **Financial liabilities at FVTPL** | | | | |
| **Financial liabilities designated at FVTPL** | **-** | **-** | **35,312** | **35,312** |
| **Total** | **-** | **-** | **35,312** | **35,312** |

| 29 October 2011 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| 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 |

## 26 Commitments under operating leases

| | 2012 Land & buildings £000 | 2012 Other £000 | 2011 *Land & buildings £000* | 2011 *Other £000* |
|---|---|---|---|---|
| **Company** | | | | |
| At 3 November 2012 the Company had total commitments under non-cancellable operating leases as follows | | | | |
| Within one year | | **196** | *6,672* | *275* |
| Between two and five years | | **383** | *25,767* | *514* |
| More than five years | | **-** | *76,887* | *-* |
| | | **579** | *109,326* | *789* |

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 that 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 become 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 This date was extended to August 2023 in June 2012 when the Company reduced its contributions to the defined benefit scheme as part of the refinancing The reduction in funding was covered by a second charge over the Group freehold properties 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 29 October 2011 As at 29 October 2011 the scheme was in surplus so no company contributions are currently payable 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 October 2014

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

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 29 October 2011 and was carried out by professionally qualified consulting actuary, Legal & General

27 **Pensions** continued

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 3 November 2012 was 5 9% per annum (*2011 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 29 October 2011

The estimated amount of contributions expected to be paid to the Beales and Denners plans during 2012/13 in respect of final salary benefits is £500,000 *(2011 £1,550,004)* As at 3 November 2012 there is a contribution creditor within the defined benefit plans of £41,667 *(2011 £129,167)*

**Defined contribution**
Group contributions to the defined contribution scheme totalled £228,000 (*2011 £237,000*)

**Principal actuarial assumptions**
The pension information below is a combination of both the Beales pension scheme and the Denners pension scheme As at 3 November 2012 the Beales pension scheme had a deficit of £1,659,000 *(2011 £752,000)* and the Denners pension scheme had a surplus of £488,000 *(2011 £549,000)*

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 JE 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

| | **2012** | *2011* | *2010* |
|---|---|---|---|
| *Retail price inflation* | **2 60%** | *2 90%* | *3 20%* |
| Consumer price index | **1.90%** | *2 20%* | *2 60%* |
| Discount rate | **4.35%** | *5 20%* | *5 40%* |
| Pension increases (fixed 5%) | **5 00%** | *5 00%* | *5 00%* |
| Pension increases (LPI) | **2 40%** | *2 70%* | *3 00%* |
| General salary increases | **1 90%** | *2 20%* | *3 20%* |
| Expected return on assets | **5 10%** | *5 90%* | *6 20%* |
| Life expectancy of male/female pensioner aged 65 | **22.2/25 0** | *22 2/25 0* | *22 1/25 0* |
| Life expectancy of male/female member from the age of 65 currently aged 50 | **23 0/25.8** | *23 0/25 8* | *22 9/25 7* |

| | **2012 £000** | *2011 £000* |
|---|---|---|
| **The amounts recognised as expense/(income) in respect of defined benefit schemes** | | |
| Employer's part of current service cost | **207** | *230* |
| Interest cost | **1,972** | *2,063* |
| Expected return on plan assets | **(2,247)** | *(2,249)* |
| Total (income)/expense recognised in income statement | **(68)** | *44* |

| | **2012 £000** | *2011 £000* |
|---|---|---|
| **Movements in present value of defined benefit obligations were as follows.** | | |
| Opening defined benefit obligations | **38,790** | *39,050* |
| Employer's part of current service cost | **207** | *230* |
| Interest cost | **1,972** | *2,063* |
| Actuarial loss/(gain) | **4,260** | *(842)* |
| Benefits paid | **(1,713)** | *(1,711)* |
| Closing defined benefit obligations | **43,516** | *38,790* |

# Notes to the financial statements continued

27 **Pensions** continued

| | 2012 £000 | 2011 £000 |
|---|---|---|
| **Movements in the fair value of scheme assets were as follows** | | |
| Opening fair value of plan assets | **38,587** | *36,568* |
| Expected return on plan assets | **2,247** | *2,249* |
| Actuarial gain/(loss) | **2,024** | *(99)* |
| Contributions by the employer | **1,200** | *1,580* |
| Benefits paid | **(1,713)** | *(1,711)* |
| Closing fair value of plan assets | **42,345** | *38,587* |

| | 2012 £000 | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 |
|---|---|---|---|---|---|
| **Combined Schemes** | | | | | |
| Present value of defined benefit obligations | **43,516** | *38,790* | *39,050* | *38,041* | *29,573* |
| Fair value of plan assets | **(42,345)** | *(38,587)* | *(36,568)* | *(33,508)* | *(28,204)* |
| Deficits | **1,171** | *203* | *2,482* | *4,533* | *1,369* |
| **Beales Pension Scheme** | | | | | |
| Present Value of defined benefit obligations | **41,384** | *36,810* | *37,037* | *36,022* | *27,909* |
| Fair Value of plan assets | **(39,725)** | *(36,058)* | *(34,110)* | *(31,218)* | *(26,266)* |
| Deficit | **1,659** | *752* | *2,927* | *4,804* | *1,643* |
| **Denners Pension Scheme** | | | | | |
| Present Value of defined benefit obligations | **2,132** | *1,980* | *2,013* | *2,019* | *1,664* |
| Fair Value of plan assets | **(2,620)** | *(2,529)* | *(2,458)* | *(2,290)* | *(1,938)* |
| (Surplus) | **(488)** | *(549)* | *(445)* | *(271)* | *(274)* |

