BEALE
PLC

Interim Report and Accounts 2011

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BEALES

Interim Management Report
26 week period ended 30 April 2011

Financial Results

The loss for the 26 weeks ended 30 April 2011 was £1.2 million *(2010: profit £0.9 million)*. However this loss included an exceptional charge of £1.3 million for professional costs in connection with the acquisition of 19 department stores from Anglia Regional Co-operative Society (ARCS), which was completed in May, and which is described more fully below.

There was no tax charge in either period.

Even after adjusting for the exceptional costs, the results were disappointing. Gross sales, which include the full value of concession sales and VAT, were up 3.3%. Revenue, which comprises own bought sales and the commission received on concession sales, increased by 4.0%.

Retail sales were seriously affected over the Christmas period by snow, as stated in the annual report published in January 2011. In addition, during the spring we made the decision to focus on margins rather than volume, and in April did not repeat the aggressive “25% off” mega days of April 2010. In consequence April saw a 3% improvement in own bought margins, and we are continuing with this trading strategy. Like-for-like gross margins for the half year were thus slightly better than last year, at 54.0% *(2010: 53.8%)*.

These results include the sales of the Hexham and Rochdale stores acquired in the second half of last year. Excluding these two stores, like-for-like Group revenue declined by 9.2% in the first half year.

Acquisition – Post Balance Sheet Event

Shareholders will be aware that on 22 May we completed the acquisition of 19 department stores from Anglia Regional Co-operative Society Limited. The integration of the new stores is progressing well with sales in the new business above budget for the initial four weeks.

Your Board regards the acquisition of the 19 ARCS stores as essential to the Group’s strategy to achieve greater critical mass, to enable Beales to prosper in the modern retail environment and accelerate the restoration of profitability.

The acquisition has increased our trading floor space by 80% from about 550,000 to 1 million square feet, and the number of stores we operate has increased from 13 to 32.

There is considerable scope to improve the performance of the new stores to the levels currently achieved by Beales. We shall also be able to improve purchasing arrangements, and achieve economies of scale.

The initial consideration of £7.5 million payable for the stores was entirely financed by ARCS, through a £2.5 million unsecured loan and the subscription for £8.5 million of redeemable preference shares. ARCS are also making a one-off contribution of £2.3 million to fund necessary capital expenditure, and are making certain ongoing financial contributions.

Interim Management Report
Continued

Dividends
No dividend is proposed *(2010: nil)*.

Net debt
At the period end net debt had increased to £7.87 million *(1 May 2010: £6.66 million)*. The increase since the same time last year is mainly attributable to the losses in the first half-year and to the costs, incurred in the second half of our last financial year, of acquiring and refurbishing the stores acquired last summer in Hexham and Rochdale.

On completion of the acquisition the Group's working capital facilities were considerably enhanced, with the net injection of funds of £5.8 million. Some of this additional resource will be spent on capital expenditure during the second half of the financial year, with the remainder providing increased working capital to the enlarged Group.

Related party transactions
No related party transactions took place during the period which had a material impact on the financial position or performance of the Group.

Outlook, including risks and uncertainties
There has been little change in the challenging economic environment for retailers since our last report to you, as a result of the Government's tight fiscal policy, falling real household incomes and the increase in VAT to 20% in January 2011.

The slow pace of economic recovery, and the pressure on household incomes, remains the principal risk and uncertainty facing the Group.

In this context we regard the ARCS acquisition as essential to enable your Group to improve trading performance. We are fully focused on the integration of the two groups: on achieving the improved sales, gross margins and administrative overhead savings which will enable us to restore full year profitability.

Mike Killingley
Chairman
24 June 2011

Tony Brown
Chief Executive
24 June 2011

Interim Management Report
Continued

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, included in the consolidation as a whole as required by DTR 4.2.4R;

(b) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(c) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board.

