BEALE
PLC

Annual Report and Accounts
for the year ended 29 October 2011

Stock code: BAE

About the Group

Founded in 1881, today we operate a Group of distinctive department stores across the country, from Hexham in the north to Bournemouth in the south. In May 2011 the Group acquired 19 stores from The Anglia Regional Co-operative Society, effectively doubling the Group's trading space. As at the October 2011 year end all traded under the well-established Beales brand.

We offer branded, functional and aspirational merchandise for men, women and the home, tailored to the individual requirements in each locality of our customers, the discerning ABC1 consumer, who is seeking quality, style and value for money.

We are proud of our individuality and our unique heritage, which we draw on to provide exceptional levels of personal customer service and in-store environments which are being enhanced and updated constantly to meet the expectations of our customers.

Our aim is to grow our business through the ongoing development of our existing portfolio and the acquisition of similar department stores.

Beales Online

The Group continues to develop its internet sales, with the introduction of many new ranges, some of which may not be available in all stores. Visit www.beales.co.uk to review our wide range of direct delivered merchandise.

We use social networks to promote and sell products. Facebook and Twitter have also been used to launch our online linens shop www.discountlinenshop.co.uk

For more information go to
www.beales.co.uk

Annual Snapshot

YEAR END 2011

Number of Stores	**32**
Trading Square Footage	**1,000,000**
Gross Sales £000	**110,027**
Revenue £000	**61,969**
Net exceptional Income £000	**4,800**
Profit/(Loss) before tax £000	**543**
Earnings/(Loss) per share	**2.9p**
Net Assets per share	**82.1p**

YEAR END 2010

Number of Stores	**13**
Trading Square Footage	**550,000**
Gross Sales £000	**87,247**
Revenue £000	**48,566**
Exceptional Income £000	**–**
Profit/(Loss) before tax £000	**(668)**
Earnings/(Loss) per share	**(2.8p)**
Net Assets per share	**71.1p**

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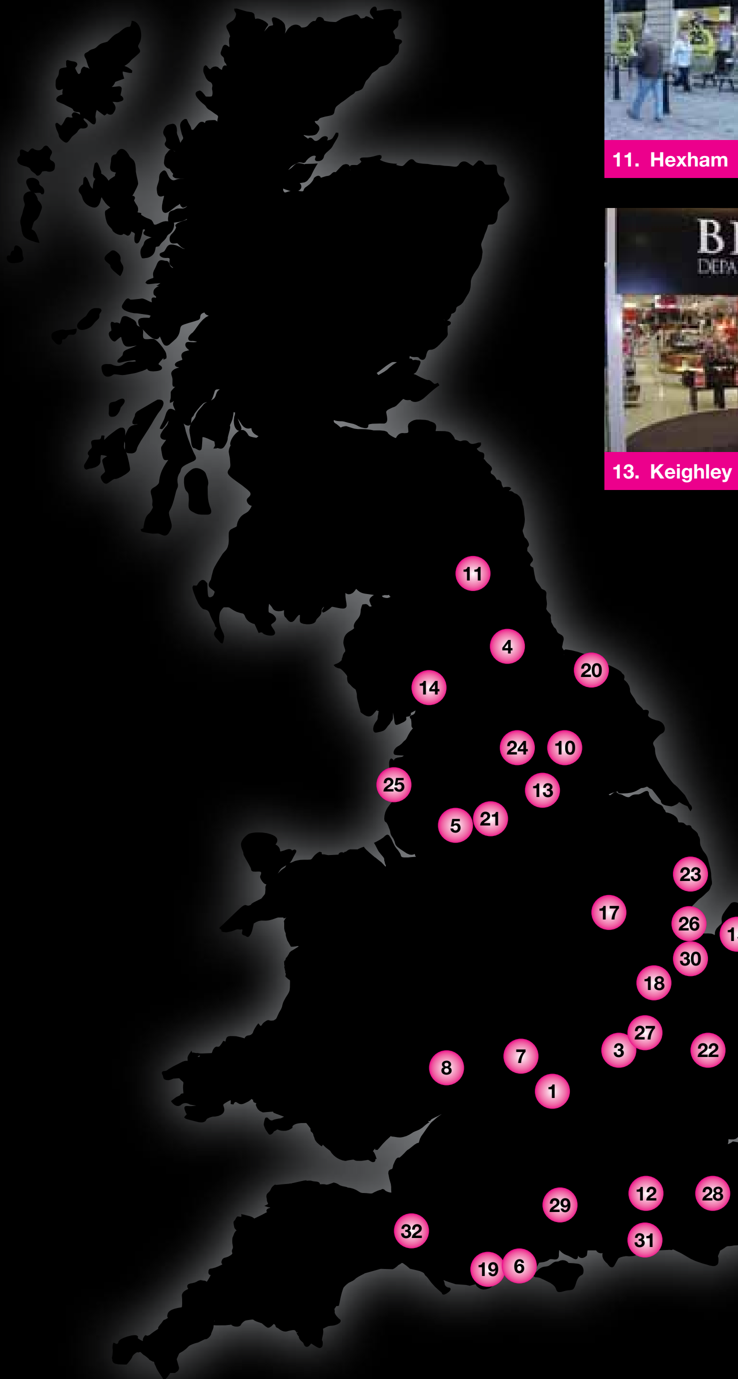


Founded in 1881, today we operate a Group of distinctive department stores across the country, from Hexham in the north to Bournemouth in the south. In May 2011 the Group acquired 19 stores from The Anglia Regional Co-operative Society, effectively doubling the Group's trading space.


32. Yeovil

6. Bournemouth


31. Worthing


18. Peterborough


1. Abingdon


2. Beccles


3. Bedford

4. Bishop Auckland


5. Bolton


7. Chipping Norton

8. Cinderford


9. Diss


10. Harrogate


12. Horsham

14. Kendal


15. King's Lynn


16. Lowestoft


19. Poole


20. Redcar


21. Rochdale


22. Saffron Walden


23. Skegness

24. Skipton

26. Spalding


27. St Neots


28. Tonbridge

29. Winchester


30. Wisbech

Chairman's Statement

"The year was one of the most important in Beales' history with the acquisition of 19 stores from the Anglia Regional Co-operative Society Limited."

Keith Edelman
Chairman

Overview

The year was one of the most important in Beales' history with the acquisition of 19 stores from the Anglia Regional Co-operative Society Limited (ARCS) (the "Transaction"). This was approved at the EGM on 17th May 2011 when the shareholders also approved the issuing of 8.5 million new redeemable preference shares of £1 each to ARCS. The Board had realised that in order for the Group to return to profitability in the medium term, that it needed to increase its scale of operations as it was becoming ever more challenging to operate profitably from 13 stores given the investment required in central costs. The Transaction has enabled Beales to benefit from the resultant economies of scale. The Transaction was structured in a manner that ensured the cash requirement to effect the Transaction was available to the Group. The resultant the inflow of funds has strengthened the balance sheet of Beales, helping to withstand an extremely adverse retail environment that currently persists.

Results

The Group profit before taxation was £0.5m *(2010: £0.7m loss)*. This includes losses from the ARCS stores of £1.8m for the period in which they traded. These losses are offset by exceptional income resulting from the Transaction of £4.8m, further details relating to the exceptional income are set out in the Finance Director's Review.

Gross sales (including VAT and concessional sales) for the Group for the 52 weeks ended 29 October 2011 were £110.0m being 26.1% above the previous year *(2010: £87.2m)*. This includes £22.7m of gross sales relating to the acquired stores. Gross profit for the year was £31.8m *(2010: £26.1m)* and was achieved at a margin of 51.3% *(2010: 53.7%)*. This includes the gross profit generated by the acquired stores of £6.0m. The acquired stores trade at a lower margin of 45.0% due to the product mix, which is predominantly electrical. Even though the Group has experienced an unprecedented year of expansion through acquisition, every effort has been made to maintain a close focus on administrative expense control. The total expenses for the year of £35.6m *(2010: £26.5m)* include £7.8m attributable to the acquired stores.

The year end bank net indebtedness of £2.4m *(2010: £8.1m)* is significantly below the previous year as a result of the Transaction approved by shareholders. A more detailed review of Group performance can be found in the Chief Executive's Statement on pages 7 to 9. The financial results are discussed in greater detail in the Finance Director's Review on pages 10 to 13.

Trading update

Retail sales in November this year showed unprecedented declines which we believe was driven by uncertainty regarding Europe and compounded by an unseasonal warm spell. The momentum of Christmas growth gave a lift to the year. Gross sales (including concessions and VAT) for the first eleven weeks of the current trading year to 14 January 2012 were 47.7% higher than the previous year including the acquired stores, like for like gross sales were 7.0% below previous year. For the key five week period from 11 December 2011 to 14 January 2012 gross sales (including concessions and VAT) were 54.3%, above the previous year, like for like gross sales were 2.9% below previous year.

Dividend

No dividend is proposed for the year.

Shareholders and Board

On 8th November 2011 Mike Killingley retired from the Board and I was appointed Chairman. I would like to put on record the outstanding contribution that Mike has made to Beales since he joined the Board in March 2004. He has led the Group through a very difficult period and the strategic positioning of the Group has improved beyond all recognition. I would like to take this opportunity of thanking Mike for his contribution over the last seven years.

Tony Richards joined the Board on the 1 September 2011 as Trading Director, having been involved in the ARCS acquisition since January 2011. Tony has a wealth of retail knowledge that has already benefitted the Group. I welcome Tony to the Board.

Broadbents & Boothroyds Casualwear

Estée Lauder — St Neots

Beales Collection

Linens

GEM

Chairman's Statement continued

Under the terms of the Transaction, for as long as ARCS is the holder of the issued preference shares with a nominal value of at least £4.25 million, ARCS have the right to appoint one non-executive director to the Board. Accordingly John Chillcott, the CEO of ARCS, joined the Board on 24th August 2011. I welcome John to the Board.

Will Tuffy joined the Board on the 8th November 2011 and is already making a real contribution. Following my appointment as chairman, Will Tuffy has taken up the chairmanships of both the remuneration and audit committees and will be the senior independent non-executive director. I welcome Will to the Board.

Staff

I would like to firstly take this opportunity of welcoming all of the ARCS staff into the Beales' family. I thank them and all the Beales staff for their dedication and commitment ensuring the stores are set up every day to maximise our sales and for their outstanding customer service. We operate predominantly in market towns and I believe that our staff and the service they offer customers can be a real competitive advantage.

Banking facilities and going concern

As I have said this is a really difficult economic and retail environment and as with many retail businesses we rely on our bank HSBC for financial support through the provision of a £9 million term loan facility and an operating overdraft. We keep close contact with our relationship team at HSBC who were very supportive in assisting us to complete the ARCS acquisition. The Group manages its cash very closely and has traded within its cash and loan limits. Beales is operating in 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. The Board continues to assess the Groups performance and is managing these risks and uncertainties in considering the appropriate resources required for the Group. The Board believes that the Group should be able to operate within its borrowing facilities and the Board has therefore continued to adopt the going concern basis in preparing the annual report and accounts, as detailed in the Finance Director's Review.

Outlook

We live in extremely uncertain times and the outlook for the retail market is that 2012 will be another challenging year. Against this background we have the opportunity of improving the performance of the ARCS stores to match that of the existing Beales stores. Also we will not, this year, have the additional challenge of the ARCS acquisition which consumed our senior management's priorities for a significant period. We will approach the market with caution and focus our efforts on margin, cost control and cash management.

Keith Edelman
Chairman

Chief Executive's Statement

"This resulted in a 51.6% increase in gross sales for the second 6 months of trading of the enlarged Group."

Tony Brown
Chief executive

Introduction

This year has been a seminal year for Beales with the purchase of 19 stores from ARCS. The year has seen a much reported challenging retail environment as ongoing retrenchment in government spending takes hold, combined with depressed economic growth and the continued increase in unemployment which has unsettled consumers. Our gross sales (including VAT and concessions) for the year, excluding the acquired stores, were £87.4m *(2010:£87.2m)*. Sales including the new stores were £110.0m. This resulted in a 51.6% increase in gross sales for the second 6 months of trading of the enlarged Group. The pre-tax profit for the year was £0.5m *(2010: £0.7m loss)*. This included the net exceptional income of £4.8m arising from the Transaction and the trading loss from the ARCS stores for the 23 weeks of £1.8m. We continue to review our cost base and to strive to realise the synergies from the integration.

Product sales

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

We continue to build our own label portfolio: Whitakers Finest Linens is a high thread-count sheeting and towel range. Home Basics provides entry price point towels, sheeting, duvets and pillow ranges. In fashions we have introduced two own labels Gem by George Davies and The Collection, which outperformed other own bought fashions and are delivering improving margins.

We have expanded our Broadbents & Boothroyds formal menswear brand into a casual life style brand which is now our biggest performing menswear brand. We continue to add to the successful All Cooks range in kitchen-ware plus have introduced Whitakers Fine Dining into glass and table-ware; and in our Bournemouth store we have launched an American style ice-cream sundae, waffle and pancake parlor.

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

Buying in margin

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

HAPPY SUNDAES ICE CREAM PARLOUR

In our Bournemouth store we have launched an American style ice-cream sundae, waffle and pancake parlor.

Chief Executive's Statement continued

Service and people

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

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

Cost controls

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

Principal risks and uncertainties

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

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

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

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

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

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

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

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

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

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

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

We have continued to work within our banking facilities. However, the Group is subject to a number of risks and uncertainties, the principal ones being set out above, which we continually review in determining that the Group continues to operate as a going concern, as explained in the Finance Directors Review on pages 10 to 13.

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.

Whitakers Finest Linens

Online Linens

Outlook and summary

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

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

Tony Brown
Chief Executive

GEM

Finance Director's Review

Ken Owst
Finance Director

Overview of the Year

The year 2011 was most significant in the Group's recent history; the acquisition in May of 19 department stores from Anglia Regional Co-operative Society Limited (ARCS) (the 'Transaction') not only substantially increased the Group's trading space, but also significantly enhanced the balance sheet. The new stores vary in trading square footage from 6,000 sq. ft. in Diss to 94,000 sq.ft. in Mansfield. In total the new stores have increased the trading space for the Group from 550,000 sq. ft. to in excess of 1,000,000 sq. ft. This has provided for the scale that the business needed to leverage its central function.

The final acquisition price of £6.7m and the additional working capital for the acquired stores was financed from resources provided by ARCS through a deal incentive of £2.3m, a five year term loan of £2.5m and subscription for preference shares repayable after five years, with a nominal value of £8.5m, an inception fair value of £6.0m and a year-end amortised cost of £6.1m. In addition to these initial commitments ARCS will continue to make ongoing financial contributions to support the integration of a number of the stores. The acquisition was approved by shareholders in an extraordinary general meeting held on 17 May 2011. After taking into account the incentives provided by ARCS to complete the transaction, the fair value of assets and liabilities acquired is greater than the fair value of net consideration paid and incentives received. This has resulted in negative goodwill arising of £6.6m, which has been credited to the income statement and is shown net of the exceptional costs of completing the transaction and integrating the two businesses. The total net exceptional income for the year of £4.8m is detailed in note 5 to the financial statements.

Results

Gross sales (including VAT and concessional sales) for the Group for the 52 weeks ended 29 October 2011 were £110.0m being 26.1% above the previous year (*2010: £87.2m*). This includes £22.7m of gross sales relating to the acquired stores. The core Group (excluding the 19 stores acquired in the year) comparison shows a small increase of 0.1%. Due to acquisitions of Hexham and Rochdale being made part way through the previous financial year, the like for like Group gross sales were 8.4% below previous year. It should be noted that own bought sales, excluding VAT, in the year increased by 29.3%, while concession sales, excluding VAT, increased by 17.3%. Due to the increase in the VAT rate to 20.0% (*2010: 17.5%*) in January 2011 the gross sales increase of 26.1% resulted in total sales, excluding VAT, being 23.8% up on previous year. This, coupled with an improvement in concession margins, resulted in the revenue increase being 27.6%, as analysed in note 3 of the financial statements. The Group revenue was £62.0m, being 27.6% above the previous year (*2010: £48.6m*). The core Group (excluding the 19 stores acquired in the year) revenue increased by 0.1%, like for like revenue was 9.3% below previous year.