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 | | |
|---|---|---|---|---|---|---|
| | **2012** | *2011* | *2010* | **2012** | *2011* | *2010* |
| | **% pa** | *% pa* | *% pa* | **£000** | *£000* | *£000* |
| Equity instruments | **7 3** | *7 9* | *8 1* | **15,815** | *14,578* | *13,915* |
| Bonds | **3 7** | *4 6* | *4 9* | **24,994** | *22,545* | *21,096* |
| Other | **2 8** | *3 4* | *4 1* | **107** | *17* | *93* |
| Property | **4.8** | *5 4* | *6 1* | **150** | *150* | *150* |
| Annuities | **4 3** | *5 2* | *5 6* | **1,279** | *1,297* | *1,314* |
| | | | | **42,345** | *38,587* | *36,568* |

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

| **Asset category** | **2012** | *2011* | *2010* |
|---|---|---|---|
| Equities | **38%** | 38% | 38% |
| Bonds | **59%** | 58% | 58% |
| Property | - | - | - |
| Insured pension asset | **3%** | 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** | **3 November 2012** | *29 October 2011* |
|---|---|---|
| Discount rate | **4 35%** | *5 2%* |
| Rate of compensation increase | **2 60%** | *2 9%* |

| **Weighted average assumptions used to determine net pension cost for period ended** | **3 November 2012** | *29 October 2011* |
|---|---|---|
| Discount rate | **5 2%** | *5 4%* |
| Expected long-term return on scheme assets | **5 9%** | *6 2%* |
| Rate of compensation increase | **2 2%** | *2 9%* |

### Sensitivity analysis

The sensitivity of the 2012 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 6m | Deficit up by £0 6m |
| Impact on 2011/12 Income Statement | Income Statement profit up by £0 06m | Income Statement profit down by £0 03m |

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 2010/11 Income Statement | Income Statement profit up by £0 02m | Income Statement profit down by £0 03m |

| | **53 weeks to 3 November 2012 £000** | *52 weeks to 29 October 2011 £000* | *52 weeks to 30 October 2010 £000* | *52 weeks to 31 October 2009 £000* | *52 weeks to 1 November 2008 £000* |
|---|---|---|---|---|---|
| Actual return on plan assets | **4,271** | *2,150* | *3,800* | *5,858* | *(4,572)* |
| Difference between actual and expected return on scheme assets | | | | | |
| - Amount of (gain) and loss | **(2,024)** | *99* | *(1,758)* | *(3,767)* | *6,674* |
| - Percentage of scheme assets | **(4 78%)** | *0 26%* | *(4 81%)* | *(11 24%)* | *23 66%* |
| Experience losses and (gains) on scheme liabilities | | | | | |
| - Amount | **22** | *(850)* | *(1)* | *(5)* | *808* |
| - Percentage of Scheme liabilities | **0.05%** | *2 19%* | - | - | *2 7%* |

## 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 *(2011 £295,000)*, interest of £347,300 *(2011 £171,575)*, and a management charge of £Nil *(2010 £Nil)*

At the year end there was a £16 5m loan *(2011 £16 5m)* from Beale PLC to the Company The £9m loan *(2011 £9m)* is repayable on 366 days notice and £7 5m *(2011 £7 5m)* was repayable on demand In addition, at 3 November 2012, the Company owed £2,973,000 *(2011 £Nil)* to Beale PLC As at 3 November 2012 the Company was owed £Nil *(2011 £852,096)* by Beale PLC

Furthermore, the Company owed a fellow subsidiary and subordinate subsidiaries a total of £193,000 *(2011 £193,000)*

On 24 February 2012 Multitrust Property Investments Limited a subsidiary of Panther Securities PLC who own 29 72% of Beale PLC purchased 3 freeholds from ARCS for £2,250,000 *(2011 5 freeholds for £7 1m)* JE Beale plc is a tenant in relation to the eight freeholds ARCS own 8 5 million £1 preference shares in Beale PLC and JE Beale plc has a £1,375,000 *(2011 2 5m)* loan from ARCS During the year ARCS waived £500,000 of the loan, this was credited to the consolidated Statement of Comprehensive (Loss)/Income and JE Beale plc repaid £625,000

The remuneration of the directors, who are key management personnel of the Company are set out in the Remuneration Report of Beale PLC Other key management personnel in the Group received remuneration of £404,586 *(2011 £239,153)*

## 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

## 30 Post Balance Sheet Event

On 1 February 2013 the Group agreed a new secured loan facility with Burdale Financial Limited For further details please see page 14 On 8 February 2013 Tony Brown resigned as Chief Executive and on 9 February 2013 Michael Hitchcock was appointed Chief Executive

# Officers & Advisors

| | |
|---|---|
| **Directors** | Mike Killingley (Resigned 8 November 2011)<br>John Chillcott<br>Keith Edelman<br>Tony Brown (Resigned 8 February 2013)<br>Michael Hitchcock (Appointed 9 February 2013)<br>Tony Richards<br>William Tuffy (Appointed 8 November 2011)<br>Ken Owst (Resigned 23 June 2012) |
| **Company Secretary** | Chris Varley |
| **Auditor** | Deloitte LLP, Southampton |
| **Solicitors** | Blake Lapthorn, Southampton |
| **Registered office** | 36 Old Christchurch Road<br>Bournemouth<br>BH1 1LJ |