Mike Killingley
Chairman
24 June 2011

Ken Owst
Finance Director
24 June 2011

The Interim Management Report contains certain forward-looking statements about the future outlook for the Group. Although the Directors believe that these statements are based on reasonable assumptions, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Condensed Consolidated Income Statement

26 week period ended 30 April 2011 – Unaudited

	Notes	**26 weeks to 30 April 2011 £000**	*26 weeks to 1 May 2010 £000*	*Audited 52 weeks to 30 October 2010 £000*
Gross sales*	2	**47,599**	*46,065*	*87,247*
Revenue – continuing operations	2	**27,273**	*26,232*	*48,566*
Cost of sales		**(12,923)**	*(12,118)*	*(22,467)*
Gross profit		**14,350**	*14,114*	*26,099*
Administrative expenses		**(14,133)**	*(13,100)*	*(26,520)*
Exceptional administrative expenses	3	**(1,298)**	–	–
Operating (loss)/profit – continuing operations		**(1,081)**	*1,014*	*(421)*
Finance expense		**(134)**	*(105)*	*(248)*
Finance income		**1**	–	*1*
(Loss)/profit on ordinary activities before tax		**(1,214)**	*909*	*(668)*
Taxation	5	**–**	–	*85*
(Loss)/profit for the period from continuing operations attributable to equity members of the parent		**(1,214)**	*909*	*(583)*
Basic and diluted (loss)/earnings per share	6	**(5.91p)**	*4.43p*	*(2.84p)*

* Gross sales reflect revenue inclusive of concession sales and VAT, all from continuing operations.

Condensed Consolidated Balance Sheet

As at 30 April 2011 – Unaudited

	Notes	**30 April 2011 £000**	*1 May 2010 £000*	*Audited 30 October 2010 £000*
Non-current assets				
Goodwill	7	**892**	*892*	*892*
Property, plant and equipment		**23,933**	*23,795*	*24,096*
Financial assets		**16**	*16*	*16*
		24,841	*24,703*	*25,004*
Current assets				
Inventories		**8,838**	*7,728*	*9,495*
Trade and other receivables		**4,822**	*4,182*	*4,402*
Cash and cash equivalents		**113**	*241*	*466*
		13,773	*12,151*	*14,363*
Total assets		**38,614**	*36,854*	*39,367*
Current liabilities				
Trade and other payables		**(8,828)**	*(6,529)*	*(8,399)*
Provisions		**(124)**	*(92)*	*(124)*
Tax liabilities		**(35)**	*(35)*	*(35)*
Bank loans & overdrafts		**(183)**	*(6,900)*	*–*
		(9,170)	*(13,556)*	*(8,558)*
Net current assets/(liabilities)		**4,603**	*(1,405)*	*5,805*
Non-current liabilities				
Bank loan		**(7,800)**	*–*	*(8,600)*
Retirement benefit obligations	9	**(2,482)**	*(4,533)*	*(2,482)*
Lease incentives		**(2,166)**	*(179)*	*(1,517)*
Deferred tax liabilities		**(2,639)**	*(2,893)*	*(2,639)*
Obligations under finance leases		**(979)**	*(979)*	*(979)*
		(16,066)	*(8,584)*	*(16,217)*
Total liabilities		**(25,236)**	*(22,140)*	*(24,775)*
Net assets		**13,378**	*14,714*	*14,592*
Equity				
Share capital		**1,026**	*1,026*	*1,026*
Share premium account		**440**	*440*	*440*
Revaluation reserve		**8,177**	*8,151*	*8,226*
Capital redemption reserve		**242**	*242*	*242*
ESOP reserve		**(23)**	*(28)*	*(27)*
Retained earnings		**3,516**	*4,883*	*4,685*
Total equity		**13,378**	*14,714*	*14,592*

Condensed Consolidated Statement of Comprehensive Income

26 week period ended 30 April 2011 – Unaudited

	26 weeks to 30 April 2011 £000	26 weeks to 1 May 2010 £000	Audited 52 weeks to 30 October 2010 £000
Actuarial gain on pension scheme	–	–	1,201
Tax on items taken directly to equity	–	–	169
Net income recognised directly in equity	–	–	1,370
(Loss)/profit for the period	(1,214)	909	(583)
Total comprehensive income for the period	(1,214)	909	787