Gross profit for the year was £31.8m (*2010: £26.1m*) and was achieved at a margin of 51.3% (*2010: 53.7%*). This includes the gross profit generated by the acquisitions of £6.0m. The acquired stores traded at a lower margin of 45.0% due to the mix of lower margin products, predominantly electrical. During the year the Group has continued to work on improving the buying in margins to negate the effect of increases in VAT imposed from 4 January 2011. The core Group gross margin achieved was 53.1%, only marginally down on the previous year despite the variation in VAT rates.

Even though the Group has experienced an unprecedented year of growth through acquisition, every effort has been made to maintain a close focus on administrative expense control. The total expenses for the year of £35.6m include £7.8m attributable to the acquired stores. The core Group expenses of £27.8m are 4.8% higher than the previous year (*2010: £26.5m*). However this increase includes administrative expenses in relation to operating the acquisitions made in 2010 for a full year. Like for like comparison shows administrative expenses were reduced by 4.1%. As noted above, net exceptional income of £4.8m resulted from the acquisitions in the year.

Operating profit for the Group was £968,000 (*2010: £421,000 loss*) including the adverse impact of absorbing and operating the new acquisitions, attributed to be £1,832,000 (prior to adding the exceptional income) in the 23 weeks of trading. The analysis of the acquisition trading for the Group is shown in the following table:

Summary financial performance

£000s	Total Group 2010	Core Group 2011	Percent Variance Core Group	Acquisitions in Year 2011	Total Group 2011	Percent Variance Total Group
Gross Sales	*87,247*	**87,354**	0.1%	**22,673**	**110,027**	**26.1%**
Revenue	*48,566*	**48,614**	0.1%	**13,355**	**61,969**	**27.6%**
Gross Profit	*26,099*	**25,795**	(1.2%)	**6,016**	**31,811**	**21.9%**
Expenses	*(26,520)*	**(27,795)**	(4.8%)	**(7,848)**	**(35,643)**	**(34.4%)**
Exceptional	—	**—**	—	**4,800**	**4,800**	**—**
Operating Profit/(Loss)	*(421)*	**(2,000)**	(375.1%)	**2,968**	**968**	**—**

The net cost of financing the business at £425,000 (*2010: £247,000*) increased primarily as a result of the finance charge attributable to the preference shares during the period. The profit on ordinary activities before taxation was £543,000 (*2010: £668,000 loss*).

Noting the requirements of IFRS 8, the Board considers that the Group operates as a single operating segment.

Taxation

Due to the reduction in the deferred tax liability associated with the result for the year and the reduction of the tax rate to 26% from April 2011 and a further 1% in future years, the tax credit for the year arising from movements in deferred tax was £58,000 (*2010: £85,000 credit*), calculated at 25%.

The profit for the period after taxation was £601,000 (*2010: £583,000 loss*).

Earnings

The earnings per share was 2.93p (*2010: 2.84p loss*) and the diluted earnings per share was 2.80p (*2010: 2.84p loss*). Earnings before interest, depreciation and amortisation in the year were £2,787,000 *(2010: £1,418,000)*.

No dividends were paid during the year (*2010: nil per share*). The Board considers that a significant trading improvement will be necessary before further dividends are paid.

Pensions

The Group offers new employees the opportunity to join the Beales defined contribution pension scheme. During April 2009 the Group closed its defined benefit pension scheme to future accrual, having been closed to new entrants since April 1997. The scheme is operated by the main trading subsidiary, J E Beale plc, which also has responsibility for the Denners pension scheme. That scheme was closed to new members and future accrual when Denners Limited was acquired by the Group in 1999. The net liability for both schemes remains on balance sheet.

The Group's total final salary net pension liability under IAS 19 at the year-end reduced by £2.3m to £0.2m (*2010: £2.5m*) details of this are shown in note 32 of the financial statements. The total actuarial gains for the period were £0.7m (*2010: £1.2m gain*). The Beales scheme has an IAS 19 deficit of £0.7m (*2010: £2.9m deficit*). The Denners scheme has an IAS 19 surplus of £0.5m (*2010: £0.4m surplus*).

During the year the Group continued to meet the contribution schedules agreed for both schemes, contributing £1.6m (*2010: £1.1m*). Agreement has been reached with the trustees of the Beales scheme regarding the triennial valuation based upon the year end of October 2010 and a new schedule of contributions has been agreed, which maintains the previous rate of contributions at £1.55m per annum. The Denners scheme next triennial valuation and a new schedule of contributions will be based upon the year end to October 2011. Agreement with the Denners trustees must be reached by January 2013.

Group systems

I am pleased to report that during the year the Group's systems have continued to operate in an efficient and consistent manner. The upgrade of its major systems in earlier years has provided the Group with the platform to acquire new stores and quickly assimilate accounting of the new businesses into a consistent Group format. The acquisition of the 19 stores has put a


GEM


Benefit — St Neots

Finance Director's Review continued

significantly increased load on the Group's IT function and internal systems. In preparation for the acquisition and subsequent to it there has been considerable investment. Part of the agreement with ARCS was that certain systems, primarily linked to store electronic point of sale, would be supported by the ARCS IT function for a period of up to four years from the date of acquisition. The intention is that over this period these systems will be replaced by Beales' managed systems in a planned approach. It is testament to the commitment of both IT teams that the acquisition and operation of the stores has to date been seamless from a customer perspective.

Treasury and banking

Treasury activities are governed by procedures and policies approved by the Board. The Group's policy is to take a conservative stance on treasury matters and no speculative positions are taken in financial instruments. The treasury function manages the Group's financial resources in the most appropriate and cost-effective manner.

In negotiating the acquisition of the stores from ARCS, the Group negotiated a five year term loan facility of £2.5m and the issuing of £8.5m of preference shares at their nominal value. The term loan is repayable at a rate of £0.5m per annum. The Board considers the term of this loan to be at market rates. The 8.5m £1 preference shares issued on 22 May 2011 are interest free for a period of five years, then interest is payable at a rate of 8.0% for four years, there after interest is payable at 9.0% for the residual life. They are to be redeemed at a rate of £0.5m bi-annually from year five. The Group has the option to redeem the preference shares at any time without any penalty for settlement. The specific terms of the preference shares create an embedded derivative for the Group. The fair value of the preference shares and the valuation of the embedded derivative have been included in calculating the negative goodwill arising from the acquisition. There will be non-cash charges and/or credits in the financial statements for future years relating to accreted interest on the preference shares and fair value gains and/or losses in relation to the contracts' embedded derivative. Details of the preference shares and embedded derivative are shown in note 30 of the financial statements.

At the time of negotiating the acquisition the Group reached agreement with HSBC Bank to vary some of the covenants relating to its existing facility. HSBC have continued to be supportive of the Group's strategy. The facilities are secured on the Group's freehold properties which were independently revalued at year-end at £12.6m, a value well in excess of the current bank facility. The Group has continued to operate within its banking facility, which comprises a £9.0m term loan which is due to expire in February 2013, following a negotiated extension, and an operating overdraft of £112,000. The Group net bank debt at year-end was £2.4m (*2010: £8.1m*).

Going concern

As noted in the Chief Executive's Statement on pages 7 to 9 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. Note 30 to the financial statements includes the Group'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 existing bank facilities include a number of financial covenants which require testing at specific dates determined by the bank. The major covenants are the operating result after interest and after taxation which will not be tested before the next year end and the loan to value covenant. The Board is aware of the challenging and uncertain economic conditions and the risks and uncertainties facing the Group and has prepared forecast information for the 2011/12 and 2012/13 years. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility. Based on current forecasts the Group is forecast to breach one of the covenants in its existing facility at 31 October 2012, however the Group's bankers have confirmed to the Board, in writing, that it would not be their intention to enforce any covenant breach at 31 October 2012 should it occur at current forecast levels. As noted below the Group is planning to renew its banking facilities prior to the forecast breach occurring.

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

Based upon the forecasts and projections, coupled with the strategies set out in the Chairman's and Chief Executive's Statements and the support of the Group's bankers, 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.

Broadbents & Boothroyds Casualwear

Balance sheet and cash flow

The consolidated cash flow shows Group capital expenditure in the year to be £2.3m (*2010: £1.6m*) with the major spending relating to investment in the newly acquired stores. The sum excludes the fair value on acquisition of £996,000 for the fixed assets in the stores acquired.

Inventories valued at cost were £16.5m (*2010: £9.5m*) an increase of 73.7%, which is largely attributable to the stock in the acquired stores. This sum includes the peak stock volumes prior to Christmas. Trade and other receivables were £5.7m (*2010: £4.4m*), with £1.3m of the increase attributable to prepayments relating to the enlarged group. Trade payables at year-end increased to £8.3m (*2010: £5.5m*). Accruals and deferred income increased to £6.8m (*2010: £2.6m*) primarily as a result of the fact that the October 2011 salaries unlike in the previous year, were not scheduled to be paid until the Monday after year-end. These liability increases had a consequential favourable impact on borrowings in the year under review. The Group has continued to ensure that creditor payments have been prioritised in order to benefit from maximum early settlement discount. Borrowings of £3.9m (*2010: nil*) are included in current liabilities, resulting in the net current assets at year end decreasing to £3.2m (*2010: £5.8m*).

As noted earlier within the treasury and banking section, the funding of the acquired stores was facilitated by ARCS through a loan and the issue of preference shares. As a result of the borrowings received to fund the corporate expansion in the year, coupled with the reduction in the IAS19 pension liability and the increase in lease incentives, the year end long-term liabilities, including the fair value of the preference shares on issue, decreased by £1.1m to £15.1m (*2010: £16.2m*).

Group net assets at year-end increased to £16.9m (*2010: £14.6m*) primarily as a result of the exceptional benefits derived from the acquisition in the year and variation in retirement benefits obligations offsetting the trading loss. The value of net asset per share at year end was 82.1p (*2010: 71.1p*).

Ken Owst
Finance Director

Board of Directors

1. Tony Brown

Chief Executive (age 54)

Appointed chief executive on 1 June 2008. He was retail director of British Home Stores from 2001, and was responsible for store operations throughout the UK and Ireland. He was previously operations director of Somerfield Stores and a regional managing director of Asda stores.

2. John Chillcott

Non-Independent Non-Executive Director (age 53)

Appointed to the board on 24 August 2011 under the terms of a Non-Executive Director Agreement with Anglia Regional Cooperative Society. John joined the ARCS in 1996 where he held a number of positions. In 2007 he was appointed chief executive of ARCS.

3. Keith Edelman

Between the 30 October 2010 and 8 November 2011 Keith Edelman was Senior Independent Non-Executive director, chairman of the remuneration committee and a member of the audit & nomination committees. From 8 November 2011 he was appointed Independent Non-Executive Chairman; chairman of the nomination committee and a member of the audit and remuneration committees (age 61)

Appointed a director on 23 September 2008. He was managing director of Arsenal Holdings from May 2000 to May 2008 and group chief executive of Storehouse PLC (comprising British Home Stores and Mothercare) between 1993 and 1999. He is currently chairman of Nirah, the senior independent director of Supergroup PLC and a non-executive director of Olympic Park Legacy Company and Safestore Holdings PLC.

4. Mike Killingley MA, FCA

Resigned 8 November 2011. Previously, Independent Non-Executive Chairman; chairman of the audit and nomination committees and member of the remuneration committee (age 61)

Appointed to the Board in March 2004 and chairman from April 2004. He resigned on 8 November 2011.

5. Ken Owst BA(Hons) FCMA

Finance Director (age 55)

Appointed a director in August 1994, having started his retail career with Allders Department Stores in 1985. He is a fellow of the Chartered Institute of Management Accountants.

6. Simon Peters ACCA, CTA

Non-Independent Non-Executive Director and member of the nomination committee (age 34)

Appointed to the board on 28 April 2010. He was appointed a director of Panther Securities PLC in 2005, Panther Securities PLC is a substantial shareholder. He was with KPMG chartered accountants between 1999 and 2004.

7. Tony Richards

Trading Director (age 45)

Appointed to the board on 1 September 2011 having joined the Company on 4 July 2011. Prior to joining Beale PLC he was a retail consultant. From 1990 to 2008 he worked for Furnishing Place Limited, where he was chief executive from 2004 to 2008.

8. William Tuffy MBA, ACA, FCCA

Director appointed 8 November 2011. Senior Independent Non-Executive, chairman of the audit committee and remuneration committee, and a member of the nomination committee (age 49)

He is the interim group finance director for a large private company. From November 2007 to September 2008 he was Celebrations Group Ltd interim finance director. From December 2004 to March 2007 he was finance director of Select (Retail Holding) Limited. Previously he had been finance director of TK Maxx Limited and held senior finance positions in Storehouse PLC.

Directors' Report

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

Principal activities

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

Business review

A review of the business of the Group, including a list of the principal risks and uncertainties facing the Group, is set out in the Chairman's statement, the Chief Executive's statement and the Finance Director's review on pages 4 to 13. The Chief Executive's statement also includes details of expected future developments in the business of the Group.

Dividends

No dividend was paid during the year *(2010: no dividend paid)*. The directors are not recommending the payment of a dividend.

Capital structure

Ordinary shares

Details of the issued ordinary share capital of the Company are shown in note 25 to the financial statements. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one poll vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of 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.

Preference shares

At the EGM held on 17 May 2011 the shareholders approved the issuing of 8,500,000 new redeemable preference shares of £1 each in capital of the Company to ARCS. The preference shares will not carry any rights to vote in general meeting unless the business of the meeting includes the consideration of a resolution to wind up the Company or a resolution is proposed that would adversely vary the special rights attaching to the preference shares, in which case the holder(s) of the preference shares will be entitled to vote on that resolution only. In that event, the preference shares will have one vote per share.

After the third anniversary of Completion, the preference shares will be freely transferable to a maximum of five transferees in multiples of at least £500,000.

No dividend will accrue on the preference shares for a period of five years from their date of issue. Thereafter, a preferential dividend of 8 percent per annum will initially be payable on each of the preference shares for a period of 48 months, increasing to 9 percent per annum thereafter.

On a return of capital on a winding up of the Company, or otherwise, preference shareholders will take priority over ordinary shareholders (other than on conversion, redemption or purchase of shares).

Subject to the Companies Act 2006, the Company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gives rise to an embedded derivative asset which is recognised at fair value on the balance sheet. The company is required to redeem any such shares that have not been converted half-yearly in two equal instalments of £500,000 payable on 30 November and 31 May in each relevant financial year, the first such redemption to be made on 30 November 2016. In addition, the preference shares must be immediately redeemed on a change of control of the Company or on a sale of all, or substantially all, of the assets of the enlarged Group.

Under certain circumstances such as failure to redeem preference shares, pay a dividend etc, Preference shareholders have a right to convert their shares in fully paid ordinary shares consisting of not more than 9.99 percent of issued ordinary share capital. The preference shares are treated as a liability in the financial statements due to their terms and conditions, including the fact that because the number and value of shares at such a conversion is not fixed in advance.

Directors' Report continued

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

Details on employee share schemes are set out on note 26 and in the remuneration report.

Directors

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

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

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

Biographical details of the directors, indicating responsibilities and experience, are on page 14.

Directors' interests

The directors who held office at 29 October 2011 had the following interests in the share capital of the Company.

	2011 Ordinary shares of 5p	*2010 Ordinary shares of 5p*
Tony Brown	**15,000**	*15,000*
John Chillcott	**–**	*–*
Keith Edelman	**15,000**	*15,000*
Mike Killingley	**45,000**	*45,000*
Ken Owst	**42,400**	*42,400*
Simon Peters	**–**	*–*
Tony Richards	**–**	*–*

Simon Peters is financial director of Panther Securities PLC which is listed on the next page as a substantial shareholder and which is also the landlord of a number of the stores from which the Group trades.

There were no changes to the above holdings from 29 October 2011 to 25 January 2012.

Directors' share options

At the EGM on 17 May 2011 the shareholders approved the adoption of the Beale PLC Performance Share Plan 2011. Details of the scheme and the share awards granted are shown in note 26 of the accounts and in the remuneration report on pages 70 and 74.

Insurance

The Company maintains directors' and officers' liability insurance.

Payment practice

The Group'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 is a holding company and has minimal trade purchases. The Company does not follow any code or standard on payment practice. Group payments are made in accordance with contractual and legal obligations. As at 29 October 2011, the Group's creditor days were 38 *(2010: 37)* (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 Group's interests in land and buildings equates to the book value. The Group's liability to taxation if land and buildings were sold at that value would be approximately £1,207,000 *(2010: £1,531,000)*. This liability to taxation takes into account indexation from the date of purchase.

Donations

During the year, donations amounting to £14,248 *(2010: £11,585)* were made by the Group to charitable organisations, assisting the communities within which the Group operates. No political donations were made in either year.

Substantial shareholdings

At 25 January 2012, in addition to certain directors' interests, which are disclosed above, the following were interested in 3% or more of the issued ordinary share capital of the Company:

Panther Securities PLC/Maland Pension Fund/Wenhedge Ltd/Perloff	29.72%
Henderson Global Investors	10.65%
Lawdene Limited	4.51%
Nigel Beale and Anthony Lowrey	3.99%

Disabled employees

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

Employee consultation

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

Carbon commitment

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

Corporate governance

The Corporate Governance statement on pages 19 to 22 forms part of the Directors' Report.

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

Chris Varley BSc FCA
Secretary
25 January 2012

Registered office:
The Granville Chambers
21 Richmond Hill
Bournemouth, BH2 6BJ

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Keith Edelman
Chairman
25 January 2012

Ken Owst
Finance Director
25 January 2012

Corporate Governance

A statement on how the Company has applied the principles contained within the June 2010 FRC UK Corporate Governance Code is set out below.

Board of directors

At the end of the year the Board comprised four non-executive directors and three executive directors. The independent non-executive directors were Mike Killingley and Keith Edelman. John Chillcott was appointed as a non-independent non-executive director on 24 August 2011 and Tony Richards was appointed to the Board on 1 September 2011. Mike Killingley was appointed chairman of the Group on 1 April 2004 and resigned on 8 November 2011. Keith Edelman was senior independent non-executive and Simon Peters was a non-independent non-executive. The chief executive was Tony Brown. On 8 November 2011 Mike Killingley resigned as a director and Keith Edelman was appointed Chairman. On 8 November 2011 William Tuffy was also appointed as the senior independent non-executive. All directors except John Chillcott are required to submit themselves for re-election at least every three years and newly appointed directors are required to seek election at the first Annual General Meeting following their appointment. Under the non-executive director agreement signed with ARCS, the ARCS nominated director is not required to stand for re-election. All directors are able to bring independent judgement to bear on Board matters. Individual directors possess a wide variety of skills and experience.

The Company has an audit committee, a remuneration committee and a nomination committee, all of which have defined terms of reference which are available on request. The non-executive directors monitor the Group's performance and its executive management. The roles of the chief executive and chairman are clearly divided, with the chief executive having responsibility for running the Group's businesses and the chairman running the Board. The senior independent non-executive director's responsibilities include the provision of an additional channel of communication between the chairman and the non-executive directors and another point of contact for shareholders if they have issues of concern which communication through the normal channels of chairman, chief executive or finance director, has failed to resolve, or where these contacts are inappropriate.

The Board meets formally at least 8 times a year and provides overall operational and financial control. There is a schedule of matters specifically reserved for the Board's decision to ensure that the management and direction of the Company are under its control. Each executive director has their own sphere of responsibility. The chief executive has overall responsibility for the performance of the business. Decisions relating to entering into a lease, a major capital project or the corporate plan, for example, are taken at Board level. Decisions related to identifying new products, implementing systems or day-to-day management of a capital project, will be the type of decision delegated to the management.

There is a procedure agreed by the Board for directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense. Directors and officers of the Company have the benefit of a directors' and officers' liability insurance policy. All directors have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the company secretary is a matter for the Board as a whole.

Directors receive appropriate training on appointment to the Board and on an ongoing basis.

The company secretary and the executive directors prepare the agenda and appropriate Board papers on a periodic basis. These Board papers are in a form and of a quality appropriate for the Board to discharge its duties.

Directors' remuneration

Details of the operation of the remuneration committee, including a statement on directors' remuneration, are given on pages 70 to 74.

Audit committee and auditor

During the year the audit committee comprised the two independent non-executive directors, Mike Killingley and Keith Edelman. Mike Killingley resigned on 8 November 2011 and was replaced by William Tuffy. The committee has written terms of reference which deal clearly with its authority and duties. The committee meets at least twice a year and the other board members, company secretary and the Company's external auditor attend by invitation.

The committee has responsibility for monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein. In addition, the committee has responsibility for dealing with the external auditors, reviewing non-audit services and reviewing the Group's internal audit programme. During the year the Group did not have an internal auditor for eleven weeks. The duties of the audit committee include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditors.

Corporate Governance continued

The auditor does provide some non-audit services, principally in relation to transaction support services and taxation. The auditor Deloitte LLP provided transaction and support services in relation to the acquisition of 19 department stores from ARCS. The audit committee ensured that appropriate safeguards of audit independence were applied, in particular that Deloitte services relating to the acquisition of the ARCS stores were provided by a separate team from the audit team. Furthermore key judgements made in all areas of audit work performed were subject to independent partner review. These transaction support and taxation services were controlled by non-audit partners. The partner separation of duties allows the auditor to remain independent and objective. Details of auditor's remuneration are given in note 6 of the financial statements. The committee is responsible for reviewing the Group's internal financial controls. The terms of reference of the audit committee, including its role and the authority delegated to it by the Board are available at the Company's registered office.

Nomination committee

During the year the nomination committee comprised Mike Killingley (Chairman), Keith Edelman and Simon Peters. On 8 November 2011 Mike Killingley resigned, Keith Edelman was appointed chairman and William Tuffy joined the nomination committee. The committee's main duties are to review the structure, size and composition of the Board, to consider succession planning for directors and other senior executives and to identify and nominate for Board approval candidates to fill Board vacancies. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office. In relation to John Chillcott's appointment the agreement with ARCS, required the appointment to the Beale PLC board of ARCS' most senior executive. This appointment shall be valid so long as ARCS or any associated company is the respective holder of issued preference shares having a nominal value of at least £4,250,000 and/or any part of the £2,500,000 term loan remaining unpaid by J.E. Beale plc. ARCS may at any time on three month's prior notice remove from office any person so appointed and appoint another person in his place. The ARCS' directors appointment shall not be subject to obligation of retirement by rotation or re-election set out in the articles. Tony Richards acted as a consultant in the integration planning of ARCS acquisition; he then joined the Company on 4 July 2011 and then was nominated by the committee to join the board on 1 September 2011.

Financial reporting

The Group has a full system for reporting its financial results on a monthly basis. In the directors' view, the audited financial statements for the 52 weeks ended 29 October 2011, together with the interim and other reports made during the financial year, present a balanced and understandable assessment of the Group's position and prospects.

Internal controls

The directors acknowledge that they are responsible for the Group's system of internal operational and risk control covering financial compliance management and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against misstatement or loss.

Director attendance at meetings held during the 2011 financial year

	Full Board	Minor Board	Audit committee	Remuneration committee	Nomination committee
Number of meetings	12	2	3	7	3
Tony Brown	12	2	—	—	—
John Chillcott+	2	—	—	—	—
Keith Edelman	10	—	3	7	3
Mike Killingley	11	—	3	7	3
Ken Owst	12	2	—	—	—
Simon Peters	8	—	—	—	1
Tony Richards*	2	1	—	—	—

+ in light of appointment on 24 August 2011

* in light of appointment on 1 September 2011

The key components designed to provide effective internal controls within the Group are:

Control environment — the Group has an organisational structure with clearly defined lines of responsibility to achieve effectively its corporate objectives.

Risk management — executives have a clear ongoing mandate for identifying, evaluating and managing risks within their sphere of responsibility. Existing controls are documented and any practicable additional controls are implemented or scheduled to be implemented and reviewed on a regular basis.

Information systems — the Group has a comprehensive system of financial reporting. The annual budget and rolling three year plan of each store and head office function are approved by the executive directors, and the Board approves the overall Group budget and plan. Monthly actual results are reported against budget and the previous year, and any significant adverse variances are examined by the directors and appropriate remedial action identified. There is monthly cashflow reporting and revised profit forecasts for the year are prepared each month.

Control procedures — procedures are maintained by managers and executives on the intranet. In particular, there are clearly defined policies for capital expenditure and treasury management, including appropriate authorisation levels. Capital projects require investment appraisal and review. All large transactions require Board approval.

Monitoring — the processes used by the Board to review the effectiveness of the system of internal controls include the following:

- reviewing reports from management, internal and external audit of the system of internal controls and any significant control weaknesses;
- discussing with management the action to be taken on problem areas identified by Board members or in the internal/external audit reports; and
- regular updating of policies and procedures for such matters as delegation of authority, capital expenditure and treasury management. Throughout the Group, the directors ensure the placement of experienced and professional staff of the necessary calibre to discharge their delegated responsibilities.

The audit committee reports annually to the Board on risk analysis and recommendations are reviewed and approved by the Board. The Board has reviewed the effectiveness of the system of internal control for the period covered by these financial statements, and up to the date of approval of the financial statements. It believes that the current arrangements comprising a programme of internal financial control and business reviews provide appropriate internal audit coverage of the Group's activities.

Shareholders

The Company is ready, where practicable, to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives. The Board uses the Annual General Meeting to communicate with private investors and encourages their participation. The chairman, chief executive and finance director carry out analysts' briefings during the year. Certain directors also have face to face meetings with major shareholders when appropriate. Such meetings allow directors to develop an understanding of shareholders' views. The chairmen of the audit committee, the remuneration committee and nomination committee are available to answer any questions from investors at the Annual General Meeting. Shareholders can access the Company website at www.beales.co.uk for corporate information.

Going concern

As disclosed in note 1, the Group and Company intends to meet its day to day working capital requirements through the use of bank facilities totaling £9.1 million, being a £9.0 million revolving loan repayable in February 2013 and an overdraft facility of £112,000 which is repayable on demand.

As noted in the Chief Executive's Statement on pages 7 to 9 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Review on pages 10 to 13. In addition, note 30 to the financial statements include the Group'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.

Corporate Governance continued

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

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

Based upon the 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 (refer to note 1 of the financial statements for further detail). 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".

Compliance with the June 2010 FRC Code

The directors consider that the Group has complied with the provisions of section 1 of the June 2010 FRC Code throughout the period except as set out below. The Group has not complied with clause B.6 of the June 2010 FRC Code in relation to performance evaluation; the Board considers that to comply fully with this clause is inappropriate for such a small quoted company. The Group did not comply with clause C3.1 whereby the Group chairman should not chair the audit committee. Given the chairman used to be an audit partner, the directors believe it is appropriate for him to chair the audit committee. With effect from 8 November 2011 the Group complied with clause C3.1 as William Tuffy was appointed chairman of the audit committee. The independence of the chairman and non-executive directors is subject to ongoing monitoring by the Board. The Group did not comply with clause C3.5 in that for 11 weeks of the financial year it did not have an internal auditor. A new internal auditor joined the Group on 17 January 2011.

Independent Auditor's Report to the members of Beale PLC

We have audited the financial statements of Beale PLC for the year ended 29 October 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 33. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 October 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the members of Beale PLC continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Finance Director's Review, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Darren Longley
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom
25 January 2012

Consolidated Income Statement

For the 52 weeks ended 29 October 2011

	Notes	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Gross sales*	3	**110,027**	*87,247*
Revenue – continuing operations	3	**61,969**	*48,566*
Cost of sales		**(30,158)**	*(22,467)*
Gross profit		**31,811**	*26,099*
Administrative expenses		**(35,643)**	*(26,520)*
Exceptional item	5	**4,800**	*—*
Operating profit/(loss) – continuing operations	6	**968**	*(421)*
Finance expense	8	**(426)**	*(248)*
Finance income	9	**1**	*1*
Profit/(Loss) on ordinary activities before taxation		**543**	*(668)*
Taxation credit	10	**58**	*85*
Profit/(Loss) for the period from continuing operations attributable to equity members of the parent		**601**	*(583)*
Basic earnings/(loss) per share	11	**2.93p**	*(2.84p)*
Diluted earnings/(loss) per share	11	**2.80p**	*(2.84p)*

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

The notes on pages 32 to 69 form part of these financial statements.

Consolidated Balance Sheet

As at 29 October 2011

	Notes	29 October 2011 £000	*30 October 2010 £000*
Non-current assets			
Goodwill	12	**892**	*892*
Property, plant and equipment	14	**26,586**	*24,096*
Financial assets	15	**16**	*16*
Derivative asset	30	**1,233**	*—*
		28,727	*25,004*
Current assets			
Inventories	17	**16,462**	*9,495*
Trade and other receivables due within one year	18	**5,610**	*4,250*
Trade and other receivables due after one year	18	**66**	*152*
Cash and cash equivalents		**738**	*466*
		22,876	*14,363*
Total assets		**51,603**	*39,367*
Current liabilities			
Trade and other payables	19	**(15,797)**	*(8,523)*
Borrowings	21	**(3,850)**	*—*
Tax liabilities		**(35)**	*(35)*
		(19,682)	*(8,558)*
Net current assets		**3,194**	*5,805*
Non-current liabilities			
Preference shares	20	**(6,147)**	*—*
Borrowings	21	**(1,750)**	*(8,600)*
Retirement benefit obligations	32	**(203)**	*(2,482)*
Lease incentives	22	**(2,736)**	*(1,517)*
Deferred tax	16	**(3,248)**	*(2,639)*
Obligations under finance leases	23	**(979)**	*(979)*
		(15,063)	*(16,217)*
Total liabilities		**(34,745)**	*(24,775)*
Net assets		**16,858**	*14,592*
Equity			
Share capital	25	**1,026**	*1,026*
Share premium account	27	**440**	*440*
Revaluation reserve	27	**9,010**	*8,226*
Capital redemption reserve	27	**54**	*242*
ESOP reserve	27	**(22)**	*(27)*
Retained earnings	27	**6,350**	*4,685*
Total equity		**16,858**	*14,592*

The notes on pages 32 to 69 form part of these financial statements.
These financial statements of Beale PLC, registered number 02755125, were approved and authorised for issue by the Board of directors on 25 January 2012 and signed on its behalf by:

Keith Edelman
Director

Ken Owst
Director

Company Balance Sheet

As at 29 October 2011

	Notes	29 October 2011 £000	30 October 2010 £000
Non-current assets			
Property, plant and equipment	14	**14,001**	*12,794*
Financial assets	15	**5,614**	*5,689*
Derivative asset	30	**1,233**	—
Loan to subsidiary		**9,000**	*9,000*
		29,848	*27,483*
Current assets			
Trade and other receivables due within one year	18	**7,571**	*5,734*
Cash and cash equivalents		**43**	*46*
		7,614	*5,780*
Total assets		**37,462**	*33,263*
Current liabilities			
Trade and other payables	19	**(1,160)**	*(248)*
Borrowings	21	**(3,100)**	—
Tax liabilities		**(20)**	*(20)*
		(4,280)	*(268)*
Net current assets		**3,334**	*5,512*
Non-current liabilities			
Preference shares	20	**(6,147)**	—
Borrowings	21	**—**	*(8,600)*
Deferred tax	16	**(2,748)**	*(2,345)*
Pension guarantee	24	**(425)**	*(500)*
Obligations under finance leases	23	**(979)**	*(979)*
		(10,299)	*(12,424)*
Total liabilities		**(14,579)**	*(12,692)*
Net assets		**22,883**	*20,571*
Equity			
Share capital	25	**1,026**	*1,026*
Share premium account	27	**440**	*440*
Revaluation reserve	27	**7,222**	*6,091*
Capital redemption reserve	27	**54**	*54*
Retained earnings	27	**14,141**	*12,960*
Total equity		**22,883**	*20,571*

The notes on pages 32 to 69 form part of these financial statements.