Condensed Consolidated Statement of Changes in Equity

26 week period ended 30 April 2011 – Unaudited

	26 weeks to 30 April 2011 £000	26 weeks to 1 May 2010 £000	Audited 52 weeks to 30 October 2010 £000
Opening equity	14,592	13,805	13,805
Total recognised income and expense	(1,214)	909	787
Total movements in equity for the period	(1,214)	909	787
Closing equity	13,378	14,714	14,592

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	ESOP reserve £000	Retained earnings £000
At 1 November 2009	1,026	440	242	8,209	(27)	3,915
Profit for the period	–	–	–	–	–	909
Gain	–	–	–	–	(1)	1
Transfer	–	–	–	(58)	–	58
1 May 2010	1,026	440	242	8,151	(28)	4,883
Loss for period	–	–	–	–	–	(1,492)
Tax Comprehensive income	–	–	–	113	–	56
Loss	–	–	–	–	1	(1)
Transfer	–	–	–	(38)	–	38
Net actuarial gain	–	–	–	–	–	1,201
30 October 2010	1,026	440	242	8,226	(27)	4,685
Loss for period	–	–	–	–	–	(1,214)
Loss	–	–	–	–	4	(4)
Transfer	–	–	–	(49)	–	49
30 April 2011	**1,026**	**440**	**242**	**8,177**	**(23)**	**3,516**

Condensed Consolidated Cash Flow Statement

26 week period ended 30 April 2011 – Unaudited

	Note	26 weeks to 30 April 2011 £000	26 weeks to 1 May 2010 £000	Audited 52 weeks to 30 October 2010 £000
Cash flows from operating activities before interest and tax	8	**1,094**	*391*	*591*
Interest paid		**(143)**	*(104)*	*(267)*
Interest received		**1**	–	*1*
Net cash generated from operating activities		**952**	*287*	*325*
Cash flows from investing activities				
Purchase of property, plant and equipment		**(688)**	*(517)*	*(1,627)*
Purchase of new business		**–**	–	*(403)*
Net cash used in investing activities		**(688)**	*(517)*	*(2,030)*
Cash flows from financing activities				
New bank loans raised		**–**	–	*8,600*
Repayment of bank loans		**(800)**	*(200)*	*(7,100)*
Net cash (used in)/generated from financing activities		**(800)**	*(200)*	*1,500*
Net decrease in cash and cash equivalents in the period		**(536)**	*(430)*	*(205)*
Cash and cash equivalents at beginning of period		**466**	*671*	*671*
Cash and cash equivalents at end of period		**(70)**	*241*	*466*

Condensed Analysis of Consolidated Net Debt

Period ended 30 April 2011 – Unaudited

	26 weeks to 30 April 2011 £000	26 weeks to 1 May 2010 £000	Audited 52 weeks to 30 October 2010 £000
Cash at bank	**113**	*241*	*466*
Bank overdrafts	**(183)**	–	–
Cash and cash equivalents (including overdrafts)	**(70)**	*241*	*466*
Borrowings:			
Due within one year	**–**	*(6,900)*	–
Due after one year	**(7,800)**	–	*(8,600)*
Total borrowings	**(7,800)**	*(6,900)*	*(8,600)*
Net debt	**(7,870)**	*(6,659)*	*(8,134)*

Notes to the Condensed Consolidated Financial Statements

1 Accounting Policies

Basis of preparation

The Interim Financial Statements for the 26 weeks ended 30 April 2011 have been prepared on the basis of the accounting policies set out in the Group's financial statements for the 52 weeks ended 30 October 2010. There are two exceptions to this. Firstly the treatment of lease incentives as non-current liabilities rather than as current liabilities. Secondly the disclosure of the sales refund provision as a separate provision rather than within trade and other payables. In both cases the comparatives have been restated to properly reflect these changes.