These financial statements of Beale PLC, registered number 02755125, were approved and authorised for issue by the Board of directors on 25 January 2012 and signed on its behalf by:

Keith Edelman
Director

Ken Owst
Director

Consolidated Statement of Comprehensive Income

	Notes	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Actuarial gain on pension scheme	32	**743**	*1,201*
Revaluation	14	**1,046**	—
Tax on revaluation reserve	16	**(163)**	—
Tax on items taken directly to equity	16	**39**	*169*
Net income recognised directly in equity		**1,665**	*1,370*
Profit/(loss) for the period		**601**	*(583)*
Total comprehensive income for the period		**2,266**	*787*

Consolidated Statement of Changes in Equity

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Opening equity	**14,592**	*13,805*
Total comprehensive income for the period	**2,266**	*787*
Total movements in equity for the period	**2,266**	*787*
Closing equity	**16,858**	*14,592*

	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	ESOP reserve £000	Retained earnings £000	Total £000
At 1 November 2009	*1,026*	*440*	*8,209*	*242*	*(27)*	*3,915*	*13,805*
Loss for year	—	—	—	—	—	*(583)*	*(583)*
Tax comprehensive income	—	—	—	—	—	*56*	*56*
Reversal of deferred tax liability on revaluation reserve	—	—	*113*	—	—	—	*113*
Transfer	—	—	*(96)*	—	—	*96*	—
Net actuarial gain	—	—	—	—	—	*1,201*	*1,201*
30 October 2010	**1,026**	**440**	**8,226**	**242**	**(27)**	**4,685**	**14,592**
Profit for year	**—**	**—**	**—**	**—**	**—**	**601**	**601**
Transfer	**—**	**—**	**—**	**(188)**	**—**	**188**	**—**
Revaluation increase land & buildings	**—**	**—**	**1,046**	**—**	**—**	**—**	**1,046**
Deferred tax change on revaluation reserve	**—**	**—**	**(163)**	**—**	**—**	**—**	**(163)**
Tax on comprehensive income	**—**	**—**	**—**	**—**	**—**	**39**	**39**
Transfer	**—**	**—**	**(99)**	**—**	**—**	**99**	**—**
Gain	**—**	**—**	**—**	**—**	**5**	**(5)**	**—**
Net actuarial gain	**—**	**—**	**—**	**—**	**—**	**743**	**743**
29 October 2011	**1,026**	**440**	**9,010**	**54**	**(22)**	**6,350**	**16,858**

The notes on pages 32 to 69 form part of these financial statements.

Company Statement of Comprehensive Income

	Notes	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Revaluation net of deferred tax	14	**1,387**	—
Tax on revaluation reserve	16	**(181)**	—
Tax on items taken directly to equity	16	**39**	*132*
Net income recognised directly in equity		**1,245**	*132*
Profit/(loss) for the period		**1,067**	*(723)*
Total comprehensive income/(loss) for the period		**2,312**	*(591)*

Company Statement of Changes in Equity

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Opening equity	**20,571**	*21,162*
Total comprehensive profit/loss for the period	**2,312**	*(591)*
Total movements in equity for the period	**2,312**	*(591)*
Closing equity	**22,883**	*20,571*

	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 November 2009	*1,026*	*440*	*6,076*	*54*	*13,566*	*21,162*
Loss for year	—	—	—	—	*(723)*	*(723)*
Tax comprehensive income	—	—	—	—	*40*	*40*
Reversal of deferred tax liability	—	—	*92*	—	—	*92*
Transfer	—	—	*(77)*	—	*77*	—
30 October 2010	**1,026**	**440**	**6,091**	**54**	**12,960**	**20,571**
Profit for year	**—**	**—**	**—**	**—**	**1,067**	**1,067**
Revaluation	**—**	**—**	**1,387**	**—**	**—**	**1,387**
Deferred tax on revaluation reserve	**—**	**—**	**(181)**	**—**	**—**	**(181)**
Tax on comprehensive income	**—**	**—**	**—**	**—**	**39**	**39**
Transfer	**—**	**—**	**(75)**	**—**	**75**	**—**
29 October 2011	**1,026**	**440**	**7,222**	**54**	**14,141**	**22,883**

The notes on pages 32 to 69 form part of these financial statements.

Consolidated Cash Flow Statement

For the 52 weeks ended 29 October 2011

	Notes	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Cash flows from operating activities before interest and tax	28	**1,688**	*591*
Interest paid		**(260)**	*(267)*
Interest received		**1**	*1*
Net cash flow generated from operating activities		**1,429**	*325*
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,267)**	*(1,627)*
Purchase of new business		**(4,390)**	*(403)*
Net cash used in investing activities		**(6,657)**	*(2,030)*
Cash flows from financing activities			
Preference shares issued		**8,500**	*–*
New bank loan raised		**–**	*8,600*
Decrease in bank loans		**(5,500)**	*(7,100)*
ARCS loan		**2,500**	*–*
Net cash generated from financing activities		**5,500**	*1,500*
Net increase/(decrease) in cash and cash equivalents in the period		**272**	*(205)*
Cash and cash equivalents at beginning of period		**466**	*671*
Cash and cash equivalents at end of period		**738**	*466*

The notes on pages 32 to 69 form part of these financial statements.

Company Cash Flow Statement

For the 52 weeks ended 29 October 2011

	Notes	52 weeks to 29 October 2011 £000	52 weeks to 30 October 2010 £000
Cash flows from operating activities before interest and tax	28	**(2,968)**	*(6,991)*
Interest paid		**(206)**	*(264)*
Interest received		**171**	*159*
Net cash flow used in operating activities		**(3,003)**	*(7,096)*
Cash flows from financing activities			
Preference shares issued		**8,500**	*–*
New bank loan raised		**–**	*8,600*
Decrease in bank loans		**(5,500)**	*(7,100)*
Net cash generated from financing activities		**3,000**	*1,500*
Net decrease in cash and cash equivalents in the period		**(3)**	*(5,596)*
Cash and cash equivalents at beginning of period		**46**	*5,642*
Cash and cash equivalents at end of period		**43**	*46*

The notes on pages 32 to 69 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

General information

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

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

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

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

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

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

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the 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

Details of the Group's operations together with its performance in the past year and the factors likely to affect its future development, performance and financial position are set out in the reports of the Chairman, Chief Executive and Finance Director. The financial position of the Group, liquidity position and borrowing facilities are described in notes 21 and 30 to the financial statements. These also set out the Group's processes for managing its capital, financial risk and exposure to financial markets risk.

The Group and Company have met their day to day working capital requirements through the use of one principal bank loan of £9.0 million, which is repayable on 28 February 2013, and an overdraft facility of £112,000 which is repayable on demand. The total facilities are 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 £2.5 million term loan.

As noted in the Chief Executive's Statement on pages 7 to 9 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Review on pages 10 to 13.

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

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

Based upon the forecasts and projections, coupled with the strategies set out in the Chairman's and Chief Executive's Statements and the support of the Group's bankers, 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.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings made up to the 52 weeks ended 29 October 2011, the Saturday closest to 31 October. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with the concession granted under the Companies Act 2006, section 408, the income statement of Beale PLC (the Company) has not been presented separately in these financial statements. There is no material difference between the results disclosed and the results on an unmodified historical cost basis.

Notes to the financial statements continued

1 Accounting policies continued

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 Group 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 Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group 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 Group 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 Group 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 Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill

The assets and liabilities of subsidiary undertakings and businesses acquired are incorporated at their fair value at the date of acquisition. Goodwill is measured at cost, being the excess of the consideration paid for the business combination over the Group'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 Group has identified all the assets acquired and all the liabilities assumed the Group'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 income statement. 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. 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 Group 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 Group 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 Group arising from the supply of goods and services to customers net of VAT, discounts and estimated returns and includes the profit contribution earned on agency sales (including concession departments) and interest on customers' accounts. Revenue is recognised when goods are delivered and title has passed. Gross sales reflect revenue inclusive of concession sales and VAT.

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

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

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

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.

Notes to the financial statements continued

1 Accounting policies continued

Property, plant and equipment

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

Depreciation on revalued buildings is charged to income. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation is provided for on the straight line basis so that assets are written down to residual values over their expected useful life. Freehold land is not depreciated 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 12.5%. Costs incurred in entering a lease and of leasehold improvements are included in fixed assets and depreciated on a straight line basis over the life of the lease. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Fixed asset investments

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

Inventories

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

Financial instruments

Financial assets and financial liabilities relating to financial instruments are recognised on the Group's balance sheet when the Group 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.

Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Preference shares

Preference shares are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Preference shares rank before ordinary shares on wind up and generally receive a fixed dividend.

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 Group'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 differences 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.

Notes to the financial statements continued

1 Accounting policies continued

The Group offsets deferred tax assets and deferred tax liabilities if, and only if:

(a) the Group 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 assets 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 Group 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 Group, in accordance with advice from consulting actuaries in relation to the final salary schemes.

(a) 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 the consolidated income statement and presented in the statement of comprehensive income and expense. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of scheme assets at the previous year end date.

(b) Defined contribution section

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group 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.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group'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 32 to the consolidated financial statements describes the principal discount rate, earnings increase, and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to 'retirement benefits' is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of scheme actuaries.

At 29 October 2011, the Group's net pension liability was £0.2m, compared with £2.5 million as at 30 October 2010.

Further details of the accounting policy on retirement benefits are provided in note 32.

Impairment of investments and stores' property, plant and equipment and goodwill

Stores' property, plant and equipment and goodwill are reviewed for impairment on an annual 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 and 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.

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 14.

Notes to the financial statements continued

2 Critical accounting judgements and key sources of estimation uncertainty continued

Business combination

A key area of judgement during the year was the business combination. The directors are required to determine fair values for the assets acquired, liabilities incurred or assumed, the consideration paid and financial instruments issued including the preference shares and the derivative. Full details of the bases used to determine the fair values are set out in note 13.

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 Group.

Inventory valuation

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

3 Revenue

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

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

Analysis of gross sales (excluding VAT) and revenue:

	52 weeks to 29 October 2011		*52 weeks to 30 October 2010*	
	Gross sales £000	**Revenue £000**	*Gross sales £000*	*Revenue £000*
Own bought sales	**51,734**	**51,734**	*39,911*	*39,911*
Concession sales	**40,334**	**9,855**	*34,394*	*8,264*
Interest on customer accounts	**380**	**380**	*391*	*391*
	92,448	**61,969**	*74,696*	*48,566*

4 Segmental information

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

5 Exceptional income

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

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Negative goodwill credited directly to the income statement (note 13)	**6,626**	—
Exceptional cost associated with acquisition (professional fees)	**(1,492)**	—
Exceptional cost associated with integration of acquired stores	**(334)**	—
Total net exceptional income	**4,800**	—

6 Operating profit

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Operating profit is arrived at after charging/(crediting) the following:		
Cost of inventories recognised as an expense	**30,158**	*22,467*
Depreciation of property, plant and equipment		
— owned assets	**1,734**	*1,792*
— finance lease	**85**	*86*
Exceptional item (note 5)	**(4,800)**	—
Rentals chargeable under operating leases		
— property	**5,042**	*4,028*
— plant & equipment	**206**	*207*
Staff costs (note 7)	**17,329**	*12,103*
Fees payable to the Group's auditor for the audit of the Group's annual accounts		
— statutory audit	**67**	*44*
— audit-related regulatory reporting	**8**	*7*
	75	*51*
Fees payable to the Group's auditor and their associates for other services to the Group		
— transaction services	**325**	—
— tax compliance services	**18**	*13*
— tax advisory services	**5**	*5*
	348	*18*
Total auditor's remuneration	**423**	*69*

The total auditor's remuneration paid by the Company was £14,700 *(2010: £10,000)* for audit work and £6,400 *(2010: £5,000)* for tax and other work. The £325,000 transaction fee related to the Company.

Notes to the financial statements continued

7 Information regarding directors and employees

Details of directors' emoluments and beneficial interests are provided within the Remuneration Report on pages 70 to 74.

		2011	*2010*
The average number of persons (including directors) employed by the Group during the year was:			
Full time		**572**	*417*
Part time		**908**	*684*
		1,480	*1,101*

		52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Staff costs for the above:			
Wages and salaries		**15,921**	*10,954*
Social security costs		**931**	*708*
Pension costs	— Current service cost (see note 32)	**230**	*219*
	— Defined contribution (see note 32)	**237**	*212*
	— Other pension contribution	**10**	*10*
		17,329	*12,103*

8 Finance expense

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Interest payable on bank loans and overdrafts	**(159)**	*(214)*
ARCS loan interest payable	**(53)**	—
Finance charge on preference shares	**(179)**	—
Finance lease charges	**(34)**	*(34)*
Other interest payable	**(1)**	—
Total interest payable	**(426)**	*(248)*

9 Finance income

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

10 Tax

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Current tax		
Current year	–	*–*
Adjustment in respect of prior years	–	*–*
	–	*–*
Deferred tax (note 16)		
Current year	(60)	*(114)*
Adjustment in respect of prior years	2	*29*
	(58)	*(85)*
Credit for taxation on profit/loss for period	(58)	*(85)*

The tax credit for the period is different from the standard rate of corporation tax in the UK of 26.83% *(2010: 28%)*. The differences are explained below:

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Profit/(Loss) on ordinary activities before tax	543	*(668)*
Profit/(Loss) on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 26.83% *(2010: 28%)*	146	*(187)*
Tax on loss on ordinary activities Effects of:		
Non taxable income	(959)	*–*
Prior year deferred taxation	2	*29*
Non-qualifying depreciation	162	*119*
Other	(119)	*28*
Impact of deferred tax asset not recognised	710	*(74)*
Total tax credit	(58)	*(85)*

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

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Current tax	–	*–*
Deferred tax:		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of property	312	*(47)*
Rate change on revaluation reserve	(149)	*(75)*
Property	17	*(45)*
Rate change on property	(48)	*5*
Other	(8)	*(7)*
Total income tax recognised in other comprehensive income	124	*(169)*

The Provisional Collection of Taxes Act was substantively enacted on 29 March 2011 and included legislation to reduce the main rate of corporation tax to 26% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 and are expected to be enacted separately each year. For the 52 week period ended 29 October 2011, as the reduction in statutory rate by 2% has been substantively enacted, deferred tax has been recognised on the balance sheet at 25%. As at 29 October 2011 the Group had carried forward tax losses on which deferred tax was not recognised of £1,597,836 *(2010: £943,000)*.

Notes to the financial statements continued

11 Earnings/(loss) per share

	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Weighted average number of shares in issue for the purpose of basic earnings per share	**20,524,797**	*20,524,797*
Dilution – share reward schemes	**949,874**	*—*
Diluted weighted average number of shares in issue	**21,474,671**	*20,524,797*

	£000	*£000*
Profit/(Loss) for basic and diluted earnings per share	**601**	*(583)*

	Pence	*Pence*
Basic earnings/(loss) per share	**2.93**	*(2.84)*
Basic loss per share before exceptional item	**(20.46)**	*(2.84)*
Diluted earnings/(loss) per share	**2.80**	*(2.84)*

No dividend was paid (*2010: nil per share)*.

12 Goodwill

	£000
Carrying amount at 1 November 2009	*892*
Carrying amount at 30 October 2010	*892*
Carrying amount at 29 October 2011	**892**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The Group 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 as follows:

	2011 £000	*2010 £000*
Kendal	**74**	*74*
Tonbridge	**284**	*284*
Worthing	**364**	*364*
Yeovil	**170**	*170*
	892	*892*

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

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

For the purposes of the impairment review, revenue decreases/increases were projected for the three years ended October 2014 vary between -4.47% and 3% growth per annum for each of the department stores. A discount rate of 10% *(2010: 10%)* was applied to the cashflow projections. The Board has conducted a sensitivity analysis on the impairment test and does not perceive that a reasonable change in key assumptions would cause the recoverable amount to be less than its carrying amount. An annual reduction in forecast revenues for the two years ended October 2014 by approximately 8% per annum would result in the carrying value of goodwill being reduced to approximately its recoverable amount.

13 Business combination

The Group acquired the trade, certain fixed assets, inventory, cash, other debtors and other creditors of 19 department stores purchased from ARCS on 22 May 2011 for a cash consideration of £6.69m. The fair value of consideration provided, net of incentives of £5.64m was £1.05m. 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 £6.63m has been credited directly to the income statement as an exceptional item (see note 5).

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

	Provisional fair value of assets acquired £000
Inventories	**6,798**
Fixtures, fitting and equipment	**996**
Cash	**180**
Other debtors/creditors	**(63)**
Deferred tax on fixtures and fitting	**(235)**
	7,676
Net consideration paid (see below)	**(1,050)**
Total negative goodwill arising	**6,626**

Net consideration paid	**£000**
Cash paid	**6,690**
Incentives received	**(2,300)**
Fair value adjustment to preference shares, recognition of embedded derivative and tax thereon	**(3,340)**
Net consideration paid	**1,050**

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

The acquisition included the fixtures, fitting and equipment which were situated in all the 19 department stores acquired from ARCS. In relation to 7 of the stores where the leases are short or can be terminated at short notice, the directors felt it appropriate that no value be assigned to the fixtures, fitting and equipment. For the remaining 12 stores the fair value of fixed assets of £996,000 was determined by reference to the net book value of the fixtures, fitting and equipment recorded in the ARCS fixed asset register as at 22 May 2011, which the directors concluded would be equivalent to their depreciated replacement cost. A significant proportion of the value relates to two of the stores which have recently been refurbished. Deferred tax was recorded relating to the temporary differences arising on the accelerated capital allowances on the fixtures, fittings and equipment acquired.

Notes to the financial statements continued

13 Business combination continued

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

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

The cash consideration paid to ARCS was £6.69m. The Group also received a cash incentive of £2.3m from ARCS. Preference shares with a nominal value of £8.5m were issued to ARCS, however the preference shares had a fair value at the date of issue of £5.97m. The terms of the preference shares also result in the recognition of an embedded derivative, which at the date of issue had a fair value, net of deferred tax arising, of £0.81m. This results in a total fair value of net consideration paid of £1.05m.

The preference shares had a fair value at inception of £5.97m. The initial value was established by an independent third party valuer, based on assumptions provided by management including an estimate of the Group's credit spread and based on the interest and cash flows arising in relation to the preference shares and the fact that no dividend will accrue on the preference shares until five years from their date of issue. Furthermore the preference shares can be repaid at any time without penalty. The terms of the preference shares are such that an embedded derivative is recognised, details of which are included in note 30.

The initial fair value of the preference shares was established by an independent third party valuer, based on assumptions provided by management, including an estimate of the Group's credit spread and based on the value and timing of the interest and cash flows flowing to the preference shareholders and the repayment options contained in the terms of the instrument. The fair values of derivative instruments are usually calculated using quoted prices. Where such prices are not available a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

	22 May 2011 to 29 Oct 2011 £000
Revenue	**13,355**
Gross profit	**6,016**
Expenses	**(7,848)**
Operating loss before exceptional items	**(1,832)**
Exceptional income (note 5)	**4,800**
Operating profit	**2,968**

Based on the experience to date of trading the acquired stores, if the 19 stores acquired from ARCS had traded for the full 52 weeks ended 29 October 2011, combined Group revenue would have been estimated to be £79.0m and pre tax loss would have been estimated to be £0.1m after exceptional income of £4.8m.

14 Property, plant and equipment

Group	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation					
At 1 November 2009	*12,981*	*5,000*	*1,129*	*27,221*	*46,331*
Additions	*—*	*—*	*191*	*1,582*	*1,773*
At 31 October 2010	*12,981*	*5,000*	*1,320*	*28,803*	*48,104*
Additions	—	—	146	2,121	2,267
Arising on acquisition	—	—	—	996	996
Revaluation	(361)	750	—	—	389
At 29 October 2011	**12,620**	**5,750**	**1,466**	**31,920**	**51,756**
Accumulated depreciation and impairment:					
At 1 November 2009	*139*	*85*	*676*	*21,230*	*22,130*
Charge for year	*131*	*86*	*41*	*1,620*	*1,878*
At 31 October 2010	*270*	*171*	*717*	*22,850*	*24,008*
Depreciation	131	85	59	1,544	1,819
Revaluation	(401)	(256)	—	—	(657)
At 29 October 2011	**—**	**—**	**776**	**24,394**	**25,170**
Net book value at 29 October 2011	**12,620**	**5,750**	**690**	**7,526**	**26,586**
Net book value at 30 October 2010	*12,711*	*4,829*	*603*	*5,953*	*24,096*
Net book value at 31 October 2009	*12,842*	*4,915*	*453*	*5,991*	*24,201*

The carrying amount of the Group's long leasehold of £5,750,000 *(2010: £4,829,000)* is in respect of an asset held under a finance lease. Freeholds having a carrying amount of approximately £12.6 million *(2010: £12.7 million)* secure banking facilities granted to the Group.

Land, buildings and long leaseholds were revalued at 29 October 2011 by Colliers International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging.

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

Group	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Net book value					
29 October 2011	**7,143**	**82**	**690**	**7,526**	**15,441**
30 October 2010	*7,221*	*84*	*603*	*5,953*	*13,861*
31 October 2009	*7,305*	*85*	*453*	*5,991*	*13,834*

Notes to the financial statements continued

14 Property, plant and equipment continued

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation:					
At 1 November 2009	*8,148*	*5,000*	*3*	*851*	*14,002*
At 31 October 2010	*8,148*	*5,000*	*3*	*851*	*14,002*
Revaluation	102	750	—	—	852
At 29 October 2011	**8,250**	**5,750**	**3**	**851**	**14,854**
Accumulated depreciation and impairment:					
At 1 November 2009	*91*	*85*	*1*	*851*	*1,028*
Charge for year	*94*	*86*	—	—	*180*
At 31 October 2010	*185*	*171*	*1*	*851*	*1,208*
Charge for year	94	85	1	—	180
Revaluation	(279)	(256)	—	—	(535)
At 29 October 2011	**—**	**—**	**2**	**851**	**853**
Net book value at 29 October 2011	**8,250**	**5,750**	**1**	**—**	**14,001**
Net book value at 30 October 2010	*7,963*	*4,829*	*2*	—	*12,794*
Net book value at 31 October 2009	*8,057*	*4,915*	*2*	—	*12,974*

The carrying amount of the Company's long leasehold of £5,750,000 *(2010: £4,829,000)* is in respect of an asset held under a finance lease.

Freeholds having a carrying amount of approximately £8.2 million *(2010: £8 million)* secure banking facilities granted to the Company.

Land, buildings and long leaseholds, were revalued at 29 October 2011 by Collier International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging.

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

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Net book value					
29 October 2011	**4,246**	**683**	**1**	**—**	**4,930**
30 October 2010	*4,310*	*692*	*2*	—	*5,004*
31 October 2009	*4,375*	*708*	*2*	—	*5,085*

The Company long leasehold buildings is higher than the Group figure because the long leasehold buildings were transferred in specie from J.E. Beale plc to Beale PLC in satisfaction of a dividend in 1994.

14 Property, plant and equipment continued

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

At each balance sheet date, the Group 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.

15 Financial assets

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Shares in subsidiaries at cost:				
J E Beale plc	**—**	*—*	**1,030**	*1,030*
Denners Limited	**—**	*—*	**4,159**	*4,159*
Pension guarantee asset (see note 24)	**—**	*—*	**425**	*500*
Available for sale:				
Held to maturity investments carried at cost:				
Unlisted investment — Debenture	**16**	*16*	**—**	*—*
	16	*16*	**5,614**	*5,689*
Derivative	**1,233**	*—*	**1,233**	*—*
	1,249	*16*	**6,847**	*5,689*

On 3 July 2009 Beale PLC issued a pension guarantee, £425,000 *(2010: £500,000)* is the assessed fair value of the liability at 29 October 2011.

The unlisted investment relates to a debenture in the Associated Independent Stores Ltd. The debenture returns interest at 5 percent per annum which is payable annually and matures on 12 December 2012.

At 29 October 2011 and 30 October 2010, the Company held, directly, the whole of the issued ordinary share capital in JE Beale plc and Denners Limited, both of which are incorporated in England and Wales. Denners Limited is dormant.

An embedded derivative of £1.23m is shown in relation to the prepayment option arising on the 8,500,000 preference shares (see note 30).

Notes to the financial statements continued

16 Deferred tax

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

	Group		Company	
	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*
Deferred tax liabilities	(3,248)	*(2,639)*	(2,748)	*(2,345)*

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

Group Deferred tax liabilities	Rolled over gains £000	Accelerated tax depreciation £000	Revaluation gains £000	Property £000	Other £000	Total £000
As at 30 October 2010	*(288)*	*(140)*	*(2,008)*	*(647)*	*444*	*(2,639)*
Charge to operating expense	—	—	—	(235)	(308)	(543)
Credit/(Charge) to income	21	12	33	25	(33)	58
(Charge)/credit to equity	—	—	(163)	31	8	(124)
As at 29 October 2011	**(267)**	**(128)**	**(2,138)**	**(826)**	**111**	**(3,248)**

Company Deferred tax liabilities	Accelerated tax depreciation £000	Revaluation gains £000	Property £000	Other £000	Total £000
As at 30 October 2010	*1*	*(1,698)*	*(648)*	*—*	*(2,345)*
Charge to operating expenses	—	—	—	(308)	(308)
Credit to income	—	29	18	—	47
(Charge)/credit to equity	—	(181)	39	—	(142)
As at 29 October 2011	**1**	**(1,850)**	**(591)**	**(308)**	**(2,748)**

17 Inventories

	Group		Company	
	2011 £000	*2010 £000*	2011 £000	*2010 £000*
Finished goods for resale	16,462	*9,495*	—	*—*

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

18 Trade and other receivables

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Amounts due within one year				
Trade receivables	**3,037**	*3,024*	**—**	—
Allowance for doubtful debts	**(69)**	*(68)*	**—**	—
	2,968	*2,956*	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**7,500**	*5,600*
Prepayments and accrued income	**2,642**	*1,294*	**71**	*134*
	5,610	*4,250*	**7,571**	*5,734*
Amounts due after one year				
Trade receivables	**66**	*152*	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**—**	—
	66	*152*	**—**	—
Total receivables	**5,676**	*4,402*	**7,571**	*5,734*

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 £20,000 *(2010: £37,000)* of bad debts were written off.

Store card holders are required to pay 5% of the account balance, or £5 if greater, on a monthly basis. Interest is charged at 24.9% APR and 22.5% APR (if payment is by direct debit). Before accepting most new customers the Group uses an external company to assist in determining a customer's credit quality.

Ageing of the total balance past due but not impaired receivables

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
60–90 days	**12**	*12*	**—**	—
90+ days	**—**	—	**—**	—
	12	*12*	**—**	—

Movement in allowance for doubtful debts

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Balance at beginning of period	**68**	*88*	**—**	—
Additional provision made	**50**	*74*	**—**	—
Amount recovered during the year	**(30)**	*(37)*	**—**	—
Impairment losses recognised	**(20)**	*(37)*	**—**	—
Increase/(decrease) in provision	**1**	*(20)*	**—**	—
Balance at end of period	**69**	*68*	**—**	—

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

Notes to the financial statements continued

18 Trade and other receivables continued

Ageing of the total balance of impaired receivables

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

19 Trade and other payables

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Amounts falling due within one year				
Trade payables	**8,259**	*5,523*	**–**	–
Amount owed to subsidiaries	**–**	–	**852**	–
Other taxation and social security	**726**	*448*	**–**	–
Accruals and deferred income	**6,812**	*2,552*	**308**	*248*
	15,797	*8,523*	**1,160**	*248*

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

20 Preference shares

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Preference shares	**6,147**	–	**6,147**	–

At the EGM on 17 May 2011 the shareholders approved the issue of 8,500,000 new redeemable preference shares of £1 each in capital of the Company to ARCS. The preference shares will not carry any rights to vote unless the business of the meeting includes the consideration of a resolution to wind up the Company or a resolution is proposed that would adversely vary the special rights attaching to the preference shares, in which case the holder(s) of the preference shares will be entitled to vote on that resolution only. In that event, the preference shares will have one vote per share.

The preference shares have been recorded at their estimated initial fair value of £5.97m. The initial value was established by an independent third party valuer, based on assumptions provided by management including an estimate of the Group's credit spread and based on the interest and cashflows arising in relation to the preference shares and the fact that no dividend will accrue on the preference shares until five years from their date of issue. As at 29 October 2011 the preference shares were revalued by an independent third party valuer at a fair value of £6.57m. Their carrying value at amortised cost is stated above. Furthermore the preference shares can be repaid at any time without penalty. The terms of the preference shares are such that an embedded derivative is recognised, details of which are included in note 30.

The fair values of other financial assets and financial liabilities (excluding derivative instrument) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

20 Preference shares continued

Going forward the preference shares will be accounted for on an amortised cost basis. On the amortised cost basis they are valued at £6.15m at 29 October 2011. The effective interest rate arising on the shares is 7.11%.

After the third anniversary of Completion, the preference shares will be freely transferable to a maximum of five transferees in multiples of at least £500,000.

No dividend will accrue on the preference shares for a period of five years from their date of issue. Thereafter, a preferential dividend of 8 percent per annum will initially be payable on each of the preference shares for a period of 48 months, increasing to 9 percent per annum thereafter.

On a return of capital on a winding up of the Company, or otherwise, preference shareholders will take priority over ordinary shareholders (other than on conversion, redemption or purchase of shares).

Subject to the 2006 Act, the Company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gives rise to an embedded derivative asset which is recognised at fair value on the balance sheet. The Company is required to redeem any such shares that have not been converted half-yearly in two equal installments of £500,000 payable on 30 November and 31 May in each relevant financial year, the first such redemption to be made on 30 November 2016. In addition, the preference shares must be immediately redeemed on a change of control of the Company or on a sale of all, or substantially all, of the assets of the enlarged Group.

Under certain circumstances such as a failure to redeem preference shares, pay a dividend etc, preference shareholders have a right to convert their shares into fully paid ordinary shares consisting of not more than 9.99 percent of issued ordinary share capital. The preference shares are treated as a liability in the financial statements due to their terms and conditions, including the fact that because the number and value of shares at such a conversion is not fixed in advance.

21 Borrowings

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Borrowings				
ARCS loan	**2,500**	–	**–**	–
Bank overdrafts	**–**	–	**–**	–
Bank loans	**3,100**	*8,600*	**3,100**	*8,600*
	5,600	*8,600*	**3,100**	*8,600*
The borrowings are repayable as follows:				
On demand or within one year	**3,850**	–	**3,100**	–
In the second year	**500**	*8,600*	**–**	*8,600*
In the third to the fifth year	**1,250**	–	**–**	–
Total	**5,600**	*8,600*	**3,100**	*8,600*
Less amount due for settlement within 12 months	**(3,850)**	–	**(3,100)**	–
Amount due for settlement after 12 months	**1,750**	*8,600*	**–**	*8,600*

Group bank borrowings

(a) The Group has banking facilities consisting of a £112,000 overdraft facility which is repayable on demand and a £9.0 million revolving loan facility which, following a negotiated extension, has an expiry date of 28 February 2013. The facilities are secured over the Group's freehold interests. The bank facilities contain a number of key covenants, the covenant with the least headroom being the operating results for the period after interest and before taxation. This will be tested on full year financial information. The loan interest on the facilities is 3% above the LIBOR rate.

Notes to the financial statements continued

21 Borrowings continued

(b) Bank overdrafts are repayable on demand. Overdrafts of £nil *(2010: £nil)* have been secured by a charge over the Group's freeholds. The average effective interest rate on bank overdrafts approximates 3.59% *(2010: 3.5%)* per annum and is determined based on 3% over LIBOR from 6 September 2010.

(c) As at 29 October 2011 the Group had drawn down £3.1 million *(2010: £8.6 million)* under its loan facilities. The loan facility was taken out on 6 September 2010. Repayment was due in full on 31 October 2012, this has been extended to 28 February 2013 subsequent to the year end. The Group draws down or pays back in £100,000 instalments depending on monthly requirements. Based on facilities in place as at 29 October 2011 the Group had available £6,638,000 *(2010: £866,000)* of undrawn committed borrowing facilities, including credit balances, in respect of which all conditions precedent had been met.

ARCS term loan agreement

Under the terms of the Term Loan Agreement with ARCS, a loan facility of £2.5 million was provided to J.E. Beale plc and was fully drawn down by it on Completion of the ARCS transaction on 22 May 2011. J.E. Beale plc is only permitted to use the proceeds of the term loan to help it finance the consideration payable to ARCS under the Acquisition Agreement and for general working capital purposes.

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

Interest will be charged quarterly in arrears with effect from completion at the rate of 4 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 4.83% per annum.

22 Lease incentives

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

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

23 Obligations under finance leases

Group and Company Amounts payable under finance lease	Minimum lease payments 2011 £000	Interest 2011 £000	Present value of minimum lease payments 2011 £000
Due within one year	34	(34)	–
In the second to fifth year inclusive	136	(127)	9
After five years	1,774	(804)	970
	1,944	(965)	979

Amounts payable under finance lease	*Minimum lease payments 2010 £000*	*Interest 2010 £000*	*Present value of minimum lease payments 2010 £000*
Due within one year	*34*	*(34)*	*–*
In the second to fifth year inclusive	*136*	*(130)*	*6*
After five years	*1,807*	*(834)*	*973*
	1,977	*(998)*	*979*

The above finance lease relates to the Poole store which is on a 99 year lease from 1968. The average effective borrowing rate on the lease at inception in 1968 was 8.5%. All the lease obligations are denominated in sterling. The fair value of the Group obligations approximates to their carrying value.