Going Concern

The Group and Company have met their day-to-day working capital requirements through the use of one principal bank loan of £9 million which is repayable on 31 October 2012 and an overdraft facility of £112,000 which is repayable on demand.

The bank facilities are secured on the freehold properties of the Group. These properties, excluding the Bolton warehouse, were independently revalued to £12.9 million as at 1 November 2008.

The 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 period ended 3 November 2012, and the loan to value covenant which will be tested on 29 October 2011, 28 April 2012 and 3 November 2012. The directors have prepared forecast information for the 2011/12 year and a three year corporate plan. Forward covenant tests after applying appropriate financial sensitivities and mitigating actions show that none of the covenants are likely to be breached for the foreseeable future.

A breach of one or more of the covenants could result in the Group's debt becoming immediately repayable. Some covenant breaches simply allow the bank to appoint reporting accountants should they feel it is necessary. Should a covenant breach become likely, there are a number of mitigating actions that the Group could take to avoid being in breach; these include seeking cost reductions and stimulating trade by promotions. The Group agreed with HSBC to amend the covenants on 1 April 2011 to assist with the post balance sheet event referred to in note 10.

The Group is subject to a number of risks and uncertainties which arise as a result of the current economic environment. In determining that the Group is a going concern, these risks, the most significant of which is the impact on consumer behaviour and thus impact on the level of the Group's sales, have been considered by the Directors. The Directors have reviewed the Group's future cash forecasts and revenue projections, which they believe are based on prudent market data and past experience and have formed a judgement that at the time of approving these interim statements, based on those forecasts and projections, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis is adopted in preparing these interim statements.

2 Revenue

All the Group's revenue is derived from retail sales made in the UK. Revenue excludes VAT and the non-commission element of sales made by concession outlets.

	26 weeks to 30 April 2011 £000	*26 weeks to 1 May 2010 £000*	*52 weeks to 30 October 2010 £000*
Gross sales	**47,599**	*46,065*	*87,247*
VAT	**(7,389)**	*(6,436)*	*(12,551)*
Gross sales (excluding VAT)	**40,210**	*39,629*	*74,696*
Agency sales less commission	**(12,937)**	*(13,397)*	*(26,130)*
Revenue	**27,273**	*26,232*	*48,566*

Seasonality of sales

The Group sales are more heavily weighted towards the first half of the calendar year, with 54.9% *(2010: 54.9%)* of gross annual sales of the previous year being made in the first half on a like-for-like basis.

3. Exceptional administrative expenses

The Group incurred exceptional administrative expenses of £1,298,000 in relation to the acquisition of 19 department stores on 22 May 2011 from ARCS; please see note 10 for further details of the acquisition. The exceptional acquisition fees largely relate to professional fees.

4 Segment information

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

5 Corporation tax

No tax credit arises on the result for the period due to the level of surplus losses within the Group for which no deferred tax asset has previously been recognised. Interim period taxation is accrued based on an estimated effective tax rate of nil *(6 months ended 1 May 2010: nil)*. The total tax credit for the 52 weeks ended 30 October 2010 was calculated at 12.7%.

Notes to the Condensed Consolidated Financial Statements

6 Earnings per share from continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

	26 weeks to 30 April 2011 £000	*26 weeks to 1 May 2010 £000*	*52 weeks to 30 October 2010 £000*
Earnings			
(Loss)/earnings for the purposes of basic and diluted earnings per share	**(1,214)**	*909*	*(583)*
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share and for the purposes of diluted earnings per share	**20,524,797**	*20,524,797*	*20,524,797*

The denominators used are the same as the above for both basic and diluted earnings per share.
No dividend was paid *(2010: nil per share)*.

7 Goodwill

As at 30 April 2011 the directors carried out an impairment review. The Board concluded the goodwill had not suffered any impairment. A review at the half year is undertaken to ensure there are no indicators of impairment.