24 Pension scheme guarantee

	Group		Company	
	2011 £000	*2010 £000*	2011 £000	*2010 £000*
Pension scheme guarantee	–	*–*	425	*500*
	–	*–*	425	*500*

On 3 July 2009 Beale PLC signed a guarantee to the Beale Pension Trustees up to a maximum of £6 million in the event of default by J.E. Beale plc. The directors consider the likelihood of such default to be remote, and accordingly assessed the fair value of this guarantee at the date of inception to be £600,000. This amount will be amortised over 8 years representing the recovery period as set out in the triennial valuation as at October 2007. The duration of the new recovery plan for the triennial valuation as at 30 October 2010 does not differ significantly from the previous one.

25 Share capital

	2011		*2010*	
	Number	£000	*Number*	*£000*
Issued and fully paid				
Ordinary shares of 5p each	20,524,797	1,026	*20,524,797*	*1,026*

Notes to the financial statements continued

26 Performance share plan

The Company has a Performance Share Plan ("PSP") which has been accounted for in accordance with the fair value recognition provisions of IFRS 2, Share-based Payments.

The PSP, which was approved by shareholders at the EGM on 17 May 2011, was introduced as the Company's primary long-term incentive plan. The Performance Share Plan gives executive directors and other executives a conditional right to acquire shares in Beale PLC. Under the PSP, awards are made to executive directors and selected other executives on the following basis:

The maximum award level is 150% of base salary per annum although awards up to 200% of base salary may be granted to an individual in exceptional circumstances (e.g. recruitment or retention).

For the awards granted to the executive directors and senior executives this year; the performance condition that will determine the vesting of awards will be based on absolute "EPS". EPS is the earnings per share of the Company calculated on such basis as specified by the remuneration committee. The performance condition applying to the awards granted during the year ended 29 October 2011 allows 25 percent of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100 percent vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. On a change of control, awards vest on a pro-rata basis subject to achievement of performance conditions.

Performance conditions were determined by the remuneration committee. In relation to awards granted during the year ended 29 October 2011 the remuneration committee approved that additional cash or shares be awarded at the end of the performance period equal to value of dividends paid over the vesting period. It is currently intended that new issued shares are used to satisfy awards.

The table below summarises information about outstanding awards:

	2011
Outstanding Awards at 30 October 2010	–
Granted during the period	**949,874**
Vested during the period	–
Expired during the period	–
Forfeited during the period	–
Outstanding Awards at 29 October 2011	**949,874**

The fair value of awards granted in the period has been calculated based on the share price at the date of grant since participants are entitled to dividend equivalent during the vesting period

The weighted average fair value of 949,874 shares under awards granted during the year ended 29 October 2011 was 34.22 pence per award *(2010: £nil)*.

The total charge relating to employee share-based payments for the period was calculated based on the fair values of the awards multiplied by number of shares under awards and then spread over the vesting period with an adjustment for the likelihood of leavers and the achievement of performance conditions. The share-based payments charge in the year ended 29 October 2011 amounted to £25,846 *(2010: £nil)*.

27 Reserves

For details on the movement of reserves see the consolidated 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 Group freeholds and long leasehold were revalued at 29 October 2011.

Capital redemption reserve

The capital redemption reserve results from a previous buyback of shares.

Retained earnings

The Retained earnings represents the Group's accumulated undistributed earnings.

Reserves

All reserves of the Group relate to equity interests. Those reserves of the Company that may not be distributed under section 831 of the Companies Act 2006 comprise the share premium account, the capital redemption reserve, the revaluation reserve and ESOP reserve. The transfer from the revaluation reserve to the retained earnings 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. The Company made a profit of £1,067,000 *(2010: £771,000 loss*).

ESOP reserve

The Company operated a share option scheme up to year end October 2005 for Allan Allkins (who resigned on 31 May 2008). The share options were subject to performance related conditions set by the remuneration committee, which were not met. The trustees of the Employee Share Trust purchased the Company's ordinary shares in the open market under a facility guaranteed by the Company. The Company also has an obligation to make contributions to the Employee Share Trust to enable it to meet its financing costs. Rights to dividends on shares held by the plan have not been waived by the trustees. The number and market value of ordinary 5p shares held by the Employee Share Trust at 29 October 2011 was 76,752 *(2010: 76,752)* and £ 21,874 *(2010: £26,863)* respectively.

The transfer of the £188,000 from the capital redemption reserve to retained earnings relates to 1993 when Beale PLC's offer to acquire J.E. Beale plc became unconditional and the entire share capital of J.E. Beale plc was acquired in a one for one share exchange. In 1993 the Group incorrectly treated the £188,000 as part of the capital redemption reserve when it should have been treated as part of retained earnings.

The capital redemption reserve in the consolidated balance sheet should relate only to the Company's capital redemption reserve. This £188,000 is not treated as a prior year adjustment because it is a transfer from the capital redemption reserve to retained earnings.

Notes to the financial statements continued

28 Reconciliation of operating profit/(loss) to net cash flow from operating activities

	Group		Company	
	52 weeks to 29 October 2011 £000	*52 weeks to 30 October 2010 £000*	**52 weeks to 29 October 2011 £000**	*52 weeks to 30 October 2010 £000*
Operating profit/(loss)	**968**	*(421)*	**1,222**	*(684)*
Adjustments for:				
Cash disbursements of pension obligations (net of charge included within the income statement)	**(1,536)**	*(849)*	**–**	*–*
Negative goodwill	**(6,626)**	*–*	**(3,340)**	*–*
Depreciation	**1,819**	*1,878*	**180**	*179*
Fair value movement of derivative	**(155)**	*–*	**(155)**	*–*
Increase in inventories	**(169)**	*(968)*	**–**	*–*
Increase in trade and other receivables	**(1,224)**	*(136)*	**(1,838)**	*(5,710)*
Increase/(decrease) in trade and other payables	**8,611**	*1,087*	**963**	*(776)*
Cash generated from/(utilised in) operations	**1,688**	*591*	**(2,968)**	*(6,991)*

29 Analysis of net debt

Group	*30 October 2010 £000*	**Cash flow £000**	**Non cash item £000**	**29 October 2011 £000**
Cash at bank and in hand	*466*	**272**	**–**	**738**
Overdraft	*–*	**–**	**–**	**–**
	466	**272**	**–**	**738**
Debt due within one year	*–*	**(3,850)**	**–**	**(3,850)**
Debt due after one year**	*(8,600)*	**(1,650)**	**2,353**	**(7,897)**
	(8,134)	**(5,228)**	**2,353**	**(11,009)**
Finance lease*	*(979)*	**–**	**–**	**(979)**

Company	*30 October 2010 £000*	**Cash flow £000**	**Non cash item £000**	**29 October 2011 £000**
Cash at bank and in hand	*46*	**(2)**	**–**	**44**
	46	**(2)**	**–**	**44**
Debt due within one year	*–*	**–**	**–**	**–**
Debt due after one year**	*(8,600)*	**(3,000)**	**2,353**	**(9,247)**
	(8,554)	**(3,002)**	**2,353**	**(9,203)**
Finance lease*	*(979)*	**–**	**–**	**(979)**

* Finance lease relates to the long leasehold.
** Includes preference share non cash movement.

30 Financial instruments and risk management

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. During the year ARCS provided additional funding in the form of 8.5 million £1 preference shares (see note 20) which has been fair valued at £5.97m at inception and a £2.50 million term loan, fair valued at £2.50m.

The capital structure of the Group consists of debt, which includes borrowing disclosed in note 21, preference shares, cash and cash equivalents and share capital, share premium account, revaluation reserve, capital redemption reserve, ESOP reserve and retained earnings.

The Group is subject to a capital requirement under the HSBC loan agreement and a number of covenants. Failure to comply with most covenants allows the bank to appoint Monitoring Accountants. In January 2012 the Group arranged to extend the HSBC loan agreement to 28 February 2013. The directors meet the objectives of managing their capital by monitoring cashflows and balance sheets on a regular basis. It is noted that the ARCS preference shares also have requirements for the Group to comply with. The preference shares must be redeemed on a change of control of the Company or a sale of substantially all the assets of the Group.

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Overdrafts	**—**	*—*	**—**	*—*
Preference shares (note 20)	**6,147**	*—*	**6,147**	*—*
Debt (note 21)	**5,600**	*8,600*	**3,100**	*8,600*
Cash and cash equivalents	**(738)**	*(466)*	**(43)**	*(46)*
Net debt	**11,009**	*8,134*	**9,204**	*8,554*
Equity	**16,858**	*14,592*	**22,883**	*20,571*
Net debt to equity ratio	**65.30%**	*55.70%*	**40.22%**	*41.60%*

Categories of financial instruments

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Financial assets				
Loans and receivables	**5,676**	*4,402*	**16,571**	*14,734*
Cash and bank balances	**738**	*466*	**43**	*46*
Embedded derivative (FVTPL — fair value through profit or loss)	**1,233**	*—*	**1,233**	*—*
Held-to-maturity investments	**16**	*16*	**—**	*—*
Pension guarantee	**—**	*—*	**425**	*500*
	7,663	*4,884*	**18,272**	*15,280*
Financial liabilities				
Preference Shares (amortised cost)	**(6,147)**	*—*	**(6,147)**	*—*
Financial guarantee	**—**	*—*	**(425)**	*(500)*
Bank and other loans	**(5,600)**	*(8,600)*	**(3,100)**	*(8,600)*
Trade and other payables	**(15,797)**	*(8,523)*	**(1,160)**	*(248)*
	(27,544)	*(17,123)*	**(10,832)**	*(9,348)*

Notes to the financial statements continued

30 Financial instruments and risk management continued

Preference shares

The preference shares have a five year interest free period and also an option for the Company to repay at any time without any penalty. The preference shares have been fair valued at inception at £5,968,000. The initial value was established by an independent third party valuer. From the acquisition date the preference shares are accounted for on an amortised cost basis and were recorded at £6,147,000 at 29 October 2011. The effective interest rate arising on the preference share liability is 7.11%

Financial instruments

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, as with the 8.5m preference shares, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

No dividend accrues on the preference shares until five years from the date of issue. Thereafter a preferential dividend of 8 percent per annum will be payable on each of the preference shares for 4 years, increasing to 9% thereafter. The preference shares can be repaid at any time at no penalty.

An embedded derivative in relation to the prepayment option arising on the 8,500,000 preference shares was valued at inception to be £1,078,000. As at 29 October 2011 the derivative was valued at £1,233,000. It has been assumed the Group can borrow at 4% over LIBOR without security in determining the credit spread required to value this instrument. The valuations were supplied by an independent third party.

	Group		Company	
	2011 £000	*2010 £000*	**2011 £000**	*2010 £000*
Embedded derivative	**1,233**	—	**1,233**	—
	1,233	—	**1,233**	—

Embedded derivative sensitivity analysis:

The table below illustrates the estimated impact on the income statement and equity as a result of market movements in interest rates in relation to the Group's financial instruments. The Group considers that a 1% ± movement in interest rates represents a reasonable possible change. However, this analysis is for illustrative purposes only. There is no sensitivity analysis for the prior year as no derivative was held in the prior year.

	1% decrease in interest rate £000	1% increase in interest rate £000
Impact on income statement gain/(loss)	**188**	**(163)**

Financial risk management objectives

The Group'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 Group. 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 Group 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 Group'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 Group has not entered into any forward foreign currency exchange contracts during the year. Accordingly no sensitivity analysis is disclosed.

30 Financial instruments and risk management continued

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds from third parties the interest rates on which are linked to LIBOR and because of the embedded derivative. The preference shares are interest free for the five years commencing 22 May 2011.

Given the above and assuming that going forward the base rate is relatively stable, the Group'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 Group 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 for both derivatives and non-derivative instruments 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 Group's profit for the year ended 29 October 2011 would decrease by £220,000 *(2010: decrease by £61,000)*. If interest rates had been 1% lower and all other variables constant, the Group's profit for the year ended 29 October 2011 would increase by £245,000 *(2010: £61,000)*.

This is attributable to the Group's exposure to interest rates on its bank borrowing and credit spread on its derivative instrument. The Group's exposure to interest rate risk increased during the year as a result of the embedded derivative as noted before.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group'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 Group's exposure to credit risk is extremely low. The Group's main lending relates to lending to the public in the form of the store card debtors and interest free credit debtors. The Group does carry out credit evaluation on a fair proportion of credit accounts opened. The Board regard credit risk to the Group 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 Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. As at the year end the Group have a further £6.6m of undrawn committed borrowing facilities, including credit balances, available for drawdown.

The following tables detail the Group'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.

Notes to the financial statements continued

30 Financial instruments and risk management continued

Group 29 October 2011	Average Interest rate	Less than 1 month £000	1-3 Months £000	3 month to 1 year £000	1-5 years £000	More than 5 years £000	Total £000
Preference shares	7.11%	—	—	—	—	11,262	11,262
ARCS loan	4.83%	250	—	602	1,919	—	2,771
Bank loan	3.59%	—	—	3,211	—	—	3,211
Finance lease (note 23)	8.5%	—	—	34	136	1,774	1,944
		250	—	3,847	2,055	13,036	19,188
30 October 2010							
Bank loan	*3.5%*	—	—	—	*9,151*	—	*9,151*
Finance lease	*8.5%*	—	—	*34*	*136*	*1,807*	*1,977*
		—	—	*34*	*9,287*	*1,807*	*11,128*

Company 29 October 2011	Average Interest rate	Less than 1 month £000	1-3 Months £000	3 month to 1 year £000	1-5 years £000	More than 5 years £000	Total £000
Preference shares	7.11%	—	—	—	—	11,262	11,262
Bank loan	3.59%	—	—	3,211	—	—	3,211
Finance lease	8.5%	—	—	34	136	1,774	1,944
Intercompany balance		852	—	—	—	—	852
		852	—	3,245	136	13,036	17,269
30 October 2010							
Bank loan	*3.5%*	—	—	—	*9,151*	—	*9,151*
Finance lease	*8.5%*	—	—	*34*	*136*	*1,807*	*1,977*
		—	—	*34*	*9,287*	*1,807*	*11,128*

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).

30 Financial instruments and risk management continued

Group 29 October 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at FVTPL (Fair value through profit or loss)				
Derivative financial assets	—	1,233	—	1,233
Non-derivative financial assets held for trading	—	—	6,414	6,414
Available for sale financial assets	—	—	16	16
Total	—	1,233	6,430	7,663
Financial liabilities at FVTPL				
Preference shares	—	6,147	—	6,147
Financial liabilities designated at FVTPL	—	—	21,397	21,397
Total	—	6,147	21,397	27,544

Group 30 October 2010				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	—	—	*4,868*	*4,868*
Available for sale financial assets	—	—	*16*	*16*
Total	—	—	*4,884*	*4,884*
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	—	—	*17,123*	*17,123*

Company 29 October 2011				
Financial assets at FVTPL				
Derivative financial assets	—	1,233	—	1,233
Non-derivative financial assets held for trading	—	—	17,039	17,039
Total	—	1,233	17,039	18,272
Financial liabilities at FVTPL				
Preference shares	—	6,147	—	6,147
Non-derivative financial assets held for trading	—	—	4,685	4,685
Total	—	6,147	4,685	10,832

Company 30 October 2010				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	—	—	*15,280*	*15,280*
Financial liabilities at FVTPL				
Non-derivative financial assets held for trading	—	—	*9,348*	*9,348*

Notes to the financial statements continued

31 Commitments under operating leases

Group	2011 Land & buildings £000	2011 Other £000	*2010 Land & buildings £000*	*2010 Other £000*
At 29 October 2011 the Group had total commitments under non-cancellable operating leases as follows:				
Within one year	**6,221**	**275**	*4,513*	*127*
Between two and five years	**23,963**	**514**	*17,614*	*58*
More than five years	**54,111**	**–**	*45,931*	*–*
	84,295	**789**	*68,058*	*185*

The lessee's significant leasing arrangements relate to the leasing of department stores. None of the leases give the Group a purchase option. The Group'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.

Company

The Company had no commitments under non-cancellable operating leases at 29 October 2011 and 30 October 2010.

32 Pensions

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

Beales Pension Scheme

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

Denners Pension Scheme

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

Defined benefit plans

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

32 Pensions continued

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 aims to eliminate the current deficit by November 2017. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the trustees every three years, based on actuarial valuations. The Group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

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

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

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

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

The expected rate of return on assets for the financial year ending 29 October 2011 was 6.2% per annum *(2010: 6.2% per annum)*. This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 30 October 2010.

The estimated amount of contributions expected to be paid to the Beales and Denners plans during 2011/12 in respect of final salary benefits is £1,550,004 *(2010: £1,574,004)*. As at 29 October 2011 there is a contribution creditor within the defined benefit plans of £129,167 *(2010: £135,167)*.

Defined contribution

Group contributions to the defined contribution scheme totalled £237,000 *(2010: £212,000)*.

Principal actuarial assumptions

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

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

Notes to the financial statements continued

32 Pensions continued

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

	2011 £000	2010 £000	2009 £000
Retail price inflation	**2.90%**	*3.20%*	*3.20%*
Consumer price index	**2.20%**	*2.60%*	*n/a*
Discount rate	**5.20%**	*5.40%*	*5.60%*
Pension increases (fixed 5%)	**5.00%**	*5.00%*	*5.00%*
Pension increases (LPI)	**2.70%**	*3.00%*	*3.00%*
General salary increases	**2.20%**	*3.20%*	*3.20%*
Expected return on assets	**5.90%**	*6.20%*	*6.20%*
Life expectancy of male/female pensioner aged 65	**22.2/25.0**	*22.1/25.0*	*22.0/24.8*
Life expectancy of male/female member from the age of 65 currently aged 50	**23.0/25.8**	*22.9/25.7*	*22.8/25.7*

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

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

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

32 Pensions continued

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

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

	Expected return			Fair value of assets		
	2011 % pa	2010 % pa	2009 % pa	2011 £000	2010 £000	2009 £000
Equity instruments	**7.9**	*8.1*	*8.1*	**14,578**	*13,915*	*12,331*
Bonds	**4.6**	*4.9*	*5.0*	**22,545**	*21,096*	*19,598*
Other	**3.4**	*4.1*	*4.1*	**17**	*93*	*66*
Property	**5.4**	*6.1*	*6.1*	**150**	*150*	*200*
Annuities	**5.2**	*5.6*	*5.6*	**1,297**	*1,314*	*1,313*
				38,587	*36,568*	*33,508*

Scheme assets

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

Asset category	2011 £000	2010 £000	2009 £000
Equities	**38%**	*38%*	*37%*
Bonds	**58%**	*58%*	*58%*
Property	**–**	*–*	*1%*
Insured pension asset	**4%**	*4%*	*4%*
Other	**–**	*–*	*–*
Total	**100%**	*100%*	*100%*

Notes to the financial statements continued

32 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 asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

Weighted average assumptions used to determine benefit obligations at:	29 October 2011	30 October 2010
Discount rate	5.2%	5.4%
Rate of compensation increase	2.9%	3.2%

Weighted average assumptions used to determine net pension cost for period ended:	29 October 2011	30 October 2010
Discount rate	5.4%	5.6%
Expected long-term return on scheme assets	6.2%	6.2%
Rate of compensation increase	2.9%	3.2%

Sensitivity analysis

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

Funding position	Discount rate movement of - 0.25%	RPI movement of + 0.25%
Impact on balance sheet deficit	Deficit up by £1.3m	Deficit up by £0.5m
Impact on 2010/2011 Income Statement	Income Statement profit up by £0.02m	Income Statement profit down by £0.03m

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

Funding position	Discount rate movement of - 0.25%	RPI movement of + 0.25%
Impact on balance sheet deficit	Deficit up by £1.4m	Deficit up by £0.6m
Impact on 2009/10 Income Statement	Income Statement profit up by £0.02m	Income Statement profit down by £0.03m

	52 weeks to 29 October 2011 £000	52 weeks to 30 October 2010 £000	52 weeks to 29 October 2009 £000	52 weeks to 1 November 2008 £000	53 weeks to 3 November 2007 £000
Actual return on plan assets	2,150	3,800	5,858	(4,572)	2,135
Difference between actual and expected return on scheme assets					
— Amount of (gain) and loss	99	(1,758)	(3,767)	6,674	(265)
— Percentage of scheme assets	0.26%	(4.81%)	(11.24%)	23.66%	(0.81%)
Experience (gains) and losses on scheme liabilities					
— Amount	(850)	(1)	(5)	808	206
— Percentage of Scheme liabilities	2.19%	—	—	2.7%	0.6%

33 Related party transactions

Related party transactions were made on terms equivalent to those that prevail in any arms length transactions. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Beale PLC is quoted on the London Stock Exchange and as such, no individual shareholder is the ultimate controlling party.

During the year the Company received rent of £295,000 *(2010: £295,000)*, interest of £171,578 *(2010: £158,923)* and a management charge of £nil *(2010: £nil)* from JE Beale plc.

At the year end there was a £16.5 million loan *(2010: £9.0 million)* from the Company to JE Beale plc. £9.0 million *(2010: £9.0 million)* of the loan was repayable on 366 day's notice and £7.5 million *(2010: £nil)* was repayable on demand. In addition, at 29 October 2011, the Company owed £852,096 *(2010: £nil)* to JE Beale plc. At 29 October 2011 the Company was owed £nil *(2010: £5.6 million)* by J.E. Beale plc. The remuneration of the directors, who are the key management personnel of the Group, is set out in the Board Report on Directors' Remuneration on pages 70 to 74.

On the 22 July 2011 Panther Securities PLC who own 29.72% of Beale plc purchased 5 freeholds from ARCS for £7.1 million. J.E. Beale plc is the tenant in relation to the five freeholds. During the period from 22 July 2011 to 29 October 2011 no rent was payable by J.E. Beale plc as the leases had rent free periods. As referred to in note 20 and note 21 ARCS owns 8.5 million £1 preference shares in Beale PLC and the Group has a £2.5 million loan from ARCS.

Board Report on Directors' Remuneration

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The 2008 regulation requires the auditors to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

The members of the committee were Keith Edelman and Mike Killingley, who were both independent non-executive directors; with Keith Edelman chairing the committee. On 8 November 2011 Mike Killingley resigned from the committee and William Tuffy was appointed chairman of the committee.

Neither member of the committee had any personal financial interest (other than as a shareholder), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration.

Remuneration policy for the executive directors

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Group's position and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the committee.

There are four main elements of the remuneration package for executive directors:

- basic annual salary;
- benefits in kind;
- annual bonus payments; and
- pension arrangements.

The Company's policy is that a substantial proportion of the remuneration of the executive directors should be performance related.

Executive directors are entitled to accept appointments outside the Company provided that the Board's permission is first sought.

Basic salary

Executive directors' salaries are reviewed annually on 1 October with regard to levels of remuneration and performance relative to comparable companies within the department store/retail sector, growth in returns to shareholders through earnings per share and capital growth and the contribution of the individual director. In addition, the committee considers average staff pay increases and the conditions of employees when setting directors' remuneration.

Benefits in kind

The executive directors receive certain benefits in kind, private health insurance and discount on merchandise purchased in store. Tony Richards' subsistence expenses are paid for by the Company. Tony Brown and Tony Richards had a fully funded company car and Ken Owst received a car allowance throughout the year.

Performance Share Plan

The Performance Share Plan ('PSP'), which was approved by shareholders at the 2011 EGM, was introduced as the Company's primary long-term incentive plan. Under the PSP, awards are made to executive directors and selected other executives on the following basis:

The maximum award level is 150% of base salary per annum although awards up to 200% of base salary may be granted to an individual in exceptional circumstances (e.g. recruitment or retention).

For the awards granted to the executive directors and senior executives this year; the performance condition that will determine the vesting of awards will be based on the absolute "EPS" in 2013/14. EPS is the earnings per share of the company calculated on such basis as specified by the committee. The performance condition applying to the awards granted will allow 25 percent of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100 percent vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. For the purposes of comparison, EPS in the 2010/11 financial year of the Company was 2.93 pence.

Performance conditions were calculated by the remuneration committee. The committee may decide that executives benefit, in the form of additional cash or shares, from the value of dividends paid over the vesting period, to the extent that awards vest. It is currently intended that new issued shares are used to satisfy awards.

Bonus

The executive directors participate in an annual bonus scheme whereby Tony Brown can earn a bonus of up to 100% of his salary. Ken Owst and Tony Richards can earn a bonus of up to 60% of their salary. This scheme is self-financing and is based primarily on achieving demanding profit targets; the scheme also provides for an element payable at the discretion of the remuneration committee.

All executive directors also participate in the Medium Term Bonus Scheme (MTBS) which ran for the three years ending 29 October 2011. The amounts which accrue to the directors under the MTBS are equal to their annual bonuses from the above scheme. The medium term bonuses are only payable if the directors are in Beale PLC employment, are not working their notice period and have not tendered their resignation, when the bonus becomes payable in January 2012. Under this scheme no bonus was payable.

In the year ended 29 October 2011 following significant contributions from the executive directors in relation to the acquisition of 19 department stores from ARCS, the remuneration committee awarded bonuses as set out in the directors' emoluments note below.

Audited information

Pension arrangements

One executive director, Ken Owst was a deferred member of the final salary section of the Group's occupational pension scheme, which is registered with HM Revenue and Customs. The final salary pension scheme was closed to further accrual on 30 April 2009. Bonus payments and benefits in kind were not pensionable.

The scheme provided for enhanced benefits for Ken Owst, namely a normal retirement age of 60, an accrual rate of 1/45 final salary for each year of service, life assurance cover, plus a spouse's pension following death in service, if applicable, and a spouse's pension after retirement. Ken Owst is entitled to a pension on early retirement due to ill health of 2/3 final salary. Spouses' pensions of one half of directors' pensions are payable on death after retirement. In common with other members, pensions related to service prior to 6 April 1997 are increased by 5% per annum and pensions related to subsequent service are increased in line with the Retail Prices Index (subject to a maximum of 5% per annum).

Name of director	Age (last birthday) at 29/10/11	Directors' contributions in the accounting period (note (a)) £	Transfer value of accrued benefits at 30/10/10 £	Transfer value of increase in accrued pension over the period (net of member contributions) £	Transfer value of accrued benefits at 29/10/11 £	Increase in transfer value over the accounting period less directors' contributions £	Increase in accrued pension (note (b)) £ p.a.	Accrued pension at 29/10/11 (note (c)) £ p.a.
Ken Owst	55	nil	475,100	nil	557,300	82,200	nil	42,500
2010	*54*	*nil*	*462,700*	*nil*	*475,100*	*12,400*	*nil*	*41,200*

Board Report on Directors' Remuneration continued

Notes:

(a) Since the defined benefit section of the scheme closed to future accrual on 30 April 2009, no contributions have been paid in the accounting period by the director.

(b) The absolute increase in accrued pension during the accounting period (net of inflation).

(c) Accrued pension is that which would be paid annually on retirement at 60, based on service to 30 April 2009 when the scheme closed to future accrual.

(d) Ken Owst's £82,200 increase in the transfer value over the accounting period was primarily caused by a steep fall in gilt yields which occurred during the year.

(e) The Company contributed £10,116 *(2010: £10,000)* to Ken Owst's personal pension scheme. Tony Brown is a member of the money purchase section of the Group's occupational pension scheme and the Company contributed £37,500 *(2010: £35,625)* to his pension fund in the financial year.

Unaudited information

Service contracts and letters of appointment

The remuneration committee has considered it inappropriate to quantify damages payable in the event of service contracts being terminated. It concluded that this would only be beneficial if termination followed a change in control of the Company and, in such an event, up to twelve months salary has been agreed as an appropriate estimate.

	Date of contract	Unexpired term	Notice period
Tony Brown	11/10/2007	11 years 1 month	1 year
John Chillcott	08/07/2011	See page 18	See page 18
Mike Killingley (resigned 8 November 2011)	27/01/2010	1 years 4 months	6 months
Ken Owst	06/03/1995	4 years 8 months	1 year
Keith Edelman	15/09/2011	2 years 11 months	6 months
Simon Peters	19/04/2010	1 years 6 months	6 months
Tony Richards	30/08/2011	19 years 4 months	1 year

Non-executive directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The basic fee paid to each non-executive director in the year is set out below. The non-executive directors do not receive additional fees in respect of their membership of the remuneration committee, nomination committee or audit committee. Non-executive directors cannot participate in any of the Company's future share option schemes and are not eligible to join the Company's pension scheme.

Audited information

Directors' emoluments

	Salary £000	Benefits £000	Fees £000	Bonus £000	**2011 Total £000**	*2010 Total £000*
Executive						
Tony Brown	250	6	–	107	**363**	*251*
Barbara King	–	–	–	–	**–**	*19*
Tony Richards	41	6	–	10	**57**	–
Ken Owst	128	8	–	107	**243**	*133*
Non-executive						
Keith Edelman	–	–	25	–	**25**	*25*
Mike Killingley	–	–	44	–	**44**	*43*
Simon Peters	–	–	–	–	**–**	–
John Chillcott	–	–	–	–	**–**	–
Total	419	20	69	224	**732**	*471*

The above bonuses were awarded in recognition of the directors' significant contribution in relation to the acquisition of 19 department stores from ARCS.

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2011 £000	*2010 £000*
Salaries, fees, bonuses and benefits in kind	**732**	*471*
Compensation for loss of office	**–**	–
Gains on exercise of share options	**–**	–
Amounts receivable under long-term incentive schemes	**–**	–
Money purchase pension contributions	**48**	*47*
	780	*518*

Ken Owst is a deferred member of the defined benefit scheme section of the Beales pension scheme and has a personal pension. Tony Brown is a member of the defined contribution section of the Beales pension scheme.

Share option plans

During the year there were no share option plans in operation, all previously allocated options having lapsed in 2005.

Performance Share Plan

At 29 October 2011, outstanding awards to directors under the Performance Share Plan were as follows:

Director	Award date	Vesting date	Market price at award date	At 30 October 2010	Awarded during year	Lapsed during year	Vested during year	At 29 October 2011
Tony Brown	July 2011	Oct 2014	36.25p	–	553,250	–	–	553,250
Ken Owst	July 2011	Oct 2014	36.25p	–	138,312	–	–	138,312
Tony Richards	Sept 2011	Oct 2014	29p	–	138,312	–	–	138,312

For specific details of the plan see pages 70 and 71 and note 26.

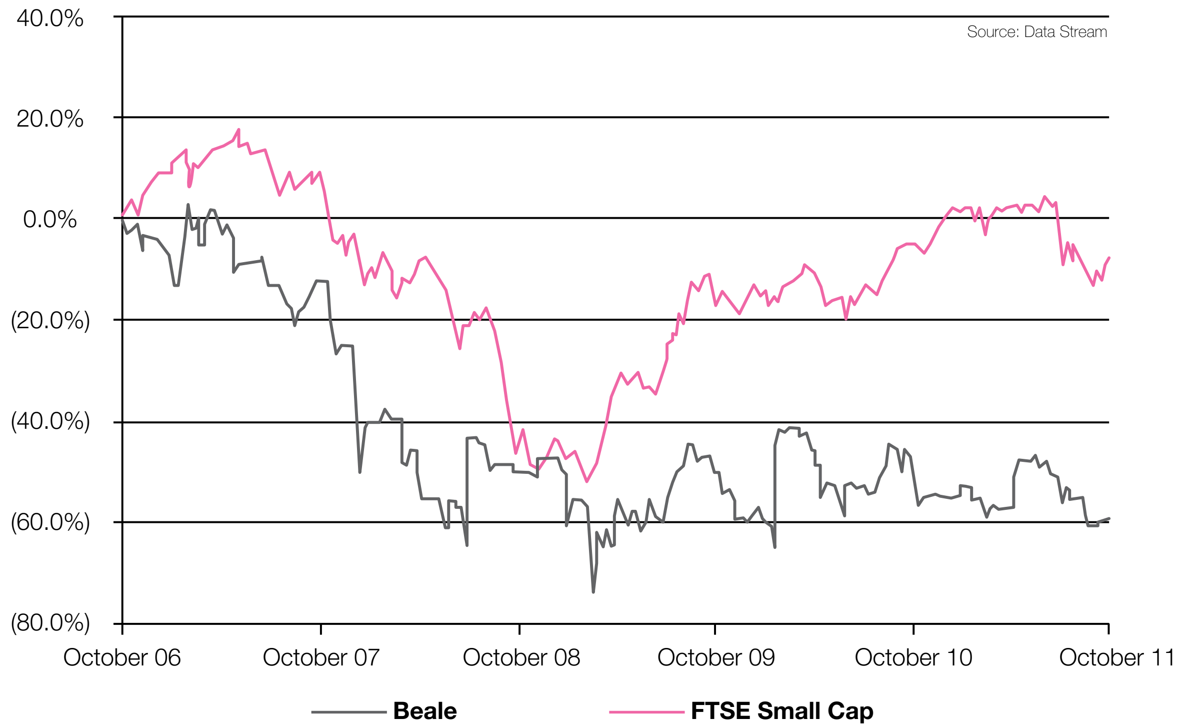
Board Report on Directors' Remuneration continued

For the awards granted to the executive directors and senior executives this year; the performance condition that will determine the vesting of awards will be based on the absolute "EPS" in 2013/14. EPS is the earnings per share of the Company calculated on such basis as specified by the committee. The performance condition applying to the awards granted will allow 25 percent of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100 percent vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. For the purposes of comparison, EPS in the 2010/11 financial year of the Company was 2.93 pence. For further details see note 26.