8 Reconciliation of operating (loss)/profit to cash generated from operating activities

	26 weeks to 30 April 2011 £000	*26 weeks to 1 May 2010 £000*	*52 weeks to 30 October 2010 £000*
Operating (loss)/profit	**(1,081)**	*1,014*	*(421)*
Adjustments for:			
Cash disbursements of pension obligations (net of charge included within the income statement)	**–**	*–*	*(849)*
Depreciation	**851**	*923*	*1,878*
Decrease/(increase) in inventories	**657**	*506*	*(968)*
Provisions	**–**	*–*	*36*
Increase lease incentives	**649**	*44*	*1,383*
(Increase)/decrease in trade and other receivables	**(420)**	*84*	*(136)*
Increase/(decrease) in trade and other payables	**438**	*(2,180)*	*(332)*
Cash generated from operations	**1,094**	*391*	*591*

9. Retirement benefit obligations

The defined benefit obligation at 30 April 2011 has not been restated from the figures recorded at 30 October 2010 as, in the directors' opinion, there have not been any significant fluctuations in the key assumptions: discount rates, inflation and asset values.

10. Post balance sheet event

On 22 May 2011, J E Beale plc the principal trading subsidiary of the Beale PLC, completed the acquisition of the trade and assets of 19 of the 23 department stores previously owned and operated by Anglia Regional Co-operative Society Limited (ARCS), a UK regional department store operator and co-operative society, for a total initial consideration of £7.5 million payable wholly in cash. The £7.5 million was broken down as £7 million for stock, £300,000 for a stock prepayment and £200,000 for cash floats.

The consideration payable in respect of the acquisition was financed entirely by ARCS through the provision by it to J E Beale plc of a £2.5 million unsecured five year term loan and ARCS's subscription for £8.5 million of unlisted redeemable preference shares at par. J E Beale plc also received an inducement of £2.3 million which will, subject to certain conditions, be credited to the income statement in the year ending 29 October 2011. This will be offset by professional costs incurred as a result of the acquisition. Financing received from ARCS that has not been used as consideration in the acquisition will provide increased working capital to the enlarged Group.

11. Basis of financial information

The condensed set of financial statements included in this interim financial report, approved by the Board of directors on 24 June 2011, does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. This Interim Report and Accounts will be sent to shareholders. Further copies may be obtained from the Company Secretary, Beale PLC, The Granville Chambers, 21 Richmond Hill, Bournemouth BH2 6BJ or directly from the Company website www.beales.co.uk.

The information included in this Interim Financial Statement for the 52 weeks ended 30 October 2010 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the 52 weeks ended 30 October 2010, which were prepared under International Financial Reporting Standards, have been delivered to the Registrar of Companies. The Auditors' report on these accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement made under Section 498(2) or (3) of the Companies Act 2006.

The financial year ending 29 October 2011 is a 52 week year.

Independent Review Report to Beale PLC

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the 26 weeks ended 30 April 2011 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdoms' Financial Services Authority.

As disclosed in note 11, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 26 weeks ended 30 April 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

24 June 2011

Beales Stores

Silver Street, Bedford, MK40 1PE
tel: 01234 353292

Old Christchurch Road, Bournemouth, BH1 1LJ
tel: 01202 552022

The Forum, Horsham, RH12 1PQ
tel: 01403 225220

Finkle Street, Kendal, LA9 4AL
tel: 01539 720404

Dolphin Centre, Poole, BH15 1SQ
tel: 01202 675721

Angel Centre, Angel Lane, Tonbridge, TN9 1SF
tel: 01732 771177

The Brooks, Winchester, SO23 8TL
tel: 01962 844749

South Street, Worthing, BN11 3AN
tel: 01903 231801

Other Stores trading names

Whitakers
Deansgate, Bolton, BL1 1HE
tel: 01204 521111

Robbs
Fore Street, Hexham NE46 1NA
tel: 01434 602151

Whitakers
Lord Square, Rochdale, OL16 1ED
tel: 01706 646071

Broadbents & Boothroyds
Lord Street, Southport, PR8 1NY
tel: 01704 535177

Denners
High Street, Yeovil, BA20 1RU
tel: 01935 444444

BEALE
PLC

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

www.beales.co.uk