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap Index also measured by total shareholder return. The FTSE Small Cap Index has been selected for this comparison because the Company's stockbrokers, Shore Capital & Corporate Ltd, have advised it is an appropriate comparator for performance.

Beale Vs FTSE Small Cap



Signed on behalf of the Board

William Tuffy
(appointed 8 November 2011)
Chairman of the remuneration committee
25 January 2012

Notice of Annual General Meeting

BEALE PLC

Company Number 02755125 (England & Wales)

Notice is hereby given that the Annual General Meeting of Beale PLC will be held at The Haven Hotel, Sandbanks, Poole on Thursday 22 March 2012 at 3.00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 10 (inclusive) will be proposed as ordinary resolutions and resolution 11 will be proposed as a special resolution:

Ordinary resolutions

1. To receive the financial statements and reports of the directors and auditors for the 52 weeks ended 29 October 2011.
2. To receive the directors' remuneration report for the 52 weeks ended 29 October 2011.
3. To re-elect Tony Brown as an executive director.
4. To re-elect Ken Owst as an executive director.
5. To elect Tony Richards as an executive director.
6. To re-elect Keith Edelman as an independent non-executive director.
7. To elect William Tuffy as an independent non-executive director.
8. To re-appoint Deloitte LLP as auditor.
9. To authorise the directors to determine the auditor's remuneration.
10. To generally and unconditionally authorise the directors for the purposes of section 551 of the Companies Act 2006 (the "Act") to allot shares (or to grant rights to subscribe for or to convert any security into shares) in the Company up to an aggregate nominal amount of £342,079. Such authority, unless previously renewed, extended, varied or revoked by the Company in general meeting, shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2013, provided that the Company may, prior to the expiry of such period, make an offer or agreement which would or might require shares to be allotted after such expiry and the directors may allot shares pursuant to such offer or agreement notwithstanding the expiry of the authority given by this resolution.

Special resolution

11. Subject to and conditional upon the passing of resolution 10 above, to empower the directors pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash as if section 561(1) of the Act did not apply to any such allotment provided that:

    (a) the power conferred hereby shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2013 unless previously renewed, extended, varied or revoked by the Company in general meeting;

    (b) the Company may, before the expiry of such authority, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and

Notice of Annual General Meeting continued

(c) such authority is limited to:

(i) the allotment of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and/or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; or

(ii) the allotment of equity securities up to an aggregate nominal amount of £51,312 for cash otherwise than pursuant to paragraph (c)(i) above.

By order of the Board

Chris Varley BSc FCA
Secretary
13 February 2012
Bournemouth

Registered office:
The Granville Chambers
21 Richmond Hill
Bournemouth
BH2 6BJ

Notes:

(a) **THIS SECTION OF THE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser in your own jurisdiction.

If you have recently sold or otherwise transferred all of your ordinary shares in Beale PLC, please pass this document together with the accompanying form of proxy to the purchaser or transferee or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares as soon as possible.

(b) Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at the meeting and at any adjournment of it. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to different shares held by that shareholder. A proxy need not be a member of the Company. A proxy form for appointing a proxy and giving proxy instructions in respect of shares held in certificated form accompanies this notice. Members may only appoint a proxy using the procedures set out in these notes and (in respect of shares held in certificated form) the notes to the proxy form. To appoint more than one proxy, you may photocopy the form of proxy. Please indicate the proxy holder's names and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you).

(c) To be valid, any proxy form should be completed and returned (together with the power of attorney or other authority, if any, under which it is signed or a duly certified copy of such power or authority) so as to reach the Company's registrars, Capita Registrars, The Registry (PXS), 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time fixed for the meeting (the "Specified Time"). Completion and return of a proxy form or the giving of a CREST proxy instruction in accordance with note (d) below does not preclude a member from subsequently attending the meeting and voting in person. If a shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

(d) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of such meeting by using the procedures described in the CREST manual (available from https://www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent RA10 by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that its CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may, in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (the "2001 Regulations"), treat a CREST proxy instruction as invalid.

(e) Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no proxy appointment right or has such right but does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in note (b) does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

(f) In accordance with Regulation 41 of the 2001 Regulations, the Company gives notice that only those members entered on the Company's register of members (the "Register") at the Specified Time will be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in such notice.

(g) As at 13 February 2012 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 20,524,797 ordinary shares of 5 pence each and 8,500,000 redeemable preference shares of £1.00 each. While the preference shares do not ordinarily carry voting rights, each ordinary share carries one vote and the total voting rights in the Company as at 13 February 2012 are, therefore, 20,524,797.

Notice of Annual General Meeting continued

(h) The directors' service agreements and letters of appointment are available for inspection at the Company's registered office during normal office hours until the day of the meeting, when they will be available at The Haven Hotel, Sandbanks, Poole from fifteen minutes prior to the meeting until its conclusion.

(i) Information regarding the meeting, including the information required by section 311A of the Act, is available from www.beales.co.uk.

(j) Under section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(k) Pursuant to sections 527 to 531 of the Act, where requested by a member or members meeting the qualification criteria set out at note (l) below, the Company must publish on its website a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting.

Where the Company is required to publish such a statement on its website:

- it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
- it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
- the statement may be dealt with as part of the business of the meeting.

The request:

- may be in hard copy form or in electronic form (see note (m) below);
- must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported;
- must be authenticated by the person or persons making it (see note (m) below); and
- must be received by the Company at least one week before the meeting.

(l) In order to be able to exercise the members' right to require the Company to publish audit concerns, the relevant request must be made by:

- a member or members having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company; or
- at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital.

(m) Where a member or members wish to request the Company to publish audit concerns, such request must be made in one of the following ways:

- a hard copy request which is signed by the member, states his full name and address and is sent to the Secretary at the address provided above;
- a request which is signed by the member, states his full name and address and is sent by fax to 01202 317 286 marked for the attention of the Secretary; or
- a request which states the full name and address of the member and is sent to CVarley@beales.co.uk. Please state "AGM" in the subject line of the e-mail.

Explanatory Notes to Certain Resolutions to be Proposed at the AGM

Resolution 10: Directors' authority to allot shares
Resolution 10 seeks to give the directors authority to allot ordinary shares in the Company. In accordance with guidelines issued by the Association of British Insurers, the directors are requesting general authority to allot shares having a maximum nominal value of up to £342,079 (being one third of the Company's existing issued ordinary share capital).

Resolution 11: Authority for disapplication of statutory pre-emption rights
Resolution 11 sets out details of how the general authority would potentially be used.

The directors may wish to exercise the authority given to them under resolution 10 in respect of a proportionate rights issue or open offer to holders of equity securities. Such an issue would present certain practical issues in respect of (for example) fractional entitlements. This resolution would enable the directors to resolve these issues. If the directors wish to exercise their authority under resolution 10 and allot unissued ordinary shares for cash, the Act stipulates that they can only do so if such an issue is made on a pre-emptive basis or to the extent that shareholders have given specific authority for the waiver of statutory pre-emption rights which provide that new shares must first be offered to existing shareholders in proportion to their existing shareholdings.

In certain circumstances, it may be in the best interests of the Company to allot new ordinary shares, or to grant rights over such shares, for cash without first offering them to existing shareholders. For example, the directors may wish to implement a placing of new equity securities. Resolution 11 seeks to provide the directors with authority to allot ordinary shares for such a purpose until the earlier of the date falling 15 months after the AGM and the conclusion of the Annual General Meeting of the Company to be held in 2013. The authority sought is limited to the issue of shares having a nominal value of up to £51,312, representing 5% of the total issued ordinary share capital of the Company as at 13 February 2012 (being the latest practicable date prior to the publication of this notice). There are no ordinary shares held by the Company in treasury.

While the directors have no present intention to exercise the authorities proposed to be conferred by resolutions 10 and 11, they believe that the granting of such authorities will preserve the Board's flexibility to take advantage of further opportunities if and when they arise.

The directors consider the passing of the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole and most likely to promote the success of the Company for the benefit of those shareholders. Accordingly, the directors unanimously recommend that you vote in favour of those resolutions as they intend to do in respect of their own beneficial shareholdings representing, in aggregate, approximately 0.35% of the Company's issued share capital.

Group Five Year Record

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Gross sales*	**110,027**	*87,247*	*84,950*	*88,982*	*107,759*
Gross sales (excl. VAT)	**92,448**	*74,696*	*73,735*	*75,891*	*91,867*
Revenue	**61,969**	*48,566*	*47,566*	*47,881*	*58,781*
Profit/(Loss) before taxation	**543**	*(668)*	*(987)*	*(1,522)*	*(1,391)*
Taxation credit	**58**	*85*	*70*	*131*	*417*
Profit/(Loss) after taxation	**601**	*(583)*	*(917)*	*(1,391)*	*(974)*
Fixed assets					
Goodwill	**892**	*892*	*892*	*892*	*892*
Tangible assets	**26,586**	*24,096*	*24,201*	*25,219*	*28,986*
Financial assets	**1,249**	*16*	*16*	*16*	*16*
Cash balance	**738**	*466*	*671*	*76*	*91*
Other current assets	**22,138**	*13,897*	*12,500*	*13,133*	*16,243*
Current liabilities	**(19,682)**	*(10,075)*	*(8,970)*	*(10,423)*	*(17,134)*
Non-current liabilities	**(15,063)**	*(14,700)*	*(15,505)*	*(11,482)*	*(8,416)*
Net assets	**16,858**	*14,592*	*13,805*	*17,431*	*20,678*
Capital employed					
Share capital	**1,026**	*1,026*	*1,026*	*1,026*	*1,026*
Reserves	**15,832**	*13,566*	*12,779*	*16,405*	*19,652*
Total shareholders' funds	**16,858**	*14,592*	*13,805*	*17,431*	*20,678*
Basic earnings/(loss) per share	**2.93p**	*(2.84p)*	*(4.47p)*	*(6.78p)*	*(4.75p)*
Dividends per share declared	**—**	—	—	—	—
Profit/(Loss) on shareholders' funds	**3.82%**	*(4.11%)*	*(5.87%)*	*(7.13%)*	*(4.68%)*
Net assets per share	**82.1p**	*71.1p*	*67.3p*	*84.9p*	*101p*

* Gross sales reflect revenue inclusive of concession sales and VAT.

Corporate Information

Registered Office	The Granville Chambers 21 Richmond Hill Bournemouth, BH2 6BJ United Kingdom telephone 01202 552022 facsimile 01202 317286 www.beales.co.uk
Secretary	Chris Varley BSc, FCA
Auditor	Deloitte LLP, Southampton
Bankers	HSBC Bank plc, Southampton
Stockbrokers	Shore Capital and Corporate Limited, London
Registrars	Capita Registrars Limited, Beckenham
Solicitors	Blake Lapthorn, Southampton
Honorary President	Nigel Beale

Financial Calendar

Annual General Meeting	22 March 2012
Announcement of interim results for the 26 weeks to 28 April 2012	25 June 2012
End of financial year (53 weeks)	3 November 2012
Announcement of results for the 53 weeks to 3 November 2012	January 2013

Shareholder Information

Shareholder discount

The Company operates a discount scheme through the Group's card account. This entitles shareholders with 2,500 or more shares to a discount of 10% on purchases (5% on electrical products) of up to £5,000 made in the Group's stores in the financial year to 3 November 2012. The scheme is reviewed annually.

Beales Stores

Abingdon
Fairacres Retail Park
Marcham Road
Abingdon, Oxon OX14 1TP
Tel: 01235 559 110

Beccles
22 Smallgate
Beccles, Suffolk NR34 9AD
Telephone: 01502 716 705

Bedford
5A Harpur Street
Bedford, Bedfordshire MK40 1PE
Tel: 01234 353 292

Bishop Auckland
80 Newgate Street
Bishop Auckland, County Durham
DL14 7EQ
Telephone: 01388 602 345

Bolton
79/87 Deansgate
Bolton, Lancashire BL1 1HE
Tel: 01204 521 111

Bournemouth
36 Old Christchurch Road
Bournemouth BH1 1LJ
Tel: 01202 552 022

Chipping Norton
1-4 High Street
Chipping Norton, Oxfordshire OX7 5AB
Telephone: 01608 645 141

Cinderford
Town Hall Buiildings
High Street, Cinderford, Gloucestershire
GL14 2SP
Telephone: 01594 823 555

Diss
Market Place
Diss, Norfolk IP22 4AB
Telephone: 01379 652 248

Harrogate
5 Albert Street
Harrogate, North Yorkshire HG1 1JU
Telephone: 01423 523 731

Hexham
48 Fore Street
Hexham, Northumberland NE46 1NA
Tel: 01434 602151

Horsham
1 The Forum
Lower Tanbridge Way
Horsham, West Sussex RH12 1PQ
Tel: 01403 225 220

Keighley
Beales Home Store
Hanover Street, Keighley, West Yorkshire
BD21 3QJ
Telephone: 01535 602 776

Beales Fashion Store
Low Street
Keighley, West Yorkshire BD21 3PU
Telephone: 01535 602 776

Kendal
37/58 Finkle Street
Kendal, Cumbria LA9 4AL
Tel: 01539 720 404

King's Lynn
Vancouver Centre
St Dominic's Square
King's Lynn, Norfolk PE30 1DT
Telephone: 01553 760 981

Lowestoft
141 London Road North
Lowestoft, Suffolk NR32 1ND
Telephone: 01502 512 444

Mansfield
Queen Street
Mansfield, Nottinghamshire NG18 1JR
Telephone: 01623 622 582

Peterborough
Park Road
Peterborough PE1 2TA
Telephone: 01733 887 930

Poole
Dolphin Centre
Poole, Dorset BH15 1SQ
Tel: 01202 675 721

Redcar
7 Regent Walk
Redcar, Cleveland TS10 3FB
Telephone: 01642 491 397

Rochdale
Lord Square
Rochdale OL16 1ED
Telephone: 01706 646 071

SaffronWalden
6 Market Place
Saffron Walden, Essex CB10 1HR
Telephone: 01799 582 630

Skegness
77-87 Lumley Road
Skegness, Lincolnshire PE25 3LS
Telephone: 01754 613 600

Skipton
Swadford Street
Skipton, North Yorkshire BD23 1UR
Telephone: 01756 791 417

Southport
295-307 Lord Street
Southport, Merseyside PR8 1NY
Tel: 01704 535 177

Spalding
7 Market Place
Spalding, Lincolnshire PE11 1SL
Telephone: 01775 713 424

St Neots
57 High Street
St. Neots, Cambridgeshire PE19 1BT
Telephone: 01480 473 242

Tonbridge
Angel Centre
Angel Lane, Tonbridge, Kent TN9 1SF
Tel: 01732 771 177

Winchester
The Brooks
Upper Brook Street, Winchester,
Hampshire SO23 8TL
Tel: 01962 844 749

Wisbech
1-2 Church Terrace
Wisbech, Cambridgeshire PE13 1BJ
Telephone: 01945 582 243

Worthing
South Street
Worthing, West Sussex BN11 3AN
Tel: 01903 231 801

Yeovil
High Street
Yeovil, Somerset BA20 1RU
Tel: 01935 444 444

Registered office
The Granville Chambers
21 Richmond Hill, Bournemouth, BH2 6BJ
United Kingdom
Tel: 01202 552022
Fax: 01202 317286

www.beales.co.